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Senao International Co., Ltd.
2022 Annual Report

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Contents

	<u>Page</u>
I. Message to Shareholders	1
II. Company Description.....	14
1. Date of establishment.....	14
2. Company history	14
III. Corporate Governance Report.....	20
1. Organization	20
2. Background information of Directors, President, Vice- Presidents, Assistant Vice-Presidents and heads of departments and branch offices	24
3. Information on the operations of corporate governance	45
4. Disclosure of auditors' remuneration	126
5. Change of auditor:.....	126
6. The Company's Chairman, President or any managers involved in financial or accounting affairs being employed by the audit firm or any of its affiliated company within the last year: none.	128
7. Transfer or pledge of shares owned by directors, managers, shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.	128
8. Disclosure of relationships among the company's top ten shareholders including any related party, spouses and second degree relatives or closer:	131
9. Shares jointly held by the Company, the Company's directors, managers, and directly/indirectly controlled entities on any single investee. Calculate shareholding percentage in aggregate of the above parties.....	134
IV. Funding.....	135
1. Capital and shares	135
2. Issuance of corporate bonds: none	143
3. Issuance of preferred shares: none	143
4. Issuance of global depository receipts	143
5. Issuance of employee stock options.....	143
6. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies.....	143
7. Capital plans and execution	143
V. Business Overview	144
1. Business description.....	144
2. Market and business overview	155
3. Employees information for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report	162
4. Disbursements for environmental protection	162
5. Labor relations	164
6. Information and communication security management.....	171
7. Major contracts	176
VI. Financial Overview	177
1. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years	177

2.	Financial analyses for the past 5 fiscal years.....	181
3.	Audit Committee' review report for the most recent year's financial statement	1844
4.	Financial statement for the most recent fiscal year, including an auditor's report prepared by a certified public accountant and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity, cash flow chart and any related footnotes or attached appendices.....	1855
5.	Audited individual financial statement for the most recent fiscal year.....	185185
6.	Any financial distress experienced by the company or its affiliated enterprises and impacts on the company's financial position in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.	185185
VII.	Review and analysis of financial position and business performance and risk assessment	186
1.	Financial position.....	186
2.	Financial performance.....	186
3.	Cash Flow	188
4.	Impact on financial operations of any major capital expenditures during the most recent fiscal year.....	189
5.	Reinvestment policy for the most recent fiscal year, main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability and investment plans for the coming year	189
6.	Risk assessment for the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report	190
7.	Other important matters	192
VIII.	Special remarks	193
1.	Information related to the Company's affiliates.....	193
2.	Private placement of securities for the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report	204
3.	Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report	204
4.	Other matters that require additional description.....	204
5.	Occurrence of situations listed in paragraph 3, subparagraph 2 of Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report	204
IX.	Appendix	221
1.	Contact information for the Company's operating offices.....	221
2.	Audited consolidated financial statement for the most recent fiscal year.....	222
3.	Audited individual financial statement for the most recent fiscal year.....	290

I. Message to Shareholders

I. Message to Shareholders

Dear Shareholders:

In 2022, Senao International Co., Ltd. reported consolidated operating revenue of NT\$31.158 billion, net income of NT\$657 million, net profit attributable to owners of the parent of NT\$658 million and earnings per share of NT\$2.55. In comparison to 2021, the operating revenue increased by 0.39% and the net income grew by 10.21%.

While vaccine is popularized and the reopening policy has been implemented, the era of living with COVID-19 is coming, despite the fact that the number of confirmed cases has reached a new high in recent years. More people start to care about health and healthcare because of the pandemic these years. Small health wearables are particularly popular. Health conditions can be recorded by wearables to extend health monitoring from personal to family needs. Throughout 5G development, wearables will be closely linked to the medical ecosystem in future. Besides the existing data recording function, there's a chance to perform monitoring, reminding and effective prevention in time. In addition, to offer a solution for personal and family health to the public, Senao has become the distributor of "Sakuyo," a Japanese health supplements brand, which focuses on family health. Sakuyo launched a series of products based on age group and health supplements need. Besides selling these products in Sakuyo's channel, they are sold on other e-commerce platforms and retail channels.

Since the 5G era, all manufacturers have been committed to the development of smart home appliances such as AIoT, Smart Home and Smart Office. More equipment can be connected now but they are not compatible with each other. Users must download different apps based on the brand and device. To resolve this problem, the cross-platform standard Matter was launched at the end of 2022. In future, products with Matter logo, even from different brands, can be controlled together. We take one step further to the true smart home IoT.

The parent company works with Senao to provide complete, diverse communication and information products and home appliances to users of Chunghwa Telecom through telecommunication mobile phone number subscription service and fixed network business. They continue to provide services at up to 244 retail stores in 17 counties and cities and offshore islands in Taiwan, and strengthen operation of commercial district in the community.

I. Message to Shareholders

Besides continuing to work on the core business, Senao regularly prepares the sustainability report every year to show the public Senao's commitment and action to corporate social responsibility and sustainable environment and Senao continues to head toward the ESG standard. For a return to society, Senao will ceaselessly promote all kinds of social welfare events through the Senao Technical and Cultural Education Foundation. First, numerous "Love Learning" courses have been held. "Love Learning" is a free learning seminar for all ages, including smart living, technology application, healthy life and kids story house. In addition to new knowledge of professional technology and application teaching, more correct concepts of life and healthcare are provided to the public. Second, to care about local area and work on environmental sustainability, Senao technical and cultural education foundation has been holding Hometown Exploration since 2002. Through the Hometown exploration documentary film contest, everyone can record the wonder of the land in Taiwan, conservation of humanity and affection and meaning of traditional cultural inheritance in the simplest way and everyone who lives on this land can learn about the beauty of their hometown.

In 2023, COVID-19 pandemic gradually slows down and life returns to normal bit by bit. Senao International will continue to operate our core business steadily, strengthen operation of commercial district in the community, interact with members of Senao International and develop cross-industry alliance. The management team will continue to uphold the ethical operation, build an omnichannel brand and fulfill the corporate social responsibility.

Finally, we wish all shareholders
good health and success

Chairman: Jung-Tzu Lin

President Pao-Yung Lin

I. Message to Shareholders

1. 2022 Operating Result

(1) Operating Result and financial expenditure:

Annual consolidated operating income reached NT\$31.158 billion; profit before tax was NT\$793 million; net income was NT\$657 million; net income attributable to owners of parent was NT\$658 million; earnings per share was NT\$2.55.

(2) Budget execution: the financial forecast for 2022 was not disclosed, hence it is unknown that whether or not the budget has been achieved.

(3) Profitability Analysis:

Profitability Analysis

Item \ Year	Year 2022	Year 2021
Return on Assets (%)	6.16	5.66
Return on Equity (%)	10.54	9.87
Net Profit Margin (%)	2.10	1.92
Earnings per Share (NT\$)	2.55	2.31

Note: Amounts in the table are data from the consolidated financial statements of the Company and its subsidiaries.

(4) Research and Development:

The weak market demand affects the depletion of mobile phone inventory with the upstream suppliers affected as well due to the sluggish global economic growth, inflation, unstable supply chains and rapid interest rate increase of the US dollar in 2022. The two smartphone groups: Apple and Android have weak shipment momentum, and the depletion of phone inventory is expected to reach the normal turnover range by the second half of 2023. Regarding the “smartphone” global sales data for the year of 2022, the top five global brands are Samsung (21.6%), Apple (18.8%), Xiaomi (12.7%), OPPO (8.6%), and vivo (8.2%), which all experienced a decline in sales comparing to the previous period. Inflation has affected the willingness of consumers in consumption since mobile phones are not a necessity to consumers; also, the mobile phone replacement cycle is as high as 40 months currently, the market prospect is pessimistic with a mere 2.3% growth expected, a total of 1.2 billion units, in the year of 2023.

➤ Development Trend of Smartphones:

In terms of hardware specification, there are several main items described below:

(1) CPU: 5G has become a basic function of flagship phone. In 2022 the processors of flagship phone are primarily Snapdragon 8 Gen 1 and

I. Message to Shareholders

Snapdragon 8 Plus Gen 1 from Qualcomm and Dimensity 9000 + from MediaTek. Snapdragon 8 Gen 2 from Qualcomm is the new flagship CPU released in 2022. Samsung Galaxy S23 becomes the first phone with this CPU, built with TSMC's 4nm process. It is more power saving than the previous generation and has better computing performance. Penetration of 5G phone in 2023 may reach 60%.

- (2) Monitor: In the past few years, all brands aim for smaller frame of the phone screen and bigger screen-to-body ratio. They have pushed this trend to the limits. To use limited monitor space more effectively, a foldable monitor with high technical threshold has been developed. Samsung, the leader of Android phones, continues to roll out Galaxy Z, the foldable flagship phone, in 2022 to claim that it determines to lead the phone industry into the era of foldable phone. After Samsung's foldable phone gets ahead, all major manufacturers are motivated to invest into development of foldable monitor technology more actively. OPPO from China launched N2 Flip, a new smart foldable phone, in 2023. The market penetration of foldable phone may reach 1.8%.
- (3) Display: In recent years, consumers start to pursue for smooth screen scrolling, implying that 120Hz refresh rate has become a standard for all flagship phones. Some gaming phones specialized in gaming level have reached 165Hz refresh rate and they are equipped with Samsung AMOLED screen. They allow no latency and smoother visual display for HDR videos or 3D games, providing more superior video experience for users.
- (4) Battery: The function of the phone becomes more powerful while the system has been upgraded to 5G. People nowadays are more attached to their phones. The battery capacity must be increased. 5000mAh battery has become more common since 2022. Currently all models are between 4000 and 5000mAh. In addition to battery capacity, fast charging technology is also one of the functions requested in the year of 2022. Xiaomi's wired fast charge reached 120W and wireless fast charge reached 50W. Flagship models have wireless charging and reverse charging functions in addition to fast charging, which help make the overall upgrade more appreciated by consumers. The issue of heating under high power consumption will gradually become the challenge of continuous development as time goes by.
- (5) Camera: Throughout technology advancement, studies by TrendForce pointed out that the shipment of smartphone camera module will reach 5.22 billion modules, increased by 5% per year. In 2022, most

I. Message to Shareholders

smartphones are three-camera ones. As for the camera element, it is the first time that some Xiaomi 12T Pro have 200 million pixels. Samsung Galaxy S23 also has three cameras and 200 million pixels. The camera function has been fully upgraded. Ultra Bright Night shows clear, sharp moving and still images. The selfie camera is enhanced from 30fps to 60fps.

- (6) RAM and ROM: While the network speed becomes faster, the demand for phone memory increases as well. Nowadays most of the 5G phones have 8GB RAM. The flagship phone even has 12GB and 16GB RAM, to meet more complicated needs. Network traffic and data spike in the 5G era. However 8GB RAM might still be enough nowadays. However, daemon usage increases, resolution of phone screen increases, some large games or applications require a certain RAM size. Phone RAM is bound to increase. For size, 256G becomes normal. Most of mid-range Android phones support 256G. Flagship phones are mostly 512GB. The flagship phone released in 2023, Samsung Galaxy S23 Ultra, is the first Android phone with 1TB ROM.

➤ Wearable development trend:

The sales of smart wearable accessories continued to grow in 2022 with the technology gradually becoming matured and stabilized. These will be explained in categories below:

- (1) Truewireless bluetooth earphones: Lots of people work from home due to epidemic these years. The demand for Truewireless bluetooth earphones increases and the shipment soars. Sales volume of the truewireless bluetooth earphone still grows steadily despite that the world has entered the post-pandemic era in an attempt to co-exist with the virus. Technological innovation and advancement further optimizes product performance. Comparing to the previous generation, Bluetooth connection, ANC, sound quality and battery life of Apple AirPods Pro2 and Samsung Galaxy Buds2 Pro have been enhanced. The revenue of truewireless bluetooth earphone is high. Furthermore, all brands gradually develop diverse possibilities and applications to satisfy the needs of more consumers. For instance, SONY WF-L900 has open circular design of transparency effect. It even provides real-time translation, good sleep mode and voice assistant. We anticipate that there will be a new, more eye-catching design.
- (2) Smartwatches and smart bracelets: Taiwan has gradually transitioned to a post-pandemic era in an attempt to co-exist with the virus after experiencing the raging COVID-19 pandemic in the last two years.

I. Message to Shareholders

The wearable device market has grown rapidly because of the pandemic in the last two years, with the technology gradually becoming matured and stabilized. With innovative material, low cost and continuous improvement, both of battery life and monitoring data accuracy have been enhanced. The monitoring function becomes more complete, offering complete health data, and health evaluation and advice when necessary. The pandemic is about to end and consumers are starting to go outdoors, hence brands strengthen outdoor sports detection. The revenue of Apple Watch Ultra and Samsung Galaxy Watch5 Pro is great this year. Other functions such as car crash detection and sleep analysis bring more surprises to consumers.

- (3) AR and VR products: The 5G era is coming and 5G becomes common. 5G infrastructure becomes complete. Major technology brands in different countries begin to put massive resources into AR/VR product and application. Numerous relevant products emerge. Quick development of supply chain enhances product experience even more. Supporting manufacturers increase rapidly. Either for product, platform or application aspect, the supply chain becomes more mature, hence product experience is enhanced. Consumers are more willing to accept VR. Comparing to home edition of VIVE Focus Explore Edition in the previous generation, the sales volume of HTC VIVE Flow increases three times. Lightweight design is more convenient for use in smart life.
- (4) Charging products: Phone performance enhances rapidly these years. Massive computing leads to higher power consumption for the phone. Mobile phone makers introduce the quick charging technology actively to extend battery life. For example, major phone manufacturers such as Samsung, OPPO and vivo include wired Type-C fast charging as a standard. Their phones support new quick charging technologies such as USB PD to satisfy consumer needs. MEGA KING, a private brand of Senao, rolled out a high-powered travel charger to support quick charging for new APPLE iPhone and Samsung Galaxy Z and S and charging for the notebook, tablet and mobile phone. Wireless charging is popular in recent years. Energy is transferred to the power device via coil induction. It's popular because it's convenient. MEGA KING rolled out a series of wireless charger stands and the wireless mobile devices supporting MagSafe magnet function, highly popular among consumers.

➤ Development trend of smart appliances:

I. Message to Shareholders

In 2022 New York Times included smart phone into the four major technology trends. People care more about smart home appliance industry development because of IoT technology enhancement. Smart home appliance industry becomes a popular global industry. A report by a British research institute indicated that CAGR of global smart home market from 2020 to 2025 reached 24.1%. The scope of the market reaches NT\$ 5.3 trillion in 2025. A German market research agency stated that smart home field is almost unharmed during the pandemic and even catches more attention. It is because that more people want to use smart home appliances and hope that pandemic prevention and health function can be added to the smart home appliances.

Panasonic, a Japanese famous brand, recently promoted the IoT smart health home appliances to keep track of the condition of the home appliance via smart voice control and remote control, and controls the home appliance freely. People's lives become convenient and people can ensure health condition. For instance, there's one function of the smart washing machine that if the user cannot hang clothes to dry immediately, he can activate the "hanging clothes to dry later" function. The washing machine releases nanoe™ for deodorization and flips the washed clothes regularly to prevent odor due to clothes being covered in the washing machine.

Before launch of CES in 2023, Samsung released the new refrigerator along with the new version of Family Hub. After Samsung TV Plus integrated with Google Photos, the platform is also used as the digital picture frame for sharing and displaying photos. Thanks to the large screen and the new PIP function of Samsung TV Plus. Users can watch dramas and monitor the condition of other kitchen appliances and closely keep track of the condition of the dish being cooked currently at the same time.

Smart home appliance is a factor for forming a smart family. Different smart home appliances must be able to connect with each other to form a complete smart family system. The electrical appliance brands and models supported by different smart family ecosystems vary. Therefore, the signal transmission methods between smart home appliances are different. These appliances cannot be connected. Amazon, Google and Zigbee have created a smart home device interconnection plan together. CHIP was renamed to Matter in 2021. They aim to create an environment that all smart family platforms are compatible and connected with each other. They also want to provide a safer smart home

I. Message to Shareholders

system, diverse products and higher compatibility. Over 350 suppliers have joined the plan and it is expected that more smart family products supporting Matter will be rolled out in 2023. In CES 2022, Samsung announced that it formed Home Connectivity Alliance with Arçelik A.Ş., Electrolux Group, Haier, GE Appliances and Trane Technologies to strengthen connection compatibility among smart home appliances from different brands.

➤ Development trend of dietary supplements:

The year of 2022 is the third year that people live in pandemic times. People's lives gradually returned to peace but care more about health and body care now than before. Nielsen survey pointed out that 80% of the respondents still cared about food health after the pandemic. A market search by Go Survey indicated that over 90% of the consumers purchase health supplements. The top four health supplements consumers purchased were probiotics, Vitamin B, lutein and vitamin C. Consumption for all of them exceeds 40%. It is generally believed that probiotics and vitamins can boost immunity. Nutritionists indicate that the intestine is the largest immunity organ. Healthy intestines can block bacteria and virus. If the intestine is damaged and causes inflammation, immunity will be reduced. Therefore, the number of probiotics in the intestine is a key to immunity. Consumers have learned more about products and more probiotics products continue to emerge. People only talked about single bacterial strain and bacterial count. Probiotics products are gradually categorized by function.

Nowadays Senao has become the distributor of "Sakuyo," a Japanese health supplements brand, which focuses on family health. Sakuyo developed three types of probiotics based on the group, bifidobacterium + gynolactose probiotics for adult healthcare, weight control B3 probiotics for women and allergy probiotics for kids. Different functional bacterial strains provide diverse options for consumers. There are several trends responding to post-pandemic era and era of informatization:

- (1) Eye care: throughout network technology development, electronic products have been integrated into daily life and become essential, but they damage eyes more easily. Everyone including children, students, office workers and elders might face short sightedness, eye fatigue and dry eye syndrome. Eyesight failure has become a disease of civilization and eye care is now a public, important, mainstream issue.
- (2) Sleep care: people sleep about one-third of the day. A survey by the Taiwan Society of Sleep Medicine indicates that one out of five

I. Message to Shareholders

people in Taiwan have sleeping disorder and the age of the people with sleeping disorder has become younger. Insomnia might affect memory, concentration, obesity and the chance of getting chronic diseases. To improve this problem, sleep aid devices and sleep aid supplements have been rolled out.

- (3) Women's healthcare: CAGR of women's food supplements from 2011 to 2020 is over 9%, second only to immunity products. Since 2021, the trend has changed and women have raised awareness on health and nutrition, women's need for supplements has increased. Statistics shows that 70% of the market is dominated by women, spending about twice more than men, expecting an increase of sales in market share. Nutricosmetics and weight management supplements in the market have been rolled out continuously.

- (4) Elderly healthcare: An aging society is one of the most severe challenges for Taiwanese society. In 2020, it was the first time death cross appears for the Taiwan population. In 2021, about 3.8 million people were over 65 years old. It is estimated that 4.33 million people will be over 65 years old in 2023. Potential market size of senior-friendly food is about NT\$ 46.9 billion. Latest statistics from the National Development Council estimated that Taiwan will become a super-aged society in 2025. One out of five people will be over 65 years old. Ten years later, 2.7 young adults will support one senior. The burden on young adults will be heavier gradually, hence cardiovascular and joint care are healthcare areas worth attention.

The health awareness of the public is growing along with the post-pandemic era and the increase of the aging population. Nearly 55% of the population will buy more nutritional and health products to protect their health and their families. Senao has become the distributor of "Sakuyo," a Japanese health supplements brand, since the year of 2019. Senao with the intention of caring for family health has introduced a series of health supplements products for market launch, including seasonal gift boxes or related product combinations in response to seasonal current affairs and various festivals. In addition, Senao continues to introduce high-quality health supplements products from manufacturers through the sales channels of online/offline/O2O business models in order to reverse the stereotypical image of Senao to consumers. In addition to the impression of telecom 3C, Senao can also protect the health of the entire family with the ultimate goal of providing preventive healthcare, connecting information flow and offering health

I. Message to Shareholders

promotion and preventive healthcare services.

➤ Development trend of pet dietary supplements:

Statistics from the Council of Agriculture indicates that the number of registered cats and dogs every year increases continuously and has reached 229 thousand in 2021, even higher than the 150 thousand infants, a new high. Take an overview of the companion animal industry. It can be divided into three parts, pet food, pet supplies and pet service (medication). Pet food has the largest market scale, about NT\$ 20 billion.

In the past few years, people around the world raised awareness on pet health. Report of the MIC new-generation pet consumption and feeding survey of 2021 pointed out that over 50% of the owners bought pet supplements. Thus it is clear that pet food supplement has gradually become a trend. The top three sold dog care products for oral and dental care, fur care and bone and joint care. The top three sold cat care products for hairball remedy/relief, multivitamins and trace element supplements and oral and dental care.

2. 2023 Business Plan

(1) Business Policy

- (1) By analyzing Senao members' buying behavior using the digital service and providing tailor-made packages and promotion kits to reinforce customers loyalty and adhesiveness, Senao aims to achieve goals of member base expansion, precise marketing and customer experience optimization.
- (2) Enhance the scale of retail stores and develop new types of stores. Operate community marketing and localized operations simultaneously, provide different services for customers in different commercial districts and expand the reach to non-Chunghwa Telecom consumers in the commercial districts.
- (3) Expand the service scope of the distribution channel through the B2B distribution platform and sell more new products with revenues increased through the sales platform.
- (4) Expand the channels of Chunghwa Telecom secondhand mobile phone recycling service and sell the refurbished units on the shelves to realize the good cycle and ESG standards with the old phones replaced by new ones.

(2) Business Objectives:

- (1) Strive to secure the existing customers of Chunghwa Telecom, the parent company and let the retail stores become the indispensable neighbors and partners of the consumers in the commercial districts through the effort of the commercial district and the community and the diversified services and learning lectures provided.
- (2) Change the stereotypical image of the Senao brand to consumers through the transformation of the new retail stores, the combination with more consumer living scenarios and networked device applications. The stores provide various products and activities to expand different groups of customers with their needs fulfilled.
- (3) Combine with Senao Life Online Platform to effectively utilize the O2O shopping service process and the social media operation in order to let consumers enjoy a fast and convenient shopping experience at any time and any place.
- (4) Optimize and improve the Company's internal processes and operating systems, avoid unnecessary waste and maintain environmental resources in order to comply with ESG standards.

I. Message to Shareholders

(3) Production and Sales Policy

- (1) In terms of communication product agency: strive to become an distributor for competitive products of the well-known brands in the market and continue to look for secondary or other new brands with great potential, high cost-performance ratio, and novelty; also, bundle the agency products with Chunghwa Telecom's billing process for sales in the channels of Chunghwa Telecom .
- (2) In terms of home appliances: Continue to introduce seasonal and popular products of the well-known home appliance brands; also, introduce products that meet the “Matter” standard to fulfill consumers' demand for more internet smart products in the future and to respond to the post-pandemic era with health products introduced synchronously.
- (3) In terms of health supplements products: consumers have begun to appreciate the importance of physical healthcare more after the pandemic. They will continue to focus on the Japanese “Sakuyo” brand for health supplements products represented by Senao. Senao aims to develop more product lines for different ethnic groups (adults/children) and to meet the needs of individuals and families.
- (4) Centralize the product sales on consumers. In addition to the main brand products of communications, information, home appliances, and health supplements, Senao introduces daily necessities and beauty products for the choices and convenient consumption of consumers through Senao Life Online Platform.

I. Message to Shareholders

3. The Company's Future Development Strategy

The 6G services and Wi-Fi 7 will be officially released this year in response to the rapid development of information. In the era when everything can be quickly connected to the internet, consumers' demand for device applications connected to the internet will gradually increase. The physical stores will be arranged with a focus on providing the application and experience that connects personal needs to the family needs, and combined with the all-year-round outlets of Senao Life Online to provide "full-time, all-commodity, full-service, all-channel" comprehensive product sales and services.

The Company is actively cultivating community operation in commercial districts and continues to promote various public welfare activities, science and technology, healthcare knowledge lectures, and environmental protection through Senao technical and cultural education foundation. Senao while fulfilling corporate social responsibility will be able to comply with ESG standards. It is the high hope of Senao to become the first choice in the mind of consumers at the time of buying and consuming digital products.

4. Effect of External Competition, the Legal Environment and the Overall Business Environment

The 2023 economic growth forecast released in November 2022 by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) was 2.75%, a decline from the 3.06% of 2022, which was mainly due to the Russo-Ukrainian war, global inflation and interest rate increase. The macroeconomy will remain under its influence in the first half of 2023; however, it will get better in the second half of the year since many countries have gradually opened up their borders for tourism.

For the telecom industry in Taiwan, the National Communications Commission (NCC) has approved the two major mergers in January 2023. It is expected that the respective market share of the three major operators in Taiwan will be close and in balance after the said mergers, a true three-giant in the telecommunications industry; also, the strategy of price competition will be relatively rare in the future. The Company will continue to work closely with Chunghwa Telecom, the parent company, to promote Chunghwa Telecom's mobile phone business and home fixed-line business; also, it will continue to provide diversified product selection and marketing strategies with multiple fee plans offered.

II. Company Description

II. Company Description

1. Date of establishment

Date of establishment: May 18, 1979.

2. Company history

1979

- Senao Enterprise Development Company was incorporated in May with paid-in capital of NT\$5 million. The major business was retail and installation of telephones and telecommunication devices.

1994

- The Company was renamed as Senao International Co., Ltd. in August.

1995

- The Company invested NT\$80.5 million in All Oriented Services Int. Co., Ltd. in April.

1996

- The Company acquired the major assets and equipment of All Oriented Services Int. Co., Ltd. and Engenius Technologies Co., Ltd., Combined the manufacturing and sales functions of both company and introduced a lean management team in January.
- The Taichung factory was established and two SMT production lines were purchased.
- Taipei factory received the ISO 9002 certification from RWTUV Germany.
- Securities and Exchange Commission approved the public offering in July.

1997

- The cordless telephone SN-525 was granted the Good Design Award by the Taiwan External Trade Development Council in May.
- Taichung factory received the ISO 9002 certification from Bureau of Commodity Inspection & Quarantine in August.
- The Company signed the sales distributor agreement with Chunghwa Telecom for its type I telecommunication service in November.

1998

- The Company was ranked the top 302nd enterprise in Taiwan by the CommonWealth Magazine in 1997.
- Oracle ERP system was introduced in October.

II. Company Description

- The EnGenius SN-900 Ultra was awarded the “1999 Best of innovation” by the U.S. Consumer Electronics Association in November.

1999

- The U.S. subsidiary was established in order to enter the U.S. and Canadian markets.
- The company received the ISO 9001 certification by RWTUV.
- The Company was selected as the top 84th service enterprise of the year in Taiwan by the CommonWealth Magazine.
- The Company was selected as the top 154th manufacturing enterprise of the year in Taiwan by the Business Weekly.

2000

- The EnGenius SN-920 Ultra was granted the “2000 Workstyle” award in the Wireless Category by the U.S. Consumer Electronics Association in January.
- The new leading product development plan “Wireless PABX” was subsidized by the Industrial Development Bureau, MOEA.
- The Company was selected as the top 75th service enterprise in 1999 in Taiwan by the Business Weekly.
- The Company’s public listing application was approved by the Taiwan Stock Exchange review committee and Securities and Futures Commission, Ministry of Finance in December.

2001

- The Company was granted Certificate of Completion for Important Technology Based Enterprise in March.
- The Company’s shares were listed in May.
- The Company was selected as the top 54th service enterprise in 2000 in Taiwan by the Business Weekly.

2002

- The Company successfully received an order of 125,000 sets of Wireless LAN products from Korea Telecom in July.
- Industrial Ethernet Switches EN-208D and Longest Range Cordless Phone EN/SN-436 were granted the “Taiwan Excellence Award” and the wireless device was awarded the “Good Design Award” and the “Taiwan Excellence Award.”

2003

- 300MHz Cordless Telephone SN-458RU was recognized by the

II. Company Description

“Good Design Product” award.

- The Company signed the 2004 Strategic Alliance Agreement with Chunghwa Telecom Mobile Business Group in December.

2004

- In January, Senao International’s “Digital 4-line Wireless Phone System SR-436S, ” the first 2.4GHz high-frequency wireless phone system recognized by the Directorate General of Telecommunications in Taiwan, was chosen by the 2004 Taiwan Flower Expo.
- Oracle 11i ERP system was introduced to the Company in January.
- The Company was selected as the top 48th service enterprise in Taiwan by the Business Weekly.
- SI-7800H SIP Phone received the Wi-Fi certification in July.
- WTA-5002 Multimedia Video Adapter and SI-7800H Wireless SIP Phone received the “Good Design Award” in September

2005

- The Company was selected as the top 52th service enterprise in Taiwan by the Business Weekly.
- Huaya Factory was put into operation in the second quarter.

2006

- The Company was ranked 62nd among the top 500 service enterprises by the CommonWealth Magazine.
- The Company signed the “Chunghwa Telecom Agreement for Mobile Telephone Business Terminal Equipment Supply and Telephone Numbers Agency” in April.
- The Shareholders’ Meeting passed separation of the wireless communication unit in June.
- The wireless communication unit was separated and became the newly established Senao Networks, Inc. in October with paid-in capital of NT\$175 million.
- Chunghwa Telecom announced to buy 30% of Senao International’s shares through a public tender offer in December.
- The total number of Chunghwa Telecom Authorized Stores reached 82 stores nationwide.

2007

- Chunghwa Telecom completed the public tender offer and became the largest shareholder in January.
- Senao became the exclusive dealer for Chunghwa Telecom mobile

II. Company Description

phones in April.

- The total number of Chunghwa Telecom Authorized Stores reached 148 stores nationwide as at the end of December.

2008

- The Company renewed its corporate identity system in January.
- The total number of Chunghwa Telecom Authorized Stores reached 210 stores nationwide.
- The Company was recognized by the SGS QualiCert Certification.

2009

- 30th anniversary of the Company in January.
- The total number of Authorized Stores reached 215 stores nationwide in March.
- The Company was selected as the 10th among the “2009 Taiwan Top 100 Technology Companies” by Business Next Magazine in June.
- The Company launched the differentiated “Drop Off at One Location and Pick Up from Another” cellphone repair service in October to enhance customer satisfaction.
- The Authorized Stores worked with Microsoft to hang the round shaped signboard of Windows 7 and Windows phones at all stores and set up the experience area for Windows 7 and Windows phone at 10 most popular stores across northern, middle and southern Taiwan since November.
- The subsidiary, Senao International (SAMOA) Holding LTD., was established in Samoa, and through which, the subsidiary, Senao International HK Limited, was established in Hong Kong in December.

2010

- The Company held the charity event, “Charity Farm Carnival.”
- The total number of Authorized Stores reached 222 stores nationwide.

2011

- The Company held the charity event, “Charity Carnival- Formosa Taiwan”
- The subsidiaries were established in Fujian, Shanghai and Jiangsu, China in January for the entry of Chinese Market.
- The first WoSenao store in China was opened in Shanghai in May.
- The first Senao digital convergence store was officially opened in Taipei in August.

II. Company Description

- The annual consolidated operating revenue reached NT\$27.5 billion, exceeding NT\$20 billion for the first time.

2012

- The Company held the charity event, “Bravo Taiwan-Senao International Charity Carnival.”
- The annual consolidated operating revenue reached NT\$35 billion, hit the record high.
- The Company launched the differentiated “24/7 cellphone repair service” in October to enhance customer satisfaction.

2013

- The Company held the charity carnival event “Book Sweet - Play and Read.”
- The total number of Authorized Stores reached 274 stores nationwide.
- The associate, Senao Networks, Inc. was publicly listed on the over-the-counter GreTai Securities Market. (TWSE #3558).

2014

- The Company held the charity carnival event, “Good Agriculture Practice in Taiwan, Sustainable Growth.”
- The Company launched the Titanium Member Service.

2015

- The Company held the charity carnival event, “Good Luck with Senao - Young and New.”
- The Company received the “Personal Information Management (BSI10012)” certification from the British Standards Institution (BSI), and was the first in the retail industry to receive such a certificate.
- Investment in Appleuser Co., Ltd. was made in September.
- Aval Technologies Co., Ltd. was established in October.
- 4 Apple Authorized Service Centers were opened in Taipei, Taoyuan, Taichung and Kaohsiung in December.

2016

- The Company held the charity carnival event, “Great Senao, Great Luck in the Year of Monkey.”
- The Company collaborated with Chunghwa Telecom to launch the “Miracle Reappearance” cellphone/tablet protection service.

2017

- Senaonline was officially launched in January.

II. Company Description

- The Company held the charity carnival event, “Good Prosperity with Senao - Have Fun with Peaches.”
- Sen Yang Insurance Agency Co., Ltd. was established representing the official inclusion of property insurance business in November.

2018

- The Company issued its first “Corporate Social Responsibility Report” in November and received the SGS GRI Standard assurance statement.
- The Company introduced the greenhouse gases inventory management system and received the SGS ISO14064-1 verification.

2019

- The Company celebrated the 40th anniversary.
- The Company received the Bronze Award of the 2019 Taiwan Corporate Sustainability Awards (TCSA) for the First Category of Corporate Sustainability Report Section.
- Senaonline was officially renamed Senaonline in July.
- Senao founded the subsidiary Wiin Technologies Co., Ltd. was established in September.
- The subsidiary Senaolife Insurance Distributor Co., Ltd. was established in November representing the official inclusion of life insurance agency business.

2020

- The company was ranked top 6% to 20% among the listed companies for the 6th Corporate Governance Evaluation, the first time ever.

2021

- Promoted the capital-free startup platform of “much much”

2022

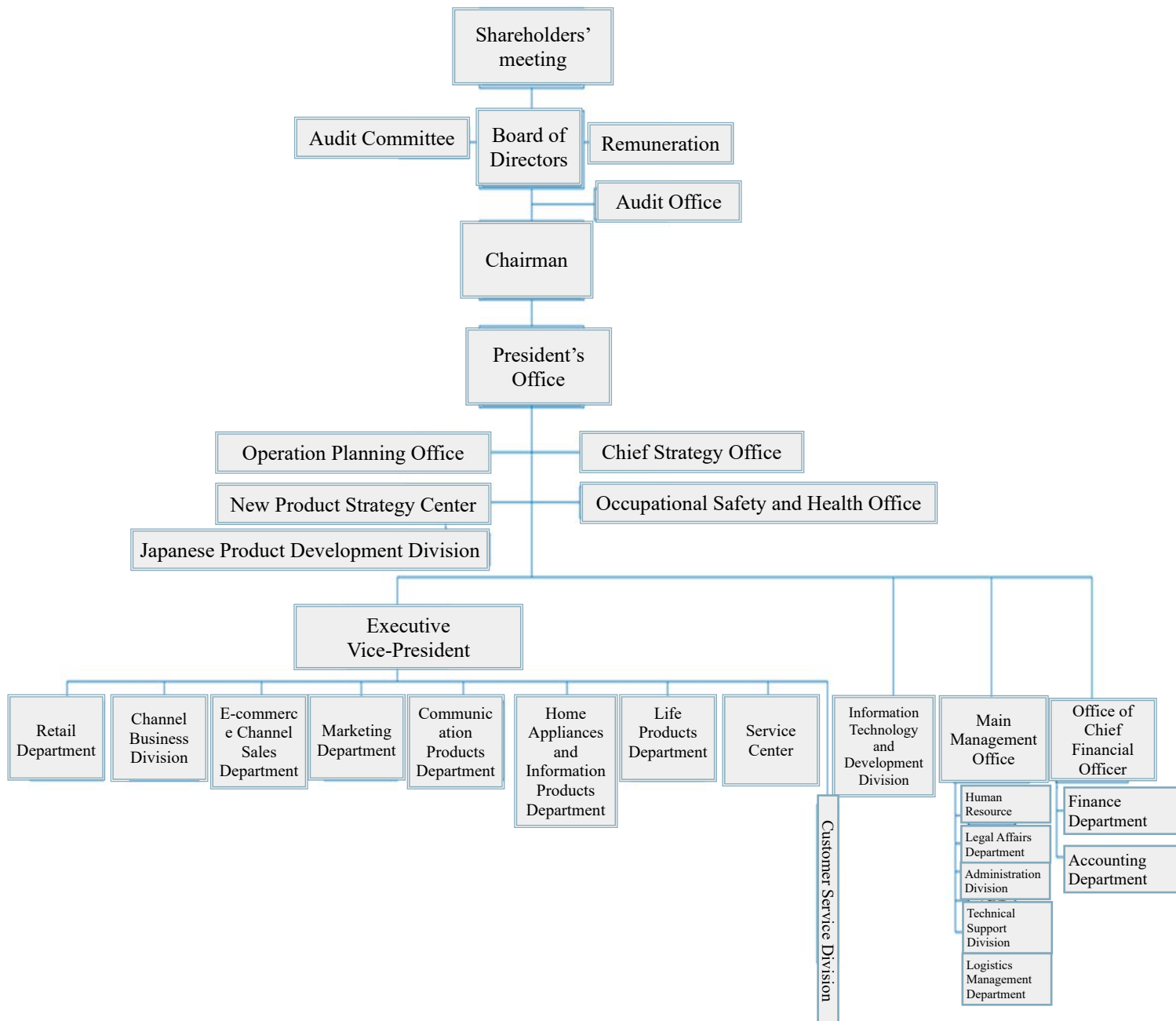
- Senao has officially expanded our business to the health field and become the distributor of “Sakuyo,” a Japanese health supplements brand, which focuses on family health. Sakuyo launched a series of products based on age group and healthcare need. Besides selling these products in Sakuyo’s channel, they are sold on other e-commerce platforms and retail channels.

III. Corporate Governance Report

III. Corporate Governance Report

1. Organization

(1) Organizational structure of the Company (As of December 31, 2022)



III. Corporate Governance Report

(2) Departments and responsibilities

Department	Functions and responsibilities
Chairman's office/ President's office	● Implements resolutions of the Board of Directors' meeting and oversees the Company's operations ● Responsible for the planning, execution, control and management of the Company's annual objectives and business strategies.
Audit Office	● Provide assistance to the Board of Directors and management department, responsible for the inspection and evaluation of the design and implementation of the internal control system, measurement of operational effectiveness and efficiency and providing timely suggestions for improvement, so as to ensure the Enadoline internal control system functions effectively and to assist the Board and management department in fulfilling their responsibilities
Operation Planning Office	● In assistance of organizational planning. ● Conducting feasibility test for new business opportunity; risk management and process improvement.
Occupational Safety and Health Office	● Responsible for the management of occupational safety and health
New Product Strategy Center	● Monitor and analyze new product trend ● Integrating and planning of new product strategy
Japanese Product Development Division	● Development, planning and tracking management of Japanese product
Office of Chief Financial Officer	● Responsible for planning and managing financial and accounting system and objectives
Financial Division	● Responsible for the planning and management of funding, investment and foreign exchange ● Responsible for various stock affairs and investor relationship maintenance ● Implement risk management, enhance corporate governance and promote ESG
Accounting Division	● Responsible for the planning and managing financial accounting, taxes and operational accounting
Human Resource Management Division	● Responsible for managing human resource and planning training and career development ● Coordinate employee relationship and plan welfare affairs
Legal Affairs Department	● Responsible for reviewing contracts, maintaining and managing patents and trademarks; investigating credit records and processing and managing legal matters. ● Ethical operations dedicated unit
General Service Department	● Responsible for maintaining work environment and making procurement of office equipment and supplies.
Construction Department	● Responsible for management and planning of retail store renovation projects and project quality control

III. Corporate Governance Report

Logistics Management Department	● Responsible for the planning and execution of processing, storage, logistics and delivery of products
Retail Department	● Responsible for setting operating policies, operations management, planning of business activities, execution of promotional events and performance management for all retail stores including direct stores/ retail counters at telecom offices/ Chunghwa Telecom authorized stores. ● Planning and executing marketing events and promotions; ● Establish and adjust operational policies for retail stores, and reviewing the execution quality ● Plan training of professional skills for the retail store personnel
Channel Business Division	● Responsible for promotions of dealership, system, cross industry collaboration, special projects, Chunghwa Telecom's mobile numbers and customers development ● Plan and execute annual marketing events and promotions ● Building distribution website, conducting business on the platform, planning strategies and developing business
E-commerce Channel Sales Department	● Responsible for the strategic planning, business development and operation management of e-commerce; ● Planning of digital marketing and business innovation development ● Responsible for the e-commerce cash flows and logistics, planning/management/reconciliation for delivery and returns by suppliers, and analysis and handling of customer problems ● Trading order of e-commerce platform/Management and operation of operating service support
Service Center	● Responsible for after-sales service and management of the service centers nationwide ● Provide after-sales service for all products and implement management of the Apple and Samsung authorized service centers
Information Technology and Development Division	● Responsible for the process planning and establishment of operating system ● Assessment of information security, system stability and risk.
Marketing Department	● Responsible for business and overall channel marketing activity planning and coordination ● Responsible for brand and advertising marketing event planning and coordination
Communication Products Department	● Responsible for communication/Tablet products development and introduction, procurement, marketing communications and sales promotion
Home Appliances and Information Products Department	● Responsible for introduction, procurement, sales and marketing of home appliances ● Responsible for introduction, procurement, sales and marketing of information products
Life Products Department	● Responsible for introduction, procurement, sales and marketing of accessory products. ● Responsible for introduction, procurement, sales and marketing of life and health supplements products ● Responsible for introduction, procurement, sales and marketing of alcohol products

III. Corporate Governance Report

Customer Service Division	●Responsible for handling customer complaints, communicating with all units and reporting problems
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2. Background information of Directors, President, Vice- Presidents, Assistant Vice-Presidents and heads of departments and branch offices

(1) Background of Directors (As of March 31, 2022)

Title	Nationality or Place of registration	Name	Gender Age	On-Board Date	Term of office	Date first Elected	Shareholdings when elected		Current Shareholdings		Spouse's and Minor's Shareholdings		Shareholdings through nominees		Major Education and Experience	Concurrent position held at the Company and Other Companies	Who are Spouses or a Second-degree Relative of Consanguinity to Each Other			Remark (Note 3)
							Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings			Title	Name	Relation	
Director	R.O.C.	Chunghwa Telecom Co., Ltd.		2022.06.15	2025.06.14	2007.01.15	71,773,155	27.79%	71,773,155	27.79%	0	0	0	0	—	—	—	—	—	—
Chairman (Note 1)	R.O.C.	Jung-Tzu Lin	Male 50-60 years old	2022.06.15	2025.06.14	2022.06.15	0	0	0	0	0	0	0	0	CTO and Executive Vice-President, Chunghwa Telecom Ph.D. in Computer Science, National Yang Ming Chiao Tung University	Director, CHT Security Co., Ltd.; Director, Chunghwa SEA Holdings	None	None	None	None
Director (Note 1)	R.O.C.	Tien-Tsai Su	Male 60-70 years old	2022.06.15	2025.06.14	2016.06.27	0	0	0	0	0	0	0	0	President, Personal and Family Group, Chunghwa Telecom Master in Electrical Engineering, National Cheng Kung University	President, Chunghwa Telecom Personal and Family Branch; Director, Honghua IC International Technology Co., Ltd.; Chairman, Spring House Entertainment Technology Inc.; Director, Senao Networks, Inc.	None	None	None	None
Director (Note 1)	R.O.C.	Chih-Cheng Chien	Male 60-70 years old	2022.06.15	2025.06.14	2021.01.01	0	0	0	0	0	0	0	0	President, Network Technology Group, Chunghwa Telecom Co., Ltd. Ph.D. in Electronic and Computer Engineering, National Taiwan University of Science and Technology	President, Network Technology Group, Chunghwa Telecom Co., Ltd.; President, Chunghwa Telecom Singapore Pte., Ltd.; Chairman, Chunghwa Telecom Singapore Pte., Ltd.; Director, Chunghwa Telecom (China) Co., Ltd.; Director, Tatung Technology Inc.; Director, Senao Networks, Inc.	None	None	None	None
Director (Note 1)	R.O.C.	Li-Hsiu Wu	Female 60-70 years old	2022.06.15	2025.06.14	2019.06.14	0	0	0	0	0	0	0	0	President, Enterprise Business Group, Chunghwa Telecom Co., Ltd. Master in Applied Mathematics, National Yang Ming Chiao Tung University	President, Enterprise Business Group, Chunghwa Telecom Co., Ltd.; Director, CHT Security Co., Ltd.; Director, Chief Telecom Inc.	None	None	None	None
Director (Note 1)	R.O.C.	Chien-Chih Chen	Male 50-60 years old	2022.06.15	2025.06.14	2018.03.26	0	0	0	0	0	0	0	0	Strayer University, Washington D.C., USA Master of Business Administration (MBA) Citibank Taiwan: Public Relations & Corporate Banking · Nike Taiwan Sports Marketing Nokia Taiwan Product Line Management · HTC Global Product Marketing Acer: Regional Product Marketing and Business Development	Assistant Vice President, Corporate Communication Division, Chunghwa Telecom Co., Ltd.	None	None	None	None
Director	R.O.C.	Cheng Kang Investment Co., Ltd.		2019.06.14	111.06. 13	2007.04.12	14,820,975	5.74%	14,820,975	5.74%	0	0	0	0	—	—	—	—	—	—

Title	Nationality or Place of registration	Name	Gender Age	On-Board Date	Term of office	Date first Elected	Shareholdings when elected		Current Shareholdings		Spouse's and Minor's Shareholdings		Shareholdings through nominees		Major Education and Experience	Concurrent position held at the Company and Other Companies	Who are Spouses or a Second-degree Relative of Consanguinity to Each Other			Remark (Note 3)
							Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings			Title	Name	Relation	
Vice-Chairman (Note 2)	R.O.C.	Pao-Yung Lin	Male 70-80 years old	2022.06.15	2025.06.14	1994.06.20	6,532,345	2.53%	8,343,345	3.23%	5,549,777	2.15%	0	0	Chairman and President, Senao International Co., Ltd. Taichung Municipal Tung-Shin Junior High School	Director, Senao Networks, Inc.; Chairman, Engenius Technologies Co., Ltd.; Chairman, Cheng Feng Investment Company	Director/ Special Assistant	Cheng-Feng Lin	Father and son	None
																Director	Cheng-Kang Lin	Father and son		
Director (Note 2)	R.O.C.	Cheng-Feng Lin	Male 40-50 years old	2022.06.15	2025.06.14	2013.05.22	153,420	0.06%	743,420	0.29%	0	0	0	0	Special assistant, Senao International Co., Ltd. Master, International MBA English Program, National Chengchi University	Director, E-Life Mall Corporation; Director, Tsann Kuen Enterprise Co., Ltd.	Vice-Chairman/ President	Pao-Yung Lin	Father and son	None
																Director	Cheng-Kang Lin	Brothers		
Director (Note 2)	R.O.C.	Cheng-Kang Lin	Male 40-50 years old	2022.06.15	2025.06.14	2013.12.16	98,091	0.04%	238,091	0.09%	0	0	0	0	Director, Business Management Office, Senao International Co., Ltd. IMBA, National Chengchi University, Japanese, the University of British Columbia	Director, E-Life Mall Corporation	Vice-Chairman/ President	Pao-Yung Lin	Father and son	None
																Director/ Special Assistant	Cheng-Feng Lin	Brothers		
Independent Director	R.O.C.	Kung-Liang Yeh	Male 70-80 years old	2022.06.15	2025.06.14	1998/05/10	0	0	0	0	162	0	0	0	Chairman, Fubon Securities Co., Ltd. EMBA, Finance, National Taiwan University	Director, Fubon Securities Co., Ltd.; Director, Jihsun Financial Holding Co., Ltd.; Director, Jih Sun Securities Co., Ltd.; Member of Remuneration Committee, Senao International Co., Ltd.; Member of Audit Committee, Senao International Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Wen-Tsan Wu	Male 60-70 years old	2022.06.15	2025.06.14	1994.06.20	0	0	0	0	0	0	0	0	President, Metanoia Communications Inc. Ph.D. In Electrical Engineering, University of Washington, U.S.A.	Member of Remuneration Committee, Senao International Co., Ltd.; Member of Audit Committee, Senao International Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Fu-Hai Yeh	Male 60-70 years old	2022.06.15	2025.06.14	2014.06.18	0	0	0	0	0	0	0	0	Vice Chairman, WPG Holdings; Member of Bachelor's degree in Electronic Engineering, Feng Chia University	Vice-Chairman, WPG Holdings; Member of Remuneration Committee, Senao International Co., Ltd.; Member of Audit Committee, Senao International Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Min-Ching Cheng	Male 70-80 years old	2022.06.15	2025.06.14	2011.10.20	0	0	0	0	0	0	0	0	Chairman, Honghwa IC International Technology Co., Ltd. Bachelor's degree in Electrical Engineering, National Kaohsiung University of Applied Sciences	Member of Remuneration Committee, Senao International Co., Ltd.; Member of Audit Committee, Senao International Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Ai-Chun Pang	Female 40-50 years old	2022.06.15	2025.06.14	2020.11.20	0	0	0	0	0	0	0	0	Associate Dean, College of Electrical Engineering and Computer Science, National Taiwan University Ph.D. in Computer Science, National Yang Ming Chiao Tung University	Independent Director, Chief Telecom Inc.; Member of Remuneration Committee, Senao International Co., Ltd.; Member of Audit Committee, Senao International Co., Ltd.	None	None	None	None

Note 1: The corporate shareholder representative of Chunghwa Telecom Co., Ltd.

Note 2: The corporate shareholder representative of Cheng Kang Investment Co., Ltd.

Note 3: Where the general manager or the person holding an equivalent position of the Company (the highest level of managers) and the Chairman, are the same person, spouses or first-degree relatives, the Company shall disclose relevant information, including the reasons, reasonableness, necessity and the response measures, etc. (such as increasing the number of independent directors and over half of the directors must not concurrently serve as the employee or manager).

(2) Corporate shareholder's major owners

Name of corporate shareholder	Corporate shareholder's major owners	Percentage of Shareholdings
Chunghwa Telecom Co., Ltd.	Ministry of Transportation and Communications	35.29%
	Shin Kong Life Insurance Co., Ltd.	6.36%
	CTBC Bank Trust Account - CHT Employee Stock Ownership Trust Plan	4.06%
	Cathay Life Insurance Co., Ltd.	3.27%
	JP Morgan Chase Bank, N.A., acting as depositary and representative of CHT ADRS	2.97%
	Labor Pension Fund of the New Labor Pension System, R.O.C.	1.87%
	Chunghwa Post Co., Ltd.	1.86%
	Labor Insurance Fund, R.O.C.	1.45%
	Taiwan Life Insurance Co., Ltd.	1.08%
	Fubon Life Insurance Co. Ltd	0.70%
Cheng Kang Investment Co., Ltd.	Global Solution Malaysia Co., Ltd.	83.92%
	Cheng Feng Investment Company	13.99%
Cheng Feng Investment Company	Pao-Yung Lin	57.66%
	Yung-Ming Liu	33.46%
	Cheng-Feng Lin	0.03%
	Cheng-Kang Lin	0.03%

Note: Source of information was the 2021 annual report of the TWSE/TPEX listed company or the company registration information provided by the Ministry of Economic Affairs, Department of Commerce.

(3) Names of major shareholders of corporate shareholder's major owners who are corporate shareholders

Name of corporate shareholder	Major shareholders of corporate shareholder	Percentage of Shareholdings
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd.	100.00%
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings Co., Ltd.	100.00%
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications	100.00%
Taiwan Life Insurance Co., Ltd.	CTBC Financial Holding Co., Ltd.	100.00%
Fubon Life Insurance Co. Ltd	Fubon Financial Holdings Co., Ltd.	100.00%
Cheng Feng Investment Company	Pao-Yung Lin	57.66%
	Yung-Ming Liu	33.46%
	Cheng-Feng Lin	0.03%
	Cheng-Kang Lin	0.03%
Global Solution Malaysia Co., Ltd.	Global Solution Investment Co., Ltd.	100.00%

Note: Source of information was the 2021 annual report of the TWSE/TPEX listed company or the company registration information provided by the Ministry of Economic Affairs, Department of Commerce.

III. Corporate Governance Report

(4) Background of Directors

Condition Name	Professional qualification and experience (Note 1)	Independence Status (Note 2.3)	Number of public companies also serving as independent directors
Jung-Tzu Lin	Have professional qualification and at least five years of experience in the area needed by the Company.	(1) Occurrence of incidents specified in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act: No (2) The director is not a spouse or relative within the second degree of kinship of other directors, the supervisor is not a spouse or relative within the second degree of kinship of other supervisors and the director is not a spouse or relative within the second degree of kinship of other supervisors: none	0
Pao-Yung Lin	Have professional qualification and at least five years of experience in the area needed by the Company.	(1) Occurrence of incidents specified in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act: none (2) The director is not a spouse or relative within the second degree of kinship of other directors, the supervisor is not a spouse or relative within the second degree of kinship of other supervisors and The director is not a spouse or relative within the second degree of kinship of other supervisors: Yes	0
Tien-Tsai Su	Have professional qualification and at least five years of experience in the area needed by the Company.	(1) Occurrence of incidents specified in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act: No (2) The director is not a spouse or relative within the second degree of kinship of other directors, the supervisor is not a spouse or relative within the second degree of kinship of other supervisors and the director is not a spouse or relative within the second degree of kinship of other supervisors: none	0

III. Corporate Governance Report

Condition Name	Professional qualification and experience (Note 1)	Independence Status (Note 2.3)	Number of public companies also serving as independent directors
Chih-Cheng Chien	Have professional qualification and at least five years of experience in the area needed by the Company.	(1) Occurrence of incidents specified in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act: No (2) The director is not a spouse or relative within the second degree of kinship of other directors, the supervisor is not a spouse or relative within the second degree of kinship of other supervisors and the director is not a spouse or relative within the second degree of kinship of other supervisors: none	0
Li-Hsiu Wu	Have professional qualification and at least five years of experience in the area needed by the Company.	(1) Occurrence of incidents specified in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act: No (2) The director is not a spouse or relative within the second degree of kinship of other directors, the supervisor is not a spouse or relative within the second degree of kinship of other supervisors and the director is not a spouse or relative within the second degree of kinship of other supervisors: none	0
Chien-Chih Chen	Have professional qualification and at least five years of experience in the area needed by the Company.	(1) Occurrence of incidents specified in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act: none (2) The director is not a spouse or relative within the second degree of kinship of other directors, the supervisor is not a spouse or relative within the second degree of kinship of other supervisors and the director is not a spouse or relative within the second degree of kinship of other supervisors: none	0

Condition Name	Professional qualification and experience (Note 1)	Independence Status (Note 2.3)	Number of public companies also serving as independent directors
Cheng-Feng Lin	Have professional qualification and at least five years of experience in the area needed by the Company.	(1) Occurrence of incidents specified in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act: No (2) The director is not a spouse or relative within the second degree of kinship of other directors, the supervisor is not a spouse or relative within the second degree of kinship of other supervisors and The director is not a spouse or relative within the second degree of kinship of other supervisors: Yes	0
Cheng-Kang Lin	Have professional qualification and at least five years of experience in the area needed by the Company.	(1) Occurrence of incidents specified in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act: No (2) The director is not a spouse or relative within the second degree of kinship of other directors, the supervisor is not a spouse or relative within the second degree of kinship of other supervisors and The director is not a spouse or relative within the second degree of kinship of other supervisors: Yes	0
Kung-Liang Yeh	Have professional qualification and at least five years of experience in the area of finance, accounting, or work experience. Doesn't have any of the circumstances set forth in	(1) Does this person, this person's spouse, or this person's relative within the second degree of kinship serve as the director, supervisor or employee of the Company or its affiliate: no (2) The number of the Company's shares or weight held by this person, this person's spouse, or this person's relative within the second degree of kinship (or held through nominees): no (3) Does he serve as the director, supervisor or employee of the company that is in a specific	0

III. Corporate Governance Report

Condition Name	Professional qualification and experience (Note 1)	Independence Status (Note 2.3)	Number of public companies also serving as independent directors
	Article 30 of the Company Act.	relationship with the company: no (4) Amount of remuneration gained from the commerce, law, finance and accounting services provided by the Company or its affiliate in the last two years: no	
Wen-Tsan Wu	Have professional qualification and at least five years of experience in the area of commerce, or work experience. Doesn't have any of the circumstances set forth in Article 30 of the Company Act.	(1) Does this person, this person's spouse, or this person's relative within the second degree of kinship serve as the director, supervisor or employee of the Company or its affiliate: no (2) The number of the Company's shares or weight held by this person, this person's spouse, or this person's relative within the second degree of kinship (or held through nominees): no (3) Does he serve as the director, supervisor or employee of the company that is in a specific relationship with the company: no (4) Amount of remuneration gained from the commerce, law, finance and accounting services provided by the Company or its affiliate in the last two years: no	0
Fu-Hai Yeh	Have professional qualification and at least five years of experience in the area of commerce, or work experience. Doesn't have	(1) Does this person, this person's spouse, or this person's relative within the second degree of kinship serve as the director, supervisor or employee of the Company or its affiliate: no (2) The number of the Company's shares or weight held by this person, this person's spouse, or this person's relative within the second degree of kinship (or held through nominees):	1

Condition Name	Professional qualification and experience (Note 1)	Independence Status (Note 2.3)	Number of public companies also serving as independent directors
	any of the circumstances set forth in Article 30 of the Company Act.	no (3) Does he serve as the director, supervisor or employee of the company that is in a specific relationship with the company: no (4) Amount of remuneration gained from the commerce, law, finance and accounting services provided by the Company or its affiliate in the last two years: no	
Min-Ching Cheng	Have professional qualification and at least five years of experience in the area of commerce, or work experience. Doesn't have any of the circumstances set forth in Article 30 of the Company Act.	(1) Does this person, this person's spouse, or this person's relative within the second degree of kinship serve as the director, supervisor or employee of the Company or its affiliate: no (2) The number of the Company's shares or weight held by this person, this person's spouse, or this person's relative within the second degree of kinship (or held through nominees): no (3) Does he serve as the director, supervisor or employee of the company that is in a specific relationship with the company: no (4) Amount of remuneration gained from the commerce, law, finance and accounting services provided by the Company or its affiliate in the last two years: no	0
Ai-Chun Pang	Have professional qualification and at least five years of experience in the area of commerce, or	(1) Does this person, this person's spouse, or this person's relative within the second degree of kinship serve as the director, supervisor or employee of the Company or its affiliate: no (2) The number of the Company's shares or weight held by this person, this	1

III. Corporate Governance Report

Condition Name	Professional qualification and experience (Note 1)	Independence Status (Note 2.3)	Number of public companies also serving as independent directors
	other academic departments related to the business of the Company. Doesn't have any of the circumstances set forth in Article 30 of the Company Act.	person's spouse, or this person's relative within the second degree of kinship (or held through nominees): no (3) Does he serve as the director, supervisor or employee of the company that is in a specific relationship with the company: no (4) Amount of remuneration gained from the commerce, law, finance and accounting services provided by the Company or its affiliate in the last two years: no	

Note 1: Professional qualification and experience: Describe the professional qualification and experience of individual director and supervisor. If the director or supervisor is a member of Audit Committee and has expertise in accounting or finance, the accounting or finance background and work experience shall be specified. It is also required to explain if the member has any of the circumstances set forth in Article 30 of the Company Act. Refer to the director information on p.24 for professional qualification and experience.

Note 2: It is required to describe whether or not the independent director meets independence, including but not limited to whether or not this person, this person's spouse, or this person's relative within the second degree of kinship serve as the director, supervisor or employee of the Company or its affiliate; the number of the Company's shares or weight held by this person, this person's spouse, or this person's relative within the second degree of kinship (or held through nominees); whether or not this person serves as the director, supervisor or employee of the company that is in a specific relationship with the company (refer to the paragraph 1, sub-paragraph 5 to 8 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and the amount of remuneration gained from the commerce, law, finance and accounting services provided by the Company or its affiliate in the last two years.

Note 3: As for whether or not the director is a spouse or relative within the second degree of kinship of other directors, the supervisor is a spouse or relative within the second degree of kinship of other supervisors, and the director is a spouse or relative within the second degree of kinship of other supervisors, please refer to page 27 for the relationships among top ten shareholders to see if one is a related party of another and if one is a spouse or relative within the second degree of kinship of another.

(5) Background of the Management Team (As of March 31, 2023)

Title	Nationality	Name	Gender	On-Board Date	Shareholdings		Spouse's and Minor' Children's Shareholdings		Shareholdings through nominees		Major Education and Experience	Current adjunct positions at other companies	Managers Who are Spouses or a Second-degree Relative of Consanguinity to Each Other			Remark
					Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings			Title	Name	Relation	
President	R.O.C.	Pao-Yung Lin	Male	2007.04.12	8,343,345	3.23%	5,549,777	2.15%	0	0	Chairman, Senao International Co., Ltd. Graduated from Taichung Municipal Tung Shih Junior High School	Director, Senao Networks, Inc.; Chairman, Engenius Technologies Co., Ltd.; Chairman, Cheng Feng Investment Company	Special Assistant	Cheng-Feng Lin	Father and son	None
Chief Strategy Officer	R.O.C.	Chih-Chung Chiu	Male	2006.05.05	20,000	0.01%	0	0	0	0	Head of Communication Department, AURORA Corp. Graduated from Mechanical Engineering, National Da-Hu Agricultural and Industrial Vocational High School	—	None	None	None	None
Chief Financial Officer	R.O.C.	Chien-Chi Liao	Male	2021.05.01	0	0	0	0	0	0	Vice-President and Chief Financial Officer, Chief Telecom Inc. Section chief, Taichung Operation Department, Branch of Chunghwa Telecom Mobile Business Group Bachelor's degree in Transportation and Logistics Management, National Yang Ming Chiao Tung University	—	None	None	None	None
Executive Vice-President	R.O.C.	Chi-Hung Liao	Male	2014.01.01	26,162	0.01%	0	0	0	0	Sales Manager, Samsung Electronics Co., Ltd. EMBA, National Cheng Kung University	Director, Appleuser Co., Ltd.; Director, Sen Yang Insurance Agency Co., Ltd.	None	None	None	None
Vice-President	R.O.C.	Ching-Lang Chang	Male	1985.03.16	104,591	0.04%	0	0	0	0	Manager, Central Branch, Senao International Co., Ltd. MBA, National Taipei University	—	None	None	None	None
Vice-President (Accounting Manager)	R.O.C.	Tsai-Hung Yu	Female	2014.08.05	77,546	0.03%	0	0	0	0	Accounting Vice President, Senao International Co., Ltd. Master in Accounting, Soochow University	Supervisor, Appleuser Co., Ltd.	None	None	None	None
Vice-President	R.O.C.	Chen-San Chou	Male	2017.10.01	0	0	0	0	0	0	Assistant Vice-President, Southern Branch, Senao International Co., Ltd. Master in Shipping & Transportation Management, National Taiwan Ocean University	—	None	None	None	None
Vice-President	R.O.C.	Chuan-Cheng Lin	Male	2019.11.04	0	0	0	0	0	0	Special Assistant to President, momo.com Inc. MBA, Anglia Ruskin University, U.K.	—	None	None	None	None
Assistant Vice-President	R.O.C.	Sheng-Kai Chen	Male	2008.01.01	0	0	0	0	0	0	Product Service Manager, Siemens Telecommunication Systems Ltd. Bachelor's degree in Electronic and Computer Engineering, National Taiwan University of Science and Technology	—	None	None	None	None
Assistant Vice-President	R.O.C.	Chih-Hsiang Kuo	Male	2014.01.01	0	0	0	0	0	0	Manager, Tait Marketing and Distribution Co., Ltd. Associate Degree in Shipping Management, National Keelung Maritime Vocational High School	—	None	None	None	None
Assistant	R.O.C.	Wen-Kai Lai	Male	2017.04.01	2,000	0.00%	0	0	0	0	Manager, Northern Direct Retail	—	None	None	None	None

Title	Nationality	Name	Gender	On-Board Date	Shareholdings		Spouse's and Minor* Children's Shareholdings		Shareholdings through nominees		Major Education and Experience	Current adjunct positions at other companies	Managers Who are Spouses or a Second-degree Relative of Consanguinity to Each Other			Remark
					Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings			Title	Name	Relation	
Vice-President											Division, Senao International Co., Ltd. IMBA, Chinese Culture University					
Assistant Vice-President	R.O.C.	An-Ting Tsao	Male	2021.06.21	0	0	0	0	0	0	Assistant Vice-President, Digital Service Operations Center, InQuartik Corporation Master in Computer Science, National Taiwan University	—	None	None	None	None
Assistant Vice-President	R.O.C.	Chun-Chieh Chiu	Male	2002.08.07	104,746	0%	12,000	0%	0	0	Assistant Vice-President, Senao International Co., Ltd. Msc Food Economics and Marketing, University of Reading	—	None	None	None	None
Assistant Vice-President	R.O.C.	Ya-Ling Yeh	Female	2022.04.18	0	0	0	0	0	0	Marketing director, UUPON INC. Bachelor's degree in Insurance and Finance, Takming University of Science and Technology	—	None	None	None	None
Assistant Vice-President	R.O.C.	Chen-Chun Chen	Female	2022.09.19	0	0	0	0	0	0	Manager, Far Eastone Telecommunications Co., Ltd. MBA, CUNY Brooklyn College	—	None	None	None	None
Manager (Finance Department Manager and Corporate Governance Manager)	R.O.C.	Kuan-Heng Lai	Male	2017.11.02	1,000	0.00%	0	0	0	0	Manager, Senao International Co., Ltd. Bachelor's degree in Accounting, National Taiwan University	Director, Appleuser Co., Ltd.; Director, Sen Yang Insurance Agency Co., Ltd.; Director, Senaolife Insurance Distributor Co., Ltd.; Director, NTU Innovation & Incubation Center	None	None	None	None
Special Assistant	R.O.C.	Cheng-Feng Lin	Male	2013.06.01	743,420	0.29%	0	0	0	0	Manager, Senao International Co., Ltd. IMBA, National Chengchi University	Director, E-Life Mall Corporation; Director, Tsann Kuen Enterprise Co., Ltd.	President	Pao-Yung Lin	Father and son	None

III. Corporate Governance Report

(6) Remuneration paid to directors (including independent directors), President and Vice-Presidents during the most recent year

1. Remuneration paid to directors

Year 2022 Unit: thousand shares/ NT\$ thousand/%

Title	Name	Directors' remuneration								The sum of A, B, C and D and a percentage of after-tax profit (%)		Compensation as company employee								The sum of A, B, C, D, E, F, and G and a percentage of after-tax profit (%)		Compensation from investments other than subsidiaries or parent company
		Return (A)		Pension(B)		Director Remuneration (C)		Fees for services rendered(D)(Note 6)				Salaries, bonuses, special allowances etc. (E) (Note 7)		Pension(F)		Employee remuneration(G)						
		The Company	All Companies included in the financial statements	The Company	All Companies included in the financial statements	The Company	All Companies included in the financial statements	The Company	All Companies included in the financial statements	The Company	All Companies included in the financial statements	The Company	All Companies included in the financial statements	The Company		All Companies included in the financial statements		The Company	All Companies included in the financial statements			
Chairman	Chin-Lin Lai (Note 1) (Note 3)	0	0	0	0	12,430	12,430	520	520	12,950 (1.97%)	12,950 (1.97%)	14,515	14,515	0	0	2,420	0	2,420	0	29,885 (4.55%)	29,885 (4.55%)	28,642
Chairman	Jung-Tzu Lin (Note 1) (Note 3)																					
Director	Tien-Tsai Su (Note 1)																					
Director	Chih-Cheng Chien (Note 1)																					
Director	Chien-Chih Chen (Note 1)																					
Director	Wen-Chih Lin (Note 1) (Note 4)																					
Director	Li-Hsiu Wu (Note 1) (Note 4)																					
Vice-Chairman	Pao-Yung Lin (Note 2)																					
Director	Cheng-Feng Lin (Note 2)																					
Director	Cheng-Kang Lin (Note 2)																					
Independent Director	Kung-Liang Yeh	4,019	4,019	0	0	0	0	270	270	4,289 (0.65%)	4,289 (0.65%)	0	0	0	0	0	0	4,289 (0.65%)	4,289 (0.65%)	None		
Independent Director	Wen-Tsan Wu																					
Independent Director	Yung-Lin Su (Note 5)																					
Independent Director	Fu-Hai Yeh (Note 5)																					
Independent Director	Min-Ching Cheng (Note 5)																					
Independent Director	Ai-Chun Pang (Note 5)																					

Note 1: The corporate shareholder representative of Chunghwa Telecom Co., Ltd.

Note 2: The corporate shareholder representative of Cheng Kang Investment Co., Ltd.

Note 3: Chairman Chin-Lin Lai left off his post after full re-election of directors in the Shareholders' Meeting on June 15, 2022. Chunghwa Telecom appointed Jung-Tzu Lin, a new director, as the Chairman.

Note 4: Director Li-Hsiu Wu took over after full re-election of directors in the Shareholders' Meeting on June 15, 2022.

Note 5: Independent Director Yung-Lin Su left off his post after full re-election of directors in the Shareholders' Meeting on June 15, 2022. Fu-Hai Yeh, Min-Ching Cheng and Ai-Chun Pang were elected.

Note 6: The transportation fees for attending the board of directors' meeting in 2022.

Note 7: Salary, allowances, bonuses and benefits paid to director who concurrently works as company employee in 2022.

Note 8: Remuneration paid to independent director was recognized in the board of directors' meeting that includes fixed monthly compensation and transportation fees for each attendance of board of directors' meeting. Independent directors are obligated to perform their duties as independent directors in a board of directors' meeting evaluating and reviewing material decisions on corporate governance and shall be excluded from distributions of the earnings of the Company.

Remuneration brackets table

Ranges of remuneration paid to the Company's directors	Name of director			
	Sum of the first 4 items (A + B + C + D)		Sum of the first 7 items (A + B + C + D+ E + F + G)	
	The Company	All Companies included in the financial statements	The Company	All Companies included in the financial statements
Less than NT\$1,000,000	Chin-Lin Lai, Jung-Tzu Lin, Tien-Tsai Su, Chih-Cheng Chien, Chien-Chih Chen, Wen-Chih Lin, Li-Hsiu Wu, Pao-Yung Lin, Cheng-Feng Lin, Cheng-Kang Lin, Yung-Lin Su, Fu-Hai Yeh, Min-Ching Cheng, Ai-Chun Pang,	Chin-Lin Lai, Jung-Tzu Lin, Tien-Tsai Su, Chih-Cheng Chien, Chien-Chih Chen, Wen-Chih Lin, Li-Hsiu Wu, Pao-Yung Lin, Cheng-Feng Lin, Cheng-Kang Lin, Yung-Lin Su, Fu-Hai Yeh, Min-Ching Cheng, Ai-Chun Pang,	Jung-Tzu Lin, Tien-Tsai Su, Chih-Cheng Chien, Chien-Chih Chen, Wen-Chih Lin, Li-Hsiu Wu, Yung-Lin Su, Fu-Hai Yeh, Min-Ching Cheng, Ai-Chun Pang,	Jung-Tzu Lin, Tien-Tsai Su, Chih-Cheng Chien, Chien-Chih Chen, Wen-Chih Lin, Li-Hsiu Wu, Yung-Lin Su, Fu-Hai Yeh, Min-Ching Cheng, Ai-Chun Pang,
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (exclusive)	Kung-Liang Yeh, Wen-Tsan Wu	Kung-Liang Yeh, Wen-Tsan Wu	Chin-Lin Lai, Cheng-Feng Lin, Cheng-Kang Lin, Kung-Liang Yeh, Wen-Tsan Wu	Chin-Lin Lai, Cheng-Feng Lin, Cheng-Kang Lin, Kung-Liang Yeh, Wen-Tsan Wu
NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (exclusive)	0	0	0	0
NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (exclusive)	0	0	0	0
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (exclusive)	Chunghwa Telecom Co., Ltd.	Chunghwa Telecom Co., Ltd.	Chunghwa Telecom Co., Ltd.	Chunghwa Telecom Co., Ltd.

	Cheng Kang Investment Co., Ltd.	Cheng Kang Investment Co., Ltd.	Cheng Kang Investment Co., Ltd.	Cheng Kang Investment Co., Ltd.
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (exclusive)	0	0	Pao-Yung Lin	Pao-Yung Lin
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (exclusive)	0	0	0	0
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (exclusive)	0	0	0	0
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (exclusive)	0	0	0	0
NT\$ 100,000,000 and above	0	0	0	0
Total	18	18	18	18

2. Remuneration paid to the President and Vice Presidents

Year 2022 Unit: NT\$thousand/ thousand shares/%

Title	Name	Salary(A) (Note 4)		Pension(B)		Bonuses and special allowances etc. (E) (Note 5)		Employee remuneration (D)				The sum of A, B, C and D and a percentage of after-tax profit (%)		Compensation from investments other than subsidiaries or parent company
		The Company	All Companies included in the financial statements	The Company	All Companies included in the financial statements	The Company	All Companies included in the financial statements	The Company		All Companies included in the financial statements		The Company	All Companies included in the financial statements	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
President	Pao-Yung Lin	28,774	31,294	0	0	6,854	7,799	5,020	0	5,520	0	40,648 (6.18%)	44,613 (6.79%)	4,023
Chief Strategy Officer	Chih-Chung Chiu													
Business Group President	Shih-Hsiang Chen (Note 1)													
Chief Financial Officer	Chien-Chi Liao													
Executive Vice-President	Chi-Hung Liao (Note 2)													
Vice-President	Ching-Lang Chang													
Vice-President	Tsai-Hung Yu													
Vice-President	Chen-San Chou (Note 2)													
Vice-President	Chuan-Cheng Lin (Note 2)													
Special Assistant to President	Yen-Yen Cheng (Note 3)													

Note 1: Shih-Hsiang Chen, Business Group President, resigned on March 31, 2022.

Note 2: Chi-Hung Liao, Executive Vice-President, Chen-San Chou, President, and Chuan-Cheng Lin, Vice- President, were promoted on November 2, 2022.

Note 3: Yen-Yen Cheng, Special Assistant to President, resigned on November 2, 2022.

Note 4: It is the salary and allowances paid to President and Vice-Presidents in 2022.

Note 5: It is the bonuses, allowances and other benefits paid to President and Vice-Presidents in 2022.

Remuneration brackets table

Ranges of remuneration paid to the Company's President and Vice-Presidents	Name of President and Vice-Presidents	
	The Company	All Companies included in the financial statements
Less than NT\$1,000,000	Yen-Yen Cheng	0
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (exclusive)	Shih-Hsiang Chen	Shih-Hsiang Chen
NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (exclusive)	Chien-Chi Liao, Tsai-Hung Yu Chen-San Chou, Chuan-Cheng Lin	Chien-Chi Liao, Tsai-Hung Yu Chen-San Chou, Chuan-Cheng Lin
NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (exclusive)	Chi-Hung Liao, Ching-Lang Chang	Chi-Hung Liao, Ching-Lang Chang Yen-Yen Cheng
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (exclusive)	Chih-Chung Chiu	Chih-Chung Chiu
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (exclusive)	Pao-Yung Lin	Pao-Yung Lin
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (exclusive)	0	0
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (exclusive)	0	0
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (exclusive)	0	0
NT\$ 100,000,000 and above	0	0
Total	10	10
Less than NT\$1,000,000	1	0

III. Corporate Governance Report

3. Names of managers entitled to employee remuneration and amount entitled:

December 31, 2022 Unit: NT\$ thousand

	Title	Name	Amount paid in shares	Amount paid in cash	Total	Total as a percentage of after-tax profit (%)
Manager	President	Pao-Yung Lin	0	6,710	6,710	1.02
	Chief Strategy Officer	Chih-Chung Chiu				
	Chief Financial Officer	Chien-Chi Liao				
	Executive Vice-President	Chi-Hung Liao				
	Vice-President	Ching-Lang Chang				
	Vice-President (Accounting Manager)	Tsai-Hung Yu				
	Vice-President	Chen-San Chou				
	Vice-President	Chuan-Cheng Lin				
	Assistant Vice-President	Chun-Chieh Chiu				
	Assistant Vice-President	Chih-Hsiang Kuo				
	Assistant Vice-President	Sheng-Kai Chen				
	Assistant Vice-President	Wen-Kai Lai				
	Assistant Vice-President	An-Ting Tsao				
	Assistant Vice-President	Ya-Ling Yeh				
	Assistant Vice-President	Chen-Chun Chen				
	Special Assistant	Cheng-Feng Lin				
	Manager (Finance Department Manager)	Kuan-Heng Lai				

III. Corporate Governance Report

- (7) Total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the Company and by all companies included in the consolidated financial statements during the past 2 fiscal years to directors, President and Vice-Presidents, and remuneration policies, standards and packages, the procedure for determining remuneration and its linkage to operating performance and future risk exposure.

	Ratio of total remuneration paid to after-tax profit in 2022	Ratio of total remuneration paid to after-tax profit in 2021
The Company	9.52%	10.25%
All Companies included in the financial statements	10.12%	11.01%

1. Remuneration paid to directors

Our independent directors collect fixed monthly compensation and shall be excluded from distributions of the director's compensation. Transportation fees for each attendance of board of directors' meeting were recognized in the board of directors' meeting. No other variable compensation has been disbursed.

For the rest of the compensation for directors, besides transportation fees for each attendance of board of directors' meeting, Article 27 of Articles of Incorporation specified that if the Company records a profit in a year, the Company shall appropriate no more than 3% of the profit for director's compensation. Considering operating performance, financial position and duties of a director and connection with profit from business performance, the compensation for directors has been submitted to the Board of Directors' meeting for resolution after review by the Remuneration Committee.

2. Remuneration paid to the President and Vice Presidents

Remuneration paid to the President and Vice- Presidents includes fixed salary and floating salary where fixed salary is paid in compliance with the Company's "Rules for Remuneration and Benefits" with respect to employee's responsibility and professional skills; floating salary includes year-end bonus.

The annual bonus is calculated according to the profit status of the company and the individual performance evaluation result. KPI of manager (revenue completion, profit achievement rate, budget

III. Corporate Governance Report

control, leadership and subordinate on-job training) is also put into consideration. Article 27 of Articles of Incorporation specified that the Company appropriates no less than 3% of the profit for employee's compensation. The total employee's compensation is submitted to the Board of Directors' meeting for resolution and distributed based on performance appraisal. Appropriation and issuance of employee's compensation are connected to profit from operating performance of the Company, and submitted to the Board of Directors' meeting for resolution after review by Remuneration Committee.

III. Corporate Governance Report

3. Information on the operations of corporate governance

(1) Operation of the board of directors

A total of seven board of director's meetings were held in 2022 and the attendance records of directors and are listed below:

Title	Name (Note 1)	Actual attendance	Proxy Attendance	Percentage of actual attendance (%) (Note 2)	Remark
Chairman	Jung-Tzu Lin (Note 3)	4	—	100%	On-boarded on June 15, 2022
Chairman	Chin-Lin Lai (Note 3)	3	—	100%	Discharged on June 15, 2022
Vice-Chairman	Pao-Yung Lin (Note 4)	7	—	100%	—
Director	Tien-Tsai Su (Note 3)	7	—	100%	—
Director	Chih-Cheng Chien (Note 3)	7	—	100%	—
Director	Li-Hsiu Wu (Note 3)	4	—	100%	On-boarded on June 15, 2022
Director	Wen-Chih Lin (Note 3)	3	—	100%	Discharged on June 15, 2022
Director	Chien-Chih Chen (Note 3)	7	—	100%	—
Director	Cheng-Feng Lin (Note 4)	7	—	100%	—
Director	Cheng-Kang Lin (Note 4)	7	—	100%	—
Independent Director	Kung-Liang Yeh	6	1	100%	—
Independent Director	Wen-Tsan Wu	6	1	100%	—
Independent Director	Yung-Lin Su	3	—	100%	Discharged on June 15, 2022
Independent Director	Fu-Hai Yeh	4	—	100%	On-boarded on June 15, 2022
Independent Director	Min-Ching Cheng	4	—	100%	On-boarded on June 15, 2022
Independent Director	Ai-Chun Pang	4	—	100%	On-boarded on June 15, 2022

Other matters that shall be recorded:

- For board of directors meetings that meet conditions described in Article 14-3 of the Securities and Exchange Act or are subject to any other documented objections or qualified opinions raised by independent director against board resolution, the date, session, the agenda, independent directors' opinions and how the company has responded to such opinions shall be stated: Refer to page 207.
- Disclosure regarding avoidance of interest-conflicting agendas, including the names of

III. Corporate Governance Report

directors concerned, the agenda, the nature of conflicting interests and the voting process:

- (1) The 1st interim meeting of the 11th board of directors on June 15, 2022, Discussion matters: Agenda 2: Assignment of the 5th Remuneration Committee members. Submitted for discussion. (Stakeholders Director Kung-Liang Yeh and Wen-Tsan Wu (independent director Kung-Liang Yeh attended as proxy for Wen-Tsan Wu), Director Fu-Hai Yeh had avoided the discussion and voting due to conflict of interests) Resolution: except for directors Kung-Liang Yeh, Wen-Tsan Wu (independent director Kung-Liang Yeh attended as proxy for Wen-Tsan Wu) and Fu-Hai Yeh had avoided the discussion and voting due to conflict of interests, the agenda was passed as proposed unanimously by the remaining directors present at the meeting.
 - (2) The 2nd meeting of the 11th board of directors dated July 29, 2022
Discussion matters: Agenda 3: Approval of the Chairman's salary. Submitted for discussion. (Stakeholder Chairman Jung-Tzu Lin had avoided the discussion and voting due to conflict of interests) Resolution: except for Chairman Jung-Tzu Lin who avoided the discussion and voting due to conflict of interests, the agenda was passed as proposed unanimously by remaining directors present at the meeting.
Discussion matter: Agenda 4: Managers' and employees' compensations disbursement in 2021, please kindly discuss. (Vice-Chairman Pao-Yung Lin and directors Cheng-Feng Lin and Cheng-Kang Lin had avoided the discussion and voting due to conflict of interests.) Resolution: except for Vice-Chairman Pao-Yung Lin and directors Cheng-Feng Lin and Cheng-Kang Lin who avoided the discussion and voting due to conflict of interests, the agenda was passed as proposed unanimously by the remaining directors present at the meeting.
Discussion matters: Agenda 5: Addition and assignment of the 5th Remuneration Committee members. Submitted for discussion. (Stakeholder Independent Director Min-Ching Cheng and Ai-Chun Pang had avoided the discussion and voting due to conflict of interests) Resolution: except for independent directors Min-Ching Cheng and Ai-Chun Pang who avoided the discussion and voting due to conflict of interests, the agenda was passed as proposed unanimously by the remaining directors present at the meeting.
 - (3) In the 4th meeting of the 11th board of directors dated December 16, 2022, discussion matter: Agenda 3: 2022 Chairman's and managers' performance appraisal and year-end bonus disbursement, please kindly discuss. (Vice-Chairman Pao-Yung Lin and directors Cheng-Feng Lin and Cheng-Kang Lin avoided the discussion and voting due to conflict of interests.) Resolution: except Vice Chairman Pao-Yung Lin and directors Cheng-Feng Lin and Cheng-Kang Lin who avoided the discussion and voting due to conflict of interests, the agenda was passed as proposed unanimously by the remaining directors present at the meeting
3. TWSE/GTSM-Listed Companies shall disclose evaluation cycles, evaluation periods, scope, method and content of self-evaluation of performance of board members (for themselves or peers) as follows:
The Company's Regulations Governing the Board Performance Evaluation was established and passed by the board of directors' meeting on December 27, 2019, stipulating that the board's evaluation shall cover evaluation of the board as a whole, individual directors, audit committee and remuneration committee at least once a year. External professional independent institutions or external expert and scholar teams evaluate the performance at least every three years. Internal performance evaluation of the Board of Directors of the year shall be conducted by the end of every year. Results of external performance evaluation of the Board of Directors shall be completed before the end of Q1 of the next year.
Internal performance evaluation of the Board of Directors is described as follows:

III. Corporate Governance Report

The criteria for evaluating the performance of the board of directors include the following five aspects:

1. Participation in the operations of the company.
2. Improvement of the quality of the board of directors' decision making.
3. Composition and structure of the board of directors.
4. Election and continuing education of the directors.
5. Internal control.

The criteria for evaluating the performance of the board members should cover, at a minimum, the following six aspects:

1. Alignment of the goals and missions of the company.
2. Awareness of the duties of a director.
3. Participation in the operations of the company.
4. Management of internal relationship and communication.
5. The director's professionalism and continuing education.
6. Internal control.

The criteria for evaluating the performance of functional committees should cover, at a minimum, the following five aspects:

1. Participation in the operations of the company.
2. Awareness of the duties of the functional committee.
3. Improvement of quality of decisions made by the functional committee.
4. Makeup of the functional committee and election of its members.
5. Internal control.

The administration unit shall conduct the board's internal evaluation, collect relevant information about the board of directors, individual directors and functional committees by December 31 of every year, and distribute following surveys:

1. "Self-assessment for the board's (including functional committee) performance:" Individual director's evaluation on the board of directors' performance as a whole (including functional committee)
2. "Self-assessment on individual board member's performance": Self-evaluation on each individual director's performance.

When administration unit calculates the evaluation results, it shall count the self-assessment score for the board of directors (including functional committee) and board members separately. The self-assessment score is the average of sum of scores from all items, and the average score represents evaluation results as follows:

1. For average score equal or above 4, the evaluation result is "Excellent."
2. For average score less than 4 but above 3, the evaluation result is "Good."
3. For average score less than 3, the evaluation result is "To be improved."

External performance evaluation of the Board of Directors is described as follows:

The external evaluation institution or external expert and scholar team appointed for performance evaluation of the board of directors shall meet the regulations below:

1. The external evaluation institution or external expert and scholar team appointed for shall be professional and independent.
2. The external evaluation institution is primarily the relevant institution or management consultant company holding the education training course and providing the enterprise corporate governance service.
3. In the external expert and scholar teams, at least three experts or scholars in the Board of Directors or in the corporate governance field shall be assigned to evaluate performance evaluation of the Board of Directors and write the external evaluation analysis report.
4. Measures taken to strengthen the functionality of the Board of Directors (e.g., Establishment of audit committee or improvement of transparency) for the present year and the most recent year

III. Corporate Governance Report

and assessment on the implementation: the independent directors were elected on June 14, 2019 for the Company and on the same date, the Audit Committee was established. The number of independent directors is increased up to five on June 15, 2022. Please refer to page 56, 3 (3) “3. Composition and duties of the board of directors” of this Chapter for the functionality of the board of directors and assessment on the implementation in 2022.

Note 1: If the directors are corporations, the names of the corporate shareholders and the names of their representatives should be disclosed.

Note 2: (1) The date of resignation is specified for Directors who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of board of directors meetings held and the number of actual attendance during active duty.

(2) If a re-election of Directors had taken place prior to the close of the financial year, Directors of both the previous and the current term are listed; in which case, the remarks column would specify the re-election date and whether or not the Director was elected in the previous term, the new term, or both. The percentage of actual attendance (%) is calculated based on the number of board of directors meetings held and the number of actual attendance during active duty.

Note 3: The corporate shareholder representative of Chunghwa Telecom Co., Ltd.

Note 4: The corporate shareholder representative of Cheng Kang Investment Co., Ltd.

III. Corporate Governance Report

Implementation of evaluation on the board of directors

Evaluation cycles	Evaluation periods	Evaluation scope	Evaluation method	Evaluation content
Once every year	The evaluation on the board's performance from January 1, 2022 to December 31, 2022	Performance evaluations of the board of directors as a whole, individual directors and functional committees	Internal self-assessment of the board of directors, self-assessment of individual directors and self-assessment of functional committees or other proper method of performance evaluation.	(1) Performance evaluation of the board of directors: including participation in the operation of the company, improvement of the quality of the board of directors' decision making, composition and structure of the board of directors, election and continuing education of the directors, and internal control. (2) Performance evaluation of individual directors: including alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control. (3) Performance evaluation of functional committees: including participation in the operation of the company, awareness of the duties of the functional committee, quality of decisions made by the functional committee, makeup of the functional committee and election of its members, and internal control.
Once every three years	The evaluation on the board's performance from January 1, 2020 to December 28, 2022	Performance evaluation of the Board of Directors	In October 2022, the Company entrusted the external institution "Taiwan Association of Board Governance" to appoint three independent experts who has no business relation with the Company and signed declaration of independence and declaration	(1) Evaluate the seven aspects and 70 explicit indicators by survey and interview with the Chairman, President and two independent directors (including one convener of functional committee). The seven aspects are "Composition and structure of the board of directors," "Election and continuing education of the directors," "Participation in the operations of the company," "Improvement of the quality of the board of directors' decision making," "Internal control," "Environmental, social and corporate governance" and "Value creation." (2) Suggestion and the improvement made by the company: 1. Suggestion: Regularly submit the issues reported by the shareholder and stakeholder to the Board of Directors. Provide the email on the company

III. Corporate Governance Report

			of data protection and liability to conduct performance evaluation). The experts are Chou Chih Pang, President of Taiwan Association of Board Governance, Wang Tai Chang, Director of Independent Director Association Taiwan, and Chang Chu Hsuan, Associate Professor of the Department and Graduate Institute of Finance, National Taipei University of Business.	website for independent directors to send and receive the issues synchronously for whistleblowing. Improvement plan: Irregularly submit the issues reported by the shareholder and stakeholder to the Board of Directors. The company stakeholder's email is set to forward the email to the independent director's email synchronously for shareholder and stakeholder to report issue. 2. Suggestion: over half of the directors are from Chunghwa Telecom, hence it is suggested that the Board of Directors must protect the rights and interests of company's shareholders and employees while the Board of Directors makes various resolutions in the future. 3. Suggestion: It is suggested that the Company may consider to establish the Information Security Management Committee, disclose the convener, member and operating method of the Committee and consider to enroll in information security protection insurance. Additional description: the Company reports the information security situation to the Audit Committee and the Board of Directors regularly. The benefit will be evaluated for the Information Security Committee and information security protection insurance.
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III. Corporate Governance Report

The attendance records of independent directors for the board meetings held in 2022 are listed below:

◎ Attendance in person ☆ Attendance by proxy – Not applicable

	2022.02.1 8	2022.03.2 5	2022.04.2 7	2022.06.1 5	2022.07.2 9	2022.11.0 2	2022.12.1 6
	The 18th meeting of the 10th board of directors	The 19th meeting of the 10th board of directors	The 20th meeting of the 10th board of directors	The 1st meeting of the 11th board of directors	The 2nd meeting of the 11th board of directors	The 3rd meeting of the 11th board of directors	The 4th meeting of the 11th board of directors
Kung-Liang Yeh	◎	◎	◎	◎	◎	◎	☆
Wen-Tsan Wu	◎	◎	◎	☆	◎	◎	◎
Yung-Lin Su	◎	◎	◎	—	—	—	—
Fu-Hai Yeh	—	—	—	◎	◎	◎	◎
Min-Ching Cheng	—	—	—	◎	◎	◎	◎
Ai-Chun Pang	—	—	—	◎	◎	◎	◎

(2) Operations of Audit Committee:

The Audit Committee of the Company consists of five independent directors. The operation of the Committee aim to supervise the following:

1. Adequate expression of the financial statement of the Company
2. Election and dismissal, independence and performance of external auditors
3. Effective implementation of internal control
4. Compliance to relevant regulations and rules
5. Control of existing or potential risk

The Audit Committee held six meetings in 2022. Its exercise of duties are as follows:

1. Establish or amend the internal control system based on Article 14-1 of the Securities and Exchange Act.
2. Evaluate effectiveness of internal control system.
3. Establish or amend the procedures governing the acquisition or disposal of assets, derivatives trading, loans to others, endorsements/guarantees made for others associated with major financial operations.
4. Issues that directors have a stake in
5. Major assets or derivatives trading

III. Corporate Governance Report

6. Major loans, endorsements and guarantees
7. Offering, issuance and private placement of securities
8. The appointment, dismissal and remuneration of external auditors
9. Appoint and dismiss financial, accounting or internal auditing officers.
10. Annual and semiannual financial statements
11. Material matters specified by other companies or competent authorities

A total of six board of director's meetings were held in 2022, and the attendance records of directors and are listed below:

Title	Name	Actual attendance	Proxy Attendance	Percentage of actual attendance (%)	Remark
Independent Director	Kung-Liang Yeh	5	1	83.33%	—
Independent Director	Wen-Tsan Wu	6	—	100%	—
Independent Director	Yung-Lin Su	3	—	100%	Discharged on June 15, 2022
Independent Director	Fu-Hai Yeh	3	—	100%	On-boarded on June 15, 2022
Independent Director	Min-Ching Cheng	3	—	100%	On-boarded on June 15, 2022
Independent Director	Ai-Chun Pang	3	—	100%	On-boarded on June 15, 2022

Other matters that shall be recorded:

1. For Audit Committee that meet conditions described in Article 14-5 of the Securities and Exchange Act or are subject to any other documented objections or qualified opinions raised by independent director against board resolution, the date, session, the agenda, independent directors' opinions and how the company has responded to such opinions shall be stated: Refer to page 217.
2. Disclosure regarding avoidance of interest-conflicting agendas, including the names of independent directors concerned, the agendas, the nature of conflicting interests, and the voting process: none of the preceding condition occurred during this year.
3. The communications between the independent directors, and the internal auditors: (that shall include material matters, methods and results regarding the Company's financial status or business development)

Meeting date	Major meeting agenda
2022/02/18	• Report of the result of internal audit from January to the beginning of February, 2022 to the independent directors by internal auditors, including audit items for stated period and the follow-up of corrective actions for the annual audit items: (1).Legal compliance audit (2).Financial derivatives audit from November to December, 2021 (3).Loans to others and endorsements and guarantees for the fourth quarter of 2021 • Independent directors did not raise any opinion on such matter
2022/03/25	• Report of the results of internal audit from February to the beginning of March, 2022 to the independent directors by internal auditors, including audit items for stated period and the follow-up of corrective actions for the annual audit items: (1).Management for transaction of related party and monitoring and management of subsidiary (2).Audit of acquisition and disposal of assets

III. Corporate Governance Report

	(3).Financial derivatives audit from January to February, 2022 ● Independent directors did not raise any opinion on such matter
2022/04/27	● Report of the result of internal audit in April, 2022 to the independent directors by internal auditors, including audit items for stated period and the follow-up of corrective actions for the annual audit items: (1) Purchase and payment cycle - Type: Product (2) Financial derivatives audit for March 2022 ● Independent directors did not raise any opinion on such matter
2022/07/29	● Report of the result of internal audit from May to July, 2022 to the independent directors by internal auditors, including audit items for stated period and the follow-up of corrective actions for the annual audit items: (1) Financial statements cycle and management of application of International Financial Reporting Standards, procedures for professional accounting judgments, and processes for making changes in accounting policies and estimates. (2).Purchase and payment cycle - Type: Repair (3).Financial derivatives audit from April to June, 2022 (4).Loans to others and endorsements and guarantees for the first quarter of 2022 ● Independent directors did not raise any opinion on such matter
2022/11/02	● Report of the result of internal audit from August to October, 2022 to the independent directors by internal auditors, including audit items for stated period and the follow-up of corrective actions for the annual audit items: (1) Information flow security inspection and information technology cycle (2) Sale and receipt cycle, inventory cycle ~ all channels (3) Audit of subsidiaries (4) Audit on compliance of Personal Information Protection Act (5) E-commerce cycle audit (6) Financial derivatives audit from July to September, 2022 (7) Loans to others and endorsements and guarantees for the second quarter of 2022 ● Independent directors did not raise any opinion on such matter
2022/12/16	●Report of the results of internal audit from October to November, 2022 to the independent directors by internal auditors, including audit items for stated period and the follow-up of corrective actions for the annual audit items: (1).Meeting operation management of Audit Committee (2).Financial derivatives audit for October 2022 (3).Loans to others and endorsements and guarantees for the third quarter of 2022 ●Independent directors did not raise any opinion on such matter
Monthly	Prepare the monthly internal auditor's report in accordance with the annual audit plan and submit to independent directors for review. For any questions regarding the report raised by independent directors, the internal audit manager shall make further explanation and communicate to independent directors for supervision with a clear understanding of the audit result and consequent control measures.
4. The communications between the independent directors, and the independent auditors: (that shall include material matters, methods and results regarding the Company's financial status or business development)	
Meeting date	Major meeting agenda
2022/11/02	1. The CPAs made a presentation and explained the audit planning in 2022 to independent directors Kung-Liang Yeh, Wen-Tsan Wu, Fu-Hai Yeh, Min-Ching Cheng and Ai-Chun Pang. 2. The CPAs discussed the questions from independent directors Kung-Liang Yeh, Wen-Tsan Wu, Fu-Hai Yeh, Min-Ching Cheng and Ai-Chun Pang and negotiated with each other. 3. Independent directors did not have any opinions on such matter.

(4) Deviation and causes of deviation of the Company's actual governance from the Corporate Governance Best-Practice Principles for TWSE/GTSM- Listed Companies

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM- Listed Companies
	Yes	No	Explanation	
1. Does Company follow the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance practices?	V		60 articles of the “Senao International Co., Ltd. Corporate Governance Best Practice Principles” were passed by the resolution of the board’s meeting, in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX -Listed Companies” set by the TWSE and TPEX. The Principles were uploaded to the Company’s website on Internal Policies page of Investors Section for shareholders’ inquiry.	No major deviation
2. The shareholding structure and shareholders’ equity of the Company				
(1) Does the Company have the internal procedures regulated to handle shareholders’ proposals, doubts, disputes, and litigation matters; in addition, have the procedures been implemented accordingly?	V		(1) The Company has appointed the spokesperson, acting spokesperson and share affairs unit for handling matters related to shareholders and the share affairs were handled in accordance with relevant internal procedures for share affairs.	No major deviation
(2) Is the Company constantly informed of the identities of its major shareholders and the	V		(2) The Company is constantly informed of the shareholding of its directors, managers and major shareholders individually holding ten percent or more of the Company’s shares and makes monthly reports on the Market Observation Post System as required by the	The major shareholder prescribed in article 19 of the

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM- Listed Companies
	Yes	No	Explanation	
ultimate controller?			competent authority in accordance with Article 25 of the Securities and Exchange Act.	Corporate Governance Best-Practice Principles for Securities Firms refers to those who owns 5 percent or more of the outstanding shares of the company or the shareholding stake thereof is on the top 10 list; The share register is available to the Company during the closure period and based on the register, the Company may be informed of the list of top shareholders.
(3) Has the company	V		(3) The Company has adopted the “Accounting Guidelines for Related	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM- Listed Companies
	Yes	No	Explanation	
established and implemented risk management practices and firewalls for companies it is affiliated with?			Party Transactions,” built and implemented the risk management practices and firewalls for companies it is affiliated with.	
(4) Has the company established internal policies that prevent insiders from trading securities against non-public information?	V		(4) The Company has adopted the “Procedures for Preventing Insider Trading and Handling Material Inside Information” and constantly organized annual information session of insider trading prevention and material insider information handling for the insiders (including notifying directors not to trade securities during the closing period 30/15 days before the financial statement is announced) to prevent insiders from trading securities against non-public information.	No major deviation
3. Composition and duties of the board of directors:				
(1) Has the Board of Directors formulated and executed policy on diversity and concrete management goal?	V		(1) The Company has implemented the “Corporate Governance Best Practice Principles” that set forth the diversity among the board members in Article 20 (Abilities possessed by the board members). In addition to that directors concurrently serving as company officers shall not exceed one-third of the total number of the board members, an appropriate policy on diversity and management goal based on the company’s business operations, operating dynamics and development shall be formulated. Among current 13 directors on the 11th board of directors (there are	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM- Listed Companies														
	Yes	No	Explanation															
			4 directors who hold position as employees, 30.77% out of all directors; 5 independent directors, 38.46% out of all directors (who has served as an independent director of the Company for less than three consecutive terms); two males and one female whose ages range from 30 to 50 years old, nine males older than 51 years old, one female older than 51 years old; 15.38% of the directors are females). These directors provided relevant opinions on the Company’s operation based on their professional background (<i>e.g.</i>, law, accounting, industry, finance, marketing, technology), as well as their comprehensive abilities, such as ability to make operational judgments, ability to perform accounting and financial analysis, ability to conduct management administration, ability to conduct crisis management, knowledge of the industry, an international market perspective, ability to lead and ability to make policy decisions. Besides, the Company cares about gender equality of the composition of the Board of Directors. The goal is that at least one-third of the directors are females. It is expected to increase the number of female directors in the 12th board of directors to achieve the goal. The abilities possessed by the board members are as follows: <table><tr><th>Title</th><th>Name</th><th>Gender</th><th>Major Education and Experience</th><th>Audit Committee</th><th>Remuneration Committee</th><th>back at opera union group mana crisis the ge of mark by to police</th></tr><tr><td>Chairman</td><td>Jung-Tzu Lin</td><td>Male</td><td>CTO and Executive Vice President, Chunghwa</td><td></td><td></td><td>V V V V V V V V</td></tr></table>	Title	Name	Gender	Major Education and Experience	Audit Committee	Remuneration Committee	back at opera union group mana crisis the ge of mark by to police	Chairman	Jung-Tzu Lin	Male	CTO and Executive Vice President, Chunghwa			V V V V V V V V	
Title	Name	Gender	Major Education and Experience	Audit Committee	Remuneration Committee	back at opera union group mana crisis the ge of mark by to police												
Chairman	Jung-Tzu Lin	Male	CTO and Executive Vice President, Chunghwa			V V V V V V V V												

III. Corporate Governance Report

Assessment criteria	Implementation status														Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies			
	Yes	No	Explanation															
						Telecom Ph.D. in Computer Science, National Yang Ming Chiao Tung University												
			Vice-Chairman	Pao-Yung Lin	Male	Chairman and President, Senao International Co., Ltd. Tungshih High School				V	V		V	V	V	V	V	V
			Director	Tien-Tsai Su	Male	President, Personal and Family Group, Chunghwa Telecom Master in Electrical Engineering, National Cheng Kung University				V	V		V	V	V	V	V	V
			Director	Chih-Cheng Chien	Male	President, Network Technology Group, Chunghwa Telecom Co., Ltd. Ph.D. in Electronic and Computer Engineering, National Taiwan University of Science and Technology				V	V		V	V	V	V	V	V
			Director	Li-Hsiu Wu	Female	CISO and Executive Vice President, Chunghwa Telecom Master in Applied Mathematics, National Yang Ming Chiao Tung University				V	V		V	V	V	V	V	V
			Director	Chien-Chih Chen	Male	Assistant Vice President, Corporate Communication Division, Chunghwa Telecom Co., Ltd. Strayer University, Washing D.C., USA Master of Business Administration (MBA) Citibank Taiwan: Public Relations &Corporate Banking				V	V		V	V	V	V	V	V
			Director	Cheng-Feng Lin	Male	Special assistant, Senao International Co., Ltd. EMBA, National Chengchi University				V	V		V	V	V	V	V	V

Assessment criteria	Implementation status																Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies	
	Yes	No	Explanation															
			Director	Cheng-Kang Lin	Male	Project Manager, Senao International Co., Ltd. New Product Strategy Center IMBA, National Chengchi University Japanese, the University of British Columbia				V	V		V	V	V	V	V	
			Independent Director	Kung-Liang Yeh	Male	Chairman, Fubon Securities Co., Ltd. EMBA, Finance, National Taiwan University	V (Convener)	V (Convener)	V	V	V	V	V	V	V	V	V	
			Independent Director	Wen-Tsan Wu	Male	President, Metanoia Communications Inc. Master and Ph.D. In Electrical Engineering, University of Washington, U.S.A.	V	V	V	V		V	V	V	V	V	V	
			Independent Director	Fu-Hai Yeh	Male	Vice-Chairman, WPG Holdings Bachelor's degree in Electronic Engineering, Feng Chia University	V	V	V	V		V	V	V	V	V	V	
			Independent Director	Min-Ching Cheng	Male	Chairman, Honghwa IC International Technology Co., Ltd. Bachelor's degree in Electrical Engineering, National Kaohsiung University of Applied Sciences	V	V	V	V		V	V	V	V	V	V	
			Independent Director	Ai-Chun Pang	Female	Associate Dean, College of Electrical Engineering and Computer Science, National Taiwan University Ph.D. in Computer Science, National Yang Ming Chiao Tung University	V	V	V	V		V	V	V	V	V	V	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Explanation	
(2) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?		V	(2) The Company established the Remuneration Committee and Audit Committee in accordance with relevant laws. The Audit Committee consists of the independent directors. In the event of a merger or acquisition, the Committee may call for a meeting to evaluate the fairness and reasonableness of such a transaction.	No major deviation
(3) Has the Company established a set of policies and assessment tools to evaluate the board's performance? Is performance evaluated regularly at least on an annual basis? Are the results of performance assessments submitted to the board of directors and used as reference in determining compensation for individual directors, their nomination and additional office term?	V		(3) The Company's Regulations Governing the Board Performance Evaluation was established and passed by the board of directors' meeting on December 27, 2019, stipulating that the board's evaluation shall cover evaluation of the board as a whole, individual directors, audit committee and remuneration committee at least once a year. External professional independent institutions or external expert and scholar teams evaluate the performance at least every three years. Internal performance evaluation of the Board of Directors of the year shall be conducted by the end of every year. External performance evaluation of the Board of Directors shall be completed before the end of Q1 of the next year. Internal performance evaluation of the Board of Directors is described as follows: The criteria for evaluating the performance of the board of directors include the following five aspects: 1. Participation in the operations of the company.	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM- Listed Companies
	Yes	No	Explanation	
			2. Improvement of the quality of the board of directors' decision making. 3. Composition and structure of the board of directors. 4. Election and continuing education of the directors. 5. Internal control. The criteria for evaluating the performance of the board members should cover, at a minimum, the following six aspects: 1. Alignment of the goals and missions of the company. 2. Awareness of the duties of a director. 3. Participation in the operations of the company. 4. Management of internal relationship and communication. 5. The director's professionalism and continuing education. 6. Internal control. The criteria for evaluating the performance of functional committees should cover, at a minimum, the following five aspects: 1. Participation in the operations of the company. 2. Awareness of the duties of the functional committee. 3. Improvement of quality of decisions made by the functional committee. 4. Makeup of the functional committee and election of its members. 5. Internal control. The administration unit shall conduct the board's internal	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Explanation	
			evaluation, collect relevant information about the board of directors, individual directors and functional committees by December 31 of every year, and distribute following surveys: 1. “Self-assessment for the board’s (including functional committee) performance”: Individual director’s evaluation on the board of directors’ performance as a whole (including functional committee) 2. “Self-assessment on individual board member’s performance:” Self-evaluation on each individual director’s performance. When administration unit calculates the evaluation results, it shall count the self-assessment score for the board of directors (including functional committee) and board members separately. The self-assessment score is the average of sum of scores from all items, and the average score represents evaluation results as follows: 1. For average score equal or above 4, the evaluation result is “Excellent.” 2. For average score less than 4 but above 3, the evaluation result is “Good.” 3. For average score less than 3, the evaluation result is “To be improved.” The performance evaluations on the board as a whole, individual directors, audit committee and remuneration committee were	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Explanation	
			completed on December 31, 2022, and the average score for the year 2022 were 4.63, 4.84, 4.73 and 4.62, all representing excellent performance. The result was reported in the board of directors' meeting on February 17, 2023 and it concluded a review and corrective measure as follows: Directors of TPEX-Listed companies were required to take three hours of course in the year they took office. To cope with planning for Corporate Governance 3.0 Blueprint, taking three hours of course has become mandatory since 2023. The Company arranges training courses held by Senao International, competent authority and the parent company Chunghwa Telecom in order to offer diverse courses for all directors every year. External performance evaluation of the Board of Directors is described as follows: The external evaluation institution or external expert and scholar team appointed for performance evaluation of the board of directors shall meet the regulations below: 1. The external evaluation institution or external expert and scholar team appointed for shall be professional and independent. 2. The external evaluation institution is primarily the relevant institution or management consultant company holding the education training course and providing the enterprise corporate	

III. Corporate Governance Report

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Explanation	
			governance service. 3. In the external expert and scholar teams, at least three experts or scholars in the Board of Directors or in the corporate governance field shall be assigned to evaluate performance evaluation of the Board of Directors and write the external evaluation analysis report. In October 2022, the Company entrusted the external institution “Taiwan Association of Board Governance” to appoint three independent experts who has no business relation with the Company and signed declaration of independence and declaration of data protection and liability to conduct evaluation). The experts are Chou Chih Pang, President of Taiwan Association of Board Governance, Wang Tai Chang, Director of Independent Director Association Taiwan, and Chang Chu Hsuan, Associate Professor of the Department and Graduate Institute of Finance, National Taipei University of Business. Experts submitted the evaluation report in December 2022. Suggestion and the improvement made by the Company are as follows: 1. Suggestion: Regularly submit the issues reported by the shareholder and stakeholder to the Board of Directors. Provide the email on the company website for independent directors to send and receive the issues synchronously for whistleblowing. Improvement plan: Irregularly submit the issues reported by the	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Explanation	
			shareholder and stakeholder to the Board of Directors. The company stakeholder's email is set to forward the email to the independent director's email synchronously for shareholder and stakeholder to report issue. 2. Suggestion: over half of the directors are from Chunghwa Telecom, hence it is suggested that the Board of Directors must protect the rights and interests of company's shareholders and employees while the Board of Directors makes various resolutions in the future. 3. Suggestion: It is suggested that the Company may consider to establish the Information Security Management Committee, disclose the convener, member and operating method of the Committee and consider to enroll in information security protection insurance. Additional description: the Company reports the information security situation to the Audit Committee and the Board of Directors regularly. The benefit will be evaluated for the Information Security Committee and information security protection insurance.	
(4) Are external auditors' independence assessed on a regular basis?	V		(4) Our Audit Committee evaluates the independence and competence of auditor every year. Auditors are required to provide the "claims of independence" and "Audit Quality Indicators (AQIs)." The Audit Committee evaluates the auditors based on the standard in Note 1 and 13 AQIs. It is confirmed that the auditor is not involved	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Explanation	
			in other financial benefit or business relationship with us besides the fee for audit or taxation case. The family member of the auditor did not violate the independence requirements. After referring to AQI information, the Company confirms that the audit experience and number of training hours are higher than the average among competitors. Besides, the digital audit tool will still continue to be introduced in three years to enhance audit quality. The evaluation result of the most recent year was discussed and passed by Audit Committee on February 17, 2023. It was submitted to the Board of Directors to for resolution and approval of independence and competency evaluation of the auditor. Note 1	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM- Listed Companies																																																			
	Yes	No	Explanation																																																				
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(5) Has the Company planned for succession of board members and important management team?	V		Succession plan and its operation of the board members: (1) Our “Articles of Incorporation” explicitly specified that all candidates are nominated for election of the directors. “Corporate Governance Best-Practice Principles” and “Procedures for Election of Directors” explicitly stated that composition of the Board of Directors shall put diversity into consideration. The diversity approach is set up according to our operation, operational status																																																				

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			and development need, including but not limited to standards in two aspects, basic condition and value, and professional knowledge and skill. (2) As for the director succeeding plan that the Company continues to carry out, the director candidate database is built according to the standard below: ● Integrity, responsible, innovative and decision-making ability. Meet our core values. Have the professional knowledge and skill helpful for our operating management. ● Have the industrial experience associated with our business ● Expect that this member can help us continue to provide an effective, synergic and diverse Board of Directors that meet the Company's requirements Expect to have at least one female director. For evaluation of competency of the overall Board of Directors, ability to conduct crisis management, international market perspective, ability to lead and ability to make policy decisions are required. The election of director candidate of our Company must meet qualification examination and relevant regulations to ensure that if there's vacancy or the Company plans to add more seats, the Company can identify and select appropriate new directors. (3) Meanwhile, the Company explicitly formulates the "Regulations Governing the Board Performance Evaluation." Through the	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM- Listed Companies
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			performance evaluation items, the Regulations cover participation in company operation, enhancement of decision-making quality of the Board of Directors, composition and structure of Board of Directors, selection and continuing education of directors, and internal control, to ensure effective operation of the Board of Directors and evaluate performance of director as reference for direction selection. Succession plan and its operation of important management team (1) Our employees that are Assistant Vice President and above are considered in the important management team, in charge of operating management in the organization. Substitutes are available on all management levels. (2) The Company organizes a strict selection and evaluation system for succession plan of top management (including the President). The position of the employees in top management team is evaluated by the position evaluation tool of professional consulting firm. Internal corporate talents are evaluated fairly, justly, objectively to select potential talents for succession. The Company cultivates internal talents evaluated to have high potential for critical position. Cultivation covers leadership potential, personality, professional knowledge and management function. In 2022, this tool is used select managers on all levels and one executive vice president as the successor of the top management team.	

III. Corporate Governance Report

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Explanation	
			(3) The member of important management team shall possess necessary professional skills, experience and background. By executing different project tasks in normal times, three skills including management knowledge, management skill and management leadership are cultivated. The value and operation philosophy of the member must be consistent with our concept of “Ethical Company, Order Market, Responsible Work” and our corporate culture of “Integrity, Professionalism, Determination, Innovation.” (4) As for the key of the internal training plan of the top management team, the Company provides supporting resources or designs or adjusts the function for our diverse medium and senior-level human resources. The top management team joins the monthly management meeting and arranges supervisors to share and interact with each other on management issues through project task. The online course learning platform is available, covering leadership, management, technology, innovation and industrial trend for the members of the management team to learn themselves and create their comprehensive operational competence. (5) Meanwhile, by quarterly review and annual employee performance evaluation system, critical talents are rotated to different departments based on our development strategy to cultivate diverse talents, beneficial to talent inheritance. By observation and	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM- Listed Companies										
	Yes	No	Explanation											
			performance evaluation, the Company understands the area that requires improvement, personal development need and company expectation. The evaluation result is used as the reference for further succession plan. The overall training lasts one to two years.											
4. Does the TWSE/TPEX listed company have an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer in charge of corporate governance affairs (including but not limited to providing directors with the information needed to perform their duties, assisting directors with legal compliance, convention of board	V		The Company has designated the Finance Department in charge of corporate governance affairs, and the Finance Department Manager was appointed as the chief corporate governance officer in a board of directors' meeting *, who will be responsible for the Company's corporate governance affairs (including but not limited to providing directors with the information needed to perform their duties, convention of board meetings and shareholder meetings, company registration and changes, preparation of board meeting and shareholder meeting minutes etc.) and reporting to the board meeting on a regular basis. *The Finance Department Manager has worked in the Company as a manager and had experience in finance, share affairs and board meetings for more than three years. **There were seven board of directors' meetings and one general shareholders' meeting in 2022. ***2022 corporate governance manager education: <table border="1"> <thead> <tr> <th>Date of the course</th><th>Organizer</th><th>Course Name</th><th>Hours of education</th><th>Total hours of education of the current year</th></tr> </thead> <tbody> <tr> <td></td><td></td><td></td><td></td><td></td></tr> </tbody> </table>	Date of the course	Organizer	Course Name	Hours of education	Total hours of education of the current year						No major deviation
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III. Corporate Governance Report

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	Yes	No	Explanation					
meetings and shareholder meetings and preparation of board meeting and shareholder meeting minutes etc.)?			2022.03.25	Taiwan Corporate Governance Association	5G builds corporate digital transformation and new competition	3.0	3.0	
			2022.04.22	Taiwan Institute for Sustainable Energy	Taishin International Bank 30-year Sustainability Net Zero Summit Forum - Serious Net Zero Policy Achieves Sustainability by 2030	3.0	6.0	
			2022.07.06	Securities and Futures Institute	Director and Supervisor (Including Independent Ones) and Corporate Governance Manager Advanced Practice Seminar - Benefit and Business Model of the Circular Economy	3.0	9.0	
			2022.07.27	Taiwan Stock Exchange Corporation	Sustainable Development Roadmap Industrial Theme Advocacy Meeting	2.0	11.0	
			2022.09.21	Accounting Research and Development Foundation	Concept Analysis of the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	3.0	14.0	
			2022.10.28	Securities and Futures	2022 Insider Trading	3.0	17.0	

Assessment criteria	Implementation status					Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM- Listed Companies
	Yes	No	Explanation			
				Institute	Prevention Advocacy Meeting	
5. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	V		In order to place emphasis on the stakeholders’ interests, the Company has set up CSR section (https://www.senao.com.tw/invest18.php) and the stakeholders’ section (https://www.senao.com.tw/invest16.php). The Company publishes the sustainability report every year and summarizes its methods and results in the CSR section in order to transparently and practically address relevant CSR issues to its stakeholders. At the meantime, the Company has also provided the communication channels such as customer service hotline, retail stores and emails to various stakeholders, thereby stakeholders can provide the feedback regarding relevant issues or thoughts to Senao International via the most convenient method for them. In order to place emphasis on the stakeholders’ interests, the Company has set up a special hotline as follows: Contact: Manager Ta-Wei Chueh Tel: 02-2218-3588 ext. 1550 Email: legal@senao.com.tw			No major deviation
6. Does the Company engage a share	V		The Company has signed the share affairs agency contract with Stock Affairs Department, Taishin Securities Co., Ltd. and engage it to			No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Explanation	
administration agency to handle shareholder meeting affairs?			handle shareholders' meeting affairs.	
7. Information disclosure				
(1) Has the Company established a website that discloses financial, business and corporate governance-related information?	V		(1)1. Financial information disclosure: the Company's revenue information and financial statements are disclosed under the investors section on the website and updated on a regular basis for investors' reference. 2. Business information disclosure: the Company's product information is placed on the front page of the website; the service information such as warranty inquiry and maintenance progress inquiry can be found on the maintenance service page. 3. Corporate governance information: the Company has set up the corporate governance section under the investors section on the website, in which, the Company's corporate governance structure and policies for diversity of board members are disclosed. In addition, the Operation of Internal Audit, Endorsement and Guarantee Procedures, and Procedures Governing the Acquisition or Disposal of Assets were disclosed on the Company's website; the material resolutions of the board meetings were disclosed on the annual report.	No major deviation
(2) Has the Company adopted other means to disclose	V		(2)1. Assignment of specific personnel to collect and disclose corporate information: the related departments or divisions of	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM- Listed Companies
	Yes	No	Explanation	
information (e.g., English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?			the Company have assigned specific personnel to collect and disclose information. 2. Implementation of spokesperson system: The Company has appointed the spokesperson and acting spokesperson as specified by relevant rules to implement the spokesperson system. 3. Broadcasting of investor conferences via the company website: the Company has uploaded the investor conference videos in the investors section of the Company's website for reference; the financial and operational information provided in an investor conference has been submitted to the Market Observation Post System as required by the Taiwan Stock Exchange Corporation, in addition to the investors section of the website.	
(3) Has the Company published and reported its annual financial report within two months after the end of a fiscal year and published and reported its financial reports for the first, second and third quarters	V		(3) The Company has published and reported its annual financial report within two months after the end of a fiscal year and published and reported its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM- Listed Companies
	Yes	No	Explanation	
as well as its operating status for each month before the specified deadline?				
8. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors, implementation of risk management policies and risk measurements, implementation of customer policy and insuring against liabilities	V		(1) Employee rights, employee care: the Work Rules has been established in compliance with relevant labor regulations and disclosed publicly. Meanwhile, the intra-net counseling platform and hotline are available for employee consultation and communication. The Company also discloses relevant information for employee care under the CSR section under the investors section of its website. In addition, the Company's Employee Welfare Committee is responsible for employee welfare and please refer to page 169 of the report for further information. (2) Investor relations: protecting shareholders' interests is the Company's ultimate goal. It treats all of its shareholders equally and publish relevant material information such as financial and operational information or shareholdings of insiders on a timely basis and in compliance with relevant rules and regulations. The meeting minutes of ordinary shareholders' meetings were handled in accordance with the Company Act and relevant rules and regulation and published on the Company's website. (3) Supplier relations: The Company has maintained good relations with its suppliers for a long time and implemented a prudent review	No major deviation No major deviation No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Explanation	
of company directors)?			process for a supplier's qualification, capability, credit. Both parties act based solely on the contract. Before signing the contract and during conducting the business, the Company identifies and examines the protection measures based on the operational risk of different suppliers. The Company also provides complete, timely and correct financial information for suppliers' reference. (4) Stakeholders' interests: through the Company's detailed rules and policies, adjusted in accordance with local laws and regulations, the interests of various stakeholders are fully covered. For major stakeholders, we have set up the stakeholder section for timely feedback of important rights and material information and the corresponding complaint channel is provided for any unfair treatment or impairment of stakeholders' rights, thereby the Company may response immediately and effectively. (5) Education for directors: The Company invited directors to take the "5G builds corporate digital transformation and new competition" on March 25, 2022. The online course from Taiwan Corporate Governance Association is provided for directors to participate. (6) Implementation of risk management policies and risk measurements: The Regulations Governing the Risk Control Procedures was passed by the board of directors' meeting on November 4, 2020. The Company evaluates the risk once a year, sets up risk management policies for all kinds of risks and covers	No major deviation No major deviation No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM- Listed Companies								
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			and implements the management goal, risk evaluation, risk response and risk control. The Company aims to identify, measure and control all kinds of risks effectively, keep the risks incurred from the business activity within an acceptable scope. To ensure our stable business operation and sustainable development, all kinds of risks are defined based on our operating strategy and goal. This aims to prevent possible losses within the bearable risk level, build an overall risk management organization structure and risk management system.. Management responsibility <table> <tr> <th>Organization name</th> <th>Scope of authority and responsibility</th> </tr> <tr> <td>Board of Directors</td> <td> 1. Approve the risk management policy and structure. 2.Ensure effectiveness of risk control system and allocate resources. </td> </tr> <tr> <td>Top management team (CEO, Executive Vice-Presidents, Vice-Presidents)</td> <td> 1. Carry out the risk control decisions. 2. Coordinate the interaction and communication on risk control across departments. </td> </tr> <tr> <td>Managers on all levels</td> <td> 1. Gather the result of the implementation of risk control activity. 2. Assist and in supervise all kinds of risk control activities in the department. </td> </tr> </table>	Organization name	Scope of authority and responsibility	Board of Directors	1. Approve the risk management policy and structure. 2.Ensure effectiveness of risk control system and allocate resources.	Top management team (CEO, Executive Vice-Presidents, Vice-Presidents)	1. Carry out the risk control decisions. 2. Coordinate the interaction and communication on risk control across departments.	Managers on all levels	1. Gather the result of the implementation of risk control activity. 2. Assist and in supervise all kinds of risk control activities in the department.	
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Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies
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			3. Change the decided risk type and suggest the way to take on risks depending on the external environment and internal strategy. 4. Evaluate the performance and carry out coordination after risk adjustment.	
			Managers on all levels under each department 1. Carry out the daily risk control activities. 2. Perform self-evaluation on risk control activities.	
			Risk Control Architectural Diagram	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies				
	Yes	No	Explanation					
			Integrated with MBO Integrated with performance evaluation Extended from the main business Continuous verification and feedback Risk control on climate change <table><thead><tr><th>Structure</th><th>Disclosure</th></tr></thead><tbody><tr><td rowspan="2">Governance</td><td>The Chairman serves as the director of Senao International ESG Committee and the board member of Senao International. The director discusses and reviews the risk and opportunity at the annual meeting of ESG Committee and report it to the board.</td></tr><tr><td> The Senao International ESG Committee evaluates the risk and opportunity brought by relevant climate issues via the risk control process of the Company according to the long-term strategies stipulated by the board. </td></tr></tbody></table>	Structure	Disclosure	Governance	The Chairman serves as the director of Senao International ESG Committee and the board member of Senao International. The director discusses and reviews the risk and opportunity at the annual meeting of ESG Committee and report it to the board.	The Senao International ESG Committee evaluates the risk and opportunity brought by relevant climate issues via the risk control process of the Company according to the long-term strategies stipulated by the board.
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			The ESG Committee reviews the carbon management strategy every year, draws up adequate budget plans, sets relevant performance goals, and ensures that the climate strategies can be integrated into the annual departmental business operations. His management responsibility covers: (1)Set up the goal for GHG management and carbon reduction. (2)Plan for the program for increasing energy efficiency and draw up the strategy and action plan for reducing carbon intensity for operations and service.	
			Strategy Opportunities led by climate change reflect on the future sales and service. Senao International will keep paying attention to and seeking green operations and management technology or subject matter suitable for development. We expect to accumulate more momentum in innovative service and business and make contributions to low carbon and smart economy.	
			Risk control The Company identifies potential factors for the possible risks incurred from operation beforehand to make comprehensive plans as early as possible, eliminate possible risks and reinforce disclosure transparency.	
			Risk control The Company carries out system evaluation and analysis on the scope of climate change issues and the impact of climate change on business or daily operation. The ESG environmental sustainability team assesses the outcome of relevant energy saving programs and increases the adaptation capacity of relevant facilities.	
			Indicator and 1. The headquarter checks the emission data in Scopes 1 and 2 and receives external verification according to ISO 14064-1.	

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	Yes	No	Explanation											
			<table><tr><td>objective</td><td>2. Set up the goal for GHG management and carbon reduction for Senao International. Set up the strategy and goal of corporate environmental sustainability development, and improve the management of environmental data, such as carbon emission. Announce the evaluation on the opportunity for using renewable energy to external parties. 3. Plan for the program for increasing energy efficiency, and draw up the strategy and action plan for reducing carbon intensity for operations and service. 4. Supervise and propose adequate plans for reducing CO2 emission in its industry.</td></tr></table> For the industry we are in, we expect to face the following economic, environmental and social risks. We perform active control to respond to uncertainties. In future, we will set up the system of corporate risk control, continue to raise the awareness of employees on risk control, keep track of and control risks and its uncertainties. <table><tr><th>Material issues</th><th>Risk assessment criteria</th><th>Risk control policies or strategies</th></tr><tr><td rowspan="2">Economy and corporate governance</td><td>Bad loan of the Company is incurred from the massive bad debt made by dealers.</td><td>Increase the secured credit ratio and reduce unsecured credit line for the problem client.</td></tr><tr><td>The market share of all brands is getting stable. Skip the agency and supply products to the system operator or dealer directly to strengthen the control on channels.</td><td> - Strengthen the value of the channel. - Coordinate to limit the model directly supplied. - Make the best of the e-commerce channel. </td></tr></table>	objective	2. Set up the goal for GHG management and carbon reduction for Senao International. Set up the strategy and goal of corporate environmental sustainability development, and improve the management of environmental data, such as carbon emission. Announce the evaluation on the opportunity for using renewable energy to external parties. 3. Plan for the program for increasing energy efficiency, and draw up the strategy and action plan for reducing carbon intensity for operations and service. 4. Supervise and propose adequate plans for reducing CO2 emission in its industry.	Material issues	Risk assessment criteria	Risk control policies or strategies	Economy and corporate governance	Bad loan of the Company is incurred from the massive bad debt made by dealers.	Increase the secured credit ratio and reduce unsecured credit line for the problem client.	The market share of all brands is getting stable. Skip the agency and supply products to the system operator or dealer directly to strengthen the control on channels.	- Strengthen the value of the channel. - Coordinate to limit the model directly supplied. - Make the best of the e-commerce channel.	
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Material issues	Risk assessment criteria	Risk control policies or strategies												
Economy and corporate governance	Bad loan of the Company is incurred from the massive bad debt made by dealers.	Increase the secured credit ratio and reduce unsecured credit line for the problem client.												
	The market share of all brands is getting stable. Skip the agency and supply products to the system operator or dealer directly to strengthen the control on channels.	- Strengthen the value of the channel. - Coordinate to limit the model directly supplied. - Make the best of the e-commerce channel.												

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Explanation	
			People's life style and consumption behavior changed due to the pandemic. It's hard for the physical retail channel to grow. - Seven programs have been implemented to boost revenue, focusing on Call Out Project, bank card holder project, new Store planning and new product introduction. They aim for boosting production capacity per store, diversification of store service, expense control and efficiency enhancement. - Focus on its revenue, consolidate binding income, and integrate with promotion of digital shopping guide.	
			Environment The machine room is damaged due to human error or non-human accident and natural disaster. Build the daily remote backup system to complete the BCP project.	
			<div> <div data-kind="parent" data-rs="2">Society</div> <div> Media makes wrong news. </div> <div> Disclose information regularly, release major news occasionally and explain in detail to improve information transparency. </div> </div>	
			<div> <div data-kind="ghost"></div> <div> Member data in the website database leaked due to hacking or virus. </div> <div> Build an application firewall. </div> </div>	
			The Company reports the risk map and responsive measures after risk evaluation analysis to the Board of Directors annually (as shown	

No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Explanation	
			Market and competition	
			8. Contact rate of mobile phone purchase decreases.	1. Become less competitive than other system operators. 2. Revenue of mobile number contract and communication service decreases. 3. Chance of connecting mobile phone sales with accessory is affected. The Company suggests the parent company to become more competitive than other operators for rebate on contract phone, and expands full-price phone sales, effectively increasing operating performance of mobile service and 5G value-added service provided by Chunghwa Telecom effectively.
			10. People's life style and consumption behavior changed due to the pandemic. It's hard for the physical retail channel to grow.	1. Production capacity per store cannot be increased, expecting to affect achievement of revenue goal. 2. Customer binding rate decreases. Revenue and sales are affected. Production capacity per person on average decreases. 1. Seven programs have been implemented to boost revenue, focusing on Call Out Project, bank card holder project, new Store planning and new product introduction. They aim for boosting production capacity per store, diversification of store service, expense control and efficiency enhancement. 2. Focus on its revenue, consolidate binding income, and integrate with promotion of digital shopping guide.
			11. Communication product market has become mature. It's	The market share of distribution channel shall be maintained at 50 % and above. 1. New product/channel development and continuous investment into B2B distributor website

Assessment criteria	Implementation status					Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM- Listed Companies	
	Yes	No	Explanation				
				hard to increase the revenue of distribution channel.		establishment. 2. Integrate marketing resources of original maker and Senao, and plans to make promotions to expand customer service need. 3. Plan for purchase incentive event for distributor, and provide sales materials and sales incentive for sales representative.	
			(7) Implementation of customer policy: The Company has the retail stores and customer service units nationwide, as well as the customer service hotline and specialists, to provide services and solutions for customer inquiries and complaints. The relevant customer service information was also disclosed in the CSR section under the investors section of the Company’s website. (8) Insuring against liabilities of company directors: The Company has insured against liabilities of company directors with liability limit of US\$ 10 million and reported to the board of directors’ meeting at the end of each year. (9) Qualification of personnel involved in financial transparency: 1 Certified Public Accountant.				
9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center and propose enhancement measures for any issues that are yet to be rectified. (Not applicable if the							

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Explanation	
company is not one of the evaluated subjects) The improvements made by the Company based on the latest Corporate Governance Evaluation results published: (1) Some members of Board of Directors are females. (2) One third of the directors are independent directors. (3) External performance evaluation of the Board of Directors Enhancement measures are as follows: (1) The annual general shareholders’ meeting. is held before the end of May. (2) Succession plan of board members and important management team				

III. Corporate Governance Report

- (4) Disclosure regarding the composition, responsibilities, and functioning of remuneration committee, if available: The Remuneration Committee was formed upon on the resolution of the board of directors' meeting, where the Committee members were assigned by the board. The Committee is mainly responsible for reviewing regularly the compensation policies, systems, standards and structures and performance of directors and managers and proposing for discussion in the board meeting.

1. Information of the Remuneration Committee members

Identity type	Name	Professional qualification and experience	Independence status (Note 1)				Number of positions as Remuneration Committee member in other public companies
			1	2	3	4	
Independent Director (Convener)	Kung-Liang Yeh	Have professional qualification and at least five years of experience in the area of commerce, finance, accounting or work experience needed by the Company.	✓	✓	✓	✓	0
Independent Director	Fu-Hai Yeh	Have professional qualification and at least five years of experience in the area of commerce, finance, accounting or work experience needed by the Company.	✓	✓	✓	✓	1
Independent Director	Wen-Tsan Wu	Have professional qualification and at least five years of experience in the area of commerce, finance, accounting or work experience needed by the Company.	✓	✓	✓	✓	0
Independent Director	Min-Ching Cheng	Have professional qualification and at least five years of experience in the area of commerce, finance, accounting or work experience needed by the Company.	✓	✓	✓	✓	0

III. Corporate Governance Report

Independent Director	Ai-Chun Pang	An instructor at a public college, in a department of commerce or other academic departments related to the business of the Company, and has professional qualification and at least five years of experience	✓	✓	✓	✓	1
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Note 1: Check in each box with “✓,” if the member meets the condition during the two years prior to being appointed and during the term of office.

- (1) This person, this person’s spouse or this person’s relative within the second degree of kinship does not serve as the director, supervisor or employee of the Company or its affiliate.
- (2) The member is not a natural-person shareholder who holds shares, together with those held by the person’s spouse, the person’s relative within the second degree of kinship, or held by the person through nominees, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (3) The person does not serve as the director, supervisor or employee of the company that is in a specific relationship with the company. (Refer to Paragraph 1, Subparagraph 5 to 8 of Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.”)
- (4) Refer to the remuneration of the director on page 70 of this annual report and page 90 of the 2021 annual report for the amount of remuneration gained from the commerce, law, finance and accounting services provided by the Company or its affiliate in the last two years.

2. Operations of Remuneration Committee

(1) The Company's Remuneration Committee consists of 5 members.

(2) Duration of service of the current Committee: from June 15, 2022, to June 14, 2025. The Remuneration Committee held 5 meetings (A) in 2022; details of members' eligibility and attendance are as follows:

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) (B/A) (Note)	Remark
Convener	Kung-Liang Yeh	4	1	80%	
Member	Wen-Tsan Wu	4	—	80%	
Member	Yung-Lin Su	1		100%	The term of office ended on June 13, 2022 and the contract was not renewed.
Member	Fu-Hai Yeh	4	—	100%	New current members held a meeting four times during the current term.
Member	Min-Ching Cheng	2	—	50%	New current members held a meeting four times during the current term.
Member	Ai-Chun Pang	2	—	50%	New current members held a meeting four times during the current term.
Other matters that shall be recorded:					
1. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the agenda, the board's resolution, and how the company had handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): none.					

2. Should any member object or express qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the agenda, the entire members' opinions and how their opinions were addressed: None.

Note:

- (1) Date of resignation is shown for members of the Remuneration Committee who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.
- (2) If a re-election of Remuneration Committee members had taken place prior to the close of the financial year, members of both the previous and the current Remuneration Committee will be listed; in which case, the remarks column will specify whether the committee member was elected in the previous board, the new board, or both. The percentage of actual (proxy) attendance (%) will be calculated based on the number of Remuneration Committees held during active duty and the number of actual (proxy) attendance.

3. Discussion matters and resolutions in the Remuneration Committee's meetings and how members' opinions were addressed

Date	Number of meetings	Discussion Matters	Resolution	The Company's handling of Remuneration Committee members' opinions
2022.02.18	The 13th meeting of the 4th Remuneration Committee	Reviewed the 2021 directors' remuneration and employees' compensations	Passed as proposed unanimously by all members present at the meeting.	Passed by the board of directors' meeting
2022.06.15	The 14th	Approval of the Chairman's salary.	Passed as	Passed by the

III. Corporate Governance Report

Date	Number of meetings	Discussion Matters	Resolution	The Company's handling of Remuneration Committee members' opinions
	meeting of the 4th Remuneration Committee		proposed unanimously by all members present at the meeting.	board of directors' meeting
2022.07.29	The 1st meeting of the 5th Remuneration Committee	Reviewed 2021 managers' and employees' compensations disbursement	Passed as proposed unanimously by all members present at the meeting.	Passed by the board of directors' meeting
2022.11.02	The 2nd meeting of the 5th Remuneration Committee	Organization restructuring and promotion of Vice President of the Company	Passed as proposed unanimously by all members present at the meeting.	Passed by the board of directors' meeting
2022.12.16	The 3rd meeting of the 5th Remuneration Committee	Reviewed 2022 Chairman's and managers' performance appraisal and year-end bonus disbursement	Passed as proposed unanimously by all members present at the meeting.	Passed by the board of directors' meeting

(5) Promotion of sustainable development, and deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX- Listed Companies:

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX- Listed Companies
	Yes	No	Explanation	
1. Does the Company promote the governance structure of sustainable development? Does the Company have a unit that specializes (or is involved) in sustainable development promotion? Is the sustainable development unit run by senior management authorized by the Board of Directors? How is the supervision implemented by the Board of Directors?	V		The Company has established the Corporate Social Responsibility (CSR) Committee by the resolution of the board of directors' meeting in 2018, renamed to ESG Committee in 2022. Secretariat Division of ESG Committee is the specialized unit in sustainable development practices and responsible for sustainable development policies, systems or management guideline and the proposal and execution of implementation plan. It publishes the sustainability report every year to respond to issues concerned by stakeholders. Sustainable development-related matters are handled by senior management authorized by the board, and reported to the board of directors on an annual basis (once a year). The Board of Directors supervises and inspects progress of ESG Committee based on the report and urges the management team to make adjustments when necessary.	No major deviation
2. Has the Company conducted a risk assessment on environmental, societal and corporate governance issues related to the Company's	V		(1) Although the retail industry has relatively small environmental impact, the Company actively implements energy conservation and carbon reduction plan, educates its employees to be eco-conscious, and improves utilization rate of all resources in order to achieve environmental sustainability.	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies			
	Yes	No	Explanation				
operation based on materiality principle, and set up relevant risk management policies or strategies?			(2) The Company sells products made by reputable global manufacturers, aligning with international standards, and sets up recycle bins for used batteries at its retail stores to reduce impact on environment and implement corporate social responsibility. (3) The Company strictly follows confidentiality of information and should not inquire about or collect any trade secrets, trademarks, patents and other intellectual properties of suppliers and customers unrelated to their individual duties and is keen to strengthen protective measures on information security. (Please refer to page 172 of the report for risk management information.) (4) The Company passed the Regulations Governing the Risk Control Procedures during the board of directors’ meeting on November 4, 2020. The Company evaluates the risk once a year and reports on the results of risk assessment to the board meeting in the form of risk distribution diagram. (5) For the industry we are in, we expect to face the following economic, environmental and social risks. We perform active control to respond to uncertainties. In future, we will set up the system of corporate risk control, continue to raise the awareness of employees on risk control, keep track of and control risks and its uncertainties. <table><tr><td>Material issues</td><td>Risk assessment criteria</td><td>Risk control policies or strategies</td></tr></table>	Material issues	Risk assessment criteria	Risk control policies or strategies	
Material issues	Risk assessment criteria	Risk control policies or strategies					

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			Bad loan of the Company is incurred from the massive bad debt made by dealers.	Increase the secured credit ratio and reduce unsecured credit line for the problem client.
			The market share of all brands is getting stable. Skip the agency and supply products to the system operator or dealer directly to strengthen the control on channels.	• Strengthen the value of the channel. • Coordinate to limit the model directly supplied. • Make the best of the e-commerce channel.
			People's life style and consumption behavior changed due to the pandemic. It's hard for the physical retail channel to grow.	• Seven programs have been implemented to boost revenue, focusing on Call Out Project, bank card holder project, new Store planning and new product introduction. They aim for boosting production capacity per store, diversification of

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
				store service, expense control and efficiency enhancement. • Focus on its revenue, consolidate binding income, and integrate with promotion of digital shopping guide.
			Environment	The machine room is damaged due to human error or non-human accident and natural disaster. Build the daily remote backup system to complete the BCP project.
			Society	Media makes wrong news. Disclose information regularly, release major news occasionally and explain in detail to improve information transparency.
				Member data in the website database leaked due to hacking or virus. Introduce malicious package monitoring system. Introduce host terminal

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			monitoring system.	
3. Environmental issues				
(1) The Company have an appropriate environmental management system established in accordance with its industrial character?	V		(1) Our environmental burden in retail industry is relatively light. To keep track of the external impact incurred from our operating process, we started to introduce ISO 14064-1 Greenhouse Gases Inventory Management System in 2019, and completely inspected the environmental data of the Head Office. Greenhouse gas inventory has been performed every year based on ISO14064-1 to track the outcome of carbon emission. It is disclosed in the sustainability report and our website for planning and reference of further sustainable action. In addition, we also implement a mobile phone recycle plan, in order to reduce the environmental pollution and hazard caused by wastes. During the seeking of business profit, we also achieve the environmental sustainability principle via actual actions.	No major deviation
(2) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the	V		(2) The Company offers the used phones sell and recycle service at the director stores, Chunghwa Telecom counters and the Company's website (https://www.senao.com.tw/SecondHand_Evaluate.php). After the refurbishment, 61,526 will be sold as refurbished phones (a total of o refurbished phones in 2022). In addition, the recycle bins	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
environment?			were setup at the director stores for the recycle of discarded mobiles and batteries (A total of 1,920 discarded mobile phones and 1,644 Kg discarded batteries in 2022) to reduce the impact on the environment. In addition, the Company also takes the following actions to improve resource efficiency and reduce impact on environment: • Gradually change of refrigerant of air conditioners to R410 environmentally friendly refrigerant for assistance in slowing down global warming • Addition of garbage segregation system and kitchen waste bins in office to decrease domestic waste and increase recyclable waste. • Encouragement of stairs instead of elevators • Reduce Online purchase packaging and maintain the online purchase package reduction standard issued by EPA. • Gradually replaces the regular light tubes in office to power-saving LED tubes.	
(3) Has the Company assessed its potential risk and opportunity that may be caused by climate change and taken measures on climate related issues?	V		(3) To respond to climate change, based on the structure of TCFD proposal published by the Financial Stability Board, members of our Sustainability Development Committee evaluated the strategy and goal of our risk and opportunity posed by climate change, reviewed the execution of strategy and goal and discussed the future plan. The risks identified in the current climate change evaluation are environmental regulation, rise of average temperate, threat to	No major deviation

Assessment criteria	Implementation status					Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies		
	Yes	No	Explanation					
			employee security posed by extreme climate, green supply chain of product, and change of the consumer’s awareness of product. To reduce the aforementioned risk, the Company studied and discussed feasible opportunities and formulated responsive measures. To mitigate and adapt to climate change, resource efficiency will be enhanced, water use and consumption will be reduced, or transportation efficiency will be increased. As for products, the Company made an explanation and a commitment for carbon reduction and green raw material of supplier and provided the supplier self-evaluation form when signing the contract.					
(4) Has the Company measured the emission of greenhouse gases, water usage, and total weight of waste for the past two years and adopted policies for energy conservation, carbon and greenhouse gas reduction, water conservation and other waste reduction?	V		(4) The actual externally purchased electricity of the Head Office in 2021 is about 15.1% less than in 2020. It is expected that the emission of the Head Office in 2026 will be 10% less than in 2020. Greenhouse Gas Emission In 2021, the total greenhouse gas emission of Senao was 850.643t-CO2e. According to the inspection, externally purchased electricity is our main source of greenhouse gas emission; therefore, our specific greenhouse gas reduction strategy mainly refers to the power consumption management and reduction of power consumption as the core directive for execution.			No major deviation		
			Type	Greenhouse gas emission source	Office	2019	2020	2021

III. Corporate Governance Report

Assessment criteria	Implementation status							Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies		
	Yes	No	Explanation							
			Direct greenhouse gas emission (Scope 1)	It includes the greenhouse gas from fixed emission source, moving emission source and exhaust source.	t-CO ₂ e	288.0706	260.3724	221.0329		
			Indirect greenhouse gas emission (Scope 2)	Emission due to use of externally purchased electricity	t-CO ₂ e	382.1603	351.2665	347.9377		
			Total emission (Scope 1 + Scope 2)		t-CO ₂ e	670.231	611.6389	568.9706		
			Number of employees		person	409	361	346		
			Emission intensity (total emission/person)		t-CO ₂ e	1.64	1.69	1.64		
			Note:							
			1. In 2021, the greenhouse gas inspection was conducted according to ISO 14064-1:2018 and it also qualified the SGS-Taiwan certification. 2. 2021 electricity emission factor used 1kWh = 0.502kg-CO ₂ e for calculation, referring to the electricity emission factor announced by the Bureau of Energy, MOEA in 2020.							

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies																		
	Yes	No	Explanation																			
			3. 2020–2021 inspection scope includes the Xindian headquarters and 11 office locations. Value Chain Greenhouse Gas Emission To completely inspect the greenhouse gas emission of the organization, the Company follow the ISO 14064-1:2018 standard to calculate the value chain carbon emission. In 2021, we performed the inspection on Scope 3 and Scope 4. <table border="1"> <thead> <tr> <th>Type</th> <th>Item</th> <th>Emission (t-CO₂e)</th> </tr> </thead> <tbody> <tr> <td rowspan="2">3</td> <td>Employee business travels</td> <td>7.3310</td> </tr> <tr> <td>Employee commuting</td> <td>151.4614</td> </tr> <tr> <td rowspan="3">4</td> <td>Product purchase (water consumption)</td> <td>1.4734</td> </tr> <tr> <td>Waste treatment and disposal</td> <td>5.7078</td> </tr> <tr> <td>Materials and energy-related activities</td> <td>115.6992</td> </tr> <tr> <td colspan="2">Total emission of value chain</td> <td>281.6728</td> </tr> </tbody> </table> Water Resource Management The main water consumption source of the Company is tap water. The water consumption in 2021 reached 8.67 kiloliters (water degrees). Presently, we continue to promote various water saving measures, such as the use of water saving toilets, water saving faucets and timely inspection and repair of equipment leakage and cooling	Type	Item	Emission (t-CO ₂ e)	3	Employee business travels	7.3310	Employee commuting	151.4614	4	Product purchase (water consumption)	1.4734	Waste treatment and disposal	5.7078	Materials and energy-related activities	115.6992	Total emission of value chain		281.6728	
Type	Item	Emission (t-CO ₂ e)																				
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Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies										
	Yes	No	Explanation											
			water tower periodic reduction of unnecessary water spray and consumption waste, in order to increase the water resource use efficiency. Water Consumption Statistics <table><tr><th>Water consumption</th><th>2019</th><th>2020</th><th>2021</th></tr><tr><td>kiloliters</td><td>10.59</td><td>9.26</td><td>8.67</td></tr></table> Note:2019–2021 inspection scope includes the Xindian headquarters and 11 office locations. Waste Management The Company adopts the method of classification management control according to waste characteristics and prioritizes reuse for the treatment method. Each year, the Company promotes the waste reduction and recycle project in order to increase the waste reuse efficiency. <table><tr><th>Waste Management Directive</th></tr><tr><td>Identify Waste Related Impact: • The main wastes of Senao International operation are classified into three main categories of general waste, recyclable waste and repair electronic boards. The wastewater refers to general living sewage. </td></tr></table>	Water consumption	2019	2020	2021	kiloliters	10.59	9.26	8.67	Waste Management Directive	Identify Waste Related Impact: • The main wastes of Senao International operation are classified into three main categories of general waste, recyclable waste and repair electronic boards. The wastewater refers to general living sewage.	
Water consumption	2019	2020	2021											
kiloliters	10.59	9.26	8.67											
Waste Management Directive														
Identify Waste Related Impact: • The main wastes of Senao International operation are classified into three main categories of general waste, recyclable waste and repair electronic boards. The wastewater refers to general living sewage.														

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies												
	Yes	No	Explanation													
			• However, presently, incinerators are under relatively higher air pollution emission standard and the useful lifetime and sludge are subject to the factors of landfill site use purpose change, etc. Waste reduction, recycle and re-use are key aspects of wastes for green economy. Impact prevention mechanism: The actions adopted for wastes include higher standard for garbage classification and recyclable and re-usable wastes are further added. Control waste treatment suppliers: Presently, the office wastes of the headquarters are entrusted to the park committee and qualified waste disposal suppliers for execution under contract. Data measurement and monitoring: Calculation is made based on the information provided by the management committee and waste disposal supplier and the number of vehicle transportation trips for waste disposal. Starting from March 2022, we will implement actual weighing method irregularly in order to obtain precise waste data in the boundary. Waste Management Outcome <table><tr><th>Category</th><th>Handling method</th><th>Office</th><th>2019</th><th>2020</th><th>2021</th></tr><tr><td>Reuse</td><td>In addition to direct</td><td>tons</td><td>32.2</td><td>30.8</td><td>4.4</td></tr></table>	Category	Handling method	Office	2019	2020	2021	Reuse	In addition to direct	tons	32.2	30.8	4.4	
Category	Handling method	Office	2019	2020	2021											
Reuse	In addition to direct	tons	32.2	30.8	4.4											

Assessment criteria	Implementation status						Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies		
	Yes	No	Explanation						
				reuse, we further implement the reuse actions of chemical, physical and heat treatment.	%	50	50	21	
			Non-recyclable	Incineration and landfill method for direct disposal	tons	32.2	30.8	16.4	
					%	50	50	79	
Note: 1. Our company is located at Xindian Fareast Park and the actual waste weighing data for March 14–April 1, 2022, for a total 15 working days, was recorded, in order to calculate the daily output amount. In addition, the number of actual working days in 2021 was 249 days, and the waste generation total output amount was established for 11 offices of the headquarters. The non-recyclable waste amount is approximately 16.4 tons/year and the recyclable waste amount is approximately 4.4 tons/year, such that a total of 20.8 tons/year of waste is generated. 2. Both the aforementioned re-usable and non-reusable wastes are non-hazardous wastes. Relevant energy conservation measures of the Company are as follows:									

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			• Electricity conservation The Electricity conservation is achieved by eliminating non-business related uses of electrical devices, turning off unnecessary lighting during lunch break, maintaining indoor temperature at 26°C, replacing the motor of DC inverter air feeder, adding circulator to improve cooling efficiency and having regular maintenance of air-conditioning system. • Water conservation The water conservation is achieved by installing water saving device on faucets, increasing water-efficiency of faucets and regularly checking toilets from leaking. • Lighting Most of the lights used are T5 and LED tube lights for planning of lighting replacement and repair to reduce the number of lights used and save energy. • Office equipment Enabling energy saving mode while not in use and integrating related units for resources sharing.	
4. Social issues				
(1) Does the Company have the relevant management policies and procedures stipulated in	V		(1) The Company's human resource management policy and procedures comply with relevant labor laws to ensure employees' legal rights. We follow the basic labor human right principles recognized	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
accordance with the relevant laws and regulations and international conventions on human rights?			internationally, including prohibiting the use of child labor or forced labor, eliminating employment discrimination and etc to achieve equality and fairness in remuneration, hiring conditions, training and promotion opportunities.	
(2) Has the Company setup and implemented reasonable employee welfare measures, including salary, leaves, and other welfares and appropriately reflected the corporate business performance or achievements in the employee remuneration policy?	V		(2) The Company believes that only good working environment and high work quality can motive our employee and lead to the best result, so, we endeavor to create a friendly working environment and compensate our employees based on their education background, experience, professional skills, seniority and personal performance. The Company's employee remuneration is not only in compliance with relevant national laws and regulations that include basic salary, overtime hours and overtime pay, but also pays equal for equal work regardless of gender, ethnicity, religion, political opinion, marital status or union.	No major deviation
(3) Does the Company provide employees with a safe and healthy work environment and provide safety and health education to employees regularly?	V		(3) 1. Safe, healthy workplace and facility All working environments are smoke-free. The Company has been certified with the "Badge of Accredited Healthy Workplace" from the Department of Health, New Taipei City Government in 2013. The operational environment is evaluated every year and the onsite operational environment is inspected regularly. Plans for maintaining ventilation, air conditioning and sufficient lighting are executed based on the inspection result. The first-aid	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			kit and fire facilities are available at all offices and stores. In addition, the Company has assigned dedicated floor management unit responsible for organizing fire-fighting seminars, drills and emergency personnel training regularly to ensure working environment and personal safety. 2. Health promotion Dedicated nurse is available for health consultation, prevention of occupational diseases and handling of injury. The Company also periodically invites doctors for health seminar, and conducts employee health check to build a primary health care system. In order to build a good and friendly environment for breastfeeding, the Company has furnished the breastfeeding room to encourage breastfeeding and work-life-balance. 3. Safety, health and environmental protection policy and education training To reinforce safety, health and environmental protection concept, besides continuing to enhance and improve our workplace security, the Company requires employee to build habits for safety, health and environmental protection in daily life. In addition, the Company also formulates store affairs regulations based on actual needs of all offices and stores, and regularly or occasionally perform relevant inspections and holds relevant	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			courses, to reinforce safety and health responsibility and knowledge of employee. Besides internal education training and promotion of internal employee, to ensure good internal and external communication, suppliers, sub-contractors and visitors are required to be aware of safety and health. 4. There are 10 occupational accidents (10 employees) in 2022, 2.69% of the total number of employees of 2022 (2141 employees in total). There was one workplace accident (one employee), 0.047% of the total number of employees of 2022. .	
(4) Does the Company have an effective career capacity development training program established for the employees?	V		(4) The Company organizes training courses tailoring to the core competencies and professional knowledges required. The Company's training system consists of: A. training by job level: targeting employees of different job levels, providing training courses in topics of management and general knowledge; B. training by profession: tailoring to different competencies required by different job positions, providing training courses in each profession.	No major deviation
(5) Has the Company followed relevant laws, regulations and international guidelines regarding customer health and safety, consumer privacy, marketing or labeling their	V		(5) Health and Safety In concern of safety of power banks, Senao requires all suppliers to provide the certificates and reports issued by the Bureau of Standards, Methodology and Inspection (BSMI) and product labels to be in compliance with the Trademark Act. With the assurance of safety, products will then be approved for further evaluation and	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
products and services and has the Company set up relevant policies to protect consumers' or customers' rights and procedures for complaints?			sale. · Customer Privacy In order to protect customer privacy, Senao has strengthened its personal information management system that was launched in July 2013 and certified with BS 10012 Personal Information Management certification. By taking such an action, Senao shows its determination in protecting customer privacy safety as being the first in the retail industry to receive such a certificate. Senao's privacy protection system covers procedures for administration, sales, maintenance and customer service. Through these prudential procedures and system, the safety of customer personal privacy and business confidential information are ensured. With respect to the amendment to Personal Data Protect Act in 104, Senao's Legal Department has organized special courses to explain detail of the amendment and measures taken by the Company. In this course, description of the scope and definition of personal data protection, reverse onus, criminal liability, information lifecycle and etc. were given to prepare employees with relevant knowledge and skills. · Marketing and labeling	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			During the process of marketing, Senao follows standards and requirement specified in the Commodity Labeling Act, the Resource Recycling Act and other relevant laws and regulations and labels all products with clear product description and recycle code. Additionally, in order to protect customers' rights, we also provide complete product information in compliance with relevant laws and regulations and prohibits any acts that are deceitful, misleading, fraudulent or betray consumers' trust or damage consumers' rights or interests. In respect of promotions or fare plans that the Company acts as an distributor, we also provide clear and transparent plan information with staff's complete explanation to ensure consistent understanding and avoid information asymmetry. · Procedures for customer complaint Senao has the professional customer service center that provides its customers with professional, thoughtful and warm service. Customer service center personnel is trained to identify customers' real needs, solve complicated problems, and create pleasant customer experience. Any Senao's members or customers can submit a complaint, question or suggestion via various channels, including the 0800 toll-free number, online form, E-mail and operators' contact	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies				
	Yes	No	Explanation					
			window. Senao has the complete service standard operating procedure that promptly responds to and solves customers’ demands and suggestions.					
(6) Has the Company set up policies for suppliers’ management that stipulates suppliers’ compliance with regulations with respect to environmental, occupational safety and health or labor rights issues, and what is the state of implementation?	V		(6) The Company has specified in the supplier’s contract that the suppliers shall not use any conflict minerals (goods made by conflict minerals from Democratic Republic of the Congo and neighboring areas) and products and supplemental documents shall comply with relevant laws and regulations. ·The Company’s actions with respect to occupational safety and health and human rights are as follows: <table><tr><th>Action</th><th>Explanation</th></tr><tr><td>Providing a safe and healthy working environment</td><td>The Company endeavors to achieve “legal compliance, risk assessment, employee involvement, continuous improvement, zero injury” and major actions taken are listed as follows: Established occupational safety and health office and assigned full-time registered nurse for employees’ health management. The unit is responsible for planning employee health management and health promotion. The Company has offered monthly on-site service from the occupational health doctor to offer employee health consultation, education and operating environment evaluation. We have launched four major plans, including human health hazard prevention, maternal health protection, harassment during performance </td></tr></table>	Action	Explanation	Providing a safe and healthy working environment	The Company endeavors to achieve “legal compliance, risk assessment, employee involvement, continuous improvement, zero injury” and major actions taken are listed as follows: Established occupational safety and health office and assigned full-time registered nurse for employees’ health management. The unit is responsible for planning employee health management and health promotion. The Company has offered monthly on-site service from the occupational health doctor to offer employee health consultation, education and operating environment evaluation. We have launched four major plans, including human health hazard prevention, maternal health protection, harassment during performance	No major deviation
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III. Corporate Governance Report

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			of duties prevention, disease prevention of abnormal workload. • Arranged annual employee health check-up, four cancers screening, flu shots injection and health talk, as well as monitor and handle any abnormality to build a primary health care system. • Provided maternity health risk assessment and monitoring of health conditions from pregnancy to a year after the birth for female employees. In response to the promotion of breastfeeding by Health Promotion Administration, Ministry of Health and Welfare and Act of Gender Equality in Employment, furnished the breastfeeding room and encouraged continuous breastfeeding after giving birth in order to achieve the goal of work-life balance. • In order provide employees with a safe, healthy and hygiene work environment, furnished the Company's headquarters with all-day access control system and all working environment is smoke-free. Been certified with the "Badge of Accredited Healthy Workplace" from the Department of Health, New Taipei City Government and adopted the "Safety and Health Regulations" and "Access Control Regulations."	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies				
	Yes	No	Explanation					
			<table><tr><td>Prevented illegal discrimination and harassment.</td><td> - Senao provided equal employment opportunities and prohibited any form of discrimination regardless of gender, sexual orientation, race or ethnicity, age, marital status, language, belief, religion, political affiliation, appearance, feature, disability or union membership in order to create a respectful, equal, safe and harassment-free work environment. - In order to protect all employees from any physical or mental harassment during performance of duties that results in mental and physical illness and to maintain gender equality in employment and personal dignity, announced and regularly promoted the statement of preventing workplace violence; adopted the “Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment” in order to provide all of our employees with a work environment free of workplace violence and sexual harassment. </td></tr><tr><td>Prohibited the use of child labor or forced labor</td><td> - Prohibited all forms of forced labor and use of child labor, and follows the working hours and leave standards set forth by relevant labor laws to protect employees’ physical and mental </td></tr></table>	Prevented illegal discrimination and harassment.	- Senao provided equal employment opportunities and prohibited any form of discrimination regardless of gender, sexual orientation, race or ethnicity, age, marital status, language, belief, religion, political affiliation, appearance, feature, disability or union membership in order to create a respectful, equal, safe and harassment-free work environment. - In order to protect all employees from any physical or mental harassment during performance of duties that results in mental and physical illness and to maintain gender equality in employment and personal dignity, announced and regularly promoted the statement of preventing workplace violence; adopted the “Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment” in order to provide all of our employees with a work environment free of workplace violence and sexual harassment.	Prohibited the use of child labor or forced labor	Prohibited all forms of forced labor and use of child labor, and follows the working hours and leave standards set forth by relevant labor laws to protect employees’ physical and mental	
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III. Corporate Governance Report

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies	
	Yes	No	Explanation		
			Supported employees' freedom of assembly and association	Respected that our employees organize or join the union recognized by laws to exercise labor rights, and kept the employee suggestion channels opened to encourage communication and promote a good labor relation.	
			Provided work opportunities	Provided many domestic job opportunities and collaborate with schools offering internship opportunities for students to implement the corporate social responsibility.	
			Implemented information security	Any personal information of job seekers and employees are protected in accordance with Personal Information Protection Act and relevant laws. Meanwhile, in order to enhance the Company's personal information protection mechanism and eliminate any risk of loss, damage, unauthorized use or legal handling of personal information, we have developed the personal information security incident management mechanism to ensure in any personal information security incident, the measure will be taken to prevent any further damage.	
			·Human rights education and training		
			Course	Content	
			Information session and training for labor	Training of relevant labor laws and regulations, prohibition of child labors, anti-discrimination, anti-harassment and shift management to provide a	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			laws and regulations compliance healthy and safe workplace. Online course for sexual harassment prevention Education on the pattern and concept of workplace sexual harassment, prevention of sexual harassment, and procedures for handling sexual harassments Information session for workplace violence prevention Announcement and regular promotion of the statement of preventing workplace violence; promotion of the “harassment during performance of duties prevention plan” to help employees understand workplace violence and prevention of such workplace violent, as measures to build a friendly workplace free of workplace violence. Regular external training of occupational safety and health Fire-fighting training, emergency personnel training, general safety and health training	
(7) Does the Company evaluate risk or opportunity for the			To support local education, help students gain more work experiences, and mitigate emigration, the Company actively implements academia-industry collaboration with all colleges and arranges students	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies																																		
	Yes	No	Explanation																																			
community and take relevant corresponding measures and disclose concrete measures and outcomes?			to receive job training. Refer to the following for academia-industry collaboration in 2022: <table><tr><th>Type</th><th>School</th><th>Number of shareholders</th><th>Period</th></tr><tr><td rowspan="6">Academe-industry collaboration</td><td rowspan="2">Overseas Chinese University</td><td>5</td><td>2021/7/1~2022/5/31</td></tr><tr><td>10</td><td>2022/7/1~2023/5/31</td></tr><tr><td rowspan="2">Takming University of Science and Technology</td><td>5</td><td>2021/7/1~2022/5/31</td></tr><tr><td>4</td><td>2022/7/1~2023/5/31</td></tr><tr><td>MingDao University</td><td>1</td><td>2021/7/1~2022/6/30</td></tr><tr><td>Chaoyang University of Technology</td><td>1</td><td>2021/7/1~2022/5/31</td></tr><tr><td rowspan="3">Cooperative education program</td><td rowspan="2">Cheng Shiu University</td><td>1</td><td>2021/9/1~2025/6/30</td></tr><tr><td>3</td><td>2022/9/1~2026/6/30</td></tr><tr><td>Shih Chien University</td><td>1</td><td>2019/9/1~2023/6/30</td></tr><tr><td>Total</td><td></td><td>31</td><td></td></tr></table>	Type	School	Number of shareholders	Period	Academe-industry collaboration	Overseas Chinese University	5	2021/7/1~2022/5/31	10	2022/7/1~2023/5/31	Takming University of Science and Technology	5	2021/7/1~2022/5/31	4	2022/7/1~2023/5/31	MingDao University	1	2021/7/1~2022/6/30	Chaoyang University of Technology	1	2021/7/1~2022/5/31	Cooperative education program	Cheng Shiu University	1	2021/9/1~2025/6/30	3	2022/9/1~2026/6/30	Shih Chien University	1	2019/9/1~2023/6/30	Total		31		
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	Shih Chien University	1	2019/9/1~2023/6/30																																			
Total		31																																				
(8) Does the Company invest into domestic cultural development and disclose			The Company has been supporting arts and culture exhibition for a long time, and organized Senao Arts Corridor in public space. It is a stage for emerging artists, helps employees enhance arts and cultural																																			

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies												
	Yes	No	Explanation													
how it supports the domestic cultural development and the outcome?			temperament, and beautify the public space at the same time. The works displayed at the Senao Arts Corridor is changed every two months. Five exhibitions were held in 2022 (suspended for two months due to COVID-19). The information of two-month exhibition is shown below: <table><tr><th>Name of the two-month exhibition</th><th>Period</th></tr><tr><td>2021 Eight Views of Tamshui 4.0 - Photography exhibition of superb view</td><td>2022.11.09~112.01.11</td></tr><tr><td>Children's Hearing Foundation - Hear picture's words, talking and painting exhibition of children with hearing impairment at Children's Hearing Foundation</td><td>2022.09.12~2022.11.08</td></tr><tr><td>LIN Chih-Wai - Watercolor painting exhibition</td><td>2022.07.07~2022.09.11</td></tr><tr><td>KUO Hsin-I - Peaceful Inside and Meditation for Pond</td><td>2022.05.10~2022.07.06</td></tr><tr><td>LIN Hao Bai_Solo Exhibition</td><td>2022.03.09~2022.05.09</td></tr></table>	Name of the two-month exhibition	Period	2021 Eight Views of Tamshui 4.0 - Photography exhibition of superb view	2022.11.09~112.01.11	Children's Hearing Foundation - Hear picture's words, talking and painting exhibition of children with hearing impairment at Children's Hearing Foundation	2022.09.12~2022.11.08	LIN Chih-Wai - Watercolor painting exhibition	2022.07.07~2022.09.11	KUO Hsin-I - Peaceful Inside and Meditation for Pond	2022.05.10~2022.07.06	LIN Hao Bai_Solo Exhibition	2022.03.09~2022.05.09	
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LIN Hao Bai_Solo Exhibition	2022.03.09~2022.05.09															
5. Has the Company prepared reports disclosing non-financial information of the Company such as the sustainable report with reference to globally	V		The Company's "2021 Senao International Co., Ltd. Sustainability Report" was prepared in accordance with Core of the Global Reporting Initiative Standards, verified by SGS Taiwan and certified with the AA1000 AS 2008. The report was supported with materiality, completeness and responsiveness and awarded the verification statement.	No major deviation												

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
recognized reporting standards or guidelines? Has the reports thereof been assured or verified by a third party?				
6. For companies which have established Sustainable Development Best Practice Principles in accordance with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” please describe the current practices and any deviations from the code of conduct: The Company has established Sustainable Development Best Practice Principles, among which, for the implementation of corporate governance, it also adopted the “Senao International Co., Ltd. Code of Conduct” as the primary guidelines for daily operation. The “Senao International Co., Ltd. Regulations for Audit Committee accepting reports and complaints” was established to provide prudent reporting mechanism allowing employees to give suggestion safely and confidentially. The employer cannot take disciplinary action against employees filing complaints, such as dismissal, demotion or pay cut. Moreover, the “Senao International Co., Ltd. Ethical Corporate Management Best Practice Principles and Procedures” was adopted for the compliance of all group employees and implementation of ethical operation. In terms of environmental sustainability, the Company actively promotes energy and resource inventory and management, and takes actions by optimizing environmental and energy management system that improves energy efficiency and implementing energy saving in office.				
7. Other important information useful to the understanding of promotion of sustainable development: The Company prepares its Sustainability Report with reference to the Global Reporting Initiative Standards framework. This report focuses on and discloses major issues that are in stakeholders’ interest and shares Senao’s concept and methodology in ESG. The Sustainability Report thereof was disclosed on the Company’s website (https://www.senao.com.tw/invest18.php) for the public to learn about the operations of sustainable development.				

(6) Ethical policies and practices:

Implementation of ethical policies; Deviation and causes of deviation from Ethical Corporate Management
Best Practice Principles for TPEX-Listed Companies

Assessment criteria	Implementation status			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TPEX-Listed Companies
	Yes	No	Explanation	
1. Establishing ethical management policies and plans				
(1) Does the Company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		(1) The Company conducts its business with fairness, honesty, integrity and transparency and in order to implement its ethical operation policy and prevent any unethical actions, it has adopts the “Ethical Corporate Management Best Practice Principles and Procedures” passed by the board of directors to regulate senior management’s commitment in practice of ethical operation policy, and employees’ behavior while performing their duties.	No major deviation
(2) Whether or not the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical	V		(2) The prohibitions of bribery, corruption and any violation of laws for managers and employees are set forth in the employees code of conduct. For any misconduct, the punishment or termination of employment will be given commensurate with actual condition. The Company follows the Political Donations Act and internal procedures for the political contributions. It is prohibited to make such contributions in exchange of business benefits or	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TPEX-Listed Companies
	Yes	No	Explanation	
Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies?			transactional advantage. All the business contracts are required to include statement of honesty and integrity and counter party is mandatory to follow.	
(3) Whether or not the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures and periodically reviews and revises such policies?	V		(3) The Company has established the Code of Conduct which details the regulations to be followed by the employees while performing their duties to implement ethical operation policy and prevent unethical actions, and set forth the reward, punishment and complaint policies. Violations are subject to disciplinary action, termination of employment, or judicial action depending on the level of severity. The Company is determined in the implementation of ethical operation.	No major deviation
2. Implement ethical policies				
(1) Does the Company evaluate the integrity of all counter parties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		(1) The Company is prohibited from conducting business with whom has unethical records. All the business contracts are required to include statement of honesty and integrity and counter party is mandatory to follow.	No major deviation
(2) Whether or not the Company has set up a unit which is dedicated to promoting the Company's ethical standards and regularly (at least once a year) reports	V		(2) The Company have designated the Legal Affairs Department specialized (or is involved) in amendment, execution, explanation and consultation of the Principles, as well as	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TPEX-Listed Companies
	Yes	No	Explanation	
directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?			documentation and monitoring of any report cases. The specialized unit shall report to the board of directors on a regular basis (once a year).	
(3) Does the Company have any policy that prevents conflict of interest and channels that facilitate the report of conflicting interests?	V		(3) In order to build a corporate culture of ethical operation and support business development, the Company has established the code of conduct, implemented policy that prevents conflict of interest and offered channel that facilitate the report of conflicting interests for its directors, managers and employees.	No major deviation
(4) To implement relevant policies on ethical conducts, has the Company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct and have its ethical conduct program audited by internal auditors or CPA periodically?	V		(4) The Company has implemented effective accounting and internal control systems and made any necessary adjustments in accordance with relevant rules and regulations or the operating needs. Based on the assessment of unethical conduct, the Company's internal auditors has set out the annual audit plan for audit and investigation to prevent unethical conduct.	No major deviation
(5) Has the Company provided internal and external training on ethical operation on a regular basis?	V		(5) The Company has promotes the ethical operation policy to directors or employees from time to time to strengthen corporate ethics. All new employees are required to sign the code of	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TPEX-Listed Companies
	Yes	No	Explanation	
			conduct, take basic legal compliance courses, which include ethical management policy and common law knowledge (legal compliance courses including forgery of documents, business embezzlement and Personal Data Protect Act, etc.). When the number of man-hours training reached 1877 hours in 2022, all employees are required to check all clauses in the code of conduct on an annual basis to fully understand the Company's regulations regarding ethical operation and strengthen knowledge in compliance.	
3. Reporting of misconducts				
(1) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?	V		(1) The Company has implemented the ethical operation policy and actively prevent any unethical behaviors. Therefore, it has established the following channel for reporting and complaint on the Company's official website (https://www.senao.com.tw/invest17.php) for the use of employees and external stakeholders: Internal stakeholders: Employees' report or complaint to Senao International's Audit Committee: auditing@senao.com.tw Chairman's mailbox: senaovoice@senao.com.tw	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TPEX-Listed Companies
	Yes	No	Explanation	
			External stakeholders: legal@senao.com.tw	
(2) Whether or not the Company has established standard operating procedures for investigating the complaints received, follow-up measures after investigation are completed and ensuring such complaints are handled in a confidential manner?	V		(2) The Company has the “Regulations for Audit Committee accepting reports and complaints.” Besides the investigation conducted by the Company, all the content of reports are kept confidential to protect the informants and handled in accordance with relevant regulations.	No major deviation
(3) Has the Company provided proper whistleblower protection?	V		(3) The Company has the “Regulations for Audit Committee accepting reports and complaints” to protect the informants from any form of mistreatment.	No major deviation
4. Enhance information disclosure				
(1) Has the Company disclose the content of the ethical operation guidelines and their implementation results on its website and the Market Observation Post System?	V		(1) The Company has disclosed the content of Ethical Corporate Management Best Practice Principles and Procedures on website and MOPS. The path to the information is as follows: Front page > About Senao > Investor relations > Major procedures > Corporate Governance Best Practice Principles(https://www.senao.com.tw/invest10.php). The Company promotes the Principles on a regular basis and conducts business with integrity and ethics and no unethical misconduct	No major deviation

Assessment criteria	Implementation status			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TPEX-Listed Companies
	Yes	No	Explanation	
			was found.	
5. For the companies which have established corporate social responsibility code of conducts in accordance with the “Corporate Governance Best-Practice Principles for TWSE and TPEX-Listed Companies,” please describe the current practices and any deviations from the code of conduct: In order to create a corporate culture of integrity, the Company has established the “Ethical Corporate Management Best Practice Principles and Procedures” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies.” No major deviation was found.				
6. Other important information that is helpful in understanding the corporate ethical management operation of the Company? (Such as, the Company has the corporate ethical management best practice principles amended, etc.): The Company upholds the ethical operation, focuses on the needs of all stakeholders, wishes to be recognized by our suppliers and customers and ensures sustainable operations.				

III. Corporate Governance Report

- (7) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:
The Company has established the Corporate Governance Best Practice Principles that has been placed on the Company's website and the path to the Principles is as follows: Front page > About Senao>Investor relations>Major procedures> Corporate Governance Best Practice Principles (<https://www.senao.com.tw/invest10.php>) for investors' reference.
- (8) Other information material to the understanding of corporate governance within the Company:
The Company's procedures for handling material insider information
The Company has adopted the "Procedures for Preventing Insider Trading and Handling Material Inside Information" stipulating the guidelines for handling material inside information and preventing insider trading in accordance with relevant laws orders and regulations promulgated by TWSE and TPEx, as well as this Procedures. The Procedures are also informed to its affiliates to build measures for the prevention of insider trading and information leakage, and to ensure the timeliness and accuracy of public information, the major contents of the procedures include:
- (1) Applicable target and scope of material Information.
 - (2) Dedicated unit.
 - (3) Procedures for handling material confidential information.
 - (4) The Company's procedures for handling material insider information.
- (9) Disclosures relating to the execution of internal control policies:
1. Declaration of Internal Control Policies: Please refer to page 205.
 2. If the internal control policy was reviewed by an external auditor, the result of such review must be disclosed: none.
- (10) Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control policy in the most recent year up till the publication date of this annual report; describe areas of weakness and any corrective actions taken: none.
- (11) Major resolutions made by the Shareholders' Meeting and the Board of Directors during the latest financial year, up till the publication date of this annual report: Please refer to page 207.
- (12) Documented opinions or declarations made by Directors against board resolutions in the most recent year, up till the publication date of this annual report: None.

III. Corporate Governance Report

- (13) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor or head of R&D in the most recent year up till the publication date of this annual report:

Summary of people related to the Company who resigned and discharged

March 31, 2023

Title	Name	Date of onboarding	Date of discharge	Reason for resignation or discharge
Chief Strategy Officer	Chih-Chung Chiu	2016.05.06	2023.03.31	Retirement

Note: personnel relating to the preparation of financial statements shall include Chairman, President, Head of Accounting, Head of Finance, Chief Auditor, Head of Corporate Governance and Head of R&D etc.

4. Disclosure of auditors' remuneration

Amount unit : NT\$ thousand

Name of CPA firm	Name of CPA		CPA audit period	Audit fees	Non-audit fees	Total	Remark
Deloitte & Touche	Dien Sheng Chang	Denny Kuo	2022/01/01-2022/06/30	4,379	731	5,110	Internal job rotation
	Yi-Hsin Kao	Mei-Yen Chiang	2022/07/01-2022/12/31				Internal job rotation

Note: Audit fee refers to the fee the Company paid the auditor regarding financial statement audit, review and recheck and financial forecast review. Non-audit fee service is the tax audit and salary information check of full-time employees of non-supervisory positions.

- (1) Change of CPA firm that resulted in the reduction of audit fees from the previous year; disclose audit fees before and after the change and the cause of such change: the Company did not make any change of CPA firm in 2022.
- (2) If the audit remuneration was reduced by more than 10% from the previous year, the actual amount, proportion and reasons for the reduction must be disclosed: the audit remuneration in 2022 was NT\$4,379 thousand, decreased by 3.53% as compared to 2021. .

5. Change of auditor:

- (1) Information relating to the former auditor:

Date of change	Passed by the Board of Directors on July 29, 2022
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III. Corporate Governance Report

Cause of change and explanation	Due to the internal job rotation of the CPA firm, external auditors for the Company’s financial statements were changed from Dien Sheng Chang CPA and Denny Kuo CPA to Yi-Hsin Kao CPA and Mei-Yen Chiang CPA.			
Whether or not the termination of audit service was initiated by the client or by the auditor	Principal		CPA	Client
	Condition		Not applicable	
	The appointed audit service was terminated by the client.			
	The auditor terminated (discontinued) the audit service			
Reasons for issuing opinions other than unqualified opinions in the last 2 years	Not applicable			
Disagreement with the issuer	Yes		Accounting principles or practices	
			Disclosure of financial statements	
			Audit coverage or procedures	
			Others	
	None	V		
	Explanation			
Supplementary disclosure (Disclosures deemed necessary under Item 1-4 to Item 1-7, Sub-paragraph 6, Article 10 of the Guidelines)	Not applicable			

III. Corporate Governance Report

(2) Information relating to the succeeding CPA

Name of CPA firm	Deloitte & Touche
Name of CPA	Yi-Hsin Kao, Mei-Yen Chiang
Date of appointment	Passed by the Board of Directors on July 29, 2022
The accounting treatment or principle on specific transaction, the opinion on the financial statement likely to be issued, and the result of issuing, before appointment	Not applicable
The written opinions by the succeeding CPA against opinions of the former auditor	Not applicable

Former auditor's reply to item 1 and item 2-3 of Subparagraph 6 of Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: not applicable.

6. The Company's Chairman, President or any managers involved in financial or accounting affairs being employed by the audit firm or any of its affiliated company within the last year: none.
7. Transfer or pledge of shares owned by directors, managers, shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

1. Shareholdings change

Unit: share

Title	Name	Year 2022		Year As of March 31, 2023	
		Changes in shares held	Changes in share pledged	Changes in shares held	Changes in share pledged
Major shareholder	Chunghwa Telecom Co., Ltd.	-	-	-	-
Chairman	Jung-Tzu Lin (Note 1) (On-boarded on June 15, 2022)	-	-	-	-
Chairman	Chin-Lin Lai (Note 1) (Discharged on June 15, 2022)	-	-	Not applicable	Not applicable
Director	Tien-Tsai Su (Note 1)	-	-	-	-
Director	Chih-Cheng Chien (Note 1)	-	-	-	-
Director	Wen-Chih Lin (Note 1) (Discharged on June 15, 2022)	-	-	Not applicable	Not applicable

III. Corporate Governance Report

Title	Name	Year 2022		Year As of March 31, 2023	
		Changes in shares held	Changes in share pledged	Changes in shares held	Changes in share pledged
Director	Li-Hsiu Wu (Note 1) (On-boarded on June 15, 2022)				
Director	Chien-Chih Chen (Note 1)	-	-	-	-
Director	Cheng Kang Investment Co., Ltd.	-	-	-	-
Vice Chairman and President	Pao-Yung Lin (Note 2)	-	-	-	-
Director and special assistant	Cheng-Feng Lin (Note 2)	-	-	-	-
Director	Cheng-Kang Lin (Note 2)	-	-	-	-
Independent Director	Kung-Liang Yeh	-	-	-	-
Independent Director	Yung-Lin Su (Discharged on June 15, 2022)	-	-	Not applicable	Not applicable
Independent Director	Wen-Tsan Wu	-	-	-	-
Independent Director	Fu-Hai Yeh (On-boarded on June 15, 2022)	-	-	-	-
Independent Director	Min-Ching Cheng (On-boarded on June 15, 2022)	-	-	-	-
Independent Director	Ai-Chun Pang (On-boarded on June 15, 2022)	-	-	-	-
Chief Strategy Officer	Chih-Chung Chiu	578	-	-	-
Executive Vice-President	Chi-Hung Liao	(216,000)	-	(9,000)	-
Business Group President	Shih-Hsiang Chen (Discharged on March 31, 2022)	-	-	Not applicable	Not applicable
Vice-President	Ching-Lang Chang	-	-	-	-
Vice-President	Chen-San Chou	-	-	-	-
Vice-President	Chuan-Cheng Lin	-	-	-	-
Vice-President (Accounting Manager)	Tsai-Hung Yu	-	-	-	-
Chief Financial Officer	Chien-Chi Liao	-	-	-	-
Assistant Vice-President	Sheng-Kai Chen	-	-	-	-
Assistant Vice-President	An-Ting Tsao	-	-	-	-
Assistant Vice-President	Chih-Hsiang Kuo	-	-	-	-
Assistant Vice-President	Chung-Yuan Huang (Discharged on March 31, 2022)	-	-	Not applicable	Not applicable
Assistant Vice-President	Wen-Kai Lai	-	-	-	-

III. Corporate Governance Report

Title	Name	Year 2022		Year As of March 31, 2023	
		Changes in shares held	Changes in share pledged	Changes in shares held	Changes in share pledged
Assistant Vice-President	Ya-Ling Yeh (On-boarded on June 15, 2022)	-	-	-	-
Assistant Vice-President	Tsung-Tsen Hsieh (On-boarded on July 11, 2022) (Discharged on January 31, 2023)	-	-	-	-
Assistant Vice-President	Chen-Chun Chen (On-boarded on September 19, 2022)	-	-	-	-
Assistant Vice-President	Chun-Chieh Chiu (On-boarded on November 2, 2022)	-	-	-	-
Special Assistant to President	Yen-Yen Cheng (Discharged on November 2, 2022)	-	-	Not applicable	Not applicable
Manager (Finance Department Manager and Corporate Governance Manager)	Kuan-Heng Lai	-	-	-	-

Note 1: The corporate shareholder representative of Chunghwa Telecom Co., Ltd.

Note 2: The corporate shareholder representative of Cheng Kang Investment Co., Ltd.

Note: Shares that have been transferred or pledged with a related party: none.

III. Corporate Governance Report

8. Disclosure of relationships among the company's top ten shareholders including any related party, spouses and second degree relatives or closer:

Relationships among top ten shareholders:

Name	Number of shares held		Spouse's and Minor' Children's Shareholdings		Total shareholding through nominees		Relationship characterized as spouse or relative of second degree or closer among the top 10 shareholders.		Remark
	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings	Name (Or name)	Relation	
Chunghwa Telecom Co., Ltd. Representative: Chi-Mao Hsieh	71,773,155	27.79%	0	0	0	0	None	None	
Hua Shun Investment Co., Ltd. Representative: Cheng-Kang Lin	20,509,659	7.94%	0	0	0	0	Engenius Technologies Co., Ltd., Cheng Feng Investment Co., Ltd.	First degree relative of representative Pao-Yung Lin	
							Yu Yu Investment Co., Ltd., Cheng Kang Investment Co., Ltd., All Oriented Services Int. Co., Ltd.	Second degree relative of representative Cheng-Feng Lin	
							Pao-Yung Lin	Pao-Yung Lin as the first degree relative	
							Yung-Ming Liu	Yung-Ming Liu as the first degree relative	
Engenius Technologies Co., Ltd. Representative: Pao-Yung Lin	19,508,509	7.55%	0	0	0	0	Cheng Feng Investment Co., Ltd.	Chairman Same individual	
							Hua Shun Investment Co., Ltd.	First degree relative of representative Cheng-Kang Lin	
							Yu Yu Investment Co., Ltd., Cheng Kang Investment Co., Ltd., All Oriented Services Int. Co., Ltd.	First degree relative of representative Cheng-Feng Lin	
							Yung-Ming Liu	Yung-Ming Liu as the first degree relative	
Yu Yu Investment Co., Ltd. Representative: Cheng-Feng Lin	19,044,478	7.37%	0	0	0	0	Cheng Kang Investment Co., Ltd., All Oriented Services Int. Co., Ltd.	Chairman Same individual	
							Hua Shun Investment Co., Ltd.	Second degree relative of representative Cheng-Kang Lin	

III. Corporate Governance Report

Name	Number of shares held		Spouse's and Minor's Children's Shareholdings		Total shareholding through nominees		Relationship characterized as spouse or relative of second degree or closer among the top 10 shareholders.		Remark
	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings	Name (Or name)	Relation	
							Engenius Technologies Co., Ltd., Cheng Feng Investment Co., Ltd.	First degree relative of representative Pao-Yung Lin	
							Pao-Yung Lin	Pao-Yung Lin as the first degree relative	
							Yung-Ming Liu	Yung-Ming Liu as the first degree relative	
Cheng Feng Investment Co., Ltd. Representative: Pao-Yung Lin	19,003,436	7.36%	0	0	0	0	Engenius Technologies Co., Ltd.	Chairman Same individual	
							Hua Shun Investment Co., Ltd.	First degree relative of representative Cheng-Kang Lin	
							Yu Yu Investment Co., Ltd., Cheng Kang Investment Co., Ltd., All Oriented Services Int. Co., Ltd.	First degree relative of representative Cheng-Feng Lin	
							Yung-Ming Liu	Yung-Ming Liu as the first degree relative	
Cheng Kang Investment Co., Ltd. Representative: Cheng-Feng Lin	14,820,975	5.74%	0	0	0	0	Yu Yu Investment Co., Ltd., All Oriented Services Int. Co., Ltd.	Chairman Same individual	
							Hua Shun Investment Co., Ltd.	Second degree relative of representative Cheng-Kang Lin	
							Engenius Technologies Co., Ltd., Cheng Feng Investment Co., Ltd.	First degree relative of representative Pao-Yung Lin	
							Pao-Yung Lin	Pao-Yung Lin as the first degree relative	
							Yung-Ming Liu	Yung-Ming Liu as the first degree relative	
All Oriented Services Int. Co., Ltd. Representative: Cheng-Feng Lin	10,882,497	4.21%	0	0	0	0	Cheng Kang Investment Co., Ltd., Yu Yu Investment Co., Ltd.	Chairman Same individual	
							Hua Shun Investment Co., Ltd.	Second degree relative of representative	

III. Corporate Governance Report

Name	Number of shares held		Spouse's and Minor's Children's Shareholdings		Total shareholding through nominees		Relationship characterized as spouse or relative of second degree or closer among the top 10 shareholders.		Remark
	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings	Name (Or name)	Relation	
								Cheng-Kang Lin	
							Engenius Technologies Co., Ltd., Cheng Feng Investment Co., Ltd.	First degree relative of representative Pao-Yung Lin	
							Pao-Yung Lin	Pao-Yung Lin as the first degree relative	
							Yung-Ming Liu	Yung-Ming Liu as the first degree relative	
Pao-Yung Lin	8,343,345	3.23%	5,549,777	2.15%	0	0	Cheng Feng Investment Co., Ltd., Engenius Technologies Co., Ltd.	Chairman Same individual	
							Hua Shun Investment Co., Ltd.	First degree relative of representative Cheng-Kang Lin	
							Yu Yu Investment Co., Ltd., Cheng Kang Investment Co., Ltd., All Oriented Services Int. Co., Ltd.	First degree relative of representative Cheng-Feng Lin	
							Yung-Ming Liu	Yung-Ming Liu as spouse	
Cheng Han Investment Co., Ltd. Representative: Hung-Ling Lin	6,887,747	2.67%	0	0	0	0	None	None	
Yung-Ming Liu	5,549,777	2.15%	8,343,345	3.23%	0	0	Hua Shun Investment Co., Ltd.	First degree relative of representative Cheng-Kang Lin	
							Engenius Technologies Co., Ltd., Cheng Feng Investment Co., Ltd.	First degree relative of representative Pao-Yung Lin	
							Yu Yu Investment Co., Ltd., Cheng Kang Investment Co., Ltd., All Oriented Services Int. Co., Ltd.	First degree relative of representative Cheng-Feng Lin	
							Pao-Yung Lin	Pao-Yung Lin as the spouse	

Note: with reference to the share register on the most recent closure date, June 28, 2022

III. Corporate Governance Report

9. Shares jointly held by the Company, the Company's directors, managers, and directly/indirectly controlled entities on any single investee. Calculate shareholding percentage in aggregate of the above parties

As of December 31, 2022 Unit: share

Investee entities (Note)	Held by the Company		Held by Directors, managers and directly or indirectly controlled entities		Aggregate investment	
	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings	Number of Shareholdings	Percentage of Shareholdings
Senao International (Samoa) Holding LTD.	1,190,617	100%	0	0	1,190,617	100%
Senao International HK Limited	—	—	80,440,000	100%	80,440,000	100%
Senao Networks, Inc.	16,579,033	33.79%	0	0	16,579,033	33.79%
Appleuser Co., Ltd.	14,752,000	95.79%	0	0	14,752,000	95.79%
Ispot Co., Ltd.	—	100%	0	0	—	100%
York Co., Ltd.	—	100%	0	0	—	100%
Aval Technologies Co., Ltd.	11,660,000	100%	0	0	11,660,000	100%
Wiin Technologies Co., Ltd.	—	—	3,845,000	100%	3,845,000	100%
Sen Yang Insurance Agency Co., Ltd.	5,900,000	100%	0	0	5,900,000	100%
Sen Yang Insurance Agency Co., Ltd.	—	—	2,950,000	100%	2,950,000	100%

Note: Investment accounted for under the equity method.

IV. Funding

IV. Funding

1. Capital and shares

(1) Source of capital

Unit: thousand shares; NT\$ thousand

Year/Month	Issue price (NT\$)	Paid-in capital		Authorized capital		Remark		
		Shareholdings	Amount	Shareholdings	Amount	Source of capital	Paid-in properties other than cash	Others
May 1979	10	500	5,000	500	5,000	Initial investment	None	
August 1993	10	6,000	60,000	6,000	60,000	Cash capital increase	None	
March 1995	10	15,000	150,000	15,000	150,000	Cash capital increase	None	
October 1996	10	80,000	800,000	250,000	2,500,000	Cash capital increase	None	Note 1
August 1997	10	88,000	880,000	250,000	2,500,000	Capitalization of earnings	None	Note 2
August 1998	10	99,360	993,600	250,000	2,500,000	Capitalization of 105,600 earnings and 8,000 employee bonus	None	Note 3
August 1999	10	105,821.6	1,058,216	250,000	2,500,000	Capitalization of 59,616 earnings and 5,000 employee bonus	None	Note 4
April 2000	10	117,821.6	1,178,216	250,000	2,500,000	Cash capital increase	None	Note 5
September 2000	10	133,425.2	1,334,251	250,000	2,500,000	Capitalization of 141,386 earnings and 14,650 employee bonus	None	Note 6
August 2001	10	161,585.2	1,615,852	250,000	2,500,000	Capitalization of 133,425 earnings, 133,425 capital surplus and 14,750 employee bonus	None	Note 7
August 2002	10	187,148.1	1,871,481	250,000	2,500,000	Capitalization of NT\$221,319 thousand earnings and NT\$34,310 thousand employee bonus	None	Note 8
August 2003	10	209,780.4	2,097,804	270,000	2,700,000	Capitalization of NT\$183,942 thousand earnings and NT\$42,380 thousand employee bonus	None	Note 9
August 2004	10	226,615.0	2,226,150	320,000	3,200,000	Capitalization of NT\$144,602 thousand earnings and NT\$23,744 thousand employee bonus	None	Note 10
September 2004	10	223,409.2	2,234,092	320,000	3,200,000	Retirement of treasury stock of NT\$32,058 thousand	None	
January 2007	10	223,687.2	2,236,872	320,000	3,200,000	Exercise of employee stock warrants of NT\$2,780 thousand	None	
April 2007	10	225,515.2	2,255,152	320,000	3,200,000	Exercise of employee stock warrants of NT\$18,280 thousand	None	
July 2007	10	230,282.4	2,302,824	320,000	3,200,000	Capitalization of NT\$22,551 thousand	None	Note 11

IV. Funding

Year/Month	Issue price (NT\$)	Paid-in capital		Authorized capital		Remark		
		Shareholdings	Amount	Shareholdings	Amount	Source of capital	Paid-in properties other than cash	Others
						earnings and NT\$25,120 thousand employee bonus		
August 2007	10	231,106.2	2,311,062	320,000	3,200,000	Exercise of employee stock warrants of NT\$8,237.5 thousand	None	
April 2008	10	231,914.2	2,319,142	320,000	3,200,000	Exercise of employee stock warrants of NT\$8,080 thousand	None	
June 2008	10	232,570.7	2,325,707	320,000	3,200,000	Exercise of employee stock warrants of NT\$6,565 thousand	None	
August 2008	10	234,508.9	2,345,089	320,000	3,200,000	Exercise of employee stock warrants of NT\$19,382 thousand	None	
September 2008	10	243,412	2,434,120	320,000	3,200,000	Capitalization of NT\$23,191 thousand earnings and NT\$65,839 thousand employee bonus	None	Note 12
November 2008	10	244,863.8	2,448,638	320,000	3,200,000	Exercise of employee stock warrants of NT\$14,518 thousand	None	
March 2009	10	245,116.2	2,451,162	320,000	3,200,000	Exercise of employee stock warrants of NT\$2,524 thousand	None	
June 2009	10	246,534.7	2,465,347	320,000	3,200,000	Exercise of employee stock warrants of NT\$14,185 thousand	None	
August 2009	10	248,566.5	2,485,665	320,000	3,200,000	Exercise of employee stock warrants of NT\$20,318 thousand	None	
November 2009	10	248,713.7	2,487,137	320,000	3,200,000	Exercise of employee stock warrants of NT\$1,472 thousand	None	
March 2010	10	249,126.8	2,491,268	320,000	3,200,000	Exercise of employee stock warrants of NT\$4,131 thousand	None	
May 2010	10	249,867.0	2,498,670	320,000	3,200,000	Exercise of employee stock warrants of NT\$7,402 thousand	None	
September 2010	10	251,949.7	2,519,497	450,000	4,500,000	Exercise of employee stock warrants of NT\$20,827 thousand	None	
December 2010	10	252,575.1	2,525,751	450,000	4,500,000	Exercise of employee stock warrants of NT\$6,254 thousand	None	
March 2011	10	253,196.6	2,531,966	450,000	4,500,000	Exercise of employee stock warrants of NT\$6,215 thousand	None	
May 2011	10	254,478.9	2,544,789	450,000	4,500,000	Exercise of employee stock warrants of NT\$12,823 thousand	None	
August 2011	10	255,082.5	2,550,825	450,000	4,500,000	Exercise of employee stock warrants of NT\$6,036.5 thousand	None	
November	10	255,372.6	2,553,726	450,000	4,500,000	Exercise of employee	None	

IV. Funding

Year/Month	Issue price (NT\$)	Paid-in capital		Authorized capital		Remark		
		Shareholdings	Amount	Shareholdings	Amount	Source of capital	Paid-in properties other than cash	Others
2011						stock warrants of NT\$2,900.5 thousand		
March 2012	10	255,886.9	2,558,869	450,000	4,500,000	Exercise of employee stock warrants of NT\$5,143.5 thousand	None	
May 2012	10	256,878.1	2,568,781	450,000	4,500,000	Exercise of employee stock warrants of NT\$9,912 thousand	None	
August 2012	10	257,126.5	2,571,265	450,000	4,500,000	Exercise of employee stock warrants of NT\$2483.5 thousand	None	
November 2012	10	257,163.7	2,571,637	450,000	4,500,000	Exercise of employee stock warrants of NT\$372.5 thousand	None	
March 2013	10	257,271.5	2,572,715	450,000	4,500,000	Exercise of employee stock warrants of NT\$1,077.5 thousand	None	
May 2013	10	257,755.4	2,577,554	450,000	4,500,000	Exercise of employee stock warrants of NT\$4,839 thousand	None	
August 2013	10	257,784.4	2,577,844	450,000	4,500,000	Exercise of employee stock warrants of NT\$290 thousand	None	
November 2013	10	257,900.1	2,579,001	450,000	4,500,000	Exercise of employee stock warrants of NT\$1,157 thousand	None	
March 2014	10	258,252.7	2,582,527	450,000	4,500,000	Exercise of employee stock warrants of NT\$3,525.5 thousand	None	

Unit: thousand shares

Type of share	Authorized capital			Remark
	Outstanding shares	Unissued shares	Total	
Registered ordinary shares	258,252.7	191,747.3	450,000	

Note 1: Securities Commission, Ministry of Finance Letter No. (85)-Tai-Tsai-Cheng-(I)- 41923 dated July 6, 1996.

Note 2: Securities Commission, Ministry of Finance Letter No. (86)-Tai-Tsai-Cheng-(I)- 51630 dated June 30, 1997.

Note 3: Securities and Futures Commission, Ministry of Finance Letter No. (87)-Tai-Tsai-Cheng-(I)- 44206 dated May 20, 1998.

Note 4: Securities and Futures Commission, Ministry of Finance Letter No. (88)-Tai-Tsai-Cheng-(I)- 64172 dated July 13, 1999.

Note 5: Securities and Futures Commission, Ministry of Finance Letter No. (89)-Tai-Tsai-Cheng-(I)- 112954 dated January 12, 2000.

Note 6: Securities and Futures Commission, Ministry of Finance Letter No. (89)-Tai-Tsai-Cheng-(I)- 65455 dated July 27, 2000.

Note 7: Securities and Futures Commission, Ministry of Finance Letter No. (90)-Tai-Tsai-Cheng-(I)- 140366 dated June 26, 2001.

Note 8: Securities and Futures Commission, Ministry of Finance Letter No. (91)-Tai-Tsai-Cheng-(I)- 133683 dated June 20, 2002.

Note 9: Securities and Futures Commission, Ministry of Finance Letter No. (92)-Tai-Tsai-Cheng-(I)- 127981 dated June 24, 2003.

Note 10: Securities and Futures Commission, Ministry of Finance Letter No. (93)-Tai-Tsai-Cheng-(I)- 127541 dated June 21, 2004.

Note 11: Financial Supervisory Commission, Executive Yuan, Letter No. Jin-Guan-Cheng-I- 0960019664 dated May 2, 2007.

Note 12: Financial Supervisory Commission, Executive Yuan, Letter No. Jin-Guan-Cheng-I- 0970034672 dated July 10, 2008.

Information relevant to the aggregate reporting policy: None.

Shareholders structure

June 28, 2022 (Note)

IV. Funding

Shareholders structure Quantity	Government agencies	Financial institutions	Other juridical persons	Foreign institutions and foreign individuals	Individuals	Total
Number of shareholders	4	6	45	82	14,882	15,019
Shareholdings	360,000	131,809	184,466,935	8,987,579	64,306,334	258,252,657
Percentage of Shareholdings	0.14%	0.05%	71.43%	3.48%	24.9%	100.00%

Note: the most recent closure date.

IV. Funding

(2) Diversity of ownership

Common shares of NT\$10 face value

June 28, 2022 (Note)

Class of shareholdings			Number of shareholders	Shareholdings	Percentage of Shareholdings
1	to	999	5,354	618,333	0.24 %
1,000	to	5,000	7,833	15,609,349	6.04 %
5,001	to	10,000	1,000	8,000,617	3.10 %
10,001	to	15,000	269	3,445,295	1.33 %
15,001	to	20,000	158	2,916,962	1.13 %
20,001	to	30,000	139	3,563,210	1.38 %
30,001	to	40,000	87	3,098,859	1.20 %
40,001	to	50,000	47	2,164,728	0.84 %
50,001	to	100,000	70	5,180,733	2.01 %
100,001	to	200,000	26	3,611,779	1.40 %
200,001	to	400,000	16	3,966,999	1.54 %
400,001	to	600,000	2	989,547	0.38 %
600,001	to	800,000	3	1,961,420	0.76 %
800,001	to	1,000,000	2	1,838,390	0.71 %
1,000,001	to	999,999,999	13	201,286,436	77.94 %
Total			14,882	258,252,657	100.00%

Note: the most recent closure date.

(3) List of major shareholders

Shareholder holds five percent or more and top 10 shareholders

June 28, 2022 (Note)

Name of major shareholder	Shareholdings	Percentage of Shareholdings
Chunghwa Telecom Co., Ltd.	71,773,155	27.79%
Hua 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 Company	19,003,436	7.36%
Cheng Kang Investment Co., Ltd.	14,820,975	5.74%
All Oriented Services Int. Co., Ltd.	10,882,497	4.21%
Pao-Yung Lin	8,343,345	3.23%
Cheng Han Investment Co., Ltd.	6,887,747	2.67%
Yung-Ming Liu	5,549,777	2.15%

Note: the most recent closure date.

IV. Funding

- (4) Information relating to market price, net worth, earnings, and dividends per share for the past 2 years

Unit: NT\$; share

Item \ Year		Year 2021	Year 2022	Year As of March 31, 2023	
Market price per share	High (Note 1)	41.65	35.45		
	Low (Note 1)	29.90	29.45		
	Average (Note 1)	32.61	31.99		
Net worth per share	Before dividends	23.74	24.43	—	
	After dividends	21.74	22.23	—	
Earnings per share	Weighted average outstanding shares	258,252,657	258,252,657	—	
	Earnings per share	2.31	2.55	—	
Dividend per share	Cash dividends		2.00	2.20	—
	Stock dividends	From retained earnings	—	—	—
		From capital surplus	—	—	—
	Accumulative undistributed dividends		—	—	—
Return on investment (Note 2)	Price-earnings ratio		14.12	12.55	—
	Price-dividends ratio		16.31	14.54	—
	Cash dividends yield		6.13%	6.88%	—

Note: 1. Data was sourced from the TWSE website, and the high and low market prices were obtained by comparing the highs and lows of all trading days. The average price is calculated based on the total trading volume and trading value each year.

2. Price-earnings ratio = average market price / earnings per share;
 price-dividend ratio = average market price / cash dividends per share;
 cash dividend yield = cash dividends per share / average market price

- (5) Dividends policy and implementation

IV. Funding

1. Dividends policy:

If the Company records a profit in a year, the Company shall appropriate no less than 3% of the profit for employee's compensation and no more than 3% of the profit for director's compensation. If, however, the Company has accumulated losses, profit shall first be used to offset accumulated losses.

Employees entitled to receive the bonus in the preceding paragraph may include the employees of the Company's controlled companies meeting specific requirements set by the Board.

If after the annual closing of books there is a profit, the Company shall, after having provided for taxes and offset the accumulated losses of previous years, appropriate the 10% legal reserve and recognize or reverse special reserve return earnings in accordance with laws and regulations. The remainder balance, together with the undistributed profits of previous years, shall be retained or distributed upon the resolution of the shareholders' meeting.

The distributable dividends, bonuses, capital surplus or legal reserve in whole or in part shall be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors. Such a distribution shall be reported to the shareholders' meeting and the requirement for resolution of the shareholders' meeting in the preceding paragraph is not applicable herein.

In order to align the Securities and Futures Bureau's "Balanced Dividend Policy" with the Company's current business environment and the goals of sustainable operation and long-term development, the earning distribution plan would focus on the stability and growth of the dividends. The total dividends amount shall be no less than 30% of the total distributable earnings of the year, among which the cash dividend ratio shall be no less than 10% of the total dividends.

2. Dividend proposed for the resolution of next annual shareholders' ordinary meeting:

The board of directors has approved the proposal of cash dividend of NT\$2.20 per share for the 2022 earnings distribution and set the ex-dividends date on June 26, 2023. The distribution of dividends and bonuses is submitted and the earnings distribution table is recognized at the annual shareholders' ordinary meeting on May 29, 2023.

IV. Funding

- (6) Impacts of proposed stock dividends on the Company's business performance and earnings per share: there is no proposed stock dividends in the next shareholders' meeting.

There is no proposed stock dividends in the next shareholders' meeting.

- (7) Employee bonuses and directors' and supervisors' remuneration:

1. Employee bonuses and directors' and supervisors' remuneration set forth in the Articles of Incorporation: If the Company records a profit in a year, the Company shall appropriate not less than 3% of the profit for employee bonuses and no more than 3% of the profit for director's compensation. If, however, the Company has accumulated losses, profit shall first be used to offset accumulated losses.

2. Any differences difference between the actual amounts paid and amounts estimated for 2022 employee bonuses and directors' and supervisors' remuneration and share-based compensations will be recognized as gains/losses for 2023.

3. Proposed employees' bonuses resolved by the board of directors:

(1) Proposed employee cash bonus of NT\$29,004,250 and directors' remuneration of NT\$12,430,391. The board of directors has passed the proposed cash employees' bonuses and directors' remuneration without any difference from the estimated amount in 2022.

(2) Amount of Proposed employee share-based bonuses, and as a percentage of the sum of after-tax profit and employees' total compensation for the current period: The 2022 earnings distribution table has been passed by the board of directors and there is not employee share-based bonuses to be distributed.

4. Actual amount paid for employees' bonuses and directors' remuneration in the previous year:

The actual amounts paid for 2021 employees' cash bonuses and directors' remuneration were NT\$26,057,280 and NT\$11,167,406, respectively, without any deviation from the proposed amounts passed by the board of directors.

5. Remuneration paid to our employees includes fixed salary and floating salary where fixed salary is paid in compliance with the Company's "Rules for Remuneration and Benefits" with respect to employee's responsibility and professional skills; floating salary includes year-end bonus (Note 1) and employee remuneration (Note 2).

IV. Funding

Note 1: Year-end bonus: in addition, we also determined the annual bonus base number according to the annual profit status of the company and also performance evaluation is also conducted according to the annual work goal achievement outcome of employees, in order to calculate the annual bonus of each employee according to individual performance evaluation result.

Note 2: Employee bonuses: article 27 of Articles of Incorporation specified that the Company appropriates no less than 3% for employee's compensation based on the annual profit. The outcome of corporate business performance is reflected in the amount appropriated for employee bonuses. The total employee bonuses submitted to the Board of Directors' meeting for resolution is distributed rationally based on the outcome of employee performance evaluation.

- (8) Repurchase of the Company's shares: none
- 2. Issuance of corporate bonds: none
- 3. Issuance of preferred shares: none
- 4. Issuance of global depository receipts: none
- 5. Issuance of employee stock options: none
- 6. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: none
- 7. Capital plans and execution: none

V. Business Overview

V. Business Overview

1. Business description

Senao International Co., Ltd.'s main businesses:

(1) Agency and sale of telecoms service: Agency and sale of Chunghwa Telecom telephone numbers and broadband service

(2) Agency and sale of products:

Communication products: Sale and distribution of smart mobile devices and accessories and recycle of used phones.

Home appliances and information products: sales of information products of major domestic and foreign brands (*e.g.*, laptop, gaming console), large and small home appliances (*e.g.*, refrigerator, washing machine, TV, air-purifier and kitchen appliances).

Daily healthcare: Exclusive agency and sale of health supplements brands (*e.g.*, Sakuyo) and sale of products of major domestic and foreign health supplements brands (*e.g.*, CheongKwanJang, Grape King).

(3) Product repair service: communication production repair and sending mobile phone for repair on behalf of customer

(4) Insurance service sales: sale of mobile device insurance

(1) Business scope:

1. Business activities:

(1) Physical sales channel: operations of Chunghwa Telecom authorized stores and operations of sales counter at all business locations of Chunghwa Telecom

(2) Physical repair channel: Operation of APPLE(ASP) and SAMSUNG(CSP) repair store

(3) Virtual sales channel: Operation of Senaonline, online shopping platform

(4) Storage and logistics service: Storage management, logistics, receipt and delivery of product

(5) Agency, sale and wholesale of products: Communication products, accessories, home appliances and information products and agency, retail and wholesale of life and health supplements product

V. Business Overview

2. Weight of business activities

(1) Operating revenue by business activities

Unit: NT\$ thousand

Product type \ Year	Year 2022	
	Revenue	Weight (%)
Sales revenue	29,133,510	93.50
Service revenue	1,459,481	4.68
Repairs revenue	565,603	1.82
Total	31,158,594	100.00

3. The Company's existing products (services):

Senao offers all-round products and services for different trading counterparties.

- (1) Chunghwa Telecom authorized retail stores: Communication products and accessories, home appliances, information products, service for mobile device insurance, sales of daily health care products, the promotion of Chunghwa Telecom telephone numbers, broadband service, MOD and value-added service promotion and subscription, as well as the mobile phone examination and sending mobile phone for repair on behalf of customer.
 - (2) Sales counter at all business locations of Chunghwa Telecom: communication products and accessories, home appliances, information products, service for mobile device insurance, sales of daily health care and body care products, the promotion of Chunghwa Telecom telephone numbers, broadband service, MOD and value-added service promotion and subscription, as well as the mobile phone examination and sending mobile phone for repair on behalf of customer.
 - (3) Senao's dealer: communication products and accessories, home appliances, information products, service for mobile device insurance, sales of daily health care and body care products and Chunghwa Telecom telephone numbers.
 - (4) Senaonline, online shopping platform: communication products, home appliances, information products, accessories and daily health care and body care products.
 - (5) Other system operators or agencies: communication products and accessories, distribution and wholesale of information products.
4. The Company takes the advantage of direct retail store network and builds a complete online shopping service to adapt to

V. Business Overview

development of mobile commerce. The Company integrates the physical channels and online shopping, and wishes to provide a full experience covering from searching for the products to making purchases, and satisfy consumers with “all time, all products and all channels” 24-hour one-stop services, to increase the frequency of visiting the store and enhance Senao's image.

(2) Industry overview

1. Current and future industry prospects

In 2022, due to global economic downturn, inflation soar and China's lockdown policy, the global mobile phone shipments are 6.9% less in 2021. The global consumer electronics market starts to shrink and mobile phone sales volume slumps. The overall smartphone sales volume in Taiwan declined by 5.6% comparing to 2021. it's hard for major mobile phone brands to deal with high inventory. It is heard that Samsung reduces production capacity of assembly plant in Vietnam twice substantially and continues to deplete inventory. The three major Chinese brands lowers the shipment goal significantly. The inventory problem is expected to be solved in Q2 2023. Market Intelligence & Consulting Institute (MIC) optimistically predicted that the number of global mobile phone shipment in 2023 will reach 1,327 million by 2023, increased by 5.2% than in 2022. A rally is expected for the domestic communication market in 2023. The following are the primary opportunities:

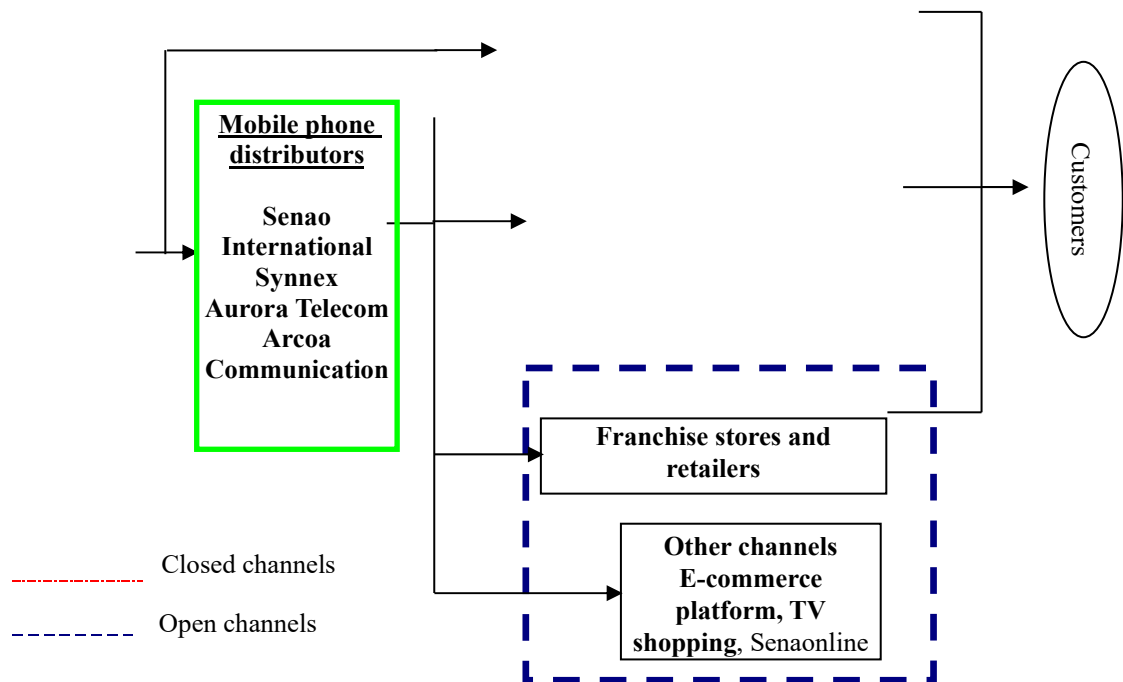
- (1) People care more about the imaging quality of mobile phones these years. Many major brands work with optics and camera brands. The imaging system of the mobile phone continues to make breakthroughs. The photography function of mobile phone is easier to replace cameras. Taiwan reopens its border and overseas travel rises sharply and the demand for mobile phone photography increases simultaneously, hopefully to increase demand for mobile phone.
- (2) The market expects that there will be more renovations for the new iPhone in 2023, *e.g.*, USB Type-C and replacement of physical button to solid-state button. The market positively expects that the new iPhone will attract more users to change iPhone now, further perks up the overall mobile phone market.

In the future communication market, 5G infrastructure is almost complete and grows steadily. More relevant application services and

V. Business Overview

connected devices have been rolled out continuously. People are more likely to feel the difference that 5G upgrade of mobile network brings. 5G coverage is expected to be increased more in 2023.

2. Correlation among up-stream, mid-stream and down-stream participants in the industry



3. Product development trends and competitions

(1) Smartphones:

After more than 10 years of smartphone development, the application of hardware innovation is getting mature, the following trends are still worth observing. The following are the current trends of technological development:

- A. Real all-screen smartphone: All smartphone manufacturers head toward all-screen display, such as hiding the physical fingerprint sensor, proximity sensor and light sensor under the screen. Cameras of Samsung Z Fold 4 series are already below the monitor, and the screen-to-body ratio is bigger, providing a better experience to game users.
- B. 5G phone gradually replaces 4G phone: major telecom providers continue to enhance 5G infrastructure. There are

V. Business Overview

always more users upgrading to 5G. 5G system is no longer a standard for flagship phones. More 5G entry and mid-level smartphones have been rolled out.

C. Foldable screen phone: Samsung released Galaxy Fold in 2019, the earliest time, included Z foldable phones as major Samsung flagship phones in 2021. In 2023 OPPO started to launch foldable phones in Taiwan. There's a widely spread news that international major brands such as Google and Apple actively develop foldable phones. It is believed that the foldable smartphone market will be the next battleground in future.

(2) Tablets:

The mainstream screen of mobile phone is between 5.5 to 6.8 inches. This is already the smallest range of tablet. The business opportunity for 7 to 8-inch tablet has been reduced. Tablet technology and style have no significant innovation. Tablet market sales volume shows no evident increase or decrease.

While the post-pandemic era is coming, consumer's tablet demand changes from remote learning and work to online entertainment such as watching drama, reading e-book and video conference. Primary tablet sales focuses on the ones with 10 inches and above. iPad, SAMSUNG and Xiaomi tablets are the primary tablet products in Taiwan.

(3) Home appliances:

In 2022 New York Times included smart phone into the four major technology trends. People care more about smart home appliance industry development because of IoT technology enhancement. Smart home appliance industry becomes a popular global industry. Smart home development can be divided into three stages, adding smart function to a single home appliance, smart home appliances starting to connect with each other, and smart devices in the entire house connecting to each other in all fields. Therefore, smart home development can satisfy personalized needs. A report by Omdia, a British research institute, indicated that CAGR of global smart home market from 2020 to 2025 reached 24.1%. The scope of the market reaches NT\$ 5.3 trillion in 2025. Statista, a German market research agency, stated that smart home field is almost

unharmful during the pandemic and even catches more attention. It is because that more people want to use smart home appliances and hope that pandemic prevention and health function can be added to the smart home appliances.

Panasonic, a Japanese famous brand, recently promotes IoT smart health home appliances to keep track of the condition of the home appliance via smart voice control and remote control and controls the home appliance freely. People's life become convenient and people can ensure health condition. For instance, there's one function of the smart washing machine that if the user cannot hang clothes to dry immediately, he can activate the "hanging clothes to dry later" function. The washing machine releases nanoe™ for deodorization and flips the washed clothes regularly to prevent odor due to clothes being covered in the washing machine.

Before launch of CES in 2023, Samsung released the new refrigerator along with the new version of Family Hub. After Samsung TV Plus integrated with Google Photos, the platform is also used as the digital picture frame for sharing and displaying photos. Thanks to the large screen and the new PIP function of Samsung TV Plus. Users can watch dramas and monitor the condition of other kitchen appliances and closely keep track of the condition of the dish being cooked currently at the same time.

Smart home appliance is a factor for forming a smart family. Different smart home appliances must be able to connect with each other to form a complete smart family system. The electrical appliance brands and models supported by different smart family ecosystems vary. Therefore, the signal transmission methods between smart home appliances are different. These appliances cannot be connected. Amazon, Google and Zigbee created a smart home device interconnection plan together. CHIP was renamed to Matter in 2021. They aim to create an environment that all smart family platforms are compatible and connected with each other. They also wanted to provide a safer smart home system, diverse products and higher compatibility. Over 350 suppliers have joined the plan and it is expected that more smart family products supporting Matter will be rolled out in 2022.

V. Business Overview

(4) Laptops:

In the second half year of 2022, the global supply chain of laptop market was facing inventory consolidation adjustment of parts and overall device. Therefore, the terminal sales channel adopted the discount sales strategy to cope with this situation and the PC brands slow down goods pull-in. Now the structural supply-demand imbalance problem of the laptop market is not solved yet. Shipments are reduces every quarter. If inventory destocking continues and inflation gradually slows down, it is hopeful that the laptop shipment in the second half year of 2023 will return to normal and sales will recover gradually.

In 2023, major chip manufacturers Intel, AMD and NVIDIA will launch laptops. Intel will roll out the 13th-gen CPU. AMD will roll out 7000 series CPU. NVIDIA focuses on display chips of RTX 40 series, expecting to further drive the trend of phone replacement in the market. Apple continues to update MacBook products faster by M2 CPU to replace x86 microprocessor and legacy model of M1 CPU. It is hopeful that this update helps Apple become the only primary PC brand with slight positive growth.

In 2023, when facing difficulties with laptop shipment around the world, all major brands launched a series of new models to improve consumer's user experience via high specifications and customization and stimulate potential needs in market in the meantime. It is hopeful that laptop market will grow as usual again every quarter and the shipment will no longer decrease every quarter.

(5) Video game:

Signs that game chip shortage will mitigate appeared at the end of 2022. Console shipment is about to decline because Nintendo Switch has been launched six years. Before the renovated console is released, sales volume decline will be mitigated by new games sales. Special editions of popular games are rolled out at the same time to stimulate console sales. Game IP is utilized further by cross-industry alliance . Xbox still focuses on platform service development. The goal is to create a cross-device game platform service. We care more about completing acquisition of game publisher to increase the number of exclusive games, attract consumers and weaken competitors,

V. Business Overview

to facilitate further integration of user and service. PlayStation PS5 supply has become normal. Console sales is expected to increase further. PS VR2, a new VR device, will be rolled out this year to enhance gaming experience and attract consumers by strengthening development of all kinds of VR games. We also try to extend the platform service to PC devices. It is estimated that new, thinner, lighter PS5 detachable disk by the end of Q3, which will drive sales volume. Consumer's environment has been changed. In addition to entertaining, games focus more on creativity, sociability and diversity. In future, games will become more diverse to increase adhesiveness of console.

(6) Accessories:

To respond to post-pandemic era, design and function of smart wearables, Bluetooth earphones and rechargeable products will gradually focus on outdoors and exercise instead of health management and residential use for the past two years, including Apple Watch Ultra and Samsung Galaxy Watch5 Pro. Primary customer groups are people who love outdoor exercise and who are professional sports lovers. The GPS function is enhanced for sports needs. Durable material is used to satisfy the needs of extreme sports lovers. The ANC function of Bluetooth has become a standard for mid and high-end earphones. The sound quality technology has been enhanced. Samsung Galaxy Buds2 Pro supports 24bit Hi-Fi, further enhancing auditory experience.

Besides agency of products of Apple, Samsung, SONY, OPPO, Xiaomi, vivo, HTC, Garmin and realme, the Company becomes an distributor for more brands this year, Okii, Herowatch and Chief Telecom. We provide more products such as smart wearables for children and elders, satisfying the needs of GPS tracking for kids and health tracking for elders. We continue to expand new product development of Senao's private brand, MEGA KING. Senao continues to strengthen AR and VR products and became the agency of VIVE XR Elite, a new HTC XR product, at the beginning of 2023 and the first-sale, pre-order channel of this product. The VR rental service will be available later on to find potential customer groups and continue to increase revenue and market share.

The outlook design and function of the smart wearables

V. Business Overview

and rechargeable products from major manufacturers are designed for outdoors, including noise cancelling technology and sound quality technology (truewireless bluetooth earphones), health data provision (smartwatches and smart bracelets) and cloud management. Besides agency of products of Apple, Samsung, SONY, OPPO, Xiaomi, vivo, HTC, Garmin and realme, the Company becomes an distributor for more types of products this year, smart watch for kids from Okii and Herowatch. We continue to expand development of all specifications for Senao's private brand, MEGA KING. As for AR and VR products, Senao became the sole distributor of the system operator of VIVE Flow, a new HTC lightweight inclusive VR glasses in November 2021. We continue to sell VR products of XRSPACE. The VR rental service will be available find potential customer groups and continue to increase revenue and market share.

(7) Health care products:

People become more aware of health care due to epidemic. Comparing to 2021, the overall market of dietary supplement continues to grow. In the post-pandemic era, all major food and beverage manufacturers made transformations by integrating product with health concept development. Based on further survey on consumption of dietary supplements, healthcare needs vary among age groups. For example, people in their twenties care about adjustment of allergic constitution, people in their thirties care more about weight control, and people in their fifties and above care the most about eye care. When developing the health supplements market, Senao's business policy becomes striving for satisfying the needs of all age groups. The overall healthcare policy of Senao focuses on Sakuyo, a Japanese health care brand. A joint care product is introduced this year, Shankuyu, for customers 35-years old and above or who love lots of joint exercises. To increase depth and breadth of product, famous health supplements and body care brands are introduced in the meantime, *e.g.*, CheongKwanJang, Formosa Biomedical Technology Corporation, Grape King, etc. Besides tailoring exclusive, superior health supplements products for different consumer groups, Senao provides health supplements, body care and cleaning product portfolios to families. Senao

V. Business Overview

fulfills the philosophy “Health, Life, Senao Housekeeper” for customers and continues to increase overall revenue.

(3) Technological research and development:

We are a channel distributor, hence we do not perform R&D of product technology. However, we spare no effort in innovation and R&D of new channels these years. The traditional retail store channel is expanded and transformed into OMO retail. We actively collaborates with brands to open experience stores, e.g. Samsung experience store with all products (SMC store). We conduct local adaptation to attract customers in the business district where the store is located via social media (LINE, Facebook), expecting to create a better experience for consumers.

On the other hand, senaonline, Senao’s online shopping platform, aims to become a new retail, omni-channel shopping platform and heads toward a new era of store. Besides launching products that are more diverse, we can help store employees and consumers obtain products and discount information of online platform through our internal system, connecting online and offline information flow, logistics and cash flow completely.

(4) Long and short-term business plans

1. Short-term business plan

- (1) In order to fuel demand in the telecommunication market, Senao International will continue to introduce trendy mobile phones to meet customers demand. Therefore, we will work on the agency of products with uniqueness and plan more Senao-only package for our customers.
- (2) Selected floor model/second-handed phone products are added and sold on sanaonline to satisfy more customer groups’ needs in product.
- (3) Consumers use wearables because they start to care more about health due to the pandemic in the past few years. Senao International focuses on integration of smart wearables with health monitoring and extend to related products as its product strategy. The Company will extend from its core business and compete for the agency right of more professional smart wearables for various purposes.
- (4) The Company will continue to carry more related communication products of well-known brands, sell high quality and high performance private brand accessories and customized products

V. Business Overview

to increase the revenue generated by related products.

- (5) By integrating Senaonline, a shopping platform, and physical retail stores, we wish to satisfy customers' demands with different timings and behaviors. Through the product display, application and education, integrating online and offline service platform, the physical channels can be transformed to the new retail stores that provide customers with a comprehensive twenty-four shopping experience.
- (6) The physical store acts as the primary initiator and operator for consumers in the commercial district in the community to receive response and discount quickly by joining the community. Quick checkout is available for consumers via the online platform.
- (7) Continue to increase members, accumulate the recurrent purchase information of the current member and increase the data in member database, to analyze accuracy of member marketing and management in future.

2. Long-term business plan

- (1) Collaborating with Chunghwa Telecom's 5G service, the Company actively strives for dealership and sales of 5G smart mobile devices and AIoT products to become the leading brand among 5G retailers.
- (2) Except the collaboration with Chunghwa Telecom to provide different packages of 5G fare plan, Senaonline also cooperates with physical retail stores to offer daily necessities in order to completely satisfy customers' needs.
- (3) By analyzing the growing and changing customer data, we will be able to master the market dynamics quickly and develop new products for different consumption patterns and needs. We will offer customized service to fulfill customers' needs for individual, family and healthy living.
- (4) Via the financial payments, mobile payment, collaboration with banks, and reward point exchange program of members of Chunghwa Telecom, we wish to increase the purchase values, revolving discount and referral among members to cumulate reward points and encourage nonstop repurchase among all of Senao's channels by utilizing Senao member benefits.

V. Business Overview

2. Market and business overview

(1) Market analysis

1. Operating revenue by regions

Unit: NT\$ thousand

Region \ Year	Year 2022		Year 2021	
	Amount	%	Amount	%
Taiwan	31,158,594	100.00	31,038,933	100.00

2. Market share

Senao International has been actively seeking the agency for communication products and partners. For Android brands, international brands such as SAMSUNG, OPPO, Xiaomi, vivo, realme and Sony Mobile have been collaborated deeply with Senao International. Brands such as SAMSUNG, OPPO, Xiaomi and Sony Mobile have products in different categories. Senao International continues to expand collaboration with Bluetooth wearable and smart home appliance, and offers consumers with all-round products and services. Besides ongoing collaboration with international brands, continuous collaboration with ASUS and HTC is still an important indicator for how Senao assists in the growth of Taiwanese brands.

Besides Android phones, Senao also assists Chunghwa Telecom in the sales of APPLE iPhone. Aval Technologies Co., Ltd. and Wiin Technologies Co., Ltd., subsidiaries of Senao, are dealers of all APPLE products. Appleuser Co., Ltd. and Ispot Co., Ltd., subsidiaries of Senao, are excellent APPLE dealers. Diverse brand operation sets stable brand position among distributor dealers for Senao, continues to increase the overall market share of channels, and secure top place in market share of mobile phone distributor.

T Star and Asia Pacific were merged into Taiwan Mobile and Far EasTone, respectively, reducing the gap between market share of the three major telecom companies. The market share of Chunghwa Telecom in 2022 is still the largest among the communication market in Taiwan. Besides being the leading market share, Chunghwa Telecom was honored the 5G network speed champion by two international authoritative institutions in a row for 5G mobile network evaluation. In the first half year of 2022, Chunghwa Telecom won the first place for Speedtest® Taiwan 5G network speed. In the second half year of 2022, Chunghwa Telecom won seven experience championships in the “Taiwan Mobile Network Experience Report” released in December 2022, including the sole

V. Business Overview

winner of “Taiwan Overall Mobile Network Speed,” “5G Download Speed” and “5G Upload Speed” of “5G Experience,” and joint winner of “5G Voice App Experience,” “Video Experience” and “Voice App Experience” of “Overall Experience.” Chunghwa Telecom is the telecom company winning the most awards in Taiwan. Besides showing the outcome of mobile network construction, this report once again verifies how customers truly feel about using 5G service of Chunghwa Telecom. In 2022 Chunghwa Telecom continues to build 5G base stations and it continues to be the telecom company that built the most 4G and 5G base stations. It also has the largest 4G/5G bandwidth in Taiwan. While promoting the 5G service, stable 4G bandwidth quality continues to remain stable, providing the most superior mobile network experience to users. Chunghwa Telecom expects to stay in the lead in the telecom market in 2023.

3. Future market supply, demand and growth

In 2022, the upgrade of mobile phone specifications of all brands is slower than the past few years, lacking of eye-catching innovative design. Nevertheless, two trends still worth attention. First, 5G network coverage gradually increases. 5G models become the mainstream of new phones. Lots of entry models below NT\$ 10 thousand support 5G. Second, the camera function is still a highlight for all manufacturers. However, they no longer compete for resolution or number of lenses but the imaging quality, color tuning subtleness and display refresh rate of camera instead. This reveals that manufacturer still strive for innovation and breakthrough to win recognition from consumers.

Our stable collaboration with Chunghwa Telecom continues and we offer fare plans of Chunghwa Telecom accordingly. Chunghwa Telecom’s goal is still transferring 4G users to 5G plan. Our sales focus for contract-binding plan is 5G phone, expecting to increase the number of contract-binding plan via discount of the model, and various marketing activities and extra bonus of manufacturers. Taiwan reopens border in the second half year of 2022. Establishment of 5G base station expands further and price of 5G terminal equipment decreases evidently, beneficial to popularization of 5G phone. There’s a chance that the 5G market will grow in 2023. On the contrary, APPLE iPhone is still the best seller in Taiwan. The data from survey agency in 2022 pointed out that the 38% of the

V. Business Overview

phones sold are APPLE iPhone and 27% of the phones sold are SAMSUNG phone, taking the second place. Comparing to last year, the percentage of SAMSUNG phone sold out of all phones is 3% more and that of APPLE iPhone out of all phones is 1%. The gap between these two major brands gradually narrows. The overall sales height leans toward APPLE iPhone, hence all Android brands are less attractive to users.

The hardware specs and functions of smartphones became mature in the past few years. There is no significant change. In 2022, all manufacturers introduced a camera lens with high refresh rate, high touch rate, high screen-to-body ratio screen, and high-specification and put it onto models in all price ranges to test the market. Smartphone has really replaced digital camera. A market research agency estimated that 5G application, smart family life and the Internet of Everything will still be focus of the smartphone in 2023.

4. Competitive advantage

(1) Agency of communication products, digital products accessories, home appliance products and information products of top brands and continuous introduction of new product and business model to create group synergy.

Senao has been devoted to offering diversified products for years and builds a long, good partnership with major global phone makers. To respond to personal and family needs, we gradually serve as the agency of major home appliance brands, offering options to consumers other than communication products. More experiences of digital family connection are offered, satisfying the needs for IoT life products in future.

In addition, the Company serves as the distributor of Sakuyo and other health supplements brands. We expand our business to the health care and body care field, and provide products based on the needs of different age groups (adult/children). The weekly subscription system (six/twelve months) is established to create recurring purchases and make consumers' life better.

(2) Deployment of a more comprehensive O2O business model:

Senao International has 244 direct retail stores nationwide, serves local customers, provides services related to Chunghwa Telecom mobile business. In addition to the most professional and diverse products and services of telecommunication home

V. Business Overview

appliances and information, it also endeavors for offering various home appliance, daily health care products and life products to fulfill various needs of different customers. Online consumption capacity increases because of the pandemic these years. Online shopping is popular among all groups. Online shopping platform is a virtual rack of physical store and a new source of customer for physical store. Through different powers of referral from physical and online channels, online and offline sources and discounts are integrated to provide better online and offline user experience and convenient service to consumers.

(3) A complete training system:

Besides the physical product education training, the current education learning system also provides a digital e-Learning platform for employees to read and learn repeatedly anytime and for store employee to improve sales expertise. Meanwhile, up to 50 excellent internal instructors have been cultivated in the past two years. They convert their management, service and sales experience into the course for new employee and new store manager, to enhance consistency of overall service.

(4) Operation of member relations:

Senao has lots of members and a big member database, and keeps track of member's needs and starts communicating with members early via big data analysis and management. Senao builds member adhesiveness and creates word-of-mouth through notification, discount, interaction and caring.

5. Opportunities and threats

(1) Opportunities

- Chunghwa Telecom was honored the 5G network speed champion by two international authoritative institutions in a row, Speedtest® and Opensignal, for 5G evaluation report. It has the most dense network of base stations. 32,000 4G+5G base stations have been built by December 2022. Chunghwa Telecom has largest bandwidth in Taiwan, hence it is able to provide the highest communication service quality.
- Senao is the leader in the agency of mobile devices carrying numerous brands with abundant product portfolio. In 2023, Senao will continue to cooperate with the trend of phone replacement driven by Chunghwa Telecom for 5G promotion. 3G service of Chunghwa Telecom will be terminated in 2023.

V. Business Overview

All Users who are using the 3G service will be transferred to the 4G service. There will definitely be lots of users replacing phones.

- We endeavor for exploring and introducing new related products and marketing accessories of private brands in order to get close to our customers and fulfill various customer needs.
- Senao continues to introduce smart connected home products, smart wearables, daily home appliances and AIoT products to reinforce the personal and family life-oriented brand image of Senao.
- Senao International owns 244 direct stores nationwide that allows us to enter consumers' life circles and build relations with local businesses and communities. Products and experiences are displayed via the space of the retail store for consumers to see and touch the product.
- Senaonline, shopping platform, can break the limit of space of the retail store, provide more diverse and plentiful products, and offer more shopping options for consumers.
- We have run the distribution channel for a long time, and maintained the relationship between the business team and the original maker and distribution customer. We expand customer range, serve as the distributor of diverse products, and promote diverse product portfolios for greater flexibility of product sales. We provide complete front-line sales information to adapt to distribution customer and responds to market change anytime for quick decision-making.

(2) Threats

- The hardware specs of smartphones are getting mature and therefore lack of innovation and there's a gap between exchange rates. Therefore, the price of new flagship models might increase and results in declining replacement. More mind-boggling and futuristic technologies with reasonable price are anticipated to prop up the phone sales.
- Consolidation will occur in telecom industry. Asia Pacific and T Star were merged into two telecom operators Far EasTone and Taiwan Mobile, respectively. Users of Asia Pacific and T Star might purchase phones from their parent company and performance of distribution channel of Senao might be

V. Business Overview

affected.

- Existing operators join the competition in the phone dealer market and manufacturers directly supply large phone channels and home delivery repair services. These may affect the revenue of Senao's distribution and repair channels.

(3) Responsive measures against threats

- The member database application is strengthened. The purchase record and product cycle status are analyzed. The Company builds a comprehensive member customer management system to communicate with consumers before product launch to seize chances of repurchase and recurrent purchase.
- In terms of smartphones, we will continue to work closely with phone makers and compete for the agency of trendy models to bring in customers for retail channels and boost the sales of distribution channels.

(2) The main purpose of primary products and their production process

Primary products	Purpose
Mobile phone and tablet	Sale and agency of Chunghwa Telecom mobile phone numbers
Home appliances and information products	Sale and agency of Chunghwa Telecom mobile phone numbers
Accessories	Providing diverse product selection for our customers
Life and health care products	Providing diverse product selection for our customers

(3) Supply of major materials

The major suppliers for Senao International's mobile phone products and accessories include: Apple, SAMSUNG, OPPO, Xiaomi, Vivo, Realme, ASUS, Sony, HTC, SUGAR, INHON, Hugiga, etc.

The major suppliers for tablets include: Apple, SAMSUNG, Lenovo, OPPO, Wiz, etc.

The major suppliers for home appliances and information products (large and small home appliance, laptop, connected screen, dashboard camera and game console): PANASONIC, LG, SAMSUNG, SONY, Dyson, PHILIPS, Electrolux, SHARP, KOLIN, XIAOMI, HERAN, SAMPO, TECO, CHIMEI, ASUS, Acer, Mio, PX, Nintendo, Microsoft etc.

The major suppliers for accessories include: Apple, SAMSUNG, SONY, Xiaomi, OPPO, Realme, Vivo, HTC, Garmin, ASUS etc.

The major suppliers for life and health care products include Toyo Hakko, AFC-HD AMS Life Science Co Ltd., CheongKwanJang,

V. Business Overview

Grape King, Formosa Biomedical Technology Corporation etc.

- (4) Name of trade partner representing more than 10% of total purchases (sales) in the previous two years

1. Information of major customers in the previous two years.

Unit: NT\$ thousand

Item	Year 2022				Year 2021			
	Name	Amount	As a percentage to total sales [%]	Relation to the issuer	Name	Amount	As a percentage to total sales [%]	Relation to the issuer
1	Chunghwa Telecom Co., Ltd.	7,563,746	24.27	Parent company of this company	Chunghwa Telecom Co., Ltd.	6,406,803	20.64	Parent company of this company
	Others	23,594,848	75.73		Others	24,632,130	79.36	
	Net sales	31,158,594	100		Net sales	31,038,933	100	

2. Information of major suppliers in the previous two years.

Unit: NT\$ thousand

Item	Year 2022				Year 2021			
	Name (Code)	Amount	As a percentage to total purchase [%]	Relation to the issuer	Name (Code)	Amount	As a percentage to total purchase [%]	Relation to the issuer
1	603165	10,277,087	37.92		603165	8,543,151	31.05	
2	Chunghwa Telecom Co., Ltd. 509918	3,785,494	13.97	Parent company of this company	Chunghwa Telecom Co., Ltd. 509918	5,515,088	20.04	Parent company of this company
3	Others	13,040,389	48.11		Others	13,458,844	48.91	
4	Net purchase	27,102,970	100		Net purchase	27,517,083	100	

- (5) Production volume and value in the previous two years: The Company is classified in the retail and distribution industry without any production activity, so it is not applicable.

- (6) In the past two years Sales volume table:

Unit: thousand units/NT\$ thousand

Sales volume Major products (or by departments)	Year 2022		Year 2021	
	Taiwan		Taiwan	
	Volume	Value	Volume	Value
Communication products	1,659	21,896,540	1,733	22,318,110
Others	-	7,236,970	-	6,740,832
Service revenue	-	2,025,084	-	1,979,991
Total	1,659	31,158,594	1,733	31,038,933

V. Business Overview

3. Employees information for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report

March 31, 2023

Year		Year As of March 31, 2023	Year 2022	Year 2021
Number of employees	Management and staff		600	612
	Sales personnel		1445	1470
	Maintenance personnel		90	102
	Operators		6	6
	Total		2141	2190
Average age			36.6	35.9
Average years of service			8.77	8.29
Distribution of Educational Attainment	Doctoral degree		0.00%	0.00%
	Master's degree		4.90%	4.43%
	Bachelor's degree		78.75%	79.04%
	High school		15.55%	15.71%
	Less than high school		0.79%	0.82%

4. Disbursements for environmental protection

- (1) The Company's major business activities are the sale of communication product and generally, there is no pollution issue.
- (2) Measures for environmental improvement:
 1. The Company has the central air conditioning system to control the temperature and humidity. The system is maintained at a regular basis to ensure the air condition of the environment and reduce energy consumption.
 2. The working environment is cleaned, organized and disinfected on a regular basis to ensure environmental hygiene.
 3. Industrial waste is handled by the professional waste collection company in compliance with relevant regulations and all waste is

V. Business Overview

sorted.

4. We make efforts in creating and providing our employees a working environment with technology, culture and comfortability.
5. We use the energy consuming lights for energy conservation.
6. We recycle used mobile phones and batteries at all retail stores.

V. Business Overview

5. Labor relations

(1) Labor rights policies:

The Company strives to create an environment with human rights protection; comply with current labor laws and regulations; recognize and support key international human rights standards, including the UN Universal Declaration of Human Rights, Declaration on Fundamental Principles and Rights at Work of International Labour Organization, UN Global Compact of the United Nations; and eliminate abuses or non-compliance concerning human rights in order to ensure that members within the Company are treated with equality and dignity. Relevant management program regarding human rights watch and training for human rights protection are as follows:

Item	Practical control policies
	Explanation
1. Human rights watch	
(1) Providing a safe and healthy working environment	The Company has established a dedicated occupational safety and health unit to achieve “legal compliance, risk assessment, employee involvement, continuous improvement, zero injury” and major actions taken are listed as follows: (1) Established the occupational safety and health office and assigned full-time registered nurse for employees’ health management. The unit is responsible for planning employee health management and health promotion. The Company has offered monthly on-site service from the occupational health doctor to offer employee health consultation, education and operation environment evaluation. We have launched four major plans, including human health hazard prevention, maternal health protection, harassment during performance of duties prevention, disease prevention of abnormal workload to build a safe and health work environment. The Company has also work together with professional health care institution to arrange employees’ annual health checkup, four cancers screening, flu shots injection and health talk, as well as monitor and handle any abnormality to build a primary health care system.

V. Business Overview

Item	Practical control policies
	Explanation
	(2) In order to build a good and friendly environment for pregnancy and breastfeeding, the Company provides maternity health risk assessment and monitoring of health conditions from pregnancy to a year after the birth. The breastfeeding room was certified by the New Taipei Government in 2016 to encourage continuous breastfeeding after giving birth. In response to the promotion of breastfeeding by Health Promotion Administration, Ministry of Health and Welfare and Act of Gender Equality in Employment, the Company has furnished the breastfeeding room in order to achieve the goal of work-life balance. (3) Office space safety: (1) Regular check of fire equipment is conducted once a year to ensure its normal operations and that its number is in compliance with regulations. (2) Monthly test on voltage, current and temperature values of the distribution board in office is conducted, and cleaning and dedusting are done semi-annually to ensure normal function of distribution board, transformer and circuit. (3) Access control system is installed at the entrance and exit of office, and all people entered the premise are required to use access card, to ensure the office safety. (4) Surveillance system is installed at the entrance and exit of office that is set for 24-hour motion detection recording and all entrance information is accurately recorded for safety purpose. (5) Security system is installed within the office to monitor any motion in office at night to ensure property safety of the office at night. Measures on emergency hazard: (1) The Company has appointed the fire prevention manager and team in compliance with the fire safety code and training and practice regarding fire safety are given once a year to teach the

V. Business Overview

Item	Practical control policies
	Explanation
	correct fire safety knowledge. (2) The Company has set up the emergency response notification procedure bulletin for the rapid notification during any emergency to ensure personnel safety and quick response and recovery of operation. (3) The Company has assigned nurse and emergency personnel in accordance with relevant laws and regulations that can provide health education during normal time and first-aid during any emergency hazard. (4) To respond to the COVID-19 pandemic, we implement epidemic control measures according to the government's policy. We announced "Epidemic Control Measures for Different Stages" and health promotion information such as vaccination with continuous adjustment and we also provided health education on vaccination, and activated the "All Employee with Body Temperature Measurement for Entering Facility Area," tracked and took care of employee health condition, purchased sufficient epidemic control materials for employees' use, tracked employee health condition and performed periodic environmental sterilization. During the peak period of the pandemic, work divergence was executed and implemented the flexible clock in/out policy, in order to reduce employee contact and commute to work infection risk.
(2) Prevented illegal discrimination and harassment to ensure equal employment opportunities	(1) The Company's human resource management policies and procedures provided equal employment opportunities and prohibited any form of discrimination regardless of gender, sexual orientation, race or ethnicity, age, marital status, language, belief, religion, political affiliation, appearance, feature, disability or union membership in order to create a respectful, equal, safe and harassment-free work environment. (2) In order to protect all employees from any physical or mental harassment during performance

V. Business Overview

Item	Practical control policies
	Explanation
	of duties that results in mental and physical illness and to maintain gender equality in employment and personal dignity, announced and regularly promoted the statement of preventing workplace violence; adopted the “ Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment” in order to provide all of our employees with a work environment free of workplace violence and sexual harassment.
(3) Prohibited the use of child labor or forced labor	The Company prohibits all forms of forced labor and use of child labor, and follows the working hours and leave standards set forth by relevant labor laws to protect employees’ physical and mental
(4) Supported employees’ freedom of assembly and association	The Company respected that our employees organize or join the union recognized by laws to exercise labor rights, and kept the employee suggestion channels opened to encourage communication and promote a good labor relation.
(5) Provided work opportunities	The Company provided many domestic job opportunities and collaborate with schools offering internship opportunities for students to implement the corporate social responsibility.
(6) Implemented information security	Any personal information of job seekers and employees are protected in accordance with Personal Information Protection Act and relevant laws. Meanwhile, in order to enhance the Company’s personal information protection mechanism and eliminate any risk of loss, damage, unauthorized use or legal handling of personal information, we have developed the personal information security incident management mechanism to ensure in any personal information security incident, the measure will be taken to prevent any further damage.
2. Training on human rights protection	
(1) Provided information session and training for labor laws and regulations	Content includes: training of relevant labor laws and regulations, prohibition of child labors, anti-discrimination, anti-harassment and shift management to provide a healthy and safe workplace.

V. Business Overview

Item	Practical control policies
	Explanation
compliance	
(2) Provided online course for sexual harassment prevention	Content includes: education on the pattern and concept of workplace sexual harassment, prevention of sexual harassment and procedures for handling sexual harassments
(3) Information session for workplace violence prevention	Announcement and regular promotion of the statement of preventing workplace violence; promotion of the “harassment during performance of duties prevention plan” to help employees understand workplace violence and prevention of such workplace violent, as measures to build a friendly workplace free of workplace violence.
(4) Regular external training of occupational safety and health	Content includes: firefighting training, emergency personnel training, general safety and health training.

(2) Code of conduct:

1. The Company always conducts its business with fairness, honesty and integrity and demands all of its managers and employees to comply with the following code of conduct while performance any duties and avoid any misconduct:

- (1) Comply with all laws and regulations related to the Company’s business activities and follow the Company’s policies.
- (2) Act in the best interest of the Company. It is prohibited to provide the Company’s service based on personal interest in order to prevent any conflicts of interest.
- (3) Do not directly or indirectly offer, promise to offer, request or accept any improper benefits to establish business relationship or influence commercial transactions.
- (4) Do not disclose, inform, deliver or transfer to others or publicly announce any business confidential information and customer information.
- (5) Do not take advantage of position to acquire benefits or cause damages to the Company in an improper manner.
- (6) Promote the Personal Information Protection Act and protect

V. Business Overview

customer rights.

2. For any misconduct, the punishment or termination of employment will be given commensurate with actual condition.

(3) Employee welfare:

1. Remuneration and benefits:

(1) The Company offers competitive level of salary and sets the regulations on profit sharing compensation based on operating profit to share the operating result with our employees.

(2) All employees are enrolled in the national labor insurance and health insurance program. We also provide employees free group insurance (including life insurance, accident insurance, cancer insurance and medical insurance) and discounted group insurance to employees' family for a more comprehensive health care to employees and their family and improvement of employee welfare.

(3) The Company has established the Employees' Welfare Committee in accordance with relevant law and appropriated employee welfare fund for employees' welfare such as employee emergency allowances, wedding/funeral subsidy and travel subsidy.

(4) We provide working mothers a friendly working environment for pregnancy and raising children and offer pregnancy leave, maternity leaves, parental leave without pay or any other support for breastfeeding.

2. Employee education and training:

(1) The Company organizes training courses tailoring to the core competencies and professional knowledges required. The Company's training system consists of: A. training by job level: targeting employees of different job levels, providing training courses in topics of management and general knowledge; B. training by profession: tailoring to different competencies required by different job positions, providing training courses in each profession.

(2) Leading brand for service integration: in order to satisfy customers' need for one-stop shopping, in addition to the enhancement of professionalism, management skill and core competency, we also strengthen employees ability to integrate service and performance synergy among department. Through the soft skills course and team building events, we will take the

V. Business Overview

advantage of service integration, achieve the goal of lean learning and create a high-quality customer service.

(3) A vital company, flexible management: the average age of the Company is 36.1 years old, and in order for managers working well with these young and change-seeking Y-generation, the Company continues to hold management courses for managers to enhance their leadership while maintaining the prudent but flexible culture.

(4) Development of professional digital experts: In the age of digital convergence, the service personnel at the retail stores are demanded for more knowledge about diverse products. Therefore, the Company continues to provide them trainings in sales and service quality, and more courses in professional knowledge through the e-Learning digital platform, so as to strengthen the retail personnel's knowledge in 3C products and enable them to provide professional advice on digital products.

(5) Active development of digital course:

To respond to unknown change of COVID-19 pandemic, the Company continues to guarantee employee's health and learning rights through the digital course. Besides strengthening promotion of epidemic control concept to employee, the Company held various "information security education training course," "daily life healthcare course" and "health seminar." Employees can learn themselves through e-Learning digital platform anytime, learn more about epidemic control and emergency response, and build solid work competency. Besides learning nonstop, they can learn about innovative knowledge before they have contact with it in advance.

(4) Retirement policies:

The Company has adopted the "Regulations governing employee retirement" in 1996, stipulating the retirement conditions, retirement application, retirement payment standards and disbursement procedures. For employees applicable for Labor Standards Act, the 2% of the monthly salary has been appropriated monthly and deposited in a special account in Taiwan Bank. The Supervisory Committee of Labor Retirement Reserve was established to supervise the legal use of retirement reserve. The Company regularly assigned external actuary to issue the retirement reserve audit report in accordance with the R.O.C. GAAP No.18. Since July 2005, the Labor Pension Act has

V. Business Overview

applied. For employees applying for the Act, 6% of the monthly insurance salary has been appropriated monthly as pension and deposited in the individual labor pension accounts. The employees may also choose to appropriate their pension up to 6% of their own will.

(5) Labor relations:

The Company takes labor relations seriously and all the internal regulations are in compliance with Labor Standards Act and relevant rules. We also signed the labor contracts with employees to protect employees' rights. The labor-management meeting is held in accordance with the Regulations for Implementing Labor-Management Meeting for labor relation reconciliation, collaboration between employees and management, efficiency improvement and employees' welfare. The public internal communication and counseling channels (Chairman's e-mailbox, Company's website) are available. Employees can bring up suggestions and feasible plans anytime, and fulfill the responsibility for caring, to establish harmonious labor relations.

(6) Other important matters

1. For prevention of workplace sexual harassment and gender equality in employment, the Company has developed and publicly disclosed its measures of prevention and punishments of sexual harassment. It has also stipulated the procedures for sexual harassment complaint and promulgate the written statement of prohibition of sexual harassment in workplace in order to regulate employees' behaviors at the workplace and maintain a healthy and discrimination-free workplace.

2. In addition to compliance with Work Rules, all employees have to sign the labor contracts and statement for work ethics while on-board and code of conduct for the effective implementation of work ethics.

(7) Losses arising as a result of employment disputes in the last year up till the publication date of this annual report: none.

6. Information and communication security management

(1) Structure of information and communication security risk management, policy of information and communication security, practical control policies and resources invested into information and communication security management are described as follows:

1. Foreword

The Company stipulated SOP and information security policy based on the international standard and government regulations.

V. Business Overview

Every year the Company conducts internal information cycle audit, continues to track the outcome and make improvements and regularly submits a report to the Board of Directors.

2.Scope of application

- (1)All employees of the Company
- (2)Our related information system
- (3)Manufacturer and visitor
- (4)Other personnel or organizations applying for the policy according to regulations or contracts

3.Purpose

The Company formulated this policy to ensure information confidentiality, integrity and availability during operation and service. All information users must comply with this information security policy to perform information management of operations and service.

4.Information security organization

Information security is a part of the risk management. Refer to the table for relevant management responsibility.

Organization name	Scope of authority and responsibility
Board of Directors	1. Approve the risk management policy and structure. 2.Ensure effectiveness of risk control system and allocate resources.
Top management team (President, Executive Vice-Presidents, Vice-Presidents)	1. Carry out the risk control decisions. 2. Coordinate the interaction and communication on risk control across departments.
Managers on all levels	1. Gather the result of the implementation of risk control activity. 2. Assist and in supervise all kinds of risk control activities in the department. 3. Change the decided risk type and suggest the way to take on risks depending on the external environment and internal strategy. 4. Evaluate the performance and carry out coordination after risk adjustment.
Managers on all levels under each department	1. Carry out the daily risk control activities. 2. Perform self-evaluation on risk control activities.

V. Business Overview

Information security risk evaluation

Material issues	Risk assessment criteria	Risk control policies or strategies
Environment	The machine room is damaged due to human error or non-human accident and natural disaster.	Build the daily remote backup system to execute the Business Continuity Plan (BCP) properly.
Society	Member data in the website database leaked due to hacking or virus.	Introduce malicious package monitoring system. Introduce host terminal monitoring system.

5. Information security policy of the company

The information security policy includes the following

- (1) Password management
- (2) Machine room management
- (3) Server management
- (4) Virus management
- (5) Network management
- (6) Software management
- (7) System development regulations
- (8) System external purchase regulations
- (9) Information security incident reporting
- (10) System recovery and test procedure

6. Information security measures

Besides building a relevant information security management system, and continuing to respond to and monitor possible risks depending on the internal and external environment, the Company also reinforces the detection and protection stability of the existing internal information security system and builds a mechanism for continuous business operation, to reduce the risk of corporate information security and operation, and further prevents risk.

Item	Internal	External
Risk and trend monitoring	• Perform risk audit regularly and make improvements based on the identified problems. • Use the intrusion detection monitoring platform, antivirus centralized	• Always keep track of the trend of international standard and regulations. • Subscribe to information on information security threat and technical news and keep better track of

V. Business Overview

Item	Internal	External
	management platform and integrated log centralized platform, to analyze threat traces and scans potential incidents automatically. After the information security attack occurred, relevant agencies will investigate and analyze incidents.	informational security trends. - Periodically participate in international information security conference to obtain the latest technology and threat information - Join the Taiwan CERT/CSIRT Alliance to share information security information.
Mechanism and protection	- Implement log centralization, carry out automated association analysis and set up a warning mechanism for real-time information security. - Introduce malicious package monitoring system and host terminal protection system. - Intensify the protection of application, introduce the firewall for application and reduce the risk of applications being under attack. - Strengthen the system audit of database, introduce the database system and retain the activity trace of database.	- Collaborate with information security suppliers to analyze the internal use immediately. - Regularly arrange the external service information system to perform the third-party testing, such as penetration test and red team assessment. - Comply with the inspection standard of international standard such as OWASP and OSSTMM. Discover informational security risks through professional white hat hackers to carry out modification and tracing.
Continuous operation of business	- Refer to ISO 22301:2012 and perform establishment and relocation of hybrid cloud structure. - Create the business continuity plan for critical	Implement the national information security policy, update and confirm compliance in real time and carry out information security education training

V. Business Overview

Item	Internal	External
	business system and perform drill every year.	and tests periodically • Carry out PDCA, strengthen preventive measures, surveillance during the event and post-response and reduce the corporate information security risk.

7. Establishment and execution of information security

- (1) The red team drill was performed in Q3 2022. Risks and vulnerabilities discovered have been corrected. The Company continues to improve our system information based on the results.
 - (2) The information security health check was completed in Q4 2022. Third-party manufacturers were invited to check Senao's system, bring up all-around suggestions and organize the information security education training of information developer.
 - (3) To meet relevant information and communication security guidelines and regulations of competent authority, pre-work for introducing ISO27001 started in Q4 2022. It is expected to complete introduction and acquire international certification by 2023.
- (2) List the loss, possible impact and countermeasures incurred from major information and community security incidents in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report: none.
- Refer to the data in the past to assess the impact of the two information security incidents.
1. Senaonline encountered a DDOS attack and it cannot be visited or used. Emergency response and emergency service transfer plan have been conducted. Senaonline's service has been affected for about two days, losing approximately NT\$ 21 million of turnover.
 2. The main office of Senao is affected by the earthquake, and power supply and network are affected accordingly. It is estimated that employees cannot work and some services will be affected for two weeks. The service is transferred to the cloud host and operation is continued. About NT\$ 0.1 billion is lost for relevant service, manufacturing and equipment.

V. Business Overview

7. Major contracts

Contract nature	Principal	Beginning and ending date of the contract		Main contents	Restriction clauses
Telephone number agency contract	Chunghwa Telecom Co., Ltd. Mobile Business Group	January 1, 2022	December 31, 2024	Mobile numbers agency contract	None
Manufacturer Contract	LG electronics Taiwan Taipei Co., Ltd.	November 1, 2011	If neither of the parties raises an objection, the contract will be automatically renewed.	LG Product procurement	None
Manufacturer Contract	Taiwan Xiaomi Telecommunications Limited	May 1, 2020	December 31, 2023	Product procurement	None
Manufacturer Contract	Top Enterprise Investments Limited Taiwan Branch (Hong Kong)	May 1, 2018	If neither of the parties raises an objection, the contract will be automatically renewed.	VIVO phone purchase contract	None
Manufacturer Contract	LENOVO Technology B.V. Taiwan Branch (Netherlands)	December 13, 2017	If neither of the parties raises an objection, the contract will be automatically renewed.	Product procurement	None
Manufacturer Contract	Taiwan Sugar Mobile Communication Co., Ltd.	December 1, 2016	If neither of the parties raises an objection, the contract will be automatically renewed.	Product procurement	None
Manufacturer Contract	New Boom Global Limited Taiwan Branch (SAMOA)	August 28, 2014	Automatic contract renewal	OPPO Product procurement	None
Manufacturer Contract	Samsung Electronics Taiwan Co. Ltd.	January 1, 2014	60 days' notice	Samsung Agency Contract	None
Manufacturer Contract	HTC Corporation	January 1, 2012	90 days' written notice	HTC Product procurement	None
Manufacturer Contract	Sony Taiwan Ltd	July 15, 2004	3 months written notice	Purchase agreement	None
Manufacturer Contract	Microsoft Mobile Taiwan Corporation	April 7, 1998	Automatic contract renewal	Product procurement	None

VI. Financial Overview

VI. Financial Overview

1. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years

(1) Individual consolidated balance sheets

Unit: NT\$ thousand

Item \ Year		Financial information for the past 5 fiscal years (Note 1 and Note 5)				
		2018	2019	2020	2021	2022
Current assets		6,341,299	6,013,388	6,282,577	7,426,483	6,704,449
Property, plant and equipment (Note 2)		934,876	869,510	813,507	777,312	762,167
Intangible assets		28,275	38,710	14,204	18,901	7,181
Other assets (Note 2)		2,249,880	2,877,409	2,719,888	2,538,815	2,695,630
Total assets		9,554,330	9,799,017	9,830,176	10,761,511	10,169,427
Current liabilities	Before dividends	3,614,446	3,396,820	3,529,863	4,246,872	3,425,119
	After dividends	3,988,912	3,771,286	3,917,242	4,763,377	3,993,275 ^(Note 6)
Non-current liabilities		131,805	554,019	386,932	384,408	435,790
Total liabilities	Before dividends	3,746,251	3,950,839	3,916,795	4,631,280	3,860,909
	After dividends	4,120,717	4,325,305	4,304,174	5,147,785	4,429,065 ^(Note 6)
Equity attributable to stockholders of the parent		5,808,079	5,848,178	5,913,381	6,130,231	6,308,518
Share capital		2,582,527	2,582,527	2,582,527	2,582,527	2,582,527
Capital surplus		717,885	717,885	717,521	717,521	717,521
Retained earnings	Before dividends	2,521,203	2,561,547	2,645,743	2,851,814	2,995,219
	After dividends	2,146,737	2,187,081	2,258,364	2,335,309	2,427,063 ^(Note 6)
Other equity		(13,536)	(13,781)	(32,410)	(21,631)	13,251
Treasury shares		-	-	-	-	-
Total equity	Before dividends	5,808,079	5,848,178	5,913,381	6,130,231	6,308,518
	After dividends	5,433,613	5,473,712	5,526,002	5,613,726	5,740,362 ^(Note 6)

Note 1: All financial information above has been audited.

Note 2: Asset revaluation of financial information for every year above has not been performed.

Note 3: No financial information in the latest period has been audited or reviewed by the CPA up to the date of publication of the annual report.

Note 4: The numbers after dividend above have been listed based on the resolution made by the Board of Directors or Shareholders' Meeting the next year.

Note 5: Financial information shall be corrected or re-edited voluntarily even without notification from competent authority.

Note 6: A resolution was made for the Report on the Distribution of Dividends and Bonuses by the board of directors' meeting on February 17, 2023 but has not been submitted to the annual shareholders' ordinary meeting.

VI. Financial Overview

(2) Individual consolidated statements of comprehensive income

Unit: NT\$ thousand

Item \ Year	Financial information for the past 5 fiscal years (Note 1 and Note 4)				
	2018	2019	2020	2021	2022
Operating revenue	29,621,736	27,493,868	25,426,029	28,912,848	29,142,887
Gross profit	3,439,987	3,082,230	2,803,371	3,094,734	3,027,185
Operating income and loss	226,022	274,451	309,395	466,857	317,463
Non-operating income and expenses	186,036	202,178	200,461	240,412	469,795
Pre-tax profit	412,058	476,629	509,856	707,269	787,258
Net income for the unit continuing operations	405,854	411,231	436,884	596,948	658,038
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	405,854	411,231	436,884	596,948	658,038
Other comprehensive income - current (net, after tax)	(22,636)	15,194	3,149	7,281	36,754
Total comprehensive income - current	383,218	426,425	440,033	604,229	694,792
Net profit attributable to owners of the Parent	405,854	411,231	436,884	596,948	658,038
Comprehensive profit (loss) attributable to the owners of the parent company	383,218	426,425	440,033	604,229	694,792
Earnings per share	1.59	1.59	1.69	2.31	2.55

Note 1: All financial information above has been audited.

Note 2: No financial information in the latest period has been audited or reviewed by the CPA up to the date of publication of the annual report.

Note 3: Loss from discontinued operations is listed as the net amount after deducting income tax.

Note 4: Financial information shall be corrected or re-edited voluntarily even without notification from competent authority.

VI. Financial Overview

(3) Consolidated condensed balance sheets

Unit: NT\$ thousand

Item \ Year		Financial information for the past 5 fiscal years (Note 1 and Note 5)				
		2018	2019	2020	2021	2022
Current assets		7,041,416	6,751,385	6,834,221	7,962,726	7,249,222
Property, plant and equipment (Note 2)		965,662	895,742	839,868	803,961	787,695
Intangible assets		240,211	227,112	179,843	142,035	107,640
Other assets (Note 2)		1,480,597	2,195,330	2,321,272	2,183,890	2,315,746
Total assets		9,727,886	10,069,569	10,175,204	11,092,612	10,460,303
Current liabilities	Before dividends	3,740,162	3,617,165	3,832,372	4,531,148	3,680,470
	After dividends	4,114,628	3,991,631	4,219,751	5,047,653	4,248,626 ^(Note 6)
Non-current liabilities		164,056	589,882	415,712	418,431	459,666
Total liabilities	Before dividends	3,904,218	4,207,047	4,248,084	4,949,579	4,140,136
	After dividends	4,278,684	4,581,513	4,635,463	5,466,084	4,708,292 ^(Note 6)
Equity attributable to stockholders of the parent		5,808,079	5,848,178	5,913,381	6,130,231	6,308,518
Share capital		2,582,527	2,582,527	2,582,527	2,582,527	2,582,527
Capital surplus		717,885	717,885	717,521	717,521	717,521
Retained earnings	Before dividends	2,521,203	2,561,547	2,645,743	2,851,814	2,995,219
	After dividends	2,146,737	2,187,081	2,258,364	2,335,309	2,427,063 ^(Note 6)
Other equity		(13,536)	(13,781)	(32,410)	(21,631)	13,251
Treasury shares		-	-	-	-	-
Non-controlling interests		15,589	14,344	13,739	12,802	11,649
Total equity	Before dividends	5,823,668	5,862,522	5,927,120	6,143,033	6,320,167
	After dividends	5,449,202	5,488,056	5,539,741	5,626,528	5,752,011 ^(Note 6)

Note 1: All financial information above has been audited.

Note 2: Asset revaluation of financial information for every year above has not been performed.

Note 3: No financial information in the latest period has been audited or reviewed by the CPA up to the date of publication of the annual report.

Note 4: The numbers after dividends above have been listed based on the resolution made by the Board of Directors or Shareholders' Meeting the next year.

Note 5: Financial information shall be corrected or re-edited voluntarily even without notification from competent authority.

Note 6: A resolution was made for the Report on the Distribution of Dividends and Bonuses by the board of directors' meeting on February 17, 2023 but has not been submitted to the annual shareholders' ordinary meeting.

VI. Financial Overview

(4) Consolidated statements of comprehensive income

Unit: NT\$ thousand

Item \ Year	Financial information for the past 5 fiscal years (Note 1 and Note 4)				
	2018	2019	2020	2021	2022
Operating revenue	31,240,940	28,864,873	27,007,073	31,038,933	31,158,594
Gross profit	3,544,762	3,254,572	3,086,322	3,465,732	3,397,546
Operating income and loss	119,028	255,662	308,967	483,498	350,226
Non-operating income and expenses	287,623	224,202	207,574	231,478	443,218
Pre-tax profit	406,651	479,864	516,541	714,976	793,444
Net income for the unit continuing operations	398,517	410,011	435,915	596,011	656,885
Net income (loss)	398,517	410,011	435,915	596,011	656,885
Other comprehensive income - current (net, after tax)	(22,636)	15,194	3,149	7,281	36,754
Total comprehensive income - current	375,881	425,205	439,064	603,292	693,639
Net profit attributable to owners of the Parent	405,854	411,231	436,884	596,948	658,038
Net profit attributable to non-controlling interests	(7,337)	(1,220)	(969)	(937)	(1,153)
Comprehensive profit (loss) attributable to the owners of the parent company	383,218	426,425	440,033	604,229	694,792
Comprehensive income attributable to non-controlling shareholders	(7,337)	(1,220)	(969)	(937)	(1,153)
Earnings per share	1.59	1.59	1.69	2.31	2.55

Note 1: All financial information above has been audited.

Note 2: No financial information in the latest period has been audited or reviewed by the CPA up to the date of publication of the annual report.

Note 3: Loss from discontinued operations is listed as the net amount after deducting income tax.

Note 4: Financial information shall be corrected or re-edited voluntarily even without notification from competent authority.

(5) Names of auditors and audit opinions for the last 5 years:

Year	Name of CPA firm	Name of auditors	Audit opinion
2018	Deloitte & Touche	Dien Sheng Chang, Hung Peng Lin	Unqualified opinion
2019	Deloitte & Touche	Dien Sheng Chang, Benjamin Shih	Unqualified opinion with an emphasis-of-matter paragraph
2020	Deloitte & Touche	Dien Sheng Chang, Denny Kuo	Unqualified opinion
2021	Deloitte & Touche	Dien Sheng Chang, Denny Kuo	Unqualified opinion
2022	Deloitte & Touche	Yi-Hsin Kao, Mei-Yen Chiang	Unqualified opinion

VI. Financial Overview

2. Financial analyses for the past 5 fiscal years

(1) International Financial Reporting Standards - Individual

Analysis		Year	Financial analyses for the past 5 fiscal years (Note 1)				
			2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio		39.20	40.31	39.84	43.03	37.96
	Long-term capital to property, plant & equipment ratio		635.36	736.29	774.46	838.09	884.88
Debt servicing capability %	Current ratio		175.44	177.02	177.98	174.86	195.74
	Quick ratio		120.41	122.02	122.53	110.52	113.16
	Times interest earned		-	34.37	46.36	89.46	93.45
Operating efficiency	Receivables turnover ratio(times)		14.60	15.93	15.73	17.19	16.09
	Average collection days		25.00	22.91	23.20	21.23	22.68
	Inventory turnover ratio (times)		12.64	13.19	12.37	11.51	9.82
	Payables turnover ratio (times)		10.97	12.03	13.32	11.51	10.53
	Days sales outstanding		28.87	27.67	29.50	31.71	37.16
	Property, plant and equipment turnover ratio(times)		31.09	30.47	30.21	36.34	37.86
	Total asset turnover (times)		3.02	2.84	2.59	2.80	2.78
Profitability	Return on Assets (%)		4.14	4.36	4.54	5.86	6.35
	Return on Equity (%)		6.93	7.05	7.42	9.91	10.58
	Income before tax to paid-in capital ratio(%)		15.95	18.45	19.74	27.38	30.48
	Net Profit Margin (%)		1.37	1.49	1.71	2.06	2.25
	Earnings per share (\$) (Note 2)		1.59	1.59	1.69	2.31	2.55
Cash Flow	Cash flow ratio (%)		20.13	21.65	22.79	14.87	(10.41)
	Cash flow adequacy ratio (%)		134.43	133.70	105.02	95.83	69.77
	Cash reinvestment ratio (%)		(1.29)	4.91	5.90	3.25	(11.24)
Leverage	Operating leverage		12.28	8.90	7.14	4.94	6.83
	Financial leverage		1.00	1.05	1.03	1.01	1.02

Explanations for the variations of financial ratios in the latest two years. (If the increase or decrease is below 20%, no analysis is required.)

1. Variation in cash flow reinvestment ratio: It was primarily caused by the decrease of net cash flow from operating activities in 2022.
2. Variation in cash flow adequacy ratio: It was mainly due to the decrease of net cash flow from operating activities in the last five years in 2022 in comparison to that of 2021.
3. Variation in cash flow reinvestment ratio: It was primarily caused by the increase of operating fund in 2022.
4. Variation in operating leverage: It was mainly due to the decrease in income from operations in 2022.

Note 1: All financial information of 2018–2022 has been audited.

Note 2: Calculated based on current year's weighted average shares outstanding adjusted by the additional weighted average shares outstanding arising from the capitalization of earnings and capital surplus.

VI. Financial Overview

(2)International Financial Reporting Standards - Consolidated

Analysis		Year	Financial analyses for the past 5 fiscal years (Note 1)				
			2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio		40.13	41.77	41.74	44.62	39.57
	Long-term capital to property, plant & equipment ratio		620.06	720.34	755.21	816.14	860.71
Debt servicing capability %	Current ratio		188.26	186.64	178.32	175.73	196.96
	Quick ratio		127.69	131.19	124.03	113.43	117.27
	Times interest earned		2,235.34	33.65	46.08	88.17	91.80
Operating efficiency	Receivables turnover ratio(times)		15.22	16.24	15.66	16.94	15.72
	Average collection days		23.98	22.47	23.30	21.54	23.21
	Inventory turnover ratio (times)		12.91	13.30	12.42	11.78	10.10
	Payables turnover ratio (times)		11.11	11.98	12.84	11.38	10.53
	Days sales outstanding		28.27	27.44	29.38	30.98	36.13
	Property, plant and equipment turnover ratio(times)		31.69	31.01	31.12	37.76	39.15
	Total asset turnover (times)		3.12	2.91	2.66	2.91	2.89
Profitability	Return on Assets (%)		3.98	4.26	4.39	5.66	6.16
	Return on Equity (%)		6.78	7.01	7.39	9.87	10.54
	Income before tax to paid-in capital ratio(%)		15.74	18.58	20.00	27.68	30.72
	Net Profit Margin (%)		1.27	1.42	1.61	1.92	2.10
	Earnings per share (\$) (Note 2)		1.59	1.59	1.69	2.31	2.55
Cash Flow	Cash flow ratio (%)		18.61	14.85	22.50	14.43	(8.94)
	Cash flow adequacy ratio (%)		115.30	120.34	96.46	92.46	65.90
	Cash reinvestment ratio (%)		(1.73)	2.19	6.64	3.52	(10.82)
Leverage	Operating leverage		23.39	9.85	7.46	5.00	6.53
	Financial leverage		1.00	1.06	1.03	1.01	1.02
Explanations for the variations of financial ratios in the latest two years. (If the increase or decrease is below 20%, no analysis is required.) 1. Variation in cash flow reinvestment ratio: It was primarily caused by the decrease of net cash flow from operating activities in 2022. 2. Variation in cash flow adequacy ratio: It was mainly due to the decrease of net cash flow from operating activities in the last five years in 2022 in comparison to that of 2021. 3. Variation in cash flow reinvestment ratio: It was primarily caused by the increase of operating fund in 2022. 4. Variation in operating leverage: It was mainly due to the decrease in income from operations in 2022.							

Note 1: All financial information of 2018–2022 has been audited.

Note 2: Calculated based on current year's weighted average shares outstanding adjusted by the additional weighted average shares outstanding arising from the capitalization of earnings and capital surplus.

VI. Financial Overview

Calculation formulas:

1. Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term capital to property, plant & equipment ratio = (Total equity + non-current liabilities) / net property, plant & equipment

2. Debt servicing capability

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets — inventory — pre-paid expenses) / current liabilities.
- (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.

3. Operating efficiency

- (1) Receivables (including account receivables and note receivables from operating activities) turnover ratio = net sales/average receivables (including account receivables and note receivables from operating activities) balance.
- (2) Average collection days = 365/receivables turnover ratio.
- (3) Inventory turnover ratio = cost of sales / average inventory
- (4) Payables (including account payables and note payables from operating activities) turnover ratio = cost of sales/average payables (including account payables and note payables from operating activities) balance.
- (5) Days sales outstanding = 365/Inventory turnover ratio.
- (6) Property, plant and equipment turnover ratio = net sales/average net property, plant and equipment.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on total assets = (net Income + interest expenses * (1 - effective tax rate)) / average total assets.
- (2) Return on equity = net income / average equity.
- (3) Net margin = net Income / net Sales
- (4) Earnings per share = (net income attributable to shareholders of the parent - preferred stock dividends) / weighted average number of shares outstanding

5. Cash flow

- (1) Cash flow ratio = net cash provided by operating activities / current liabilities
- (2) Cash flow adequacy ratio = five-year sum of cash from operations / five-year sum of capital expenditures, inventory additions and cash dividend.
- (3) Cash flow reinvestment ratio = (cash provided by operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital)

6. Leverage:

- (1) Operating leverage = (net sales - variable cost) / income from operations
- (2) Financial leverage = income from operations / (income from operations - interest expenses)

VI. Financial Overview

3. Audit Committee' review report for the most recent year's financial statement

Senao International Co., Ltd.
Audit Committee Report

The Board of Directors has prepared this Company's 2022 financial statements (including consolidated financial statements), which have been audited by external auditors Yi-Hsin Kao and Mei-Yen Chiang of Deloitte & Touche, together with the business report and proposal of earning distribution plan. We have examined above statements and reports and found no irregularities. We hereby report as above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please kindly review.

Senao International Co., Ltd.

Audit Committee Convenor: Kung-Liang Yeh

February 17, 2023

VI. Financial Overview

4. Financial statement for the most recent fiscal year, including an auditor's report prepared by a certified public accountant and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity, cash flow chart and any related footnotes or attached appendices: Refer to page 222~289.
5. Audited individual financial statement for the most recent fiscal year: Refer to page 290~365.
6. Any financial distress experienced by the company or its affiliated enterprises and impacts on the company's financial position in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: none.

VII. Review and analysis of financial position and business performance and risk assessment

VII. Review and analysis of financial position and business performance and risk assessment

1. Financial position

The comparison table of financial positions

Unit: NT\$ thousand

Item \ Year	December 31, 2022	December 31, 2021	Variation	
			Amount	%
Current assets	7,249,222	7,962,726	(713,504)	(8.96)
Non-current assets	3,211,081	3,129,886	81,195	2.59
Total assets	10,460,303	11,092,612	(632,309)	(5.70)
Current liabilities	3,680,470	4,531,148	(850,678)	(18.77)
Non-current liabilities	459,666	418,431	41,235	9.85
Total liabilities	4,140,136	4,949,579	(809,443)	(16.35)
Share capital	2,582,527	2,582,527	-	-
Capital surplus	717,521	717,521	-	-
Retained earnings	2,995,219	2,851,814	143,405	5.03
Other equity	13,251	(21,631)	34,882	(161.26)
Treasury shares	-	-	-	-
Non-controlling interests	11,649	12,802	(1,153)	(9.01)
Total equity	6,320,167	6,143,033	177,134	2.88

Analysis of variations exceeding 20%:

1. Increase of other equity was primarily due to the reduction of cumulative translation adjustment in 2022, and unrealized gains or losses of financial assets measured at fair value through other comprehensive profit and loss are reduced.

2. Financial performance

- (1) The comparison table of financial performance

Unit: NT\$ thousand

Item \ Year	Year 2022	Year 2021	Variation	
			Amount	%
Operating revenue	31,158,594	31,038,933	119,661	0.39
Gross profit	3,397,546	3,465,732	(68,186)	(1.97)
Income from operations	350,226	483,498	(133,272)	(27.56)
Non-operating income and expenses	443,218	231,478	211,740	91.47
Pre-tax profit	793,444	714,976	78,468	10.97
Net income	656,885	596,011	60,874	10.21
Total other comprehensive income	36,754	7,281	29,473	404.79

VII. Review and analysis of financial position and business performance and risk assessment

(loss)				
Total comprehensive income - current	693,639	603,292	90,347	14.98
Net profit attributable to owners of the Parent	658,038	596,948	61,090	10.23
Net profit attributable to non-controlling interests	(1,153)	(937)	(216)	23.05
Comprehensive profit (loss) attributable to the owners of the parent company	694,792	604,229	90,563	14.99
Comprehensive income attributable to non-controlling interests	(1,153)	(937)	(216)	23.05

1. Analysis of variations:

- (1) Reduction of income from operations is primarily due to reduction of gross profit and increase of operating expenses.
- (2) Increase in non-operating income and expenses was mainly due to increase in the share of income from associates using the equity method.
- (3) Increase of other comprehensive income was mainly due to increase of remeasurements of defined benefit plans.
- (4) Reduction of net profit attributable to non-controlling interests and comprehensive income attributable to non-controlling interests, was primarily due to impairment loss of recognized intangible assets.

2. Cause of change to the Company's major business activities: There was no major change, so it is not applicable.

3. Projected sales volume and its base for next year. Explain the major factors that keep the Company's projected sales volume to rise: continue to cultivate the retailing of communication products and distribution channels, maintain the leading position in communication products distribution, introduce more competitive smartphones and a more diverse portfolio of information and digital products. Via the Senaonline, the Company will integrate the Online and Offline businesses and receive the synergy from combining virtual and physical channels.

VII. Review and analysis of financial position and business performance and risk assessment

3. Cash Flow

(1) Liquidity analysis for the last 2 years:

	Year 2022	Year 2021	Amount increased (decreased)	Variation(%)
Beginning cash and cash equivalent balance	2,976,985	2,797,626	179,359	6.41%
Net cash inflows (outflows) from operating activities	(329,154)	654,179	(983,333)	(150.32%)
Net cash inflows (outflows) from investing activities	36,666	215,473	(178,807)	(82.98%)
Net cash inflows (outflows) from financing activities	(826,206)	(690,084)	(136,122)	19.73%
Ending cash and cash equivalent balance	1,859,023	2,976,985	(1,117,962)	(37.55%)

Analysis of variations exceeding 20%:

1. Increase in net cash outflows from operating activities: It was mainly due to increase in sales resulting change in inventory, account receivables (payables), and other account receivables (payables) that resulting in decrease in cash.
2. Decrease in net cash inflows from investing activities: It was mainly due to decrease in cash because repayment of overseas investment occurred in 2021 but did not occur in 2022.
3. Decrease in ending cash and cash equivalent balance: It was mainly due to increase in net cash outflows from operating activities, decrease in net cash inflows from investing activities and increase in net cash outflows from financing activities. Payment was made in advance because goods were stocked up for Chinese New Year, hence inventory and net cash outflow increased.

VII. Review and analysis of financial position and business performance and risk assessment

(2) Cash liquidity analysis for the next year:

Unit: NT\$ thousand

Beginning cash balance (1)	Annual net cash flows from operating activities (2)(Note)	Annual cash outflows (3) (Note)	Cash surplus(Deficit) (1)+(2)-(3)	Remedies for cash deficit	
				Plan for investing activities	Plan for financing activities
1,584,152	725,983	659,655	1,650,480	-	-

Note: the financial information above is the unconsolidated data projected by the Company and is not reviewed by the CPA.

1. Analysis of 2023 cash flows:
 - (1) Operating activities: Net income is projected for 2023 which will result in the net cash inflows from operating activities.
 - (2) Investing activities: Cash outflows mainly to support the capital expenditure for operating IT system and acquisition of equipment for retail stores.
 - (3) Financing activities: Mainly to support short-term capital needs.
2. Remedies and analyses for cash deficit: not applicable.
4. Impacts on financial operations of any major capital expenditures during the most recent fiscal year: none.
5. Reinvestment policy for the most recent fiscal year, main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability and investment plans for the coming year
 - (1) Investment policy for the most recent fiscal year: The Company's investment policy is oriented on the core business of sale and operation of the information and communication products and agency of property and life insurance.
 - (2) Analysis of losses or gains from investments: The Company's share of income from associates using the equity method in 2022 based on merging foundation is NT\$ 359,842 thousand.
 - (3) Investment plans for the coming year: There is no investment plan for the coming year.
 - (4) Improvement plan: Continue to control and reduce the expenses in order to improve overall operating performance.

VII. Review and analysis of financial position and business performance and risk assessment

6. Risk assessment for the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report

(1) Impact of interest rate, exchange rate and inflation on the Company's earnings, and responsive measures.

1. Interest risk:

The Company upholds the principles of prudence and conservativeness for its capital allocation plan and places emphasis on security. It evaluates currency market interest rate and financial information on a regular basis and, based on costs of fund and the potential return and risk, choose the most beneficial capital allocation plan as well as responsive measures.

2. Impact of change to the foreign exchange rate:

Our profit from foreign exchange in 2022 based on the merging foundation was NT\$236 thousand which posed limited impact on the company gains or losses.

3. Inflation risk:

the change of inflation rate does not cause any material impact on the Company's operation and profitability.

(2) High-risk and highly leveraged investments, loans to third parties, endorsements / guarantees and derivatives trading

The main causes of any profits or losses incurred and future responsive measures:

1. Loans to third parties: Up till the publication date of this annual report, the Company does not have any loans to third parties.

2. Endorsements / guarantees: the Company only provides endorsements and guarantees to subsidiaries in accordance with the Company's Endorsement and Guarantee Procedures.

3. Policy for derivatives trading: the Company places focus on development of core businesses and does not involve in any high-risk and high-leveraged investment or loans to third parties. All the investments were made with prudent evaluations. Loans to third parties, endorsements and guarantees, derivatives trading are conducted in accordance with the Company's "Procedures Governing the Acquisition or Disposal of Assets," "Procedures for Loans to Others," "Endorsement and Guarantee Procedures" and "Guidelines for Derivatives Trading" and relevant responsive

VII. Review and analysis of financial position and business performance and risk assessment

measures.

- (3) Future research and development plans and the projected expenses:

We are a channel agent, hence we do not perform R&D of product technology. However, we spare no effort in innovation and R&D of new channels these years. The traditional retail store channel is expanded and transformed into OMO retail. We actively collaborates with brands to open experience stores, e.g. Samsung experience store with all products (SMC store). We conduct local adaptation to attract customers in the business district where the store is located via social media (LINE, Facebook), expecting to create a better experience for consumers.

On the other hand, senaonline, Senao's online shopping platform, aims to become a new retail, omni-channel shopping platform and heads toward a new era of store. Besides launching products that are more diverse, we can help store employees and consumers obtain products and discount information of online platform through our internal system, connecting online and offline information flow, logistics and cash flow completely.

- (4) The effect of major policy changes and legal practices, whether domestic or foreign, on the Company's financial operations and responsive actions:

The Company has taken adequate measures targeting important domestic and overseas policy and law changes in recent years, which have no significant impact on our financial business.

- (5) Financial impacts and responsive measures in the event of technological or industrial changes:

The technological or industrial change did not materially impact the Company's financial and operational performance in the most recent year.

- (6) Impact on crisis management and responsive measures in the event of a change in corporate image:

The Company owns a good corporate image and does not encounter any change that may cause crisis.

- (7) Expected benefits, risks and responsive measures of planned mergers or acquisitions:

The Company does not have any planned merger or acquisition, so it is not applicable.

VII. Review and analysis of financial position and business performance and risk assessment

- (8) Expected benefits, risks and responsive measures associated with plant expansions:

The Company does not have any plan for plant expansion, so it is not applicable.

- (9) Risks and responsive measures associated with concentrated sales or purchases:

The Company's suppliers are mainly the well-known international brands; meanwhile, the Company actively expand its business lines, so there are no risks associated with concentrated sales or purchases.

- (10) Impacts and risks associated with major transfer of shares by directors, supervisors, or major shareholders with more than 10% ownership interest: none.

- (11) Effects, risks and responsive measures associated with a change in management: none.

- (12) Litigation and non-contentious cases: none.

- (13) Other material risks and responsive measures: none.

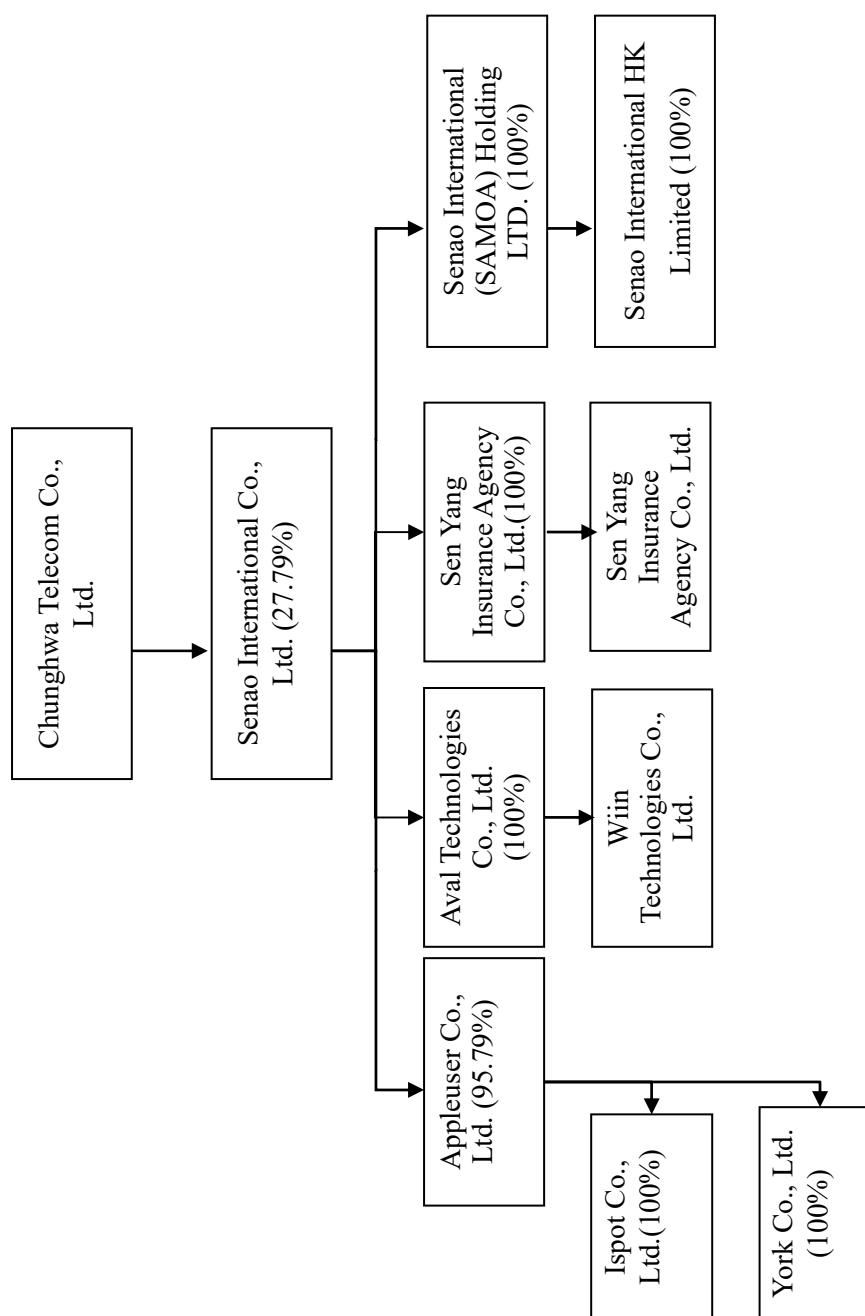
7. Other important matters: none

VIII. Special remarks

1. Information related to the Company's affiliates

(1) Relationship of affiliated entities

1. Organizational chart (As of December 31, 2022)



VIII. Special remarks

2. Backgrounds of affiliated entities

Unit: NT\$ thousand December 31, 2022

Name of entity	Established date	Address	Paid-in capital	Main business activities or products
Chunghwa Telecom Co., Ltd.	June 15, 1996	No.21-3, Sec. 1, Xinyi Rd., Taipei City	NTD 77,574,465	Telecommunication/data service
Senao International (SAMOA) Holding LTD.	December 15, 2009	Samoa	USD 1,191	International investment business
Senao International HK Limited	December 28, 2009	Hong Kong	USD 32,340	International investment business
Appleuser Co., Ltd.	October 4, 1996	No.13, Sec. 1, Bade Rd., Zhongzheng Dist., Taipei City	NTD 154,000	Sale of telecommunication products
York Co., Ltd.	June 12, 2012	2F., No.13, Sec. 1, Bade Rd., Zhongzheng Dist., Taipei City	NTD 21,354	Repairs of telecommunication products
Ispot Co., Ltd.	September 5, 2012	No.13, Sec. 1, Bade Rd., Zhongzheng Dist., Taipei City	NTD 10,727	Sale of telecommunication products
Aval Technologies Co., Ltd.	October 5, 2015	6F., No.533, Zhongzheng Rd., Xindian Dist., New Taipei City	NTD 116,600	Sale of telecommunication products
Wiin Technologies Co., Ltd.	September 12, 2019	6F., No.533, Zhongzheng Rd., Xindian Dist., New Taipei City	NTD 38,450	Sale of telecommunication products
Sen Yang Insurance Agency Co., Ltd.	November 22, 2017	2F., No.531, Zhongzheng Rd., Xindian Dist., New Taipei City	NTD 59,000	Property insurance agency
Sen Yang Insurance Agency Co., Ltd.	November 29, 2019	2F., No.531, Zhongzheng Rd., Xindian Dist., New Taipei City	NTD 29,500	Life insurance agency

3. Common shareholders in controlling and controlled companies:
none.

VIII. Special remarks

4. Businesses covered by affiliated companies: The businesses covered by the Company and its affiliates consist of fixed network telecommunications, mobile telecommunication, Internet, data communication, sale, repairs and process of telecommunication products and property and life insurance agency.

VIII. Special remarks

5. Details on the directors, supervisors and president of the affiliated entities:

December 31, 2022

Name of entity	Title	Name or representative	Shareholdings	
			Number of Shareholdings	Percentage of Shareholdings
Chunghwa Telecom Co., Ltd.	Chairman	Ministry of Transportation and Communications Representative: Chi-Mao Hsieh	2,737,718,976	35.29%
	Director	Ministry of Transportation and Communications Representative: Hsiang-Lin Hu	2,737,718,976	35.29%
	Director	Ministry of Transportation and Communications Representative: Hsin-Yi Chang	2,737,718,976	35.29%
	Director	Ministry of Transportation and Communications Representative: Hsin-Hung Chen	2,737,718,976	35.29%
	Director	Ministry of Transportation and Communications Representative: Shui-Yi Kuo	2,737,718,976	35.29%
	Director	Ministry of Transportation and Communications Representative: Ching-Hui Li	2,737,718,976	35.29%
	Director	Ministry of Transportation and Communications Representative: Shih-Hung Tseng	2,737,718,976	35.29%
	Director	Ministry of Transportation and Communications Representative: Hsiu-Chuan Tsai	2,737,718,976	35.29%
	Independent Director	Chung-Chin Lu	0	0%
	Independent Director	Yi-Chin Tu	0	0%
	Independent Director	Chia-Chung Chen	0	0%

VIII. Special remarks

Name of entity	Title	Name or representative	Shareholdings	
			Number of Shareholdings	Percentage of Shareholdings
	Independent Director	Shih-Ming Lin	0	0%
	Independent Director	Yu-Fen Lin	0	0%
	President	Shui-Yi Kuo	0	0%
Senao International (SAMOA) Holding LTD.	Director	Senao International Co., Ltd. Representative: Pao-Yung Lin	—	100%
Senao International HK Limited	Director	Senao International (SAMOA) Holding LTD. Representative: Pao-Yung Lin	—	100%
Appleuser Co., Ltd.	Chairman	Senao International Co., Ltd. Representative: Yu-Chiang Wu	14,752,000	95.79%
	Director	Senao International Co., Ltd. Representative: Chi-Hung Liao	14,752,000	95.79%
	Director	Senao International Co., Ltd. Representative: Kuan-Heng Lai	14,752,000	95.79%
	Supervisor	Tsai-Hung Yu	—	0%
	President	Yu-Chiang Wu	—	0%
York Co., Ltd.	Director	Appleuser Co., Ltd. Representative: Yu-Chiang Wu	—	100%
Ispot Co., Ltd.	Director	Appleuser Co., Ltd. Representative: Yu-Chiang Wu	—	100%
Aval Technologies Co., Ltd.	Chairman	Senao International Co., Ltd. Representative: Wen-He Tsai	11,660,000	100%
	President	Yu-Chiang Wu	—	0%
Wiin Technologies Co., Ltd.	Director	Aval Technologies Co., Ltd. Representative: Wen-He Tsai	3,845,000	100%

VIII. Special remarks

Name of entity	Title	Name or representative	Shareholdings	
			Number of Shareholdings	Percentage of Shareholdings
	President	Yu-Chiang Wu	—	0%
Sen Yang Insurance Agency Co., Ltd.	Chairman	Senao International Co., Ltd. Representative: Yen-Yen Cheng	5,900,000	100%
	Director	Senao International Co., Ltd. Representative: Yen-Chu Hsu	5,900,000	100%
	Director	Senao International Co., Ltd. Representative: Chi-Hung Liao	5,900,000	100%
	Supervisor	Senao International Co., Ltd. Representative: Kuan-Heng Lai	5,900,000	100%
	President	Yen-Yen Cheng	—	0%
Sen Yang Insurance Agency Co., Ltd.	Chairman	Sen Yang Insurance Agency Co., Ltd. Representative: Kuan-Heng Lai	2,950,000	100%
	Director	Sen Yang Insurance Agency Co., Ltd. Representative: Yen-Yen Cheng	2,950,000	100%
	Director	Sen Yang Insurance Agency Co., Ltd. Representative: Ssu-Ying Chen	2,950,000	100%
	President	Ssu-Ying Chen	—	0%

VIII. Special remarks

(2) Performance of affiliated enterprises in 2022:

Unit: NT\$ thousand, except earnings per share is expressed in NT\$

Name of entity	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income (loss)	Net income (loss) (after tax)	Earnings per share (after tax)
Chunghwa Telecom Co., Ltd.	77,574,465	523,203,488	129,425,060	393,778,428	216,739,234	46,824,889	38,000,039	4.70
Senao International (Samoa) Holding Ltd.	36,561	36,848	0	36,848	0	(82)	278	-
Senao International HK Ltd.	1,043,115	0	0	0	0	0	0	-
Appleuser Co., Ltd.	154,000	166,892	31,408	135,484	166,039	(2,471)	(10,463)	(0.68)
Ispot Co., Ltd.	10,727	42,966	31,703	11,263	117,564	2,341	2,420	-
York Co., Ltd.	21,354	14,285	9,259	5,026	9,612	(1,120)	(2,013)	-
Aval Technologies Co., Ltd.	116,600	314,531	184,974	129,557	1,616,450	4,355	9,945	0.88
Wiin Technologies Co., Ltd.	38,450	94,090	48,280	45,810	677,922	7,920	6,370	1.76
Sen Yang Insurance Agency Co., Ltd.	59,000	206,102	105,285	100,817	410,083	43,384	33,444	5.67
Sen Yang Insurance Agency Co., Ltd.	29,500	22,552	748	21,804	1,663	(2,178)	(1,685)	(0.57)

VIII. Special remarks

2023.2.18 Chin Shen No. 11202484

Recipient: Senao International Co., Ltd.

Subject: Opinion on the statement claiming that information related to your 2022 relationship report has no significant non-conformity

Explanation:

1. In the 2022 relationship report (from January 1 to December 31, 2022) organized on February 17, 2022, you claimed that it is prepared based on the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.” The disclosed information is not significantly non-conforming to the information disclosed in the footnote of the financial statement in the above period. Refer to the attachment for the declaration.
2. I compared the relationship report you prepared with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, and the footnote of your 2022 financial statement. I have not discovered significant non-conformity in the declaration above.

Deloitte & Touche

Yi-Hsin Kao

CPA:

Mei-Yen Chiang

VIII. Special remarks

Declaration for relationship report

We hereby certify that our 2022 relationship report (from January 1 to December 31, 2022) of the Company is prepared based on the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.” The disclosed information is not significantly non-conforming to the information disclosed in the footnote of the financial statement in the above period

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Company: Senao International Co., Ltd.

Responsible person: Jung-Tzu Lin

February 17, 2023

VIII. Special remarks

Relationship between the controlling and the controlled company

Unit: share; %

Name of controlling company	Means of Control	Shares are Held and Pledged by the Controlling Company			Directors, Supervisors or Managers Appointed by the Controlling Company	
		Shareholdings	Percentage of Shareholdings	Shares Pledged	Title	Name
Chunghwa Telecom Co., Ltd.	It has power over Senao International to direct the relevant activities	71,773,155	(27.79%) (As of March 31, 2023)	-	Chairman Director Director Director Chief Financial Officer	Jung-Tzu Lin Tien-Tsai Su Chih-Cheng Chien Li-Hsiu Wu Chien-Chih Chen Chien-Chi Liao

Sales and purchases information

Unit: NT\$ thousand; %

Trading with controlling company				Trading terms with controlling company		General trading terms (note)		Cause of difference (Note)	Account and note receivables (payables)		Overdue receivables			Remark
Sales (purchases)	Amount	Percentage to the total sales (purchases)	Gross margin	Unit price (NT\$)	Credit period	Unit price (NT\$)	Credit period		Balance	Percentage to the total account and note receivables (payables)	Amount	Handling method	Amount of bad loan provision	
Sales Purchases	\$7,218,007 \$3,785,494	23.17 13.97	1,723,045	— —	30-90 days 30 days	— —	— —	— —	951,247 (378,583)	47.25 (16.18)	— —	— —	— —	

Note: trading terms were agreed individually.

Asset lease

Unit: NT\$ thousand

Type of transaction (tenant or landlord)	Object		Lease Period	Nature of lease (Note)	Base of lease rate	Receipt (Payment) method	Compared to the average lease rate	Total lease amount for current period	Amount received or paid for current period	Other agreed matters
	Name	Location								
Lease of	Meeting venue for cloud service and training institute	Portion of Chunghwa Telecom's operating offices	-	Operating Lease	Contract	Pay by month or quarter	-	\$11,441	\$11,441	None

Note: An operating lease or a finance lease shall be stated.

Trading of property: None.

Financing: None

Guarantees and endorsements:

VIII. Special remarks

Senao International Co., Ltd. and subsidiaries

Guarantees and endorsements January 1 to December 31, 2022

Unit: NT\$ thousand

Number (Note 1)	Name of entity making the endorsement/guarantee	Entity the endorsement/guarantee is made to		Amount limit of endorsement/guarantee to one single entity (Note 3)	Maximum balance of endorsement/guarantee for current period	Ending balance of endorsement/guarantee	Actual amount used	Amount of endorsement/guarantee made with property	Percentage of accumulated amount of endorsement/guarantee to the net worth of the most recent financial statements (%)	Maximum amount limit of endorsement/guarantee (Note 4)	Endorsement/guarantee made by parent company to the subsidiary (Note 5)	Endorsement/guarantee made by the subsidiary to parent company (Note 5)	Endorsement/guarantee made to entity in China (Note 5)	Remark
		Name of company	Relation (Note 2)											
0	Senao International Co., Ltd.	Aval Technologies Co., Ltd.	2	630,851	300,000	300,000	300,000	\$ -	4.76	3,154,258	Y	-	-	
		Wiin Technologies Co., Ltd.	2	630,851	200,000	200,000	200,000	\$ -	3.17	3,154,258	Y	-	-	

Note 1: Explanation for the Number Column is as follows:

- Enter 0 for the Company
- The investee entities shall be numbered from 1 and follows individually, the same entity shall have the same number.

Note 2: the relationship between the entity makes the endorsement/guarantee and whom the endorsement/guarantee is made to is as follows:

1. The companies with which it has business relations
2. A company in which the entity directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in entity.
4. A company in which the entity holds, directly or indirectly, 90% or more of the voting shares.
5. Shareholders making endorsements and/or guarantees for their mutually invested company in proportion to their shareholding percentage
6. Companies in same type of business and joint builders providing mutual endorsements/ guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project
7. 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 for each other

Note 3: Amount limit of endorsement/guarantee to one single entity = Equity attributable to the owners of the parent company NT\$6,308,518 thousand* 10% = NT\$630,851 thousand.

Note 4: Maximum amount limit of endorsement/guarantee = Equity attributable to the owners of the parent company NT\$6,308,518 thousand* 50% = NT\$3,154,258 thousand

Note 5: Fill "Y" for endorsement/guarantee made by a TWSE/TPEx listed parent company to the subsidiary, endorsement/guarantee made by the subsidiary to a TWSE/TPEx listed parent company or endorsement/guarantee made to entity in China

Other material transaction: none

VIII. Special remarks

2. Private placement of securities for the most recent fiscal year, and during the current fiscal year up to the date of publication of the annual report: none.
3. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: none.
4. Other matters that require additional description: none.
5. Occurrence of situations listed in paragraph 3, subparagraph 2 of Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: none.

VIII. Special remarks

Senao International Co., Ltd.
Declaration of Internal Control Policies

Date: February 17, 2023

The following declaration had been made based on the 2022 self-assessment of the Company's internal control policies:

1. The Company acknowledges and understands that establishment, implementation and maintenance of the internal control system are the responsibility of the Board and managerial officers and that such a system has already been established throughout the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc), reliable, timely and transparent financial reporting and regulatory compliance.
2. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
3. The Company evaluates the effectiveness of its internal control policy design and execution based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria introduced by the "Regulations" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to the Regulations for the details.
4. The Company adopted the above-mentioned criteria to evaluate the effectiveness of its internal control policy design and execution.
5. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2022. This system (including the supervision and

VIII. Special remarks

management of subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information and its compliance with relevant laws.

6. This declaration constitutes part of the Company's annual report and prospectus and shall be disclosed to the public. Any illegal misrepresentation or non-disclosure in the public statement above are subject to legal consequences described in Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This declaration was approved at the Company's board of directors meeting held on February 17, 2023. None of the 13 directors present to the meeting held any objections, and unanimously agreed to the contents of this declaration.

Senao International Co., Ltd.

Chairman: Jung-Tzu Lin (Signature)

President: Pao-Yung Lin (Signature)

VIII. Special remarks

Senao International Co., Ltd.

Major resolutions made by the Shareholders' Meeting, the Board of Directors' meetings and Audit Committee's meeting

Date	Major resolutions made by the Shareholders' Meeting	Implementation
2022.06.15	1. Recognized 2021 Business Report and Financial Statements (along with the earnings distribution plan). 2. Discussed on the amendments to Articles of Incorporation. 3. Discussed on the amendments to Procedures for Acquisition or Disposal of Assets. 4. Discussed on the amendments to Procedures for Election of Directors. 5. Proposal for full re-election of directors 6. Proposal on cancellation of restriction on non-compete of directors and representatives thereof	1. Set the ex-dividend date on June 29, 2022 and cash dividends were scheduled to be paid on July 15, 2022. (Cash dividend was NT\$2 per share, totaling NT\$516,505,314) 2. Full re-election of directors was completed and public announcement was made on June 15, 2022.

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-3 of the Securities Exchange Act	Objections or qualified opinions raised by independent director
2022.02.18	The 18th meeting of the 10th board of directors	1. Recognized the distribution of Employees' Compensation and Directors' Remuneration of 2021	Passed as proposed unanimously by all directors present at the meeting.	1. The management department has handled as passed and included it into the agenda of the annual shareholders' meeting on June 15, 2022 as a reporting matter.	V	None
		2. Recognized 2021 Business Report and		2. The management department has handled as	V	

VIII. Special remarks

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-3 of the Securities Exchange Act	Objections or qualified opinions raised by independent director
		Financial Statements.		passed, and the financial statements were submitted on February 18, 2022, and included it into the agenda of the annual shareholders' meeting on June 15 2022 as recognition matters.		
		3. Passed the proposal to issue the "2021 Declaration of domestic and SOX internal control policies"		3. The management department has handled as passed, and public announcement was made on March 1, 2022.	V	
		4. Passed the 2022 audit fees		4. The management department has handled as passed.	V	
		5. Amendments to parts of the Company's "Procedures for Election of Directors."		5. The management department has handled as passed and included it into the agenda of the annual shareholders' meeting on June 15, 2022 as discussion matters.		
		6. Set the date and relevant matters for the 2022 annual shareholders'		6. The management department has handled as passed, and public		

VIII. Special remarks

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-3 of the Securities Exchange Act	Objections or qualified opinions raised by independent director
		meeting.		announcement was made on February 18, 2022.		
		7. Adjusted the amount for the right-of-use asset by the Company because of rent cut by the related party.		7. The management department has handled as passed, and public announcement was made on February 18, 2022.	V	
2022.03.25	The 19th meeting of the 10th board of directors	1. Report on the Distribution and Disbursement of Dividends and Bonuses for 2021.	Passed as proposed unanimously by all directors present at the meeting.	1. The management department has handled as passed and included it into the agenda of the annual shareholders' meeting on June 15, 2022 as a reporting matter.	V	None
		2. Amendments to parts of the Company's "Articles of Incorporation."		2. The management department has handled as passed and included it into the agenda of the annual shareholders' meeting on June 15, 2022 as discussion matters.	V	
		3. Amendments to parts of the Company's "Regulations Governing the Acquisition and Disposal of		3. The management department has handled as passed and included it into the agenda of the annual	V	

VIII. Special remarks

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-3 of the Securities Exchange Act	Objections or qualified opinions raised by independent director
		Assets.”		shareholders’ meeting on June 15, 2022 as discussion matters.		
		4. Amendments to parts of the Company's “Corporate Social Responsibility Best Practice Principles”.		4. The management department has handled as passed.		
		5. Set the date and relevant matters for the 2022 annual shareholders’ meeting (added discussion matters).		5. The management department has handled as passed and public announcement was made on March 25, 2022.		
		6. Proposal for full re-election of directors of the Company		6. The management department has handled as passed and included it into the agenda of the annual shareholders’ meeting on June 15, 2022 as election matters.		
		7. Handled the shareholder nomination announcement, review criteria and operating process.		7. The management department has handled as passed.		
2022.04.27	The 20th Meeting of the 10th	1. 2022 Q1 financial statement	Passed as proposed unanimously by all directors	1. The management department has handled as passed, and	V	None

VIII. Special remarks

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-3 of the Securities Exchange Act	Objections or qualified opinions raised by independent director
	board of directors		present at the meeting.	public announcement was made on April 27, 2022.		
		2. Passed the proposal for applying addition and extension of general credit line and applying extension of credit line for derivative transactions.		2. The management department has handled as passed.	V	
		3. Proposed to pass the list of director candidates (including independent directors) nominated by the Board of Directors		3. The management department has handled as passed, and public announcement was made on April 27, 2022.		
		4. Proposal on cancellation of restriction on non-compete of directors and representatives thereof.		4. The management department has handled as passed, and discussed and passed the agenda of the annual shareholders' meeting on June 15, 2022 as a reporting matter.		
		5. Adjusted the amount for the right-of-use asset by the Company		5. The management department has handled as passed, and public	V	

VIII. Special remarks

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-3 of the Securities Exchange Act	Objections or qualified opinions raised by independent director
		because the Company threw the lease for four counters at business hall from the related party.		announcement was made on April 27, 2022.		
		6. Acquisition of right-of-use assets by the Company from the related party.		6. The management department has handled as passed and public announcement was made on April 19, 2022.	V	
2022.06.15	The 1 st meeting of the 11th interim board of directors	1. Please elect the Chairman and Vice Chairman of the Company.	Jung-Tzu Lin and Pao-Yung Lin were elected as the Chairman and Vice-Chairman of the Company by all directors present at the meeting, respectively.	1. The management department has handled as passed, and public announcement was made on June 15, 2022		None
		2. Assignment of the 5th Remuneration Committee members	Resolution: Except directors Kung-Liang Yeh, Wen-Tsan Wu (independent director Kung-Liang Yeh attended as proxy for Wen-Tsan Wu) and Fu-Hai Yeh had avoided the discussion and voting due to	2. The management department has handled as passed, and public announcement was made on June 15, 2022.		

VIII. Special remarks

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-3 of the Securities Exchange Act	Objections or qualified opinions raised by independent director
			conflict of interests, the agenda was passed as proposed unanimously by the remaining directors present at the meeting.			
2022.07.29	The 2nd meeting of the 11th board of directors	1. 2022 Q2 financial statement	Passed as proposed unanimously by all directors present at the meeting.	1. The management department has handled as passed and public announcement was made on July 29, 2022.	V	None
		2. Planned to change the auditor		2. The management department has handled as passed.	V	
		3. Approval of the Chairman's salary.	Resolution: Except Chairman Jung-Tzu Lin had avoided the discussion and voting due to conflict of interests, the agenda was passed as proposed unanimously by remaining directors present at the meeting.	3. The management department has handled as passed.	V	
		4. Reviewed 2021 managers' and employees' compensations	Resolution: Except Vice Chairman Pao-Yung Lin,	4. The management department has handled as passed.	V	

VIII. Special remarks

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-3 of the Securities Exchange Act	Objections or qualified opinions raised by independent director
		disbursement	directors Cheng-Feng Lin and Cheng-Kang Lin had avoided the discussion and voting due to conflict of interests, the agenda was passed as proposed unanimously by the remaining directors present at the meeting.			
		5. Addition and assignment of the 5th Remuneration Committee members.	Resolution: Except independent directors Min-Ching Cheng and Ai-Chun Pang had avoided the discussion and voting due to conflict of interests, the agenda was passed as proposed unanimously by the remaining directors present at the meeting.	5. The management department has handled as passed and public announcement was made on July 29, 2022.	V	
		6. Amendment of the Procedures for Preventing	Passed as proposed unanimously	6. The management department has handled as	V	

VIII. Special remarks

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-3 of the Securities Exchange Act	Objections or qualified opinions raised by independent director
2022.11.02	The 3rd meeting of the 11th board of directors	Insider Trading and Handling Material Inside Information of the Company	by all directors present at the meeting.	passed		
		7. Adjusted the amount for the right-of-use asset by the Company because the Company threw the lease for three counters at the business hall.		7. The management department has handled as passed and public announcement was made on July 29, 2022.	V	
		1. 2022 Q3 financial statement	Passed as proposed unanimously by all directors present at the meeting.	1. The management department has handled as passe, and public announcement was made on November 2, 2022.	V	None
		2. Organization restructuring and promotion of Vice President of the Company		2. The management department has handled as passe, and public announcement was made on November 2, 2022.	V	
		3. Planned to made offset accumulated losses of the Company's overseas subsidiary Senao International (Samoa)		3. The management department has handled as passed, and public announcement was made on November 2, 2022. Offset	V	

VIII. Special remarks

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-3 of the Securities Exchange Act	Objections or qualified opinions raised by independent director
		Holding Ltd.		accumulated losses were made on November 15, 2022.		
		4. Amendment to the Company's "Regulations for Board of Directors Meetings."		4. The management department has handled as passed.		
		5. Adjusted the amount for the right-of-use asset by the Company because the Company threw the lease for one counter at business hall from the related party.		5. The management department has handled as passe, and public announcement was made on November 2, 2022.	V	
2022.12.16	The 4th meeting of the 11th board of directors	1. 2023 Business Plan and budget	Passed as proposed unanimously by all directors present at the meeting.	1. The management department has handled as passed.	V	None
		2. Recognition of 2023 internal audit plan		2. The management department has handled as passed and filed on December 16, 2022 in accordance with relevant laws.	V	
		3. Disbursement of 2022 Chairman's and managers' performance appraisal and year-end bonus.	Resolution: Except Vice Chairman Pao-Yung Lin, directors Cheng-Feng Lin and Cheng-Kang	3. The management department has handled as passed.	V	

VIII. Special remarks

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-3 of the Securities Exchange Act	Objections or qualified opinions raised by independent director
			Lin had avoided the discussion and voting due to conflict of interests, the agenda was passed as proposed unanimously by all directors present at the meeting.			
		4. Acquisition of right-of-use assets by the Company.	Passed as proposed unanimously by all directors present at the meeting.	4. The management department has handled as passed, and public announcement was made on December 16, 2022.	V	
		5. Discussed the 2023 donation to related parties.		5. The management department has handled as passed, and public announcement was made on December 16, 2022.	V	

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-5 of the Securities Exchange Act	Objections or qualified opinions raised by Audit Committee
2022.02.18	The 17th meeting of	1. Recognized 2021 Business	Passed as proposed	1. Submitted to the Board of	V	None

VIII. Special remarks

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-5 of the Securities Exchange Act	Objections or qualified opinions raised by Audit Committee
	the 1st Audit Committee	Report and Financial Statements.	unanimously by all members present at the meeting.	Directors' meeting for resolution		
		2. Passed the proposal to issue the "2021 Declaration of domestic and SOX internal control policies"		2. Submitted to the Board of Directors' meeting for resolution	V	
		3. Passed the 2022 audit fees		3. Submitted to the Board of Directors' meeting for resolution	V	
		4. Adjusted the amount for the right-of-use asset by the Company because of rent cut by the related party.		4. Submitted to the Board of Directors' meeting for resolution	V	
2022.03.25	The 18th meeting of the 1st Audit Committee	1. Report on the Distribution and Disbursement of Dividends and Bonuses for 2021.	Passed as proposed unanimously by all members present at the meeting.	1. Submitted to the Board of Directors' meeting for resolution		None
		2. Amendments to parts of the Company's "Regulations Governing the Acquisition and Disposal of Assets."		2. Submitted to the Board of Directors' meeting for resolution	V	
2022.04.27	The 19th meeting of the 1st Audit Committee	1. 2022 Q1 financial statement	Passed as proposed unanimously by all members present at the meeting.	1. Submitted to the Board of Directors' meeting for resolution	V	None
		2. Adjusted the amount for the right-of-use		2. Submitted to the Board of Directors' meeting	V	

VIII. Special remarks

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-5 of the Securities Exchange Act	Objections or qualified opinions raised by Audit Committee
		asset by the Company because the Company threw the lease for four counters at business hall from the related party.		for resolution		
		3. Acquisition of right-of-use assets by the Company from the related party.		3. Submitted to the Board of Directors' meeting for resolution		
2022.07.29	The 1st meeting of the 2nd Audit Committee	1. 2022 Q2 financial statement	Passed as proposed unanimously by all members present at the meeting.	1. Submitted to the Board of Directors' meeting for resolution	V	None
		2. Planned to change the auditor		2. Submitted to the Board of Directors' meeting for resolution	V	
		3. Adjusted the amount for the right-of-use asset by the Company because the Company threw the lease for three counters at business hall from the related party.		3. Submitted to the Board of Directors' meeting for resolution	V	
2022.11.02	The 2nd meeting of the 1st Audit Committee	1. 2022 Q3 financial statement	Passed as proposed unanimously by all members present at the meeting.	1. Submitted to the Board of Directors' meeting for resolution	V	None
		2. Planned to made offset accumulated losses of the Company's		2. Submitted to the Board of Directors' meeting for resolution	V	

VIII. Special remarks

Date	Number of meetings	Discussion Matters	Resolution	Follow-up actions	Items listed in Article 14-5 of the Securities Exchange Act	Objections or qualified opinions raised by Audit Committee
		overseas subsidiary Senao International (Samoa) Holding Ltd.				
		3. Adjusted the amount for the right-of-use asset by the Company because the Company threw the lease for one counter at business hall from the related party.		3. Submitted to the Board of Directors' meeting for resolution	V	
2022.12.16	The 3rd meeting of the 2nd Audit Committee	1. 2023 Business Plan and budget	Passed as proposed unanimously by all members present at the meeting.	1. Submitted to the Board of Directors' meeting for resolution	V	None
		2. Recognition of 2023 internal audit plan		2. Submitted to the Board of Directors' meeting for resolution	V	
		3. Acquisition of right-of-use assets by the Company.		3. Submitted to the Board of Directors' meeting for resolution	V	
		4. Discussed the 2023 donation to related parties.		4. Submitted to the Board of Directors' meeting for resolution	V	

IX. Appendix

IX. Appendix

1. Contact information for the Company's operating offices

Office	Address
Head Office	2F., No.531, Zhongzheng Rd., Xindian Dist., New Taipei City
Taichung Office	1F. and 3F., No.8, Huaxin St., North Dist., Taichung City
Chungli Office	4F., No.63, Zhongfeng N. Rd., Zhongli Dist., Taoyuan City
Hualien Office	1F., No.16, Sec. 1, Jianguo Rd., Ji'an Township, Hualien County
Tainan Office	No.6, Dalin Rd., South Dist., Tainan City
Chiayi Office	No.12, Zhongyi St., West Dist., Chiayi City
Minzu Office	7F., No.853, Minzu 1st Rd., Zuoying Dist., Kaohsiung City
Kaohsiung Wenxin Office	2F., No.262, Wenxin Rd., Gushan Dist., Kaohsiung City
North Regional Repairs Center	2F., No. 500, Fuxing 3rd Rd., Guishan Dist., Taoyuan City
Central Regional Repairs Center	23F.-3, No.925, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City
South Regional Repairs Center	7F., No.853, Minzu 1st Rd., Zuoying Dist., Kaohsiung City
Hualien Linsen Repairs Center	2F., No. 210-6, Linsen Rd., Hualien City
Taipei Minquan ASP	1F., No.102, Sec. 3, Xinyi Rd., Da'an Dist., Taipei City
Taoyuan Yiwen ASP	2F., No.1200, Zhongzheng Rd., Taoyuan Dist., Taoyuan City
Taichung Yizhong ASP	No.148, Sec. 3, Sanmin Rd., North Dist., Taichung City
Taichung Zhonggang ASP	23F.-2, No.925, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City
Chiayi Xingye ASP	1F., No. 387, Xingye W. Rd., West Dist., Chiayi City
Tainan Zhonghua East ASP	No.201, Sec. 3, Zhonghua E. Rd., East Dist., Tainan City
Kaohsiung Arena ASP	No.45, Bo'ai 3rd Rd., Zuoying Dist., Kaohsiung City
Samsung Yilan Service Center	1F., No. 137, Singdong Rd., Luodong Township, Yilan County
Samsung Hualien Service Center	1F., No. 210-6, Linsen Rd., Hualien City
Samsung Taichung Zhonggang Service Center	23F.-3, No.925, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City

2. Audited consolidated financial statement for the most recent fiscal year

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, 2022 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, RONG-SHY
Chairman

February 17, 2023

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Senao International Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant 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, 2022 and 2021, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 consolidated financial statements for the year ended December 31, 2022. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter of the consolidated financial statements for the year ended December 31, 2022 is as follows:

Valuation of Inventories

As described in Note 8 to the consolidated financial statements, the carrying amount of the inventories held by the Group was \$2,797,824 thousand as of December 31, 2022, which represented 27% of the consolidated total assets. The inventories of the Group are mainly consisted of communication products such as mobile phones and the peripheral products. Due to rapid changes in technology and continue launches in new models, there is a high risk of inventory loss or obsolescence. In addition, the amount of inventories is significant and the valuation of inventories involved significant judgments and estimates made by the management. Consequently, valuation of inventories was considered to be a key audit matter.

For the accounting policy on inventory and the related significant accounting judgments and estimates, refer to Note 4-f. and Note 5.

Corresponding audit procedures mainly includes:

- Perform control testings to understand the process of valuation of inventories and the design and implementation of relevant controls.
- Obtain the relevant supporting documents used by the management to evaluate the method and basic assumptions of inventory loss provision at the end of the year, and evaluate the appropriateness.
- Select samples of the sales price of the inventory at the end of the year to verify and evaluate the reasonableness of the estimated provision for inventory.

Other Matter

We have also audited the parent company only financial statements of Senao International Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of the 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 maintain 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 for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Yih-shin Kao

Mei Yen Chiang

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 17, 2023

Notice to Readers

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

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

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,859,023	18	\$ 2,976,985	27
Notes receivable, net (Note 7)	89,061	1	99,693	1
Trade receivables, net (Note 7)	949,118	9	893,522	8
Trade receivables from related parties (Note 25)	975,128	9	908,915	8
Other receivables (Notes 7 and 21)	299,091	3	109,266	1
Other receivables from related parties (Note 25)	144,967	1	151,324	1
Inventories (Note 8)	2,797,824	27	2,696,357	24
Prepayments (Note 25)	69,350	1	80,684	1
Other current assets (Note 14)	65,660	1	45,980	1
Total current assets	7,249,222	70	7,962,726	72
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income	10,428	-	9,805	-
Investments accounted for using equity method (Note 10)	1,395,858	13	1,077,604	10
Property, plant and equipment (Notes 11, 20 and 25)	787,695	8	803,961	7
Right-of-use assets (Notes 12, 20 and 25)	609,540	6	525,127	5
Intangible assets (Notes 13 and 20)	107,640	1	142,035	1
Deferred tax assets (Note 21)	192,971	2	445,316	4
Refundable deposits (Note 25)	55,485	-	76,780	1
Other noncurrent assets (Notes 14 and 26)	51,464	-	49,258	-
Total noncurrent assets	3,211,081	30	3,129,886	28
TOTAL	\$ 10,460,303	100	\$ 11,092,612	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Note 19)	\$ 132,722	2	\$ 82,699	1
Notes payable (Note 15)	6,705	-	4,882	-
Notes payable to related parties (Note 25)	18	-	18	-
Trade payables (Note 15)	1,953,167	19	1,817,721	17
Trade payables to related parties (Note 25)	379,584	4	1,109,868	10
Other payables (Note 16)	713,349	7	871,390	8
Other payables to related parties (Note 25)	224,945	2	259,279	2
Current tax liabilities (Note 21)	4,765	-	123,596	1
Lease liabilities - current (Notes 12, 20 and 25)	226,430	2	224,786	2
Other current liabilities (Note 25)	38,785	-	36,909	-
Total current liabilities	3,680,470	36	4,531,148	41
NONCURRENT LIABILITIES				
Deferred tax liabilities (Note 21)	20,079	-	24,444	-
Lease liabilities - noncurrent (Notes 12, 20 and 25)	395,519	4	316,485	3
Net defined benefit liabilities - noncurrent (Notes 17 and 20)	21,326	-	54,540	1
Guarantee deposits	22,742	-	22,962	-
Total noncurrent liabilities	459,666	4	418,431	4
Total liabilities	4,140,136	40	4,949,579	45
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT				
Share capital - ordinary shares (Note 18)	2,582,527	24	2,582,527	23
Capital surplus (Note 18)	717,521	7	717,521	6
Retained earnings (Note 18)				
Legal reserve	1,601,588	15	1,542,243	14
Special reserve	21,631	-	32,410	-
Unappropriated earnings	1,372,000	14	1,277,161	12
Total retained earnings	2,995,219	29	2,851,814	26
Other equity	13,251	-	(21,631)	-
Total equity attributable to stockholders of the parent	6,308,518	60	6,130,231	55
NONCONTROLLING INTERESTS (Note 18)	11,649	-	12,802	-
Total equity	6,320,167	60	6,143,033	55
TOTAL	\$ 10,460,303	100	\$ 11,092,612	100

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

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 19 and 25)				
Sales	\$ 30,145,061	97	\$ 30,020,754	97
Less: Sales returns	225,014	1	322,318	1
Sales discounts and allowances	786,537	2	639,494	2
Net sales	29,133,510	94	29,058,942	94
Service and repairs revenue	2,025,084	6	1,979,991	6
Total operating revenue	31,158,594	100	31,038,933	100
OPERATING COSTS (Notes 8, 17, 20 and 25)				
Cost of goods sold	27,301,887	88	27,124,697	87
Service and repairs costs	459,161	1	448,504	2
Total operating costs	27,761,048	89	27,573,201	89
GROSS PROFIT	3,397,546	11	3,465,732	11
OPERATING EXPENSES (Notes 17, 20 and 25)				
Selling and marketing expenses	2,698,594	9	2,607,471	9
General and administrative expenses	339,346	1	350,981	1
Total operating expenses	3,037,940	10	2,958,452	10
NET OTHER INCOME AND EXPENSES (Notes 20 and 25)	(9,380)	-	(23,782)	-
INCOME FROM OPERATIONS	350,226	1	483,498	1
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 20 and 25)	87,192	-	91,960	-
Share of profit of associates accounted for using equity method	359,842	1	151,821	1
Interest income	5,147	-	3,450	-
Net gain (loss) on foreign currency exchange	236	-	11,876	-
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	3	-	2	-
Interest expense (Notes 20 and 25)	(8,738)	-	(8,202)	-
Miscellaneous disbursements	(464)	-	(3,082)	-
Loss on disposal of investments (Note 9)	-	-	(16,347)	-
Total non-operating income and expenses	443,218	1	231,478	1

(Continued)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 793,444	2	\$ 714,976	2
INCOME TAX EXPENSE (Note 21)	<u>136,559</u>	-	<u>118,965</u>	-
NET INCOME	<u>656,885</u>	<u>2</u>	<u>596,011</u>	<u>2</u>
TOTAL OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	30,282	-	(6,724)	-
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	777	-	(212)	-
Share of remeasurement of defined benefit plans of associates	1,493	-	1,881	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	<u>(6,056)</u>	-	<u>1,345</u>	-
	<u>26,496</u>	-	<u>(3,710)</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	3,602	-	12,383	-
Share of exchange differences arising from the translation of the foreign operations of associates	<u>6,656</u>	-	<u>(1,392)</u>	-
	<u>10,258</u>	-	<u>10,991</u>	-
Total other comprehensive income, net of income tax	<u>36,754</u>	-	<u>7,281</u>	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 693,639</u>	<u>2</u>	<u>\$ 603,292</u>	<u>2</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Parent	\$ 658,038	2	\$ 596,948	2
Noncontrolling interests	<u>(1,153)</u>	-	<u>(937)</u>	-
	<u>\$ 656,885</u>	<u>2</u>	<u>\$ 596,011</u>	<u>2</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Parent	\$ 694,792	2	\$ 604,229	2
Noncontrolling interests	<u>(1,153)</u>	-	<u>(937)</u>	-
	<u>\$ 693,639</u>	<u>2</u>	<u>\$ 603,292</u>	<u>2</u>

(Continued)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 2.55</u>		<u>\$ 2.31</u>	
Diluted	<u>\$ 2.54</u>		<u>\$ 2.30</u>	

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

(Concluded)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	Equity Attributable to Stockholders of the Parent										Noncontrolling Interests (Note 18)	Total Equity
	Share Capital - Ordinary Shares (Note 18)	Capital Surplus (Note 18)	Retained Earnings (Note 18)				Exchange Differences on Translating Foreign Operations	Other Equity				
			Legal Reserve	Special Reserve	Unappropriated Earnings			Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total			
BALANCE, JANUARY 1, 2021	\$ 2,582,527	\$ 717,521	\$ 1,496,377	\$ 13,781	\$ 1,135,585	\$ (6,427)	\$ (25,983)	\$ 5,913,381	\$ 13,739	\$ 5,927,120		
Appropriation of 2020 earnings												
Legal reserve	-	-	45,866	-	(45,866)	-	-	-	-	-		
Special reserve	-	-	-	18,629	(18,629)	-	-	-	-	-		
Cash dividends - NTS1.50 per share	-	-	-	-	(387,379)	-	-	(387,379)	-	(387,379)		
Net income for the year ended December 31, 2021	-	-	45,866	18,629	(451,874)	-	-	(387,379)	-	(387,379)		
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	596,948	-	-	596,948	(937)	596,011		
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(3,498)	10,991	(212)	7,281	-	7,281		
BALANCE, DECEMBER 31, 2021	2,582,527	717,521	1,542,243	32,410	593,450	10,991	(212)	604,229	(937)	603,292		
Appropriation of 2021 earnings												
Legal reserve	-	-	59,345	-	(59,345)	-	-	-	-	-		
Special reserve	-	-	-	(10,779)	10,779	-	-	-	-	-		
Cash dividends - NTS2.00 per share	-	-	-	-	(516,505)	-	-	(516,505)	-	(516,505)		
Net income for the year ended December 31, 2022	-	-	59,345	(10,779)	(565,071)	-	-	(516,505)	-	(516,505)		
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	658,038	-	-	658,038	(1,153)	656,885		
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	25,719	10,258	777	36,754	-	36,754		
Disposal of investments in equity investments designated as at fair value through other comprehensive income	-	-	-	-	683,757	10,258	777	694,792	(1,153)	693,639		
BALANCE, DECEMBER 31, 2022	\$ 2,582,527	\$ 717,521	\$ 1,601,588	\$ 21,631	\$ 1,372,000	\$ 14,822	\$ 23,847	\$ 6,308,518	\$ 11,649	\$ 6,320,167		

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

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 793,444	\$ 714,976
Adjustments to reconcile income before income tax to net cash generated from operating activities:		
Depreciation expenses	357,729	354,425
Amortization expenses	26,646	33,054
Expected credit reversal of loss	(930)	(449)
Net gain on financial assets and liabilities at fair value through profit or loss	(3)	(2)
Interest expense	8,738	8,202
Interest income	(5,147)	(3,450)
Share of profit of associates accounted for using equity method	(359,842)	(151,821)
Net loss (gain) on disposal of property, plant and equipment	243	(1,326)
Net gain on lease modification	(410)	(3,793)
Loss on disposal of investments	-	16,347
Impairment loss recognized on non-financial assets	9,547	28,901
Provision for inventory and obsolescence	759	8,980
Net (gain) loss on foreign currency exchange	4,102	(3,755)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Notes receivable	10,632	(28,240)
Trade receivables	(54,667)	(44,663)
Trade receivables from related parties	(66,213)	(116,174)
Other receivables	(189,148)	(4,000)
Other receivables from related parties	6,357	(13,508)
Inventories	(102,226)	(722,868)
Prepayments	11,334	2,522
Other current assets	(20,912)	(31,107)
Increase (decrease) in:		
Contract liabilities	50,023	(30,700)
Notes payable	1,823	1,274
Trade payables	135,446	508,003
Trade payables to related parties	(730,284)	510,900
Other payables	(158,041)	(252,385)
Other payables to related parties	(34,334)	(10,501)
Other current liabilities	1,876	(15,299)
Net defined benefit liabilities - noncurrent	(2,932)	(2,951)
Cash (used in) generated from operations	(306,390)	750,592
Interest paid	(8,738)	(8,202)
Income tax paid	(14,026)	(88,211)
Net cash (used in) generated from operating activities	(329,154)	654,179

(Continued)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	\$ (5,000)	\$ (5,000)
Proceeds from financial assets at fair value through profit or loss	5,003	5,002
Proceeds from sale of financial assets at fair value through other comprehensive income	154	-
Acquisition of property, plant and equipment	(35,658)	(26,036)
Proceeds from disposal of property, plant and equipment	108	9,811
Decrease in refundable deposits	21,295	4,527
Acquisition of intangible assets	(1,798)	(24,147)
Acquisition of time deposits with maturities of more than three months	(37,774)	-
Proceeds from disposal of time deposits with maturities of more than three months	37,774	-
Increase in other noncurrent assets	(2,206)	-
Decrease in other noncurrent assets	-	181,550
Interest received	5,031	3,450
Dividends received	49,737	66,316
Net cash generated from investing activities	<u>36,666</u>	<u>215,473</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	13,000	125,000
Repayment of short-term loans	(13,000)	(125,000)
Decrease in guarantee deposits	(220)	(939)
Repayment of the principal portion of lease liabilities	(309,481)	(301,766)
Cash dividends paid	<u>(516,505)</u>	<u>(387,379)</u>
Net cash used in financing activities	<u>(826,206)</u>	<u>(690,084)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>732</u>	<u>(209)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,117,962)	179,359
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>2,976,985</u>	<u>2,797,626</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 1,859,023</u>	<u>\$ 2,976,985</u>

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

(Concluded)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL

Senao International Co., Ltd. (“Senao”; Senao and subsidiaries are hereinafter collectively referred to as “the Group”) was incorporated in the Republic of China (“ROC”) on May 18, 1979. On January 12, 2001, Senao received approval from the Securities and Futures Commission (the “SFC”) for a domestic initial public offering and its common stocks were listed and traded on the Taiwan Stock Exchange (the “TWSE”) on May 24, 2001. In need of organizational rebuilding and professional operation of all kinds of businesses, Senao has spun off the wireless communication business segment, including its assets and liabilities and incorporated Senao Networks, Inc. pursuant to the Business Mergers and Acquisitions Act. The spin-off date was October 1, 2006.

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

Chunghwa Telecom Co., Ltd. (“Chunghwa”) acquired the shares of Senao on January 15, 2007. Chunghwa has a substantial control over Senao, and it is the ultimate parent entity of Senao. As of December 31, 2022, 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 17, 2023.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

The IFRSs endorsed and issued into effect by the FSC would not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

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

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

- c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 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 IFRSs 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 liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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 and liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

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 9, Tables 5 and 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. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

j. 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.

- k. Impairment of property, plant and equipment, right-of-use asset 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 asset 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 amounts, 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.

- l. 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 25.

- 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 commercial paper and stimulus vouchers 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 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.

m. Revenue recognition

Revenues from sales, services and repairs are separately identified as performance obligations. 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 communication goods and peripheral products. Sales of communication goods and peripheral 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.

n. 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.

o. 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 liabilities represent the actual deficit in the Group's defined benefit plans.

p. 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	
	2022	2021
Cash on hand and petty cash	\$ 322,061	\$ 279,897
Checking accounts and demand deposits	988,450	1,602,516
Cash equivalents		
Commercial paper	548,512	1,091,769
Stimulus Vouchers	-	2,803
	<u>\$ 1,859,023</u>	<u>\$ 2,976,985</u>

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

	December 31	
	2022	2021
Bank deposits	0.01%-1.05%	0.005%-0.05%
Commercial paper	0.56%-0.67%	0.25%

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2022	2021
<u>Notes receivable</u>		
Notes receivable	\$ 89,992	\$ 100,624
Less: Allowance for impairment loss	<u>931</u>	<u>931</u>
	<u>\$ 89,061</u>	<u>\$ 99,693</u>
<u>Trade receivables</u>		
Trade receivables	\$ 970,475	\$ 916,931
Less: Allowance for impairment loss	<u>21,357</u>	<u>23,409</u>
	<u>\$ 949,118</u>	<u>\$ 893,522</u>
<u>Other receivables</u>		
Suppliers allowance receivable	\$ 263,981	\$ 98,315
Others	<u>35,110</u>	<u>10,951</u>
	<u>\$ 299,091</u>	<u>\$ 109,266</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, 2022

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

December 31, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	Over 91 Days*	Total
Expected credit loss rate	0%-0.0018%	0%-5.0587%	0%-21.7208%	0%-100%	
Notes receivable and trade receivables	\$ 985,703	\$ 4,254	\$ 9	\$ 27,589	\$ 1,017,555
Less: Loss allowance (Lifetime ECL)	<u>14</u>	<u>58</u>	<u>2</u>	<u>24,266</u>	<u>24,340</u>
Amortized cost	<u>\$ 985,689</u>	<u>\$ 4,196</u>	<u>\$ 7</u>	<u>\$ 3,323</u>	<u>\$ 993,215</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:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance on January 1	\$ 24,340	\$ 24,658
Add: Amounts recovered	1,062	129
Less: Amounts written off	(2,185)	-
Less: Net remeasurement of loss allowance	<u>(929)</u>	<u>(447)</u>
Balance on December 31	<u>\$ 22,288</u>	<u>\$ 24,340</u>

8. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Merchandise	<u>\$ 2,797,824</u>	<u>\$ 2,696,357</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 were \$27,301,887 thousand and \$27,124,697 thousand, respectively.

9. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Nature of Activities	Percentage of Ownership		Remark
			December 31		
			2022	2021	
Senao International Co., Ltd.	Senao International (Samoa) Holding Ltd. ("Senao Samoa")	International investment	100.00	100.00	-
	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	-
Senao International (Samoa) Holding Ltd. (Senao Samoa)	Senao International HK Limited ("Senao HK")	International investment	100.00	100.00	*
Youth Co., Ltd.	ISPOT Co., Ltd. ("ISPOT")	Sale of information and communication technologies products	100.00	100.00	-
	Youyi Co., Ltd. ("Youyi")	Maintenance of information and communication technologies products	100.00	100.00	-
Aval Technologies Co., Ltd.	Wiin Technologies Co., Ltd. ("Wiin")	Sale of information and communication technologies products	100.00	100.00	-
Senyoung Insurance Agent Co., Ltd.	Senaolife Insurance Agent Co., Ltd. ("Senaolife")	Life insurance agency	100.00	100.00	-

Remarks:

- * The board of directors passed the liquidation and dissolution of Senao International HK Limited, a subsidiary, on August 31, 2022, and the liquidation procedure is still in the process.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2022	2021
<u>Investments in associates</u>		
Material associate		
Senao Networks, Inc. ("SNI")	<u>\$ 1,395,858</u>	<u>\$ 1,077,604</u>
<u>Material associate</u>		
	Proportion of Ownership and Voting Rights	
	December 31	
	2022	2021
SNI	33.79%	33.79%

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

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

The investments were accounted for using the equity method, and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 were based on the associate's financial statements which have been audited for the same period.

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

	December 31	
	2022	2021
SNI	<u>\$ 3,299,228</u>	<u>\$ 1,699,351</u>

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

SNI and its subsidiaries

	December 31	
	2022	2021
Current assets	\$ 10,715,882	\$ 5,467,673
Noncurrent assets	3,127,196	2,270,750
Current liabilities	(9,102,441)	(4,141,725)
Noncurrent liabilities	<u>(296,321)</u>	<u>(215,055)</u>
Equity	4,444,316	3,381,643
Noncontrolling interests	<u>(313,674)</u>	<u>(192,785)</u>
	<u>\$ 4,130,642</u>	<u>\$ 3,188,858</u>
Proportion of the Group's ownership	33.79%	33.79%
Equity attributable to the Group (carrying amount of the investment)	<u>\$ 1,395,858</u>	<u>\$ 1,077,604</u>
	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 16,322,282</u>	<u>\$ 9,179,791</u>
Net profit for the year	\$ 1,248,119	\$ 530,156
Other comprehensive gain	<u>24,116</u>	<u>1,446</u>
Total comprehensive income for the year	<u>\$ 1,272,235</u>	<u>\$ 531,602</u>

11. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	2021
Assets used by the Group	\$ 354,836	\$ 360,877
Assets leased under operating leases	<u>432,859</u>	<u>443,084</u>
	<u>\$ 787,695</u>	<u>\$ 803,961</u>

a. Assets used by the Group

	Land	Buildings	Machinery and Equipment	Computer Telecommunications Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>								
Balance on January 1, 2022	\$ 169,405	\$ 238,629	\$ 41,476	\$ 196,527	\$ 120,278	\$ 305,215	\$ 5,699	\$ 1,077,229
Additions	-	37	479	16,348	4,841	12,852	905	35,462
Disposals	-	-	-	(16,285)	(2,319)	(9,264)	(869)	(28,737)
Balance on December 31, 2022	<u>\$ 169,405</u>	<u>\$ 238,666</u>	<u>\$ 41,955</u>	<u>\$ 196,590</u>	<u>\$ 122,800</u>	<u>\$ 308,803</u>	<u>\$ 5,735</u>	<u>\$ 1,083,954</u>
<u>Accumulated depreciation</u>								
Balance on January 1, 2022	\$ -	\$ 112,055	\$ 39,186	\$ 171,468	\$ 98,596	\$ 289,608	\$ 5,439	\$ 716,352
Depreciation expenses	-	4,565	1,258	16,208	8,354	10,448	319	41,152
Disposals	-	-	-	(16,033)	(2,223)	(9,261)	(869)	(28,386)
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ 116,620</u>	<u>\$ 40,444</u>	<u>\$ 171,643</u>	<u>\$ 104,727</u>	<u>\$ 290,795</u>	<u>\$ 4,889</u>	<u>\$ 729,118</u>
Carrying amounts on December 31, 2022	<u>\$ 169,405</u>	<u>\$ 122,046</u>	<u>\$ 1,511</u>	<u>\$ 24,947</u>	<u>\$ 18,073</u>	<u>\$ 18,008</u>	<u>\$ 846</u>	<u>\$ 354,836</u>
<u>Cost</u>								
Balance on January 1, 2021	\$ 169,405	\$ 238,298	\$ 64,293	\$ 203,759	\$ 118,860	\$ 298,443	\$ 6,593	\$ 1,099,651
Additions	-	331	45	12,383	2,686	10,478	113	26,036
Disposals	-	-	(22,862)	(19,615)	(1,268)	(3,706)	(1,007)	(48,458)
Balance on December 31, 2021	<u>\$ 169,405</u>	<u>\$ 238,629</u>	<u>\$ 41,476</u>	<u>\$ 196,527</u>	<u>\$ 120,278</u>	<u>\$ 305,215</u>	<u>\$ 5,699</u>	<u>\$ 1,077,229</u>
<u>Accumulated depreciation</u>								
Balance on January 1, 2021	\$ -	\$ 107,030	\$ 50,208	\$ 177,238	\$ 91,071	\$ 283,788	\$ 6,349	\$ 715,684
Depreciation expenses	-	5,025	3,639	13,650	8,779	9,451	97	40,641
Disposals	-	-	(14,661)	(19,420)	(1,254)	(3,631)	(1,007)	(39,973)
Balance on December 31, 2021	<u>\$ -</u>	<u>\$ 112,055</u>	<u>\$ 39,186</u>	<u>\$ 171,468</u>	<u>\$ 98,596</u>	<u>\$ 289,608</u>	<u>\$ 5,439</u>	<u>\$ 716,352</u>
Carrying amounts on December 31, 2021	<u>\$ 169,405</u>	<u>\$ 126,574</u>	<u>\$ 2,290</u>	<u>\$ 25,059</u>	<u>\$ 21,682</u>	<u>\$ 15,607</u>	<u>\$ 260</u>	<u>\$ 360,877</u>

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

	Land	Buildings	Total
<u>Cost</u>			
Balance on January 1, 2022	\$ 149,879	\$ 585,492	\$ 735,371
Additions	<u>-</u>	<u>196</u>	<u>196</u>
Balance on December 31, 2022	<u>\$ 149,879</u>	<u>\$ 585,688</u>	<u>\$ 735,567</u>
<u>Accumulated depreciation</u>			
Balance on January 1, 2022	\$ -	\$ 292,287	\$ 292,287
Depreciation expenses	<u>-</u>	<u>10,421</u>	<u>10,421</u>
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ 302,708</u>	<u>\$ 302,708</u>
Carrying amounts on December 31, 2022	<u>\$ 149,879</u>	<u>\$ 282,980</u>	<u>\$ 432,859</u>
<u>Cost</u>			
Balance on January 1, 2021 and December 31, 2021	<u>\$ 149,879</u>	<u>\$ 585,492</u>	<u>\$ 735,371</u>
<u>Accumulated depreciation</u>			
Balance on January 1, 2021	\$ -	\$ 279,470	\$ 279,470
Depreciation expenses	<u>-</u>	<u>12,817</u>	<u>12,817</u>
Balance on December 31, 2021	<u>\$ -</u>	<u>\$ 292,287</u>	<u>\$ 292,287</u>
Carrying amounts on December 31, 2021	<u>\$ 149,879</u>	<u>\$ 293,205</u>	<u>\$ 443,084</u>

Operating leases relate to leases of land and building have lease terms of 5 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:

	<u>December 31</u>	
	2022	2021
Year 1	\$ 45,600	\$ 45,600
Year 2	15,200	45,600
Year 3	-	15,200
Year 4	-	-
Year 5	<u>-</u>	<u>-</u>
	<u>\$ 60,800</u>	<u>\$ 106,400</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, 2022 and 2021, the Group did not recognize impairment loss of property, plant and equipment.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Buildings	\$ 609,286	\$ 523,470
Transportation equipment	-	1,270
Others	<u>254</u>	<u>387</u>
	<u>\$ 609,540</u>	<u>\$ 525,127</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 404,987</u>	<u>\$ 273,876</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 305,083	\$ 299,331
Transportation equipment	564	1,116
Others	<u>509</u>	<u>520</u>
	<u>\$ 306,156</u>	<u>\$ 300,967</u>

The initial recognition of right-of-use assets and lease liabilities of \$404,987 thousand and \$273,876 thousand were noncash transactions for the years ended December 31, 2022 and 2021, 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 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	<u>\$ 226,430</u>	<u>\$ 224,786</u>
Non-current	<u>\$ 395,519</u>	<u>\$ 316,485</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	1.30%-2.25%	1.30%-1.79%
Transportation equipment	-	1.30%
Others	1.30%-1.79%	1.30%

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 11.

	For the Year Ended December 31	
	2022	2021
Expenses relating to low-value asset leases	<u>\$ 4,267</u>	<u>\$ 4,234</u>
Total cash outflow for leases	<u>\$ 322,480</u>	<u>\$ 314,144</u>

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

13. INTANGIBLE ASSETS

	Computer Software	Licenses and Franchises	Trademark	Total
<u>Cost</u>				
Balance on January 1, 2022	\$ 127,254	\$ 148,000	\$ 53,000	\$ 328,254
Additions	<u>1,798</u>	<u>-</u>	<u>-</u>	<u>1,798</u>
Balance on December 31, 2022	<u>\$ 129,052</u>	<u>\$ 148,000</u>	<u>\$ 53,000</u>	<u>\$ 330,052</u>
<u>Accumulated amortization and accumulated impairment loss</u>				
Balance on January 1, 2022	\$ 107,436	\$ 46,419	\$ 32,364	\$ 186,219
Amortization expenses	14,095	7,387	5,164	26,646
Impairment losses recognized	<u>-</u>	<u>9,547</u>	<u>-</u>	<u>9,547</u>
Balance on December 31, 2022	<u>\$ 121,531</u>	<u>\$ 63,353</u>	<u>\$ 37,528</u>	<u>\$ 222,412</u>
Carrying amounts on December 31, 2022	<u>\$ 7,521</u>	<u>\$ 84,647</u>	<u>\$ 15,472</u>	<u>\$ 107,640</u>

(Continued)

	Computer Software	Licenses and Franchises	Trademark	Total
<u>Cost</u>				
Balance on January 1, 2021	\$ 139,361	\$ 148,000	\$ 53,000	\$ 340,361
Additions	24,147	-	-	24,147
Disposals	<u>(36,254)</u>	<u>-</u>	<u>-</u>	<u>(36,254)</u>
Balance on December 31, 2021	<u>\$ 127,254</u>	<u>\$ 148,000</u>	<u>\$ 53,000</u>	<u>\$ 328,254</u>
<u>Accumulated amortization and accumulated impairment loss</u>				
Balance on January 1, 2021	\$ 123,209	\$ 38,850	\$ 27,157	\$ 189,216
Amortization expenses	20,481	7,400	5,173	33,054
Disposals	(36,254)	-	-	(36,254)
Impairment losses recognized	<u>-</u>	<u>169</u>	<u>34</u>	<u>203</u>
Balance on December 31, 2021	<u>\$ 107,436</u>	<u>\$ 46,419</u>	<u>\$ 32,364</u>	<u>\$ 186,219</u>
Carrying amounts on December 31, 2021	<u>\$ 19,818</u>	<u>\$ 101,581</u>	<u>\$ 20,636</u>	<u>\$ 142,035</u> (Concluded)

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

Licenses and franchises, and trademark were recognized after acquiring Youth Co., Ltd and its subsidiaries on September 2, 2015. Due to industry competition that made gross profit rates decline, the Group expected the recoverable amount of the subsidiaries and intangible assets resulting from the acquisition was less than the carrying amount, as a result, the Group recognized impairment losses of \$9,547 thousand and \$203 thousand in 2022 and 2021, respectively. The Group determines the recoverable amount of the subsidiaries and intangible assets resulting from the acquisition based on fair value minus the cost of disposal, and the relevant fair value is determined by the asset method, mainly assuming that the net asset of the company is same as the fair value.

Goodwill

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Cost</u>		
Balance on January 1 and December 31	<u>\$ 55,569</u>	<u>\$ 55,569</u>
<u>Accumulated impairment losses</u>		
Balance on January 1	\$ 55,569	\$ 26,871
Impairment losses recognized	<u>-</u>	<u>28,698</u>
Balance on December 31	<u>\$ 55,569</u>	<u>\$ 55,569</u>
Carrying amount on December 31	<u>\$ -</u>	<u>\$ -</u>

The Group acquired Youth and its subsidiaries on September 2, 2015, and recognized goodwill relating to Youth's expected benefit from its business with Apple.

Due to industry competition that made gross profit rate decline, the Group expected the recoverable amount of goodwill was less than carrying amount. As a result, the Group recognized goodwill impairment loss of \$28,698 thousand for the years ended December 31, 2021.

14. OTHER ASSETS

	December 31	
	2022	2021
<u>Current</u>		
Trust account deposit*	\$ 65,660	\$ 45,980
<u>Non-current</u>		
Others	\$ 51,464	\$ 49,258

* Advanced receipts of electronic reward points of Senao are guaranteed by trust delivery. Senao signs a trust contract with the special deposit account bank (Cathay United Bank), and remits the advance receipts of electronic reward points to the trust account according to the trust contract, and the special trust account is recognized as other current assets. The outstanding electronic reward points held in trust is recognized as contract liability. As of December 31, 2022 and 2021, the amount of the trust were \$20,930 thousand and \$16,577 thousand, respectively, the balance of the trust account was \$65,660 thousand and \$45,980 thousand, respectively.

The annual yield rates of deposit were as follows:

	December 31	
	2022	2021
Trust account	0.385%	0.01%

15. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2022	2021
<u>Notes payable</u>		
Operating	\$ 6,705	\$ 4,882
<u>Trade payables</u>		
Operating	\$ 1,953,167	\$ 1,817,721
a. Notes payable		

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

b. Trade payables

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

16. OTHER PAYABLES

	December 31	
	2022	2021
Payables for bonuses	\$ 162,648	\$ 169,291
Payables for salaries	145,817	151,791
Accrued marketing compensation	46,998	141,211
Accrued compensation to employees and remuneration to directors	44,050	43,692
Others	<u>313,836</u>	<u>365,405</u>
	<u>\$ 713,349</u>	<u>\$ 871,390</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Senao, Youth, ISPOT, Youyi, Aval, Wiin, Senyoung and Senaolife 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.

Senao Samoa did not set up a pension plan.

Senao HK has a defined contribution pension plan. Senao HK did not have any regular employee as of December 31, 2022, therefore, Senao HK did not recognize any pension cost.

b. Defined benefit plans

The defined benefit plans 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 plans were as follows:

	December 31	
	2022	2021
Present value of funded defined benefit obligation	\$ 201,784	\$ 220,035
Fair value of plan assets	<u>(180,458)</u>	<u>(165,495)</u>
Funded status - deficit	<u>21,326</u>	<u>54,540</u>
Net defined benefit liabilities	<u>\$ 21,326</u>	<u>\$ 54,540</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, 2022	<u>\$ 220,035</u>	<u>\$ (165,495)</u>	<u>\$ 54,540</u>
Service cost			
Current service cost	792	-	792
Net interest expense (income)	<u>1,100</u>	<u>(837)</u>	<u>263</u>
Recognized in profit or loss	<u>1,892</u>	<u>(837)</u>	<u>1,055</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(13,081)	(13,081)
Actuarial loss - changes in financial assumptions	(14,294)	-	(14,294)
Actuarial loss - experience adjustments	<u>(2,907)</u>	<u>-</u>	<u>(2,907)</u>
Recognized in other comprehensive income	<u>(17,201)</u>	<u>(13,081)</u>	<u>(30,282)</u>
Contributions from the employer	-	(3,987)	(3,987)
Benefits paid	<u>(2,942)</u>	<u>2,942</u>	<u>-</u>
Balance on December 31, 2022	<u>\$ 201,784</u>	<u>\$ (180,458)</u>	<u>\$ 21,326</u>
Balance on January 1, 2021	<u>\$ 212,126</u>	<u>\$ (161,359)</u>	<u>\$ 50,767</u>
Service cost			
Current service cost	821	-	821
Net interest expense (income)	<u>1,060</u>	<u>(816)</u>	<u>244</u>
Recognized in profit or loss	<u>1,881</u>	<u>(816)</u>	<u>1,065</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,057)	(2,057)
Actuarial loss - changes in demographic assumptions	4,997	-	4,997
Actuarial loss - experience adjustments	<u>3,784</u>	<u>-</u>	<u>3,784</u>
Recognized in other comprehensive income	<u>8,781</u>	<u>(2,057)</u>	<u>6,724</u>
Contributions from the employer	-	(4,016)	(4,016)
Benefits paid	<u>(2,753)</u>	<u>2,753</u>	<u>-</u>
Balance on December 31, 2021	<u>\$ 220,035</u>	<u>\$ (165,495)</u>	<u>\$ 54,540</u>

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

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ 89	\$ 95
Operating expenses	<u>966</u>	<u>970</u>
	<u>\$ 1,055</u>	<u>\$ 1,065</u>

Through the defined benefit plans 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 under the mandated 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 plans' 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	
	2022	2021
Discount rates	1.25%	0.50%
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	
	2022	2021
Discount rates		
0.25% increase	\$ (4,427)	\$ (5,494)
0.25% decrease	<u>\$ 4,591</u>	<u>\$ 5,714</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 4,515</u>	<u>\$ 5,585</u>
0.25% decrease	<u>\$ (4,375)</u>	<u>\$ (5,398)</u>

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	
	2022	2021
Expected contributions to the plans for the next year	<u>\$ 3,900</u>	<u>\$ 4,000</u>
Average duration of the defined benefit obligation	8.9 years	10.0 years

18. EQUITY

a. Share capital - ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	<u>450,000</u>	<u>450,000</u>
Shares authorized	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>258,253</u>	<u>258,253</u>
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, 2022 and 2021 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, 2022 and December 31, 2022	<u>\$ 346,007</u>	<u>\$ 215,648</u>	<u>\$ 131,358</u>	<u>\$ 24,508</u>	<u>\$ 717,521</u>
Balance on January 1, 2021 and December 31, 2021	<u>\$ 346,007</u>	<u>\$ 215,648</u>	<u>\$ 131,358</u>	<u>\$ 24,508</u>	<u>\$ 717,521</u>

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

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

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

c. Retained earnings and dividends policy

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

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

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

The Company should appropriate a special reserve when the net amount of other equity items is negative at the end of reporting period upon the earnings distribution. Distribution can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2021 and 2020 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2021	For Fiscal Year 2020	For Fiscal Year 2021	For Fiscal Year 2020
Legal reserve	\$ 59,345	\$ 45,866		
Special reserve	(10,779)	18,629		
Cash dividends	516,505	387,379	\$ 2.00	\$ 1.50

The above appropriations for cash dividends have been resolved by Senao's board of directors on March 25, 2022 and March 26, 2021, respectively; the other proposed appropriations have been resolved by the shareholders in their meeting held on June 15, 2022 and August 18, 2021, respectively.

The appropriation of earnings for 2022, which were proposed by the Company's board of directors on February 17, 2023, were as follows:

	For the Year Ended December 31, 2022
Legal reserve	<u>\$ 65,991</u>
Reversal of special reserve	<u>\$ 21,630</u>
Cash dividends	<u>\$ 568,156</u>
Cash dividends per share (NT\$)	<u>\$ 2.20</u>

d. Noncontrolling interests

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 12,802	\$ 13,739
Shares attributed to noncontrolling interests		
Net loss of the year	<u>(1,153)</u>	<u>(937)</u>
Ending balance	<u>\$ 11,649</u>	<u>\$ 12,802</u>

19. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods	\$ 29,133,510	\$ 29,058,942
Revenue from rendering of services	1,459,481	1,422,862
Revenue from repairs and maintenance services	<u>565,603</u>	<u>557,129</u>
	<u>\$ 31,158,594</u>	<u>\$ 31,038,933</u>

Refer to Note 32 for detail information relating to disaggregation of revenues.

Contract Balances

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities			
Sale of goods	\$ 120,539	\$ 70,373	\$ 101,929
Others	<u>12,183</u>	<u>12,326</u>	<u>11,470</u>
	<u>\$ 132,722</u>	<u>\$ 82,699</u>	<u>\$ 113,399</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	
	2022	2021
Revenues from the beginning contract liabilities		
Sale of goods	\$ 70,373	\$ 101,929
Others	<u>11,938</u>	<u>10,706</u>
	<u>\$ 82,311</u>	<u>\$ 112,635</u>

20. NET INCOME

a. Other income and expenses

	For the Year Ended December 31	
	2022	2021
Impairment loss on goodwill	\$ -	\$ (28,698)
Impairment loss on intangible assets	(9,547)	(203)
Net (loss) gain on disposal of property, plant and equipment	(243)	1,326
Net gain on lease modification	<u>410</u>	<u>3,793</u>
	<u>\$ (9,380)</u>	<u>\$ (23,782)</u>

b. Other income

	For the Year Ended December 31	
	2022	2021
Rental income	\$ 73,692	\$ 68,403
Others	<u>13,500</u>	<u>23,557</u>
	<u>\$ 87,192</u>	<u>\$ 91,960</u>

c. Interest expense

	For the Year Ended December 31	
	2022	2021
Interest on lease liabilities	\$ 8,732	\$ 8,144
Interest on bank loans	<u>6</u>	<u>58</u>
	<u>\$ 8,738</u>	<u>\$ 8,202</u>

d. Depreciation and amortization expenses

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 51,573	\$ 53,458
Right-of-use assets	306,156	300,967
Intangible assets	<u>26,646</u>	<u>33,054</u>
	<u>\$ 384,375</u>	<u>\$ 387,479</u>
An analysis of depreciation by function		
Operating costs	\$ 918	\$ 2,755
Operating expenses	<u>356,811</u>	<u>351,670</u>
	<u>\$ 357,729</u>	<u>\$ 354,425</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 26,646</u>	<u>\$ 33,054</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits (Note 17)		
Defined contribution plans	\$ 71,216	\$ 66,697
Defined benefit plans	<u>1,055</u>	<u>1,065</u>
	72,271	67,762
Termination benefits	1,708	508
Other employee benefits	<u>1,588,568</u>	<u>1,582,853</u>
Total employee benefits expense	<u>\$ 1,662,547</u>	<u>\$ 1,651,123</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 63,774	\$ 68,398
Operating expenses	<u>1,598,773</u>	<u>1,582,725</u>
	<u>\$ 1,662,547</u>	<u>\$ 1,651,123</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 for the years ended December 31, 2022 and 2021, which had been approved by Senao's board of directors on February 17, 2023 and February 18, 2022, respectively, were as follows:

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

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

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

21. INCOME TAX

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 8,971	\$ 128,192
Income tax on unappropriated earnings	1,421	339
Adjustments for prior years	(115,757)	827
Deferred tax		
In respect of the current year	90,429	(10,392)
Adjustments for prior years	151,495	(1)
Income tax expense recognized in profit or loss	\$ 136,559	\$ 118,965

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

	For the Year Ended December 31	
	2022	2021
Income before income tax	\$ 793,444	\$ 714,976
Income tax expense calculated at the statutory rate (20%)	\$ 158,689	\$ 142,995
Nondeductible expenses in determining taxable income	156	(47)
Investment gain not recognized in taxable income	(76,319)	(33,109)
Income tax on unappropriated earnings	1,421	339
Deferred tax effect of earnings of subsidiaries	-	8,488
Unrecognized deductible temporary differences	12,743	-
Unrecognized loss carryforwards	(199)	(527)
Deferred tax effect of earnings of subsidiaries	4,330	-
Adjustments for prior years' tax	(115,757)	-
Adjustments for prior years' deferred tax	151,495	826
Income tax expense recognized in profit or loss	\$ 136,559	\$ 118,965

According to the Income Tax Act in the ROC, the applicable tax rate used by the Group is 20%. The applicable tax rate used by subsidiaries in China is 25%. Senao Samoa's income is exempt from taxation by law. Senao HK did not have any tax position until December 31, 2022.

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

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
Remeasurement on defined benefit plan	\$ <u>6,056</u>	\$ <u>(1,345)</u>

c. Current tax assets and liabilities

	December 31	
	2022	2021
Tax refund receivable (recognized as other receivables)	\$ <u>577</u>	\$ <u>17</u>
Income tax payable	\$ <u>4,765</u>	\$ <u>123,596</u>

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, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Investment loss on subsidiaries	\$ 400,951	\$ (400,951)	\$ -	\$ -
Payables for annual leave	10,845	244	-	11,089
Defined benefit obligation	10,119	(587)	(6,056)	3,476
Unrealized sales discounts and allowances	6,605	(3,010)	-	3,595
Valuation loss on inventory	4,788	152	-	4,940
Contract liabilities	3,464	949	-	4,413
Property, plant and equipment	1,861	(46)	-	1,815
Others	<u>1,916</u>	<u>(700)</u>	<u>-</u>	<u>1,216</u>
	440,549	(403,949)	(6,056)	30,544
Loss carryforwards	<u>4,767</u>	<u>157,660</u>	<u>-</u>	<u>162,427</u>
	<u>\$ 445,316</u>	<u>\$ (246,289)</u>	<u>\$ (6,056)</u>	<u>\$ 192,971</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Intangible assets	\$ 24,444	\$ (4,420)	\$ -	\$ 20,024
Profit of subsidiaries using equity method	<u>-</u>	<u>55</u>	<u>-</u>	<u>55</u>
	<u>\$ 24,444</u>	<u>\$ (4,365)</u>	<u>\$ -</u>	<u>\$ 20,079</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Investment loss on subsidiaries	\$ 400,185	\$ 766	\$ -	\$ 400,951
Payables for annual leave	9,841	1,004	-	10,845
Defined benefit obligation	9,364	(590)	1,345	10,119
Unrealized sales discounts and allowances	4,175	2,430	-	6,605
Valuation loss on inventory	2,992	1,796	-	4,788
Contract liabilities	1,618	1,846	-	3,464
Property, plant and equipment	1,907	(46)	-	1,861
Others	<u>2,103</u>	<u>(187)</u>	<u>-</u>	<u>1,916</u>
	432,185	7,019	1,345	440,549
Loss carryforwards	<u>3,947</u>	<u>820</u>	<u>-</u>	<u>4,767</u>
	<u>\$ 436,132</u>	<u>\$ 7,839</u>	<u>\$ 1,345</u>	<u>\$ 445,316</u>

Deferred tax liabilities

Temporary differences				
Intangible assets	<u>\$ 26,998</u>	<u>\$ (2,554)</u>	<u>\$ -</u>	<u>\$ 24,444</u>

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Loss carryforwards		
Expire in 2024	\$ 746	\$ 1,231
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	<u>286</u>	<u>-</u>
	<u>\$ 28,983</u>	<u>\$ 29,182</u>
Deductible temporary differences	<u>\$ 12,743</u>	<u>\$ -</u>

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2022 comprised:

Unused Amount	Expiry Year
\$ 672	2023
746	2024
15,883	2025
8,395	2026
3,477	2027
907	2028
761	2029
952	2030
61,555	2031
<u>98,062</u>	2032
<u>\$ 191,410</u>	

g. Income tax assessments

The income tax returns of Senao, Youth, ISPOT, Youyi, Aval, Wiin, Senyoung and Senaolife have been assessed by the tax authorities through 2020.

22. 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

	For the Year Ended December 31	
	2022	2021
Net income attributable to owners of Senao	<u>\$ 658,038</u>	<u>\$ 596,948</u>

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

	For the Year Ended December 31	
	2022	2021
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>1,049</u>	<u>858</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>259,302</u>	<u>259,111</u>

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

23. CAPITAL MANAGEMENT

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

24. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2022

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

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic non-listed shares	\$ -	\$ -	\$ 9,805	\$ 9,805

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

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

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

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

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 4,483,215	\$ 5,308,706
Financial assets at FVTOCI		
Equity investments	10,428	9,805
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	2,947,994	3,721,346

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

d. Financial risk management objectives and policies

The Group's major financial instruments include receivables, payables and lease liabilities. The Group's Finance Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, whose purpose was to effectively manage the risks caused by changes in foreign currency rates and interest rates. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

1) Market risk

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

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

a) Foreign currency risk

Sensitivity analysis

The Group was mainly exposed to the fluctuations of USD.

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

The Group does not have significant foreign currency risk.

b) Interest rate risk

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 615,872	\$ 1,142,252
Financial liabilities	621,949	541,271
Cash flow interest rate risk		
Financial assets	949,326	1,560,007

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, 2022 and 2021 would increase/decrease by \$2,373 thousand and \$3,900 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its demand deposits.

c) Other price risk

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

Sensitivity analysis

The sensitivity analysis was based on the exposure to equity price risks at the end of the reporting period. If equity prices of financial assets at FVTOCI had increased/decreased by 5%, the pre-tax other comprehensive income would have increase/decreased by \$521 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 45% and 49% of the total trade receivables as of December 31, 2022 and 2021, respectively. The clients mentioned above have good credit records, no material default risk was assessed; material credit risk did not exist.

3) Liquidity risk

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

a) Liquidity and interest rate risk table

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

December 31, 2022

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

Information about the maturity analysis for lease liabilities:

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

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,698,384	\$ -	\$ -	\$ 22,962

Information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	Total
Lease liabilities	\$ 230,389	\$ 318,130	\$ 3,820	\$ 552,339

b) Financing facilities

	<u>December 31</u>	
	2022	2021
Unsecured bank loan facility		
Amount used	\$ -	\$ -
Amount unused	3,430,000	4,380,000
	<u>\$ 3,430,000</u>	<u>\$ 4,380,000</u>

25. TRANSACTIONS WITH RELATED PARTIES

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

<u>Company</u>	<u>Relationship</u>
Chunghwa Telecom Co., Ltd.	Ultimate parent entity
Fellow subsidiary	
CHIEF Telecom Inc.	Chunghwa Telecom's subsidiary
Chunghwa System Integration Co., Ltd.	Chunghwa Telecom's subsidiary
Spring House Entertainment Tech. Inc.	Chunghwa Telecom's subsidiary
Smartfun Digital Co., Ltd.	Chunghwa Telecom's subsidiary
Honghwa International Co., Ltd.	Chunghwa Telecom's subsidiary
CHT Security Co., Ltd.	Chunghwa Telecom's subsidiary
International Integrated Systems, Inc.	Chunghwa Telecom's subsidiary
Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Telecom's subsidiary
Associate	
Senao Networks, Inc.	Senao's investee using the equity method
EnGenius Tech. Co., Ltd.	Senao Networks's subsidiary
Other related party	
Senao Technical and Cultural Foundation	A nonprofit organization of which the funds donated by SENA O exceeds one third of its total funds
E-Life Mall Co., Ltd.	Substantial related party

(Continued)

Company	Relationship
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
Divine Fine Foods & Wine Inc.	Substantial related party (Note)
Kangsin Co., Ltd.	Substantial related party
Taiwan International Standard Electronics Co., Ltd.	Chunghwa Telecom's investment accounted for equity method
KKBOX Taiwan Co., Ltd.	Chunghwa Telecom's investment accounted for equity method
Next Commercial Bank Co., Ltd.	Chunghwa Telecom's investment accounted for equity method

(Concluded)

Note: Divine Fine Foods & Wine Inc. was originally a substantial related party of Senao, but Divine Fine Foods & Wine Inc. replaced its responsible persons in October 2021. Since then, Divine Fine Foods & Wine Inc. is no longer a related party of the Group.

- 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	
		2022	2021
Sales	Ultimate parent entity	\$ 6,503,683	\$ 5,385,693
	Fellow subsidiaries	3,012	2,038
	Associates	3,607	155
	Other related parties	<u>29,634</u>	<u>26,359</u>
		<u>\$ 6,539,936</u>	<u>\$ 5,414,245</u>
Service	Ultimate parent entity	\$ 1,055,391	\$ 1,019,598
	Fellow subsidiaries	1,744	3,232
	Associates	<u>-</u>	<u>3</u>
		<u>\$ 1,057,135</u>	<u>\$ 1,022,833</u>
Repairs and maintenance	Ultimate parent entity	\$ 4,672	\$ 1,512
	Fellow subsidiaries	60	6
	Associates	453	-
	Other related parties	<u>397</u>	<u>371</u>
		<u>\$ 5,582</u>	<u>\$ 1,889</u>

2) Purchases of goods

Related Party Category	For the Year Ended December 31	
	2022	2021
Ultimate parent entity	\$ 3,785,494	\$ 5,515,088
Fellow subsidiaries	13,035	1
Associates	158	-
Other related parties	<u>154</u>	<u>13</u>
	<u>\$ 3,798,841</u>	<u>\$ 5,515,102</u>

3) Operating expenses

Related Party Category	For the Year Ended December 31	
	2022	2021
Ultimate parent entity	\$ 302,378	\$ 271,593
Fellow subsidiaries	3,076	266
Associates	809	-
Other related parties	<u>14,571</u>	<u>14,561</u>
	<u>\$ 320,834</u>	<u>\$ 286,420</u>

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

4) Non-operating transactions

Line Item	Related Party Category	For the Year Ended December 31	
		2022	2021
Non-operating income	Ultimate parent entity	\$ 856	\$ 1,227
	Other related parties	<u>1,896</u>	<u>2,905</u>
		<u>\$ 2,752</u>	<u>\$ 4,132</u>

5) Receivables from related parties

Line Item	Related Party Category	December 31	
		2022	2021
Accounts receivable from related parties	Ultimate parent entity	\$ 971,313	\$ 901,810
	Fellow subsidiaries	214	654
	Other related parties	<u>3,601</u>	<u>6,451</u>
		<u>\$ 975,128</u>	<u>\$ 908,915</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no allowance loss was recognized for receivables from related parties.

6) Other receivables from related parties

Line Item	Related Party Category	December 31	
		2022	2021
Other receivables from related parties	Ultimate parent entity	\$ <u>144,967</u>	\$ <u>151,324</u>

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

7) Prepayments

Line Item	Related Party Category	December 31	
		2022	2021
Prepaid rents	Ultimate parent entity	\$ <u>231</u>	\$ <u>231</u>

8) Refundable deposits

Line Item	Related Party Category	December 31	
		2022	2021
Refundable deposits	Ultimate parent entity	\$ <u>546</u>	\$ <u>19,760</u>

9) Notes payable to related parties

Line Item	Related Party Category	December 31	
		2022	2021
Notes payable to related parties	Ultimate parent entity	\$ <u>18</u>	\$ <u>18</u>

10) Trade payables to related parties

Line Item	Related Party Category	December 31	
		2022	2021
Trade payables to related parties	Ultimate parent entity	\$ 378,565	\$ 1,109,867
	Fellow subsidiaries	974	-
	Associates	45	-
	Other related parties	<u>-</u>	<u>1</u>
		\$ <u>379,584</u>	\$ <u>1,109,868</u>

The trade payables to related parties were unsecured.

11) Other payables to related parties

Line Item	Related Party Category	December 31	
		2022	2021
Other payables to related parties	Ultimate parent entity	\$ 218,610	\$ 254,156
	Fellow subsidiaries	-	23
	Associates	2,424	675
	Other related parties	<u>3,911</u>	<u>4,425</u>
		<u>\$ 224,945</u>	<u>\$ 259,279</u>

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

12) Other current liabilities

Line Item	Related Party Category	December 31	
		2022	2021
Other advance receipts	Associates	<u>\$ 3,990</u>	<u>\$ 3,990</u>

13) Acquisitions of property, plant and equipment

Related Party Category	For the Year Ended December 31	
	2022	2021
Associates	<u>\$ 243</u>	<u>\$ -</u>

The Group purchased computer telecommunications equipment from subsidiaries and associates; the amount of \$208 thousand from subsidiaries has not been completed, which was recognized for other noncurrent assets.

14) Disposals of property, plant and equipment

Related Party Category	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	2022	2021	2022	2021
Associates	<u>\$ -</u>	<u>\$ 9,800</u>	<u>\$ -</u>	<u>\$ 1,628</u>

15) Lease arrangements - the Group is lessee

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

Acquisition of right-of-use assets

Related Party Category	For the Year Ended December 31	
	2022	2021
Ultimate parent entity	\$ 38,503	\$ 6,339

Due to the impact of the COVID-19 pandemic, Senao negotiated a lease with CHT for partial counter lease cancellation and lease negotiation. For this lease modification, Senao remeasured the lease liability and reduced the above right-of-use assets \$2,893 thousand in 2021.

Line Item	Related Party Category	December 31	
		2022	2021
Lease liabilities - current	Ultimate parent entity	\$ 6,550	\$ 6,033
Lease liabilities - noncurrent	Ultimate parent entity	\$ 6,469	\$ 10,662

Line Item	Related Party Category	For the Year Ended December 31	
		2022	2021
Interest expense	Ultimate parent entity	\$ 437	\$ 471
Lease expense (accounted for operating expense)	Ultimate parent entity	\$ 11,441	\$ 9,389

16) Lease arrangements - the Group is lessor

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

Line Item	Related Party Category	For the Year Ended December 31	
		2022	2021
Non-operating income	Ultimate parent entity	\$ 667	\$ 3,339
	Associates	45,611	45,611
	Other related parties	2	2
		\$ 46,280	\$ 48,952

c. Compensation of key management personnel

The remuneration of directors and members of key management personnel for the years ended December 31, 2022 and 2021 was as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 76,769	\$ 53,613
Post-employment benefits	1,445	673
Termination benefits	237	-
	\$ 78,451	\$ 54,286

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Group used part of the bank deposits, which are recognized as other current assets, as collateral for the importation of goods. As of December 31, 2022 and 2021, the amount of the collateral was both \$1,700 thousand.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Group as of December 31, 2022 and 2021 were as follows:

The Group applied for post-release duty payment to the customs. As of December 31, 2022 and 2021, the amount of bank guarantees for the application were both \$10,000 thousand.

28. OTHER ITEMS

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

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

30. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Improving the Company's finance and resource planning, the Senyoung board of directors approved that Senyoung will merge Senaolife, a 100% owned subsidiary, on April 22, 2022. Senaolife will dissolve after the merger. On January 12, 2023, the Senaolife board of directors approved that the merger date is March 1, 2023. The outstanding shares of Senaolife will be dissolved. Senyoung is not needed to pay in the merger. The assets and liabilities of Senaolife will be recognized on the accounts of Senyoung using the book value on the merger date.

31. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided: See Table 1.
- 3) Marketable securities held (excluding investments in subsidiaries and associates): See Table 2.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 3.
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 4.
 - 9) Names, locations, and other information of investees in which the Company exercises significant influence (excluding investment in mainland China): See Table 5.
 - 10) Trading in derivative instruments: See Note 24.
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table 6.
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
 - c) The amount of property transactions and the amount of the resultant gains or losses: None.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position: None.
- c. Intercompany relationships and significant intercompany transactions: See Table 7.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 8.

32. 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, 2022</u>			
Revenue from external customers	<u>\$ 27,222,516</u>	<u>\$ 3,936,078</u>	<u>\$ 31,158,594</u>
Segment income	<u>\$ 814,760</u>	<u>\$ (102,772)</u>	\$ 711,988
Share of profit of associates accounted for using the equity method			359,842
Rental income			73,692
Gain on foreign currency exchange			236
Interest income			5,147
Net gain on financial assets and liabilities at fair value through profit or loss			3
Interest expense			(8,738)
Loss on disposal of investments			-
Other gain and loss			(9,380)
Central administration costs and remuneration to directors			<u>(339,346)</u>
Profit before tax			<u>\$ 793,444</u>
<u>For the year ended December 31, 2021</u>			
Revenue from external customers	<u>\$ 27,026,679</u>	<u>\$ 4,012,254</u>	<u>\$ 31,038,933</u>
Segment income	<u>\$ 852,965</u>	<u>\$ 25,771</u>	\$ 878,736
Share of profit of associates accounted for using the equity method			151,821
Rental income			68,403
Gain on foreign currency exchange			11,876
Interest income			3,450
Net gain on financial assets and liabilities at fair value through profit or loss			2
Interest expense			(8,202)
Loss on disposal of investments			(16,347)
Other gain and loss			(23,782)
Central administration costs and remuneration to directors			<u>(350,981)</u>
Profit before tax			<u>\$ 714,976</u>

The segment revenues reported above all came from transactions with external customers. There were no intersegment sales in 2022 and 2021.

Segment profit represented the profit before tax earned by each segment without share of profit of associates accounted for using the equity method, rental income, exchange gains or losses, other gains and losses, interest income, dividend income, gains or losses on financial assets and liabilities at fair value through profit or loss, interest expense, loss on disposal of investments 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:

	Revenue from External Customers	
	For the Year Ended December 31	
	2022	2021
Taiwan	<u>\$ 31,158,594</u>	<u>\$ 31,038,933</u>

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

	Noncurrent Assets	
	December 31	
	2022	2021
Taiwan	<u>\$ 1,510,080</u>	<u>\$ 1,474,123</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	
	2022	2021
Customer from channel business department	<u>\$ 7,563,746</u>	<u>\$ 6,406,803</u>

For the years ended December 31, 2022 and 2021, except 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, 2022</u>			
Information and communication products	\$ 22,828,707	\$ 1,971,931	\$ 24,800,638
Revenues from services and repairs	1,573,677	451,407	2,025,084
Others	<u>2,820,132</u>	<u>1,512,740</u>	<u>4,332,872</u>
	<u>\$ 27,222,516</u>	<u>\$ 3,936,078</u>	<u>\$ 31,158,594</u>
<u>For the year ended December 31, 2021</u>			
Information and communication products	\$ 23,091,593	\$ 2,183,497	\$ 25,275,090
Revenues from services and repairs	982,918	997,073	1,979,991
Others	<u>2,952,168</u>	<u>831,684</u>	<u>3,783,852</u>
	<u>\$ 27,026,679</u>	<u>\$ 4,012,254</u>	<u>\$ 31,038,933</u>

TABLE 1

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each 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 Technologies Co., Ltd. Wiin Technologies Co., Ltd.	b b	\$ 630,851 630,851	\$ 300,000 200,000	\$ 300,000 200,000	\$ 300,000 200,000	\$ -	4.76% 3.17%	\$ 3,154,258 3,154,258	Yes Yes	- -	- -	

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

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

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

- A company with which it does business.
- A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

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

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

Note 5: The following circumstances represent "Yes":

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

TABLE 2

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARY AND RELATED PARTY)
DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2022			Note
				Shares (Thousands/ Thousand Units)	Carrying Value	Percentage of Ownership	
Senao International Co., Ltd.	Stocks N.T.U. Innovation Incubation Corporation	-	Financial assets at FVOCI	1,200	\$ 10,428	9.41	\$ 10,428

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

TABLE 3

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction (Note 2)		Notes/Trade Payable or Receivable		Note					
			Purchase/ Sales	Amount	% to Total	Payment Terms	Units Price	Payment Terms	Ending Balance		% to Total				
Senaio International Co., Ltd.	Chunghwa Telecom Co., Ltd. Aval Technologies Co., Ltd.	Ultimate parent entity	Sales	\$ 7,218,007	23.17	30-90 days	\$ -	-	\$ 951,247	47.25	Note 1				
			Purchase	3,785,494	13.97	30 days						(378,583)	(16.18)		
		Sales	354,836	1.14	60 days	-						-	54,984	2.73	
		Purchase	239,559	0.88	30 days	-						-	(12,561)	(0.54)	
Aval Technologies Co., Ltd.	Chunghwa Telecom Co., Ltd. Youth Co., Ltd. ISPOT Co., Ltd.	Ultimate parent entity	Sales	345,739	1.11	30 days	-	-	20,066	1.00	Note 1				
			Sales	129,705	0.42	30 days						-	-	16,404	0.81
		Subsidiary of fellow subsidiaries	Sales	105,031	0.34	30 days						-	-	13,907	0.69

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

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

TABLE 4

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022**

(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 Co., Ltd.	Ultimate parent entity	\$ 1,096,214 (Note 1)	8.10 (Note 2)	\$ -	-	\$ 80,373	\$ -

Note 1: The receivables from related parties included \$138,224 thousand which is the amount of products sold by Chunghwa Telecom Co., Ltd. for Senao, but not yet collected.

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

TABLE 5

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022		Net Income (Loss) of the Investee	Recognized Gain (Loss)	Note
				December 31, 2022	December 31, 2021	Shares (Thousands)	Percentage of Ownership (%)			
Senao International Co., Ltd.	Senao Networks, Inc.	Taiwan	Telecommunication facilities manufacturing and sales	\$ 202,758	\$ 202,758	16,579	33.79	\$ 1,395,858	\$ 359,842	Note 1
	Senao International (Samoa) Holding Ltd.	Samoa Islands	International investment	2,046,143 (US\$ 68,275)	2,046,143 (US\$ 68,275)	1,191	100.00	36,848 (US\$ 1,200)	278 (US\$ 9)	Notes 1, 2 and 8
	Youth Co., Ltd.	Taiwan	Sale of information and communication technologies products	427,850	427,850	14,752	95.79	180,344	(16,082)	Notes 1, 3 and 8
	Aval Technologies Co., Ltd.	Taiwan	Sale of information and communication technologies products	89,550	89,550	11,660	100.00	129,560	9,946	Notes 1, 4 and 8
	Senyoung Insurance Agent Co., Ltd.	Taiwan	Property and liability insurance agency	59,000	59,000	5,900	100.00	100,817	33,444	Notes 1, 5 and 8
Senao International (Samoa) Holding Ltd.	Senao International HK Limited	Hong Kong	International investment	2,060,467 (US\$ 68,740)	2,060,467 (US\$ 68,740)	80,440	100.00	34,207 (US\$ 1,114)	-	Note 1
Youth Co., Ltd.	ISPOOT Co., Ltd.	Taiwan	Sale of information and communication technologies products	53,021	53,021	-	100.00	14,131	2,420	Notes 1, 6 and 8
	Youyi Co., Ltd.	Taiwan	Maintenance of information and communication technologies products	21,354	21,354	-	100.00	5,150	(12,474)	Notes 1, 7 and 8
Aval Technologies Co., Ltd.	Win Technologies Co., Ltd.	Taiwan	Sale of information and communication technologies products	29,550	29,550	3,845	100.00	45,810	6,370	Notes 1 and 8
Senyoung Insurance Agent Co., Ltd.	SenaoLife Insurance Agent Co., Ltd.	Taiwan	Life insurance agency	29,500	29,500	2,950	100.00	21,804	(1,685)	Notes 1 and 8

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

Note 2: Senao International (Samoa) Holding Ltd. reduced capital to make up for the loss of US\$30,684 thousand in November 2022.

Note 3: Loss of Youth Co., Ltd. of \$10,463 thousand in 2022; the amount of \$10,036 thousand is the premium and the intangible assets resulting from acquisition on the basis of fair value and its accumulated amortization; the amount of \$15,655 thousand is the deduction from the amortization and the impairment loss of this premium and intangible assets.

Note 4: An investment gain of \$9,945 thousand; the amount of \$1 thousand is comprised of lease arrangements between the parent entity and subsidiaries.

Note 5: An investment gain of \$33,444 thousand; the amount of \$6 thousand is comprised of lease arrangements between the parent entity and subsidiaries.

Note 6: An investment gain of \$2,420 thousand; the amount of \$192 thousand is comprised of adjustment arising from the increase of continuing interest.

Note 7: An investment loss of \$2,013 thousand; the amount of \$10,461 thousand is comprised of adjustment arising from the increase of continuing interest, impairment loss on intangible assets, and lease arrangements between the parent entity and subsidiaries.

Note 8: The amount was eliminated upon consolidation.

Note 9: Information on investees in mainland China, refer to Table 6.

TABLE 6

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 3)	Carrying Value as of December 31, 2022 (Notes 2 and 3)	Accumulated Inward Remittances of Earnings as of December 31, 2022	Note
					Outflow	Inflow							
Senao International Trading (Shanghai) Co., Ltd.	Sale of information and communication technologies products	\$ 955,838 (US\$ 32,000)	b	\$ 955,838 (US\$ 32,000)	\$ -	\$ -	\$ 955,838 (US\$ 32,000)	\$ -	100	\$ -	\$ -	\$ -	Note 5
Accumulated Investment in Mainland China as of December 31, 2022		Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 4)											
\$ 955,838 (US\$ 32,000)	Investment Amounts Authorized by Investment Commission, MOEA	\$ 2,047,858 (US\$ 68,292)											

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

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

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

Note 3: The amount was eliminated upon consolidation.

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

Note 5: Senao International Trading (Shanghai) Co., Ltd. was approved to dissolve its business on December 23, 2020 by the Board of Directors. The liquidation of Senao International Trading (Shanghai) Co., Ltd. was completed in April 2021, and the residual fund has been repatriated to Senao International (SAMOA) Holding Ltd. As of December 31, 2022, the investment commission of MOEA has not yet approved the deregistration of Senao International Trading (Shanghai) Co., Ltd.

TABLE 7

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transactions Details			% of Total Sales or Assets (Note 5)
				Financial Statement Accounts	Amount (Note 3)	Payment Terms (Note 4)	
0	Senao International Co., Ltd.	Aval Technologies Co., Ltd.	a	Sales revenue	\$ 354,836	-	-
				Cost of goods sold	239,559	-	-
				Trade receivables from related parties	54,984	-	-
				Trade payables to related parties	12,561	-	-
				Cost of goods sold	32,392	-	-
				Service revenue	88,699	-	-
1	Aval Technologies Co., Ltd.	Youth Co., Ltd.	c	Trade receivables from related parties	28,351	-	-
				Sales revenue	129,705	-	-
				Trade receivables from related parties	16,404	-	-
				Sales revenue	105,031	-	-
2	Wiin Technologies Co., Ltd.	YOUTH Co., Ltd.	c	Trade receivables from related parties	13,907	-	-
				Sales revenue	31,877	-	-
				Trade receivables from related parties	4,266	-	-

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

- "0" for the parent.
- 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):

- The parent to subsidiaries.
- Subsidiaries to the parent.
- 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, 2022, while revenues, costs and expenses are shown as a percentage to consolidated revenues for the year ended December 31, 2022.

TABLE 8**SENAO INTERNATIONAL CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

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.



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2022. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter of the financial statements for the year ended December 31, 2022 is as follows:

Valuation of Inventories

As described in Note 8 to the financial statements, the carrying amount of the Company's inventories was \$2,700,385 thousand as of December 31, 2022, which represented 26% of the total assets. The inventories of the Company are mainly consisted of communication products such as mobile phones and the peripheral products. Due to rapid changes in technology and continue launches in new models there is a high risk of inventory loss or obsolescence. In addition, the amount of inventories is significant and the valuation of inventories involved significant judgments and estimates made by the management. Consequently, valuation of inventories was considered to be a key audit matter.

For the accounting policy on inventory and the related significant accounting judgments and estimates, refer to Note 4-e. and Note 5.

Corresponding audit procedures mainly includes:

- Perform control testings to understand the process of valuation of inventories and the design and implementation of relevant controls.
- Obtain the relevant supporting documents used by the management to evaluate the method and basic assumptions of inventory loss provision at the end of the year, and evaluate the appropriateness.
- Select samples of the sales price of the inventory at the end of the year to verify and evaluate the reasonableness of the estimated provision for inventory.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Yih-Shin Kao

Mei Yen Chiang

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 17, 2023

Notice to Readers

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

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

SENAO INTERNATIONAL CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,584,152	16	\$ 2,709,763	25
Notes receivable, net (Note 7)	89,034	1	99,653	1
Trade receivables, net (Note 7)	722,311	7	686,081	6
Trade receivables from related parties (Note 22)	1,038,884	10	939,752	9
Other receivables (Notes 7 and 18)	296,472	3	106,999	1
Other receivables from related parties (Note 22)	145,245	1	151,528	1
Inventories (Note 8)	2,700,385	26	2,613,134	24
Prepayments (Note 22)	62,306	1	73,593	1
Other current assets	65,660	1	45,980	1
Total current assets	6,704,449	66	7,426,483	69
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income	10,428	-	9,805	-
Investments accounted for using equity method (Note 9)	1,843,427	18	1,526,429	14
Property, plant and equipment (Notes 10, 17 and 22)	762,167	7	777,312	7
Right-of-use assets (Notes 11, 17 and 22)	600,357	6	510,017	5
Intangible assets (Note 17)	7,181	-	18,901	-
Deferred tax assets (Note 18)	184,644	2	435,622	4
Refundable deposits (Note 22)	51,568	1	53,942	1
Other noncurrent assets	5,206	-	3,000	-
Total noncurrent assets	3,464,978	34	3,335,028	31
TOTAL	\$ 10,169,427	100	\$ 10,761,511	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Note 16)	\$ 130,855	1	\$ 80,881	1
Notes payable (Note 12)	6,573	-	4,593	-
Notes payable to related parties (Note 22)	18	-	18	-
Trade payables (Note 12)	1,788,272	18	1,650,029	15
Trade payables to related parties (Note 22)	392,902	4	1,114,807	10
Other payables (Note 13)	678,077	7	830,817	8
Other payables to related parties (Note 22)	181,659	2	200,634	2
Current tax liabilities (Note 18)	-	-	115,514	1
Lease liabilities - current (Notes 11 and 22)	220,535	2	218,878	2
Other current liabilities (Note 22)	26,228	-	30,701	-
Total current liabilities	3,425,119	34	4,246,872	39
NONCURRENT LIABILITIES				
Deferred tax liabilities (Note 18)	55	-	-	-
Lease liabilities - noncurrent (Notes 11 and 22)	391,667	4	306,906	3
Net defined benefit liabilities - noncurrent (Notes 14 and 17)	21,326	-	54,540	1
Guarantee deposits	22,742	-	22,962	-
Total noncurrent liabilities	435,790	4	384,408	4
Total liabilities	3,860,909	38	4,631,280	43
EQUITY				
Share capital - ordinary shares (Note 15)	2,582,527	26	2,582,527	24
Capital surplus (Note 15)	717,521	7	717,521	7
Retained earnings (Note 15)				
Legal reserve	1,601,588	16	1,542,243	14
Special reserve	21,631	-	32,410	-
Unappropriated earnings	1,372,000	13	1,277,161	12
Total retained earnings	2,995,219	29	2,851,814	26
Other equity	13,251	-	(21,631)	-
Total equity	6,308,518	62	6,130,231	57
TOTAL	\$ 10,169,427	100	\$ 10,761,511	100

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

SENAO INTERNATIONAL CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 16 and 22)				
Sales	\$ 28,429,612	98	\$ 28,152,067	97
Less: Sales returns	216,357	1	282,747	1
Sales discounts and allowances	762,384	3	599,557	2
Net sales	27,450,871	94	27,269,763	94
Service and repairs revenue	1,692,016	6	1,643,085	6
Total operating revenue	29,142,887	100	28,912,848	100
OPERATING COSTS (Notes 8, 14, 17 and 22)				
Cost of goods sold	25,662,804	88	25,376,237	88
Service and repairs costs	452,898	2	441,877	2
Total operating costs	26,115,702	90	25,818,114	90
GROSS PROFIT	3,027,185	10	3,094,734	10
OPERATING EXPENSES (Notes 14, 17 and 22)				
Selling and marketing expenses	2,398,942	8	2,320,425	8
General and administrative expenses	310,958	1	312,561	1
Total operating expenses	2,709,900	9	2,632,986	9
NET OTHER INCOME AND EXPENSES (Notes 17 and 22)	178	-	5,109	-
INCOME FROM OPERATIONS	317,463	1	466,857	1
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 17 and 22)	86,969	-	91,135	-
Share of profit of subsidiaries and associates accounted for using equity method	387,434	2	157,633	1
Interest income	4,072	-	3,086	-
Interest expense (Notes 17 and 22)	(8,515)	-	(7,995)	-
Miscellaneous disbursements	(401)	-	(3,032)	-
Net gain (loss) on foreign currency exchange	236	-	(415)	-
Total non-operating income and expenses	469,795	2	240,412	1
INCOME BEFORE INCOME TAX	787,258	3	707,269	2
INCOME TAX EXPENSE (Note 18)	129,220	1	110,321	-
NET INCOME	658,038	2	596,948	2

(Continued)

SENAO INTERNATIONAL CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
TOTAL OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans (Note 14)	\$ 30,282	-	\$ (6,724)	-
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	777	-	(212)	-
Share of remeasurement of defined benefit plans of associates	1,493	-	1,881	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 18)	(6,056)	-	1,345	-
	<u>26,496</u>	-	<u>(3,710)</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	3,602	-	12,383	-
Share of exchange differences arising from the translation of the foreign operations of associates	6,656	-	(1,392)	-
	<u>10,258</u>	-	<u>10,991</u>	-
Total other comprehensive income, net of income tax	<u>36,754</u>	-	<u>7,281</u>	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 694,792</u>	<u>2</u>	<u>\$ 604,229</u>	<u>2</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 2.55</u>		<u>\$ 2.31</u>	
Diluted	<u>\$ 2.54</u>		<u>\$ 2.30</u>	

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

(Concluded)

SENAO INTERNATIONAL CO., LTD.

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

	Share Capital - Ordinary Shares (Note 15)	Capital Surplus (Note 15)	Retained Earnings (Note 15)		Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
			Legal Reserve	Special Reserve			
BALANCE, JANUARY 1, 2021	\$ 2,582,527	\$ 717,521	\$ 1,496,377	\$ 13,781	\$ (6,427)	\$ (25,983)	\$ 5,913,381
Appropriation of 2020 earnings	-	-	45,866	-	-	-	-
Legal reserve	-	-	-	18,629	-	-	-
Special reserve	-	-	-	-	-	-	-
Cash dividends - NT\$1.50 per share	-	-	-	-	-	-	(387,379)
	-	-	45,866	18,629	-	-	(387,379)
Net income for the year ended December 31, 2021	-	-	-	-	-	-	596,948
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	10,991	(212)	7,281
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	10,991	(212)	604,229
BALANCE, DECEMBER 31, 2021	2,582,527	717,521	1,542,243	32,410	4,564	(26,195)	6,130,231
Appropriation of 2021 earnings	-	-	59,345	-	-	-	-
Legal reserve	-	-	-	(10,779)	-	-	-
Special reserve	-	-	-	-	-	-	-
Cash dividends - NT\$2.00 per share	-	-	-	-	-	-	(516,505)
	-	-	59,345	(10,779)	-	-	(516,505)
Net income for the year ended December 31, 2022	-	-	-	-	-	-	658,038
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	10,258	777	36,754
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	10,258	777	694,792
Disposal of investments in equity investments designated as at fair value through other comprehensive income	-	-	-	-	-	23,847	-
BALANCE, DECEMBER 31, 2022	\$ 2,582,527	\$ 717,521	\$ 1,601,588	\$ 21,631	\$ 14,822	\$ (1,571)	\$ 6,308,518

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

SENAO INTERNATIONAL CO., LTD.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 787,258	\$ 707,269
Adjustments to reconcile income before income tax to net cash generated from operating activities:		
Depreciation expenses	349,145	347,468
Amortization expenses	13,372	19,303
Expected credit reversal of loss	(930)	(449)
Interest expense	8,515	7,995
Interest income	(4,072)	(3,086)
Share of profit of subsidiaries and associates accounted for using equity method	(387,434)	(157,633)
Net loss (gain) on disposal of property, plant and equipment	232	(1,316)
Net gain on lease modification	(410)	(3,793)
Provision for inventory and obsolescence	826	8,846
Net (gain) loss on foreign currency exchange	(732)	139
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Notes receivable	10,619	(28,224)
Trade receivables	(35,301)	(113,217)
Trade receivables from related parties	(99,132)	5,556
Other receivables	(189,377)	(3,789)
Other receivables from related parties	6,283	(13,441)
Inventories	(88,077)	(752,095)
Prepayments	11,287	(1,021)
Other current assets	(19,680)	(31,107)
Increase (decrease) in:		
Contract liabilities	49,974	(31,216)
Notes payable	1,980	1,409
Trade payables	138,243	545,547
Trade payables to related parties	(721,905)	506,179
Other payables	(152,740)	(260,323)
Other payables to related parties	(18,975)	(21,377)
Other current liabilities	(4,473)	(10,655)
Net defined benefit liabilities - noncurrent	(2,932)	(2,951)
Cash (used in) generated from operations	(348,436)	714,018
Interest paid	(8,515)	(7,995)
Income tax paid	243	(74,192)
Net cash (used in) generated from operating activities	(356,708)	631,831
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	154	-
Proceeds from capital reduction of investments accounted for using equity method	-	207,685

(Continued)

SENAO INTERNATIONAL CO., LTD.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
Acquisition of property, plant and equipment	\$ (35,363)	\$ (24,438)
Proceeds from disposal of property, plant and equipment	107	9,801
Decrease in refundable deposits	2,374	2,116
Acquisition of intangible assets	(1,652)	(24,000)
Increase in other noncurrent assets	(2,206)	-
Interest received	3,977	3,087
Dividends received	<u>82,187</u>	<u>93,446</u>
Net cash generated from investing activities	<u>49,578</u>	<u>267,697</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits	(220)	(939)
Repayment of the principal portion of lease liabilities	(302,488)	(296,105)
Cash dividends paid	<u>(516,505)</u>	<u>(387,379)</u>
Net cash used in financing activities	<u>(819,213)</u>	<u>(684,423)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>732</u>	<u>(139)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,125,611)	214,966
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>2,709,763</u>	<u>2,494,797</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 1,584,152</u>	<u>\$ 2,709,763</u>

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

(Concluded)

SENAO INTERNATIONAL CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. GENERAL

Senao International Co., Ltd. (“the Company”) was incorporated in the Republic of China (“ROC”) on May 18, 1979. On January 12, 2001, the Company received approval from the Securities and Futures Commission (the “SFC”) for a domestic initial public offering and its common stocks were listed and traded on the Taiwan Stock Exchange (the “TWSE”) on May 24, 2001. In need of organizational rebuilding and professional operation of all kinds of businesses, the Company has spun off the wireless communication business segment, including its assets and liabilities and incorporated Senao Networks, Inc. pursuant to the Business Mergers and Acquisitions Act. The spin-off date was October 1, 2006.

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

Chunghwa Telecom Co., Ltd. (“Chunghwa”) acquired the shares of Senao on January 15, 2007. Chunghwa has a substantial control over Senao, and it is the ultimate parent entity of Senao. As of December 31, 2022, Chunghwa’s ownership interest in Senao was 27.79%.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on February 17, 2023.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

The IFRSs endorsed and issued into effect by the FSC would not have material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

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

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

- c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

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

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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.

When preparing the financial statements, the Company account for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profit of subsidiaries and associates accounted for using equity method, share of other comprehensive income of subsidiaries and associates accounted for using equity method and the related equity accounts in the financial statements.

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 and liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Foreign currencies

In preparing the financial statements, 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.

e. 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 Company 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.

f. Investments accounted for using equity method

Investments accounted for using the equity method include investments in subsidiaries and associates.

1) Investments in subsidiaries

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control of the subsidiaries are accounted for as equity transactions. The Company recognizes directly in equity any differences between the carrying amount of the subsidiary and the fair value of the consideration paid or received are recognized directly in equity.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and are not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized in current profit or loss.

The Company assesses its investments for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

2) Investments in associates

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

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

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the associate. The Company 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 Company'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.

When evaluating if there is an impairment loss, the entire carrying amount of investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized 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 the Company transacts with its associates, profits and losses resulting from the transactions are recognized in the financial statements only to the extent that interests in the associates are not related to the Company.

g. 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.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. 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 Company expects to dispose of the assets before the end of the useful life.

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.

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

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets 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 amounts, 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.

- j. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition 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 a 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 21.

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

On initial recognition, the Company 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 Company'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, other receivables, other current assets and refundable deposits, 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 commercial paper and stimulus vouchers 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 balance sheet dates, the Company evaluates the impairment losses for expected credit losses (i.e. ECLs) on financial assets at amortized cost. The Company 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 Company 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 Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another 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 Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company'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 Company's own equity instruments.

4) Derivative financial instruments

The Company 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.

k. Revenue recognition

Revenues from sales, services and repairs are separately identified as performance obligations. Further, the Company 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 communication goods and peripheral products. Sales of communication goods and peripheral 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 Company recognizes revenue when the promised service is transferred to the customer and fulfilled the performance obligations.

l. Leasing

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

1) The Company 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 Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for 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 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 Company 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 Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company 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 balance sheets.

m. 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 liabilities represent the actual deficit in the Company's defined benefit plans.

n. 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.

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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 Company 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 Company'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	
	2022	2021
Cash on hand and petty cash	\$ 320,678	\$ 277,970
Checking accounts and demand deposits	864,164	1,440,071
Cash equivalents		
Commercial paper	399,310	988,944
Stimulus Vouchers	-	2,778
	<u>\$ 1,584,152</u>	<u>\$ 2,709,763</u>

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

	December 31	
	2022	2021
Bank deposits	0.01%-1.05%	0.01%-0.03%
Commercial paper	0.67%	0.25%

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2022	2021
<u>Notes receivable</u>		
Notes receivable	\$ 89,965	\$ 100,584
Less: Allowance for impairment loss	<u>931</u>	<u>931</u>
	<u>\$ 89,034</u>	<u>\$ 99,653</u>
<u>Trade receivables</u>		
Trade receivables	\$ 743,668	\$ 709,490
Less: Allowance for impairment loss	<u>21,357</u>	<u>23,409</u>
	<u>\$ 722,311</u>	<u>\$ 686,081</u>
<u>Other receivables</u>		
Suppliers allowance receivable	\$ 263,168	\$ 97,830
Others	<u>33,304</u>	<u>9,169</u>
	<u>\$ 296,472</u>	<u>\$ 106,999</u>

Notes Receivable and Trade Receivables

The average credit terms range from 30 to 90 days. The Company uses other publicly available financial information and its own trading records to rate its major customers, and the Company'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 Company'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 Company 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 Company 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 Company's credit risk was significantly reduced.

The Company 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 Company 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 Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2022

	Not Past Due	Less than 60 Days	61 to 90 Days	Over 91 Days*	Total
Expected credit loss rate	0%-0.0969%	14.8743%-64.5161%	90.6628%	0%-100%	
Notes receivable and trade receivables	\$ 807,413	\$ 17	\$ 13	\$ 26,190	\$ 833,633
Less: Loss allowance (Lifetime ECL)	<u>771</u>	<u>11</u>	<u>12</u>	<u>21,494</u>	<u>22,288</u>
Amortized cost	<u>\$ 806,642</u>	<u>\$ 6</u>	<u>\$ 1</u>	<u>\$ 4,696</u>	<u>\$ 811,345</u>

December 31, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	Over 91 Days*	Total
Expected credit loss rate	0%-0.0018%	0%-5.0587%	0%-21.7208%	0%-100%	
Notes receivable and trade receivables	\$ 778,267	\$ 4,209	\$ 9	\$ 27,589	\$ 810,074
Less: Loss allowance (Lifetime ECL)	<u>14</u>	<u>58</u>	<u>2</u>	<u>24,266</u>	<u>24,340</u>
Amortized cost	<u>\$ 778,253</u>	<u>\$ 4,151</u>	<u>\$ 7</u>	<u>\$ 3,323</u>	<u>\$ 785,734</u>

* For those customers who provided the collateral, the Company 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:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance on January 1	\$ 24,340	\$ 24,658
Add: Amounts recovered	1,062	129
Less: Amounts written off	(2,185)	-
Less: Net remeasurement of loss allowance	<u>(929)</u>	<u>(447)</u>
Balance on December 31	<u>\$ 22,288</u>	<u>\$ 24,340</u>

8. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Merchandise	<u>\$ 2,700,385</u>	<u>\$ 2,613,134</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 were \$25,662,804 thousand and \$25,376,237 thousand, respectively.

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries	\$ 447,569	\$ 448,825
Investments in associates	<u>1,395,858</u>	<u>1,077,604</u>
	<u>\$ 1,843,427</u>	<u>\$ 1,526,429</u>

a. Investments in subsidiaries

	December 31	
	2022	2021
Senao International (Samoa) Holding Ltd. ("Senao Samoa")	\$ 36,848	\$ 32,968
Youth Co., Ltd. ("Youth")	180,344	196,426
Aval Technologies Co., Ltd. ("Aval")	129,560	119,614
Senyoung Insurance Agent Co., Ltd. ("Senyoung")	<u>100,817</u>	<u>99,817</u>
	<u>\$ 447,569</u>	<u>\$ 448,825</u>

	Proportion of Ownership and Voting Rights	
	December 31	
	2022	2021
Senao Samoa	100.00%	100.00%
Youth	95.79%	95.79%
Aval	100.00%	100.00%
Senyoung	100.00%	100.00%

For the information on endorsements and guarantees that the Company made for its subsidiaries, refer to Note 22 and Table 1.

For the years ended December 31, 2022 and 2021, the Company's share of profit (loss) and other comprehensive income (loss) of the subsidiaries were recognized based on the financial statements which have been audited for the same period.

Refer to Note 26 for detailed information on the indirect investments in subsidiaries.

b. Assessment of impairment on carrying amount of investments in the subsidiaries

The recoverable amount of Youth for the year ended December 31, 2022 is determined based on fair value minus the disposal cost. The relevant fair value is determined by the asset method, mainly assuming that the net asset of the Company is the same as the fair value. The recoverable amount of Youth for the year ended December 31, 2021 was determined based on the value in use calculation that used 12.10% as the discount rate.

Since the competition in the industrial environment has led to the decline in gross profit margin and future cash flows, the recoverable amounts of Youth are less than the carrying amounts as of December 31, 2022 and 2021. As a result, the Company recognized share of loss of subsidiaries and associates accounted for using the equity method for the impairment loss of \$9,547 thousand and \$28,901 thousand in the statements of comprehensive income for the years ended December 31, 2022 and 2021, respectively.

c. Investments in associates

	December 31	
	2022	2021
Material associate		
Senao Networks, Inc. ("SNI")	<u>\$ 1,395,858</u>	<u>\$ 1,077,604</u>
	Proportion of Ownership and Voting Rights	
	December 31	
	2022	2021
SNI	33.79%	33.79%

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

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

The investments were accounted for using the equity method, and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 were based on the associate's financial statements which have been audited for the same period.

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

	December 31	
	2022	2021
SNI	<u>\$ 3,299,228</u>	<u>\$ 1,699,351</u>

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company and its subsidiaries as a Company for equity accounting purposes.

SNI and its subsidiaries

	December 31	
	2022	2021
Current assets	\$ 10,715,882	\$ 5,467,673
Noncurrent assets	3,127,196	2,270,750
Current liabilities	(9,102,441)	(4,141,725)
Noncurrent liabilities	<u>(296,321)</u>	<u>(215,055)</u>
Equity	4,444,316	3,381,643
Noncontrolling interests	<u>(313,674)</u>	<u>(192,785)</u>
	<u>\$ 4,130,642</u>	<u>\$ 3,188,858</u>

(Continued)

	December 31	
	2022	2021
Proportion of the Company's ownership	33.79%	33.79%
Equity attributable to the Company (carrying amount of the investment)	<u>\$ 1,395,858</u>	<u>\$ 1,077,604</u> (Concluded)
	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 16,322,282</u>	<u>\$ 9,179,791</u>
Net profit for the year	\$ 1,248,119	\$ 530,156
Other comprehensive gain	<u>24,116</u>	<u>1,446</u>
Total comprehensive income for the year	<u>\$ 1,272,235</u>	<u>\$ 531,602</u>

10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	2021
Assets used by the Company	\$ 329,308	\$ 334,228
Assets leased under operating leases	<u>432,859</u>	<u>443,084</u>
	<u>\$ 762,167</u>	<u>\$ 777,312</u>

a. Assets used by the Company

	Land	Buildings	Machinery and Equipment	Computer Telecommunications Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost								
Balance on January 1, 2022	\$ 150,363	\$ 231,867	\$ 41,476	\$ 193,173	\$ 120,234	\$ 297,911	\$ 6,871	\$ 1,041,895
Additions	-	37	479	16,275	4,841	12,630	905	35,167
Disposals	-	-	-	(16,265)	(2,826)	(9,132)	(869)	(29,092)
Balance on December 31, 2022	<u>\$ 150,363</u>	<u>\$ 231,904</u>	<u>\$ 41,955</u>	<u>\$ 193,183</u>	<u>\$ 122,249</u>	<u>\$ 301,409</u>	<u>\$ 6,907</u>	<u>\$ 1,041,970</u>
Accumulated depreciation								
Balance on January 1, 2022	\$ -	\$ 110,227	\$ 39,186	\$ 169,220	\$ 98,784	\$ 283,605	\$ 6,645	\$ 707,667
Depreciation expenses	-	4,452	1,258	15,737	8,285	9,705	311	39,748
Disposals	-	-	-	(16,026)	(2,730)	(9,128)	(869)	(28,753)
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ 114,679</u>	<u>\$ 40,444</u>	<u>\$ 168,931</u>	<u>\$ 104,339</u>	<u>\$ 284,182</u>	<u>\$ 6,087</u>	<u>\$ 718,662</u>
Carrying amounts on December 31, 2022	<u>\$ 150,363</u>	<u>\$ 117,225</u>	<u>\$ 1,511</u>	<u>\$ 24,252</u>	<u>\$ 17,910</u>	<u>\$ 17,227</u>	<u>\$ 820</u>	<u>\$ 329,308</u>
Cost								
Balance on January 1, 2021	\$ 150,363	\$ 231,536	\$ 64,293	\$ 200,819	\$ 118,816	\$ 292,216	\$ 7,801	\$ 1,065,844
Additions	-	331	45	11,898	2,686	9,401	77	24,438
Disposals	-	-	(22,862)	(19,544)	(1,268)	(3,706)	(1,007)	(48,387)
Balance on December 31, 2021	<u>\$ 150,363</u>	<u>\$ 231,867</u>	<u>\$ 41,476</u>	<u>\$ 193,173</u>	<u>\$ 120,234</u>	<u>\$ 297,911</u>	<u>\$ 6,871</u>	<u>\$ 1,041,895</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Computer Telecommunications Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
<u>Accumulated depreciation</u>								
Balance on January 1, 2021	\$ -	\$ 105,316	\$ 50,208	\$ 175,509	\$ 91,344	\$ 278,303	\$ 7,558	\$ 708,238
Depreciation expenses	-	4,911	3,639	13,060	8,694	8,933	94	39,331
Disposals	-	-	(14,661)	(19,349)	(1,254)	(3,631)	(1,007)	(39,902)
Balance on December 31, 2021	<u>\$ -</u>	<u>\$ 110,227</u>	<u>\$ 39,186</u>	<u>\$ 169,220</u>	<u>\$ 98,784</u>	<u>\$ 283,605</u>	<u>\$ 6,645</u>	<u>\$ 707,667</u>
Carrying amounts on December 31, 2021	<u>\$ 150,363</u>	<u>\$ 121,640</u>	<u>\$ 2,290</u>	<u>\$ 23,953</u>	<u>\$ 21,450</u>	<u>\$ 14,306</u>	<u>\$ 226</u>	<u>\$ 334,228</u>

(Concluded)

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	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 years
Other equipment	4-6 years

b. Assets leased under operating leases

	Land	Buildings	Total
<u>Cost</u>			
Balance on January 1, 2022	\$ 149,879	\$ 585,492	\$ 735,371
Additions	-	196	196
Balance on December 31, 2022	<u>\$ 149,879</u>	<u>\$ 585,688</u>	<u>\$ 735,567</u>
<u>Accumulated depreciation</u>			
Balance on January 1, 2022	\$ -	\$ 292,287	\$ 292,287
Depreciation expenses	-	10,421	10,421
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ 302,708</u>	<u>\$ 302,708</u>
Carrying amounts on December 31, 2022	<u>\$ 149,879</u>	<u>\$ 282,980</u>	<u>\$ 432,859</u>

Cost

Balance on January 1, 2021 and December 31, 2021	<u>\$ 149,879</u>	<u>\$ 585,492</u>	<u>\$ 735,371</u>
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(Continued)

	Land	Buildings	Total
<u>Accumulated depreciation</u>			
Balance on January 1, 2021	\$ -	\$ 279,470	\$ 279,470
Depreciation expenses	<u>-</u>	<u>12,817</u>	<u>12,817</u>
Balance on December 31, 2021	<u>\$ -</u>	<u>\$ 292,287</u>	<u>\$ 292,287</u>
Carrying amounts on December 31, 2021	<u>\$ 149,879</u>	<u>\$ 293,205</u>	<u>\$ 443,084</u> (Concluded)

Operating leases relate to leases of land and building have lease terms of 5 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:

	<u>December 31</u>	
	2022	2021
Year 1	\$ 45,600	\$ 45,600
Year 2	15,200	45,600
Year 3	-	15,200
Year 4	-	-
Year 5	<u>-</u>	<u>-</u>
	<u>\$ 60,800</u>	<u>\$ 106,400</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, 2022 and 2021, the Company did not recognize impairment loss of property, plant and equipment.

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2022	2021
<u>Carrying amounts</u>		
Buildings	\$ 600,103	\$ 508,360
Transportation equipment	-	1,270
Others	<u>254</u>	<u>387</u>
	<u>\$ 600,357</u>	<u>\$ 510,017</u>

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 401,616</u>	<u>\$ 258,448</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 297,903	\$ 293,695
Transportation equipment	564	1,116
Others	<u>509</u>	<u>509</u>
	<u>\$ 298,976</u>	<u>\$ 295,320</u>

The initial recognition of right-of-use assets and lease liabilities of \$401,616 thousand and \$258,448 thousand were noncash transactions for the years ended December 31, 2022 and 2021, respectively.

Except for the addition and recognition of depreciation expenses listed above, there were no significant sublease or impairment of the right-of-use assets of the Company in 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	<u>\$ 220,535</u>	<u>\$ 218,878</u>
Non-current	<u>\$ 391,667</u>	<u>\$ 306,906</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	1.30%-1.79%	1.30%-1.79%
Transportation equipment	-	1.30%
Others	1.30%-1.79%	1.30%

c. Material lease-in activities and terms

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

d. Other lease information

Lease arrangements under operating leases for the leasing out of freehold property, plant and equipment are set out in Note 10.

	For the Year Ended December 31	
	2022	2021
Expenses relating to low-value asset leases	<u>\$ 4,187</u>	<u>\$ 4,143</u>
Total cash outflow for leases	<u>\$ 315,190</u>	<u>\$ 308,243</u>

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

12. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2022	2021
<u>Notes payable</u>		
Operating	\$ <u>6,573</u>	\$ <u>4,593</u>
<u>Trade payables</u>		
Operating	\$ <u>1,788,272</u>	\$ <u>1,650,029</u>

a. Notes payable

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

b. Trade payables

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

13. OTHER PAYABLES

	December 31	
	2022	2021
Payables for bonuses	\$ 152,423	\$ 156,464
Payables for salaries	141,277	147,101
Accrued marketing compensation	46,998	141,211
Accrued compensation to employees and remuneration to directors	41,434	40,922
Others	<u>295,945</u>	<u>345,119</u>
	\$ <u>678,077</u>	\$ <u>830,817</u>

14. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company 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 plans

The defined benefit plans adopted by the Company 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. The Company 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, the Company 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, the Company 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 Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of funded defined benefit obligation	\$ 201,784	\$ 220,035
Fair value of plan assets	<u>(180,458)</u>	<u>(165,495)</u>
Funded status - deficit	<u>21,326</u>	<u>54,540</u>
Net defined benefit liabilities	<u>\$ 21,326</u>	<u>\$ 54,540</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, 2022	\$ 220,035	\$ (165,495)	\$ 54,540
Service cost			
Current service cost	792	-	792
Net interest expense (income)	<u>1,100</u>	<u>(837)</u>	<u>263</u>
Recognized in profit or loss	<u>1,892</u>	<u>(837)</u>	<u>1,055</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(13,081)	(13,081)
Actuarial loss - changes in financial assumptions	(14,294)	-	(14,294)
Actuarial loss - experience adjustments	<u>(2,907)</u>	<u>-</u>	<u>(2,907)</u>
Recognized in other comprehensive income	<u>(17,201)</u>	<u>(13,081)</u>	<u>(30,282)</u>
Contributions from the employer	-	(3,987)	(3,987)
Benefits paid	<u>(2,942)</u>	<u>2,942</u>	<u>-</u>
Balance on December 31, 2022	<u>\$ 201,784</u>	<u>\$ (180,458)</u>	<u>\$ 21,326</u>

(Continued)

	Present Value of Funded Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance on January 1, 2021	\$ 212,126	\$ (161,359)	\$ 50,767
Service cost			
Current service cost	821	-	821
Net interest expense (income)	<u>1,060</u>	<u>(816)</u>	<u>244</u>
Recognized in profit or loss	<u>1,881</u>	<u>(816)</u>	<u>1,065</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,057)	(2,057)
Actuarial loss - changes in demographic assumptions	4,997	-	4,997
Actuarial loss - experience adjustments	<u>3,784</u>	<u>-</u>	<u>3,784</u>
Recognized in other comprehensive income	<u>8,781</u>	<u>(2,057)</u>	<u>6,724</u>
Contributions from the employer	-	(4,016)	(4,016)
Benefits paid	<u>(2,753)</u>	<u>2,753</u>	<u>-</u>
Balance on December 31, 2021	<u>\$ 220,035</u>	<u>\$ (165,495)</u>	<u>\$ 54,540</u> (Concluded)

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Operating costs	\$ 89	\$ 95
Operating expenses	<u>966</u>	<u>970</u>
	<u>\$ 1,055</u>	<u>\$ 1,065</u>

Through the defined benefit plans under the Labor Standards Law, the Company 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 under the mandated 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 plans' 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	
	2022	2021
Discount rates	1.25%	0.50%
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	
	2022	2021
Discount rates		
0.25% increase	\$ (4,427)	\$ (5,494)
0.25% decrease	\$ 4,591	\$ 5,714
Expected rates of salary increase		
0.25% increase	\$ 4,515	\$ 5,585
0.25% decrease	\$ (4,375)	\$ (5,398)

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	
	2022	2021
Expected contributions to the plans for the next year	\$ 3,900	\$ 4,000
Average duration of the defined benefit obligation	8.9 years	10.0 years

15. EQUITY

a. Share capital - ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	450,000	450,000
Shares authorized	\$ 4,500,000	\$ 4,500,000
Number of shares issued and fully paid (in thousands)	258,253	258,253
Shares issued	\$ 2,582,527	\$ 2,582,527

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, 2022 and 2021 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, 2022 and December 31, 2022	<u>\$ 346,007</u>	<u>\$ 215,648</u>	<u>\$ 131,358</u>	<u>\$ 24,508</u>	<u>\$ 717,521</u>
Balance on January 1, 2021 and December 31, 2021	<u>\$ 346,007</u>	<u>\$ 215,648</u>	<u>\$ 131,358</u>	<u>\$ 24,508</u>	<u>\$ 717,521</u>

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

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

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

c. Retained earnings and dividends policy

Under the Company's dividends policy, where the Company 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 the Company'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. Company's board of directors shall, with more than two-thirds of the directors present, and the resolution of more than half of the directors present, shall distribute all or part of the dividends, bonuses, capital reserve or statutory surplus reserve in cash. And report to the shareholders meeting, the provisions of the above paragraph which should be subject to the resolution of the shareholders meeting is not applicable. For the Company's policies on the distribution of employees' compensation and remuneration of directors, refer to Employees' compensation and remuneration of directors in Note 17-f.

In order to meet "the balanced dividend policy" to conform with the Company's current operating environment and the goal of sustainability, the policy on the distribution of dividends emphasizes the need for the Company'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 the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company should appropriate a special reserve when the net amount of other equity items is negative at the end of reporting period upon the earnings distribution. Distribution can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2021 and 2020 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2021	For Fiscal Year 2020	For Fiscal Year 2021	For Fiscal Year 2020
Legal reserve	\$ 59,345	\$ 45,866		
Special reserve	(10,779)	18,629		
Cash dividends	516,505	387,379	\$ 2.00	\$ 1.50

The above appropriations for cash dividends have been resolved by the Company's board of directors on March 25, 2022 and March 26, 2021, respectively; the other proposed appropriations have been resolved by the shareholders in their meeting held on June 15, 2022 and August 18, 2021, respectively.

The appropriation of earnings for 2022, which were proposed by the Company's board of directors on February 17, 2023, were as follows:

	For the Year Ended December 31, 2022
Legal reserve	<u>\$ 65,991</u>
Reversal of special reserve	<u>\$ 21,630</u>
Cash dividends	<u>\$ 568,156</u>
Cash dividends per share (NT\$)	\$ 2.20

16. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods	\$ 27,450,871	\$ 27,269,763
Revenue from rendering of services	1,136,057	1,096,814
Revenue from repairs and maintenance services	<u>555,959</u>	<u>546,271</u>
	<u>\$ 29,142,887</u>	<u>\$ 28,912,848</u>

Contract Balances

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities			
Sale of goods	\$ 118,681	\$ 68,574	\$ 100,668
Others	<u>12,174</u>	<u>12,307</u>	<u>11,429</u>
	<u>\$ 130,855</u>	<u>\$ 80,881</u>	<u>\$ 112,097</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Company'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:

	<u>For the Year Ended December 31</u>	
	2022	2021
Revenues from the beginning contract liabilities		
Sale of goods	\$ 68,574	\$ 100,668
Others	<u>11,919</u>	<u>10,665</u>
	<u>\$ 80,493</u>	<u>\$ 111,333</u>

17. NET INCOME

a. Other income and expenses

	<u>For the Year Ended December 31</u>	
	2022	2021
Net (loss) gain on disposal of property, plant and equipment	\$ (232)	\$ 1,316
Net gain on lease modification	<u>410</u>	<u>3,793</u>
	<u>\$ 178</u>	<u>\$ 5,109</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	2022	2021
Rental income	\$ 74,495	\$ 70,662
Others	<u>12,474</u>	<u>20,473</u>
	<u>\$ 86,969</u>	<u>\$ 91,135</u>

c. Interest expense

	<u>For the Year Ended December 31</u>	
	2022	2021
Interest on lease liabilities	<u>\$ 8,515</u>	<u>\$ 7,995</u>

d. Depreciation and amortization expenses

	For the Year Ended December 31	
	2022	2021
Right-of-use assets	\$ 298,976	\$ 295,320
Property, plant and equipment	50,169	52,148
Intangible assets	<u>13,372</u>	<u>19,303</u>
	<u>\$ 362,517</u>	<u>\$ 366,771</u>
An analysis of depreciation by function		
Operating costs	\$ 918	\$ 2,755
Operating expenses	<u>348,227</u>	<u>344,713</u>
	<u>\$ 349,145</u>	<u>\$ 347,468</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 13,372</u>	<u>\$ 19,303</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits (Note 14)		
Defined contribution plans	\$ 68,988	\$ 64,491
Defined benefit plans	<u>1,055</u>	<u>1,065</u>
	70,043	65,556
Termination benefits	1,708	393
Other employee benefits	<u>1,527,620</u>	<u>1,513,770</u>
Total employee benefits expense	<u>\$ 1,599,371</u>	<u>\$ 1,579,719</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 63,549	\$ 68,268
Operating expenses	<u>1,535,822</u>	<u>1,511,451</u>
	<u>\$ 1,599,371</u>	<u>\$ 1,579,719</u>

f. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company 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 financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and will be recognized in the following year.

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

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

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

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

18. INCOME TAX

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ (1,419)	\$ 115,418
Income tax on unappropriated earnings	1,419	339
Adjustments for prior years	(115,757)	821
Deferred tax		
In respect of the current year	94,334	(6,256)
Adjustments for prior years	<u>150,643</u>	<u>(1)</u>
Income tax expense recognized in profit or loss	<u>\$ 129,220</u>	<u>\$ 110,321</u>

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

	For the Year Ended December 31	
	2022	2021
Income before income tax	<u>\$ 787,258</u>	<u>\$ 707,269</u>
Income tax expense calculated at the statutory rate	\$ 157,452	\$ 141,454
Nondeductible expenses in determining taxable income	151	-
Investment gain not recognized in taxable income	(77,431)	(32,292)
Income tax on unappropriated earnings	1,419	339
Unrecognized deductible temporary differences	12,743	-
Adjustments for prior years' tax	(115,757)	820
Adjustments for prior years' deferred tax	<u>150,643</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 129,220</u>	<u>\$ 110,321</u>

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

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

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
Remeasurement on defined benefit plan	\$ <u>6,056</u>	\$ <u>(1,345)</u>

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable (accounted for other receivables)	\$ <u>560</u>	\$ <u>-</u>
Current tax liabilities		
Income tax payable	\$ <u>-</u>	\$ <u>115,514</u>

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, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Investment loss on subsidiaries	\$ 400,951	\$ (400,951)	\$ -	\$ -
Payables for annual leave	10,554	236	-	10,790
Defined benefit obligation	10,119	(587)	(6,056)	3,476
Unrealized sales discounts and allowances	3,833	(2,016)	-	1,817
Valuation loss on inventory	4,748	165	-	4,913
Contract liabilities	3,464	949	-	4,413
Others	<u>1,953</u>	<u>(706)</u>	<u>-</u>	<u>1,247</u>
	435,622	(402,910)	(6,056)	26,656
Loss carryforwards	<u>-</u>	<u>157,988</u>	<u>-</u>	<u>157,988</u>
	<u>\$ 435,622</u>	<u>\$ (244,922)</u>	<u>\$ (6,056)</u>	<u>\$ 184,644</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment gain on subsidiaries	\$ <u>-</u>	\$ <u>55</u>	\$ <u>-</u>	\$ <u>55</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Investment loss on subsidiaries	\$ 400,185	\$ 766	\$ -	\$ 400,951
Payables for annual leave	9,545	1,009	-	10,554
Defined benefit obligation	9,364	(590)	1,345	10,119
Valuation loss on inventory	2,979	1,769	-	4,748
Unrealized sales discounts and allowances	2,190	1,643	-	3,833
Contract liabilities	1,618	1,846	-	3,464
Others	<u>2,139</u>	<u>(186)</u>	<u>-</u>	<u>1,953</u>
	<u>\$ 428,020</u>	<u>\$ 6,257</u>	<u>\$ 1,345</u>	<u>\$ 435,622</u>

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Deductible temporary differences	<u>\$ 12,743</u>	<u>\$ -</u>

- f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2022 comprised:

Unused Amount	Expiry Year
\$ 60,735	2031
<u>97,253</u>	2032
<u>\$ 157,988</u>	

- g. Income tax assessments

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

19. 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>2022</u>	<u>2021</u>
Net income for the year	<u>\$ 658,038</u>	<u>\$ 596,948</u>

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

	For the Year Ended December 31	
	2022	2021
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>1,049</u>	<u>858</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>259,302</u>	<u>259,111</u>

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

20. CAPITAL MANAGEMENT

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

21. FINANCIAL INSTRUMENTS

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

The carrying amounts of the Company'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, 2022

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

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic non-listed shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,805</u>	<u>\$ 9,805</u>

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

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

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

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

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 3,993,326	\$ 4,793,698
Financial assets at FVTOCI		
Equity investments	10,428	9,805
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	2,735,108	3,479,373

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

d. Financial risk management objectives and policies

The Company's major financial instruments include receivables, payables and lease liabilities. The Company'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 Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company 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 Company'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 Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

1) Market risk

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

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

a) Foreign currency risk

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 25.

Sensitivity analysis

The Company was mainly exposed to the fluctuations of USD.

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

The Company does not have significant foreign currency risk.

b) Interest rate risk

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 464,970	\$ 1,037,702
Financial liabilities	612,202	525,784
Cash flow interest rate risk		
Financial assets	825,429	1,398,090

Sensitivity analysis

The sensitivity analysis below was determined based on the Company'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 Company's pre-tax profit for the years ended December 31, 2022 and 2021 would increase/increase by \$2,064 thousand and \$3,495 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its demand deposits.

c) Other price risk

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

Sensitivity analysis

The sensitivity analysis was based on the exposure to equity price risks at the end of the reporting period. If equity prices of financial assets at FVTOCI had increased/decreased by 5%, the pre-tax other comprehensive income would have increase/decreased by \$521 thousand.

The Company 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 Company. As of the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company 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 Company's main credit risk is concentrated on the Company's major clients. The receivables from the major clients composed 48% and 50% of the total trade receivables as of December 31, 2022 and 2021, respectively. The clients mentioned above have good credit records, no material default risk was assessed; material credit risk did not exist.

3) Liquidity risk

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

a) Liquidity and interest rate risk table

The following table details the Company'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, 2022

	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	\$ 2,712,366	\$ -	\$ -	\$ 22,742

Information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	Total
Lease liabilities	<u>\$ 227,724</u>	<u>\$ 393,815</u>	<u>\$ 5,980</u>	<u>\$ 627,519</u>
<u>December 31, 2021</u>				

	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	<u>\$ 3,456,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,962</u>

Information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	Total
Lease liabilities	<u>\$ 224,271</u>	<u>\$ 308,425</u>	<u>\$ 3,820</u>	<u>\$ 536,516</u>

b) Financing facilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Unsecured bank loan facility		
Amount used	\$ -	\$ -
Amount unused	<u>3,210,000</u>	<u>4,310,000</u>
	<u>\$ 3,210,000</u>	<u>\$ 4,310,000</u>

22. TRANSACTIONS WITH RELATED PARTIES

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

<u>Company</u>	<u>Relationship</u>
Chunghwa Telecom Co., Ltd.	Ultimate parent entity
Fellow subsidiary	
CHIEF Telecom Inc.	Chunghwa Telecom's subsidiary
Chunghwa System Integration Co., Ltd.	Chunghwa Telecom's subsidiary
Spring House Entertainment Tech. Inc.	Chunghwa Telecom's subsidiary
Smartfun Digital Co., Ltd.	Chunghwa Telecom's subsidiary
Honghwa International Co., Ltd.	Chunghwa Telecom's subsidiary
CHT Security Co., Ltd.	Chunghwa Telecom's subsidiary
International Integrated Systems, Inc.	Chunghwa Telecom's subsidiary
Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Telecom's subsidiary

(Continued)

Company	Relationship
Subsidiary	
Youth Co., Ltd.	The Company's subsidiary
Aval Technologies Co., Ltd.	The Company's subsidiary
Senyoung Insurance Agent Co., Ltd.	The Company's subsidiary
ISPOT Co., Ltd.	Youth's subsidiary
Youyi Co., Ltd.	Youth's subsidiary
Wiin Technologies Co., Ltd.	Aval's subsidiary
Senaolife Insurance Agent Co., Ltd.	Senyoung's subsidiary
Associate	
Senao Networks, Inc.	Senao's investment accounted for equity method
EnGenius Tech. Co., Ltd.	Senao Networks's subsidiary
Other related party	
Senao Technical and Cultural Foundation	A nonprofit organization of which the funds donated by SENAO exceeds one third of its total funds
E-Life Mall Co., Ltd.	Substantial related party
Engenius Technologies Co., Ltd.	Substantial related party
Cheng Keng Investment Co., Ltd.	Substantial related party
Cheng Feng Investment Co., Ltd.	Substantial related party
Hwa Shun Investment Co., Ltd.	Substantial related party
Yu Yu Investment Co., Ltd.	Substantial related party
All Oriented Investment Co., Ltd.	Substantial related party
Divine Fine Foods & Wine Inc.	Substantial related party (Note)
Kangsin Co., Ltd.	Substantial related party
Taiwan International Standard Electronics Co., Ltd.	Chunghwa Telecom's investment accounted for equity method
KKBOX Taiwan Co., Ltd.	Chunghwa Telecom's investment accounted for equity method
Next Commercial Bank Co., Ltd.	Chunghwa Telecom's investment accounted for equity method
	(Concluded)

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

- b. Terms of the transactions with related parties were not significantly different from transactions with non-related parties. Details of transactions between the Company and other related parties are disclosed below.

1) Operating revenues

Line Item	Related Party Category	For the Year Ended December 31	
		2022	2021
Sales	Ultimate parent entity	\$ 6,157,944	\$ 4,948,243
	Fellow subsidiaries	3,012	2,038
	Subsidiaries	355,703	353,313
	Associates	3,607	122
	Other related parties	<u>29,539</u>	<u>26,300</u>
		<u>\$ 6,549,805</u>	<u>\$ 5,330,016</u>
Service	Ultimate parent entity	\$ 1,055,391	\$ 1,019,598
	Fellow subsidiaries	1,744	3,232
	Subsidiaries	88,699	85,330
	Associates	<u>-</u>	<u>3</u>
		<u>\$ 1,145,834</u>	<u>\$ 1,108,163</u>
Repairs and maintenance	Ultimate parent entity	\$ 4,672	\$ 1,512
	Fellow subsidiaries	60	6
	Subsidiaries	12	8
	Associates	453	-
	Other related parties	<u>379</u>	<u>371</u>
		<u>\$ 5,576</u>	<u>\$ 1,897</u>

2) Purchases of goods

Related Party Category	For the Year Ended December 31	
	2022	2021
Ultimate parent entity	\$ 3,785,494	\$ 5,515,088
Fellow subsidiaries	13,035	1
Subsidiaries	271,951	313,092
Associates	158	-
Other related parties	<u>154</u>	<u>13</u>
	<u>\$ 4,070,792</u>	<u>\$ 5,828,194</u>

3) Operating expenses

Related Party Category	For the Year Ended December 31	
	2022	2021
Ultimate parent entity	\$ 164,184	\$ 145,442
Fellow subsidiaries	3,076	266
Subsidiaries	13	8
Associates	809	-
Other related parties	<u>14,571</u>	<u>14,561</u>
	<u>\$ 182,653</u>	<u>\$ 160,277</u>

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

4) Non-operating transactions

Line Item	Related Party Category	For the Year Ended December 31	
		2022	2021
Non-operating income	Ultimate parent entity	\$ 856	\$ 1,227
	Subsidiaries	34	34
	Other related parties	<u>1,896</u>	<u>2,905</u>
		<u>\$ 2,786</u>	<u>\$ 4,166</u>

5) Receivables from related parties

Line Item	Related Party Category	December 31	
		2022	2021
Accounts receivable from related parties	Ultimate parent entity	\$ 951,247	\$ 831,709
	Fellow subsidiaries	214	654
	Subsidiaries	83,822	100,938
	Other related parties	<u>3,601</u>	<u>6,451</u>
		<u>\$ 1,038,884</u>	<u>\$ 939,752</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no allowance loss was recognized for receivables from related parties.

6) Other receivables from related parties

Line Item	Related Party Category	December 31	
		2022	2021
Other receivables from related parties	Ultimate parent entity	\$ 144,967	\$ 151,324
	Subsidiaries	<u>278</u>	<u>204</u>
		<u>\$ 145,245</u>	<u>\$ 151,528</u>

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

7) Prepayments

Line Item	Related Party Category	December 31	
		2022	2021
Prepaid rents	Ultimate parent entity	\$ <u>231</u>	\$ <u>231</u>

8) Refundable deposits

Line Item	Related Party Category	December 31	
		2022	2021
Refundable deposits	Ultimate parent entity	\$ <u>546</u>	\$ <u>546</u>

9) Notes payable to related parties

Line Item	Related Party Category	December 31	
		2022	2021
Notes payable to related parties	Ultimate parent entity	\$ <u>18</u>	\$ <u>18</u>

10) Trade payables to related parties

Line Item	Related Party Category	December 31	
		2022	2021
Trade payables to related parties	Ultimate parent entity	\$ 378,565	\$ 1,109,867
	Fellow subsidiaries	974	-
	Subsidiaries	13,318	4,939
	Associates	45	-
	Other related parties	<u>-</u>	<u>1</u>
		\$ <u>392,902</u>	\$ <u>1,114,807</u>

The trade payables to related parties were unsecured.

11) Other payables to related parties

Line Item	Related Party Category	December 31	
		2022	2021
Other payables to related parties	Ultimate parent entity	\$ 175,324	\$ 195,511
	Fellow subsidiaries	-	23
	Associates	2,424	675
	Other related parties	<u>3,911</u>	<u>4,425</u>
		\$ <u>181,659</u>	\$ <u>200,634</u>

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

12) Other current liabilities

Line Item	Related Party Category	December 31	
		2022	2021
Other advance receipts	Associates	\$ 3,990	\$ 3,990

13) Acquisitions of property, plant and equipment

Related Party Category	Purchase Price For the Year Ended December 31	
	2022	2021
Subsidiaries	\$ 243	\$ 30
Associates	243	-
	<u>\$ 486</u>	<u>\$ 30</u>

The Company mainly purchased computer telecommunications equipment from subsidiaries and associates; the equipment acceptance with the amount of \$208 thousand from subsidiaries has not been completed, which was recognized for other noncurrent assets.

14) Disposals of property, plant and equipment

Related Party Category	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
Associates	\$ -	\$ 9,800	\$ -	\$ 1,628

15) Lease arrangements - the Company is lessee

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

Acquisition of right-of-use assets

Related Party Category	For the Year Ended December 31	
	2022	2021
Ultimate parent entity	\$ 38,503	\$ 6,339

Due to the impact of the COVID-19 pandemic, the Company negotiated a lease with CHT for partial counter lease cancellation and lease negotiation. For this lease modification, the Company remeasured the lease liability and reduced the above right-of-use assets \$2,893 thousand in 2021.

Line Item	Related Party Category	December 31	
		2022	2021
Lease liabilities - current	Ultimate parent entity	\$ 6,550	\$ 6,033
Lease liabilities - noncurrent	Ultimate parent entity	\$ 6,469	\$ 10,662

Line Item	Related Party Category	For the Year Ended December 31	
		2022	2021
Interest expense	Ultimate parent entity	\$ <u>437</u>	\$ <u>471</u>
Lease expense (accounted for operating expense)	Ultimate parent entity	\$ <u>11,441</u>	\$ <u>9,389</u>

16) Lease arrangements - the Company is lessor

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

Line Item	Related Party Category	For the Year Ended December 31	
		2022	2021
Non-operating income	Ultimate parent entity	\$ 667	\$ 3,339
	Subsidiaries	804	2,246
	Associates	45,611	45,611
	Other related parties	<u>2</u>	<u>2</u>
		\$ <u>47,084</u>	\$ <u>51,198</u>

c. Endorsements/guarantees provided

Related Party Category	December 31	
	2022	2021
Subsidiaries		
Endorsement/guarantee amount	\$ <u>500,000</u>	\$ <u>500,000</u>
Actual borrowing amount	\$ <u>500,000</u>	\$ <u>500,000</u>

d. Compensation of key management personnel

The remuneration of directors and members of key management personnel for the years ended December 31, 2022 and 2021 was as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 68,800	\$ 49,054
Post-employment benefits	<u>1,289</u>	<u>673</u>
	\$ <u>70,089</u>	\$ <u>49,727</u>

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

23. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Company as of balance sheet dates were as follows:

The Company applied for post-release duty payment to the customs. As of December 31, 2022 and 2021, the amount of bank guarantees for the application were both \$10,000 thousand.

24. OTHER ITEMS

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

25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2022

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Assets denominated in foreign currencies</u>			
Monetary items			
USD	\$ 13	1:30.708 (USD:NTD)	\$ 406
Non-monetary items			
Investments accounted for using the equity method			
USD	1,200	1:30.708 (USD:NTD)	36,848

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Assets denominated in foreign currencies</u>			
Monetary items			
USD	\$ 340	1:27.690 (USD:NTD)	\$ 9,425
Non-monetary items			
Investments accounted for using the equity method			
USD	1,191	1:27.690 (USD:NTD)	32,968

Liabilities denominated in foreign currencies

Monetary items			
JPY	3,961	1:0.2406 (JPY:NTD)	953

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

26. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided: See Table 1.
- 3) Marketable securities held (excluding investments in subsidiaries and associates): See Table 2.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 3.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 4.
- 9) Names, locations, and other information of investees in which the Company exercises significant influence (excluding investment in mainland China): See Table 5.
- 10) Trading in derivative instruments: See Note 21.

b. Information on investments in mainland China:

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

- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position: None.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 7.

TABLE 1

SENAO INTERNATIONAL CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (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 the Company on Behalf of Subsidiaries (Note 5)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of the Company (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 Technologies Co., Ltd. Win Technologies Co., Ltd.	b b	\$ 630,851 630,851	\$ 300,000 200,000	\$ 300,000 200,000	\$ 300,000 200,000	\$ - -	4.76% 3.17%	\$ 3,154,258 3,154,258	Yes Yes	- -	- -	- -

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

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

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

- A company with which it does business.
- A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

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

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

Note 5: The following circumstances represent "Yes":

- Endorsement/guarantee given by parent on behalf of subsidiaries.
- Endorsement/guarantee given by subsidiaries on behalf of the Company.
- Endorsement/guarantee given on behalf of companies in mainland China.

TABLE 2

SENAO INTERNATIONAL CO., LTD.

MARKETABLE SECURITIES HELD (DO NOT INCLUDE SUBSIDIARY AND RELATED PARTY)
 DECEMBER 31, 2022
 (Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2022				Note
				Shares (Thousands/ Thousand Units)	Carrying Value	Percentage of Ownership	Fair Value	
Senao International Co., Ltd.	Stocks N.T.U. Innovation Incubation Corporation	-	Financial assets at FVOCI	1,200	\$ 10,428	9.41	\$ 10,428	-

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

TABLE 3

SENAO INTERNATIONAL CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction (Note 2)			Notes/Trade Payable or Receivable		Note
			Purchase/ Sales	Amount	% to Total	Payment Terms	Units Price	Payment Terms	Ending Balance	% to Total	
Sena International Co., Ltd.	Chunghwa Telecom Co., Ltd. Aval Technologies Co., Ltd.	Ultimate parent entity Subsidiary	Sales	\$ 7,218,007	24.77	30-90 days	\$ -	-	\$ 951,247	51.41	Note 1
			Purchase	3,785,494	14.87	30 days	-	-	(378,583)	(17.30)	
			Sales	354,836	1.22	60 days	-	-	54,984	2.97	
Aval Technologies Co., Ltd.	Chunghwa Telecom Co., Ltd. Youth Co., Ltd. ISPOT Co., Ltd.	Ultimate parent entity Fellow subsidiary Subsidiary of fellow subsidiary	Purchase	239,559	0.94	30 days	-	-	(12,561)	(0.57)	Note 1
			Sales	345,739	1.19	30 days	-	-	20,066	1.08	
			Sales	129,705	0.45	30 days	-	-	16,404	0.89	
			Sales	105,031	0.36	30 days	-	-	13,907	0.75	

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

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

TABLE 4

SENAO INTERNATIONAL CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent entity	\$ 1,096,214 (Note 1)	8.10 (Note 2)	\$ -	-	\$ 80,373	\$ -

Note 1: The receivables from related parties included \$138,224 thousand which is the amount of products sold by Chunghwa Telecom Co., Ltd. for the Company, 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 the Company.

TABLE 5

SENAO INTERNATIONAL CO., LTD.

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Shares (Thousands)	Balance as of December 31, 2022		Net Income (Loss) of the Investee	Recognized Gain (Loss)	Note
				December 31, 2022	December 31, 2021		Percentage of Ownership (%)	Carrying Value			
Senao International Co., Ltd.	Senao Networks, Inc.	Taiwan	Telecommunication facilities manufacturing and sales	\$ 202,758	\$ 202,758	16,579	33.79	\$ 1,395,858	\$ 1,064,850	\$ 359,842	Note 1
	Senao International (Samoa) Holding Ltd.	Samoa Islands	International investment	2,046,143 (US\$ 68,275)	2,046,143 (US\$ 68,275)	1,191	100.00	36,848 (US\$ 1,200)	278 (US\$ 9)	278 (US\$ 9)	Notes 1 and 2
	Youyi Co., Ltd.	Taiwan	Sale of information and communication technologies products	427,850	427,850	14,752	95.79	180,344	(10,463)	(16,082)	Notes 1 and 3
	Aval Technologies Co., Ltd.	Taiwan	Sale of information and communication technologies products	89,550	89,550	11,660	100.00	129,560	9,945	9,946	Notes 1 and 4
	Senyoung Insurance Agent Co., Ltd.	Taiwan	Property and liability insurance agency	59,000	59,000	5,900	100.00	100,817	33,444	33,450	Notes 1 and 5
Senao International (Samoa) Holding Ltd.	Senao International HK Limited	Hong Kong	International investment	2,060,467 (US\$ 68,740)	2,060,467 (US\$ 68,740)	80,440	100.00	34,207 (US\$ 1,114)	-	-	Note 1
	ISPOC Co., Ltd.	Taiwan	Sale of information and communication technologies products	53,021	53,021	-	100.00	14,131	2,420	2,228	Notes 1 and 6
	Youyi Co., Ltd.	Taiwan	Maintenance of information and communication technologies products	21,354	21,354	-	100.00	5,150	(2,013)	(12,474)	Notes 1 and 7
Aval Technologies Co., Ltd.	Winn Technologies Co., Ltd.	Taiwan	Sale of information and communication technologies products	29,550	29,550	3,845	100.00	45,810	6,370	6,370	Note 1
Senyoung Insurance Agent Co., Ltd.	Senmolife Insurance Agent Co., Ltd.	Taiwan	Life insurance agency	29,500	29,500	2,950	100.00	21,804	(1,685)	(1,685)	Note 1

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

Note 2: Senao International (Samoa) Holding Ltd. reduced capital to make up for the loss of US\$30,684 thousand in November 2022.

Note 3: Loss of Youth Co., Ltd. of \$10,463 thousand in 2022; the amount of \$10,036 thousand is the premium and the intangible assets resulting from acquisition on the basis of fair value and its accumulated amortization; the amount of \$15,655 thousand is the deduction from the amortization and the impairment loss of this premium and intangible assets.

Note 4: An investment gain of \$9,945 thousand; the amount of \$1 thousand is comprised of lease arrangements between the parent entity and subsidiaries.

Note 5: An investment gain of \$33,444 thousand; the amount of \$6 thousand is comprised of lease arrangements between the parent entity and subsidiaries.

Note 6: An investment gain of \$2,420 thousand; the amount of \$192 thousand is comprised of adjustment arising from the increase of continuing interest.

Note 7: An investment loss of \$2,013 thousand; the amount of \$10,461 thousand is comprised of adjustment arising from the increase of continuing interest, and impairment loss on intangible assets, and lease arrangements between the parent entity and subsidiaries.

Note 8: Information on investees in mainland China, refer to Table 6.

TABLE 6

SENAO INTERNATIONAL CO., LTD.

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 3)	Carrying Value as of December 31, 2022 (Notes 2 and 3)	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow							
Senao International Trading (Shanghai) Co., Ltd.	Sale of information and communication technologies products	\$ 955,838 (US\$ 32,000)	b	\$ 955,838 (US\$ 32,000)	\$ -	\$ -	\$ 955,838 (US\$ 32,000)	\$ -	100	\$ -	\$ -	\$ -	Note 4
Accumulated Investment in Mainland China as of December 31, 2022		Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)											
\$955,838 (US\$32,000)													
	Investment Amounts Authorized by Investment Commission, MOEA												
	\$2,047,858 (US\$68,292)												

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

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

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

Note 3: We calculated the upper limit on investment in accordance with the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area".

Note 4: Senao International Trading (Shanghai) Co., Ltd. was approved to dissolve its business on December 23, 2020 by the Board of Directors. The liquidation of Senao International Trading (Shanghai) Co., Ltd. was completed in April 2021, and the residual fund has been repatriated to Senao International (SAMOA) Holding Ltd. As of December 31, 2022, the investment commission of MOEA has not yet approved the deregistration of Senao International Trading (Shanghai) Co., Ltd.

TABLE 7**SENAO INTERNATIONAL CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

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.

SENAO INTERNATIONAL CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Item	Statement Index
Major Accounting Items in Assets and Liabilities	
Statement of cash and cash equivalents	1
Statement of notes receivable, net	2
Statement of trade receivables, net	3
Statement of inventories	4
Statement of changes in investments accounted for using equity method	5
Statement of changes in property, plant and equipment	Note 10
Statement of changes in accumulated depreciation of property, plant and equipment	Note 10
Statement of changes in right-of-use assets	6
Statement of deferred income tax assets	Note 18
Statement of trade payables	7
Statement of lease liabilities	8
Major Accounting Items in Profit or Loss	
Statement of net revenue	9
Statement of operating costs	10
Statement of selling and marketing expenses	11
Statement of general and administrative expenses	12
Statement of other income and expenses	Note 17
Statement of employee benefit, depreciation and amortization by function	13

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

Item	Description	Amount
Cash in banks and petty cash		\$ 320,678
Checking accounts and demand deposits		863,758
Foreign currency deposits	Including US\$13 thousand @30.708	406
Commercial paper	Maturities from 2022.12.21 to 2023.01.06, interest rates 0.67%	<u>399,310</u>
		<u>\$ 1,584,152</u>

STATEMENT 2

SENAO INTERNATIONAL CO., LTD.

**STATEMENT OF NOTES RECEIVABLE, NET
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Client A	\$ 24,468
Client B	8,869
Client C	7,636
Client D	6,564
Client E	6,000
Client F	4,552
Others (Note)	<u>31,876</u>
	89,965
Less: Allowance for impairment loss	<u>931</u>
	<u>\$ 89,034</u>

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

STATEMENT 3

SENAO INTERNATIONAL CO., LTD.

**STATEMENT OF TRADE RECEIVABLES, NET
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Client G	\$ 236,456
Client H	79,961
Client I	66,376
Others (Note)	<u>360,875</u>
	743,668
Less: Allowance for impairment loss	<u>21,357</u>
	<u>\$ 722,311</u>

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

STATEMENT 4

SENAO INTERNATIONAL CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Merchandise inventories	<u>\$ 2,700,385</u>	<u>\$ 3,084,606</u>

SENAO INTERNATIONAL CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Investees	Balance, January 1, 2022		Additions in Investment		Decrease in Investment		Gain or (Loss) on Investment Accounted for		Adjustment in Using Equity Method		Balance, December 31, 2022		Net Assets Value (Note 8)	Collateral	Note
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Using Equity Method	Using Equity Method	in Using Equity Method	Amount	Proportion of Ownership %	Amount			
Senao International (Samoa) Holding Ltd. ("Senao Samoa")	31,875	\$ 32,968	-	\$ -	(30,684)	\$ -	\$ 278	\$ 3,602	\$ 3,602	\$ 36,848	100.00	\$ 36,848	\$ 36,848	Nil	Notes 1 and 2
Senao Networks, Inc. ("SNI")	16,579	1,077,604	-	-	-	-	359,842	(41,588)	(41,588)	1,395,858	33.79	1,395,858	1,395,858	Nil	Note 3
Youth Co., Ltd. ("Youth")	14,752	196,426	-	-	-	-	(16,082)	-	-	180,344	95.79	180,344	154,504	Nil	Note 4
Aval Technologies Co., Ltd. ("Aval")	10,840	119,614	820	-	-	-	9,946	-	-	129,560	100.00	129,560	129,557	Nil	Notes 5 and 6
Senyoung Insurance Agent Co., Ltd. ("Senyoung")	5,900	99,817	-	-	-	-	33,450	(32,450)	(32,450)	100,817	100.00	100,817	100,817	Nil	Notes 6 and 7
		<u>\$ 1,526,429</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ 387,434</u>	<u>\$ (70,436)</u>		<u>\$ 1,843,427</u>		<u>\$ 1,843,427</u>	<u>\$ 1,817,584</u>		

Note 1: The adjustment in using equity method of Senao International (Samoa) Holding Ltd. was resulted from exchange differences on translating the financial statements of foreign operations.

Note 2: Senao International (Samoa) Holding Ltd. reduced capital of US\$30,684 thousand to offset deficits in November 2022.

Note 3: The adjustments in using equity method of SNI include the following:

- a. Share of exchange differences arising from the translation of the foreign operations of associates accounted for using the equity method through other comprehensive gain or loss. \$ 6,656
 - b. Share of remeasurement of defined benefit plans of associates accounted for using the equity method through other comprehensive gain or loss. 1,493
 - c. Cash dividends paid by investees. (49,737)
- \$ (41,588)

Note 4: The difference between balances of December 31, 2022 and net assets value was the unamortized amount between consideration received and receivable and net identifiable assets arising from the acquisition of Youth by the Company.

Note 5: In May 2022, Aval issued 820 thousand shares through capitalization of earnings.

Note 6: The difference between balances of December 31, 2022 and net assets value was the unamortized amount from the lease contracts between parent entity and subsidiaries.

Note 7: The adjustments in using equity method of Senyoung arose from the cash dividends paid by investees.

Note 8: The amounts were based on audited financial statements.

STATEMENT 6**SENAO INTERNATIONAL CO., LTD.****STATEMENT OF RIGHT-OF-USE ASSETS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

	Balance on January 1, 2022	Additions	Decreases	Closing Balance
<u>Cost</u>				
Buildings	\$ 1,058,162	\$ 400,911	\$ 356,114	\$ 1,102,959
Transportation equipment	2,611	329	2,940	-
Others	694	376	376	694
	<u>1,061,467</u>	<u>401,616</u>	<u>359,430</u>	<u>1,103,653</u>
<u>Accumulated depreciation</u>				
Buildings	549,802	297,903	344,849	502,856
Transportation equipment	1,341	564	1,905	-
Others	307	509	376	440
	<u>551,450</u>	<u>298,976</u>	<u>347,130</u>	<u>503,296</u>
	<u>\$ 510,017</u>	<u>\$ 102,640</u>	<u>\$ 12,300</u>	<u>\$ 600,357</u>

STATEMENT 7

SENAO INTERNATIONAL CO., LTD.

STATEMENT OF TRADE PAYABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Vendor A	\$ 777,204
Vendor B	257,982
Vendor C	246,943
Vendor D	95,482
Vendor E	89,704
Others (Note)	<u>320,957</u>
	<u>\$ 1,788,272</u>

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

STATEMENT 8**SENAO INTERNATIONAL CO., LTD.****STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Lease Term	Discount Rate (%)	Closing Balance
Buildings	2019.01-2031.11	1.30-1.79	\$ 611,946
Others	2021.03-2024.02	1.30-1.79	<u>256</u>
			612,202
Less: Lease term ends not later than 1 year			<u>220,535</u>
			<u>\$ 391,667</u>

STATEMENT 9

SENAO INTERNATIONAL CO., LTD.

**STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Sales revenue	\$ 28,429,612
Less: Sales returns	216,357
Sales discounts and allowances	<u>762,384</u>
Net sales	27,450,871
Revenue from rendering of services	1,136,057
Revenue from repairs and maintenance services	<u>555,959</u>
Net revenue	<u>\$ 29,142,887</u>

STATEMENT 10**SENAO INTERNATIONAL CO., LTD.****STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Merchandise inventories, beginning of year	\$ 2,613,134
Add: Merchandise purchased	27,807,077
Less: Merchandise inventories, end of year	2,700,385
Purchase discounts and allowances	2,349,346
Transferred to repair costs	219,552
Add: Others	<u>511,876</u>
Cost of goods sold	25,662,804
Service and repair costs	<u>452,898</u>
Operating costs	<u>\$ 26,115,702</u>

STATEMENT 11

SENAO INTERNATIONAL CO., LTD.

**STATEMENT OF SELLING AND MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Payroll expense	\$ 1,150,589
Depreciation expense	321,910
Business promotion expense	208,655
Bank commission	142,724
Insurance expense	134,182
Freight	126,259
Others (Note)	<u>314,623</u>
	<u>\$ 2,398,942</u>

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

STATEMENT 12

SENAO INTERNATIONAL CO., LTD.

**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Payroll expense	\$ 166,547
Depreciation expense	26,317
Service fee	19,806
Repair expense	18,377
Others (Note)	<u>79,911</u>
	<u>\$ 310,958</u>

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

SENAO INTERNATIONAL CO., LTD.

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022			2021		
	Belonging to Operating Costs	Belonging to Operating Expenses	Total	Belonging to Operating Costs	Belonging to Operating Expenses	Total
Employee benefit expenses (Note)						
Payroll expense	\$ 50,922	\$ 1,232,756	\$ 1,283,678	\$ 54,761	\$ 1,222,386	\$ 1,277,147
Labor and health insurance	6,268	140,567	146,835	6,823	133,748	140,571
Pension	2,902	67,141	70,043	3,152	62,404	65,556
Remuneration to directors	-	17,239	17,239	-	14,827	14,827
Others	3,457	78,119	81,576	3,532	78,086	81,618
	<u>\$ 63,549</u>	<u>\$ 1,535,822</u>	<u>\$ 1,599,371</u>	<u>\$ 68,268</u>	<u>\$ 1,511,451</u>	<u>\$ 1,579,719</u>
Depreciation expense	<u>\$ 918</u>	<u>\$ 348,227</u>	<u>\$ 349,145</u>	<u>\$ 2,755</u>	<u>\$ 344,713</u>	<u>\$ 347,468</u>
Amortization expense	<u>\$ -</u>	<u>\$ 13,372</u>	<u>\$ 13,372</u>	<u>\$ -</u>	<u>\$ 19,303</u>	<u>\$ 19,303</u>

Note 1: As of December 31, 2022 and 2021, the Company had an average of 2,058 and 2,099 employees, respectively, including 8 and 7 non-employee directors, respectively.

Note 2: As of December 31, 2022 and 2021, the average employee benefit expense were \$772 thousand and \$748 thousand, respectively. (The average employee benefit expense equals the total remuneration of directors divided by the number of non-employee directors).

Note 3: As of December 31, 2022 and 2021, the average payroll expense were \$626 thousand and \$610 thousand, respectively. (The average payroll expense equals the payroll divided by the number of non-employee directors).

Note 4: The average payroll expense adjustment rate is 2.62%.

Note 5: The Company does not have supervisors; therefore, there is no remuneration to supervisors.

Note 6: The remuneration policy for directors, management personnel and employees are as follow:

- a. The remuneration of directors is paid for each attendance of the board of directors in accordance with the resolutions of the board of directors. Independent directors are paid monthly fixed remuneration, and distribute directors' remuneration in accordance with the Company's policies without paying other related floating remunerations. The remuneration of directors has been fully considered with the Company's operating objectives, financial status and directors' responsibilities, and is linked to the profitability of operating performance. The remuneration of directors is submitted to the board of directors for resolution after reviewed by the remuneration committee.
- b. The salary of managers and employees is divided into fixed salary and variable salary. The fixed salary is handled in accordance with the Company's "Salary and Benefit Management Regulations", and is verified according to the job title and professional ability. Floating salary includes year-end bonus, performance appraisal bonus and employee remuneration, which are issued according to the Company's operating conditions and performances.
- c. The Company grants year-end bonuses, performance appraisal bonuses, and contributes employee remuneration in proportion to annual surplus based on operating performance. The amount allocated is linked to operating performance profits. It is submitted to the board of directors for resolution after reviewed by the remuneration committee.