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Senao International Co., Ltd.
2023 Annual Report

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Prepared by Senao International Co., Ltd.

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I. Message to Shareholders

I. Message to Shareholders

Dear Shareholders:

In 2023, Senao International Co., Ltd. reported consolidated operating revenue of NT\$31.269 billion, net income of NT\$705 million, net profit attributable to owners of the parent of NT\$706 million and earnings per share of NT\$2.73. In comparison to 2022, the operating revenue increased by 0.36% and the net income grew by 7.31%.

In 2023, we officially said goodbye to the pandemic of the past three years, and the social economy and people's lives have returned to normal. The pandemic has affected enterprises, and many industries have accelerated digital transformation, adjusted market strategies, and changed business models. For people's livelihoods, people have raised their health awareness. In addition to wearable devices that provide regular checks and real-time monitoring, health food to enhance autoimmune and maintenance of health has also grown rapidly in recent years. The Company is the distributor of "sakuyo," a Japanese health supplements brand. Senao with the intention of caring for family health continues to develop new products that meet the needs of all age groups and allow consumers to shop on all online and offline channels conveniently.

With the increasingly popular 5G and smart networking development, the application of healthy networking appliances oriented to the common needs and health of the whole family is bound to become the mainstream trend in the future. The Company works with the parent company Chunghwa Telecom to provide complete, diverse products through telecommunication mobile phone number subscription service and fixed network business. They continue to provide services at up to 240 retail stores, wholesale channels and Senaonline in 17 counties and cities and offshore islands in Taiwan, and strengthen operation of the commercial district in the community. In addition, in terms of network infrastructure, the Company also works closely with the network communication equipment brand "EnGenius" of its affiliated Senao Networks, Inc. In the future, the Company will provide complete network and application services for individuals, homes to business users.

Adhering to the concept of giving back to the society, the Company has held the "Love Learning" courses for three consecutive years. "Love Learning" is a free learning seminar for all ages. In addition to new knowledge of

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professional technology and application teaching on electronics, more correct concepts of life and healthcare are provided to the public. The “Indigenous Community Exploration Documentary Film Contest” organized by the Senao Technical and Cultural Foundation has also entered its 15th year. The event aims to record, find out and share the beautiful lands, landscapes, and emotional connections between people and the meaning of traditional culture. Technology not only facilitates daily life, it is also an important tool for cultural preservation and inheritance.

In the forecast for the year 113, Senao International will continue to operate our core business steadily, strengthen operation of commercial districts in the community, deepen interaction with Senao International members, and develop cross-industry alliances. The management team will continue to uphold the ethical operation, build an omnichannel brand, integrate with the corporate social responsibility, and seek the maximum benefit for shareholders. We would like to express our deep gratitude for all shareholders’ continuous support.

Finally, we wish all shareholders
good health and success

Chairman: Jung-Tzu Lin

President Pao-Yung Lin

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1. 2023 Operating Result

(1) Operating Result and financial expenditure:

Annual consolidated operating income reached NT\$31.269 billion; profit before tax was NT\$813 million; net income was NT\$705 million; net income attributable to owners of parent was NT\$706 million; earnings per share was NT\$2.73.

(2) Budget execution: the financial forecast for 2023 was not disclosed, hence it is unknown that whether or not the budget has been achieved.

(3) Profitability Analysis:

Profitability Analysis

Item \ Year	Year 2023	Year 2022
Return on Assets (%)	7.03	6.16
Return on Equity (%)	11.05	10.54
Net Profit Margin (%)	2.25	2.10
Earnings per Share (NT\$)	2.73	2.55

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

(4) Research and Development:

In 2023, mainly due to factors such as the overall economic recession, inflation, and inventory pressure at the beginning of the year, global smartphone shipments decreased by about 3.2%, or 1.17 billion set in quantity, compared to 2022 according to the preliminary statistics in the latest IDC mobile phone report (IDC Worldwide Quarterly Mobile Phone Tracker). However, the annual growth rate in the fourth quarter of 2023 was 8.5%, higher than the expected 7.3%, with a total shipment of about 326 million units. The strong growth is helpful for the communication market in 2024; IDC is optimistic about the recovery of the mobile phone market in 2024, and the shipment is expected to increase by 2.8% year-on-year to 1.2 billion units.

In 2024, the communication market will be dominated by the topic of artificial intelligence (AI) and it will continue to flourish and set off a wave of AI smartphones. IDC expects the shipment of AI smartphones to reach 170 million units this year, accounting for nearly 15% of the overall mobile phone shipments, and it will continue to grow year by year.

➤ Development Trend of Smartphones:

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

- (1) Processor: Looking back to 2023, 5G mobile phones have become the basic configuration of mid-range mobile phones. According to the further observation of the development of 5G mobile phones by the research organization, Institute of Information Industry, the penetration rate is expected to grow from 59% in 2023 to 68% in 2024. This year, the processors for flagship mobile phones of major mobile phone brands are mainly equipped with Qualcomm Snapdragon 8 Gen 2plus and MediaTek Dimensity 9200. The latest flagship CPU released in the second half of 2023: Dimensity 9300 will be MediaTek's first AI chip built by TSMC's 4nm process. Compared to the previous generation, its unprecedented features of higher intelligence, higher performance, higher efficiency, and low power consumption are enough to challenge the performance pinnacle of flagship mobile phones. At the end of 2023, MediaTek and VIVO, a leading Chinese brand, jointly announced the vivo X100 series, the first AI mobile phone in Taiwan.
- (2) Monitor: In the past few years, all mobile phone brands have aimed for a 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, the mobile phone with a foldable monitor was developed. Samsung, the Android leader in the launch of foldable mobile phones, has successively launched the fifth-generation foldable flagship Galaxy Z5 series this year. It continues to expand the outer screen of foldable mobile phones. With the success of Samsung's foldable mobile phones, Oppo, another leading brand in China, also launched the N2 and N3 series of foldable mobile phones in 2023 in continuation of the folding series last year. With the joint efforts of major mobile phone manufacturers, TrendForce, a research institution, pointed out that with the evolution of technology and materials, the penetration rate of OLED foldable mobile phones is expected to reach 1.1% this year.
- (3) Display: In recent years, consumers have started to pursue smooth screen scrolling, implying that the 120Hz refresh rate has become a standard for mid-range phones. Some gaming phones specialize in "e-sports grade," such as ASUS ROG models, have reached 165Hz refresh rates. Users can enjoy a smoother and cleaner image display effect without image sticking when playing high-quality moving videos or playing 3D heavyweight game masterpieces, bringing users more

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excellent audio-visual experiences.

- (4) Battery: As people attach more importance to their cellphones, most entry-level cellphones are equipped with a 5000mah battery. In 2023, brands no longer emphasized battery capacity, but more on battery life and durability, especially battery life. The iterative update of CPUs and TSMC's high-end process have improved battery efficiency. This year, the battery life of mobile phones with the same battery capacity has also been significantly improved.
- (5) Camera: As for the camera, according to TrendForce's research, most of the mid-to-low-end mobile phones of different brands in 2023 were equipped with a configuration model of "50MP main lens with the number of rear lenses reduced to 3." For flagship mobile phones, there are three types of main built-in image sensors. Most of the Android flagship mobile phones use the IMX989 1" sensor jointly developed by Xiaomi and Sony. Samsung, the leading mobile phone brand of the Android camp, uses its own 200M pixel sensor. The area of the sensor is expected to be less than 1". The iPhone's image sensor will be provided by Sony with the latest two-layer photosensitive element made using the latest technology. It has been a couple of years since the periscope was applied to the telephoto lens of mobile phones. This year, even the iPhone was equipped with a periscope telephoto camera. Looking to next year, in addition to the powerful cameras, brands are actively developing ways to use AI software to assist cameras in improving the quality of photography. The vivo X100 series equipped with AI chips launched at the end of the year places more emphasis on photography. Using a powerful telephoto lens with AI technology, the vivo X100 series has become the first flagship model of "camera shooting the sun" in 2023.
- (6) Memory and capacity: With the faster network speed, network traffic and data spike in the 5G era. As daemon usage increases, the resolution of phone screens increases, and some large games or applications require a certain RAM size, so phone RAM is bound to increase. Nowadays most of the 5G phones have 8GB RAM. Flagship phones even have 12GB and 16GB RAM to meet more complicated needs. According to an internal analysis report from Macquarie Bank, the applications related to AI mobile phones will require larger memory capacity. The generative AI function for pictures will require up to 12GB of memory, and the digital assistant equipped with generative AI technology may require up to 20GB of memory. For size, 256G

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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:

In 2023, smart wearable accessories caught up with the cyclical product replacement wave. Many products with different prices and functions have emerged on the market for consumers to choose, and the shipment of smart wearable accessories has continued to grow steadily. The following is explained by product category:

- (1) True wireless Bluetooth earbuds: The true wireless Bluetooth earbuds market boomed in 2023. In addition to Apple and Samsung, which still maintain a high market share, other brands actively launch new products and have good market performance. Taking Sony as an example, following the WF-1000XM4 flagship earphone launched the year before last, the company introduced a new generation of WF-1000XM5 to the market. In addition to reducing the size and weight, it has obvious improvements in noise reduction and sound quality, and its subsequent sales are very eye-catching. In 2023, Apple not only released a new generation of mobile phones, the iPhone 15 series, but also introduced the USB-C version of the AirPods Pro 2. This earphone gives up the original lightning jack and can share a USB-C charging cable with the iPhone15 series. The iPhone 15 series can also be used to directly charge the AirPods Pro 2. The audio performance and dustproof and waterproof rating have also been upgraded, further driving a wave of replacement among consumers.
- (2) Smart watches and bracelets: Consumers' health awareness continues to rise in the post-pandemic era, which has led to the steady growth of the smart watch and bracelet markets in recent years. Major brands have introduced functions such as sleep, heart rate, and blood oxygen detection. For example, Samsung's new smart watch Galaxy Watch6 provides an electronic sleep coach as the main feature, and upgrades personal health tracking and sleep analysis. Its sales performance is also very good. On the other hand, due to the increasing care needs of children and senior citizens, products with fall detection, emergency SOS, GPS positioning and other functions have become the market's bright spot; in addition, software and hardware upgrades for fitness or other sports scenarios are becoming the key to product differentiation of various brands. For example, Apple Watch Ultra 2 has successfully entered the

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professional exercise management market with its powerful design and functions that can be used in the polar environment to meet the needs of special exercisers.

(3) AR and VR products: The annual global CES technology exhibition brings together innovative products and technologies from various fields around the world every year. AR and VR products are still the key items in which related manufacturers invest for development. HTC also launched the new VR product VIVE XR ELITE. It combines the features of two popular HTC products in the past, including the high-end performance of VIVE Focus 3, and the lightweight and portability of VIVE Flow, effectively lowering the threshold for consumers to use. In addition to being selected as the “Best Exhibit at CES 2023,” the sales performance is also very good. As more manufacturers enter the industry, related products will have the opportunity to become larger-scale consumer applications in the future, such as audio and video entertainment and game experience upgrade.

(4) Charging products: In response to the universal charging standard adopted by the European Parliament, the charging hole of the iPhone 15 series mobile phones has been converted from the previous lightning standard to the Type-C specification. As the Type-C specification has wider charging applications, it can be used for smartphones, tablets, etc. Electronic devices such as computers and game consoles all require charging and transmission. Under the global unified charging specifications and consumers’ dependence on electronic products, as well as the increase in demand for fast charging and transmission, the market demand of Type-C will continue to rise. In addition, the announcement of the Qi2 wireless charging specification heralds broader product applications and innovations, including magnetic attraction (same MagSafe function), faster charging speed, and globally harmonized standards. It will be applied to more products in the future and further drive market growth.

➤ Trends in the development of IT appliances:

In 2024, home appliances will develop in the two directions of wisdom and health; in terms of smart home, Samsung Electronics and LG Electronics and other brands have successively released the latest generation of AI smart home appliances; Samsung will launch a variety of innovative home appliances equipped with AI technology, including AI-equipped home appliances such as robot vacuums, upright vacuum cleaners, and smart refrigerators using AI algorithms to improve recognition and operation

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performance; LG announced that it will launch a smart home assistant robot equipped with advanced robotics and AI technologies. It is able to interact and communicate with users through voice. Meanwhile, its home appliances can control lights and air conditioners at home, and send alerts to the mobile phone of the user in case of unnecessary use of electrical appliances or external intrusions. They can thereby reduce household labor.

In the past, the technologies and specifications of smart homes around the world were different, which became the biggest problem of smart homes. As the new standard “Matter” overcomes the pain points of incompatibility and enables smart homes to enter a new era, ABI Research, a well-known market research institution, estimates that the business opportunities of smart homes will surge to USD317 billion (over NTD9.5 trillion) in 2026.

Compared to previous generations, modern people are more worried and depressed due to their living environment and lifestyle. Technology companies hope to reduce modern people’s anxiety by helping them live in a healthier living environment through technology products. For example, the application of an air purifier is no longer just to provide clean air. AI sensors are used to monitor the air and humidity indoors and outdoors. In case of indoor air abnormality, it will activate the mechanism corresponding to the special environment to repair the air. In addition to inquiring about physical conditions spontaneously, it can be integrated with medical institutions to help physicians or researchers have a clearer understanding of patients’ living environment, provide more accurate diagnosis and recommendations, and improve patients’ satisfaction.

All in all, with the advancement of technology and consumers’ increasing pursuit of quality of life, the concept of smart home is becoming more and more popular. Advancements in technology have brought people a more convenient and healthy life. A large number of cutting-edge technologies, such as artificial intelligence and machine learning, improve the user experience and make it easier for consumers to control their own conditions; with the popularity of smart and healthy home appliances, home appliance and IT manufacturers will be in a situation of both competition and cooperation, and the integration of resources will become fiercer. The ultimate beneficiaries are consumers who seek convenience, safety and comfort at home.

➤ Development trend of dietary supplements:

As the pandemic was gradually mitigated in 2023, people’s lives gradually returned to peace, but there is more health and body care now than before. Nielsen survey pointed out that 80% of the respondents still cared

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about food health after the pandemic. A market search by Go Survey indicated that over 90% of 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 the health of the users and their families. 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: In the digital era, 3C products have become an indispensable part of most people, but they damage eyes more easily when used for a long period of time. Everyone, including children, students, office workers and elders, might face short sightedness, eye fatigue, macular degeneration and dry eye syndrome. Eyesight failure has become a disease of civilization and how to protect the eyes and supplement them with the necessary nutrients such as vitamin A, C, E, and lutein has become an important, mainstream, public issue.
- (2) Sleep care: Good sleep has many impacts on human health and life. On average, people sleep about one-third of the day. A survey made by the Taiwan Society of Sleep Medicine indicates that one out of five people in Taiwan have sleeping disorder and the age of the people with sleeping disorder has become younger. Insomnia may affect memory, concentration, obesity, chronic diseases and other conditions. Therefore, related sleep aids and sleep relief product series have been introduced one after another.
- (3) Women’s healthcare: CAGR of women’s food supplements from 2011 to 2020 is over 9%, second only to immunity products. In recent years, people have been paying more and more attention to health and fitness, and women are paying more attention to their own health. This is

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urging women to actively seek suitable health supplements to maintain their physical and mental health. 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, Taiwan's population crossed a milestone for the first time. The 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 bone health, cardiovascular health, and cognition are healthcare areas worth attention.

With the post-pandemic generation and aging population, the public's healthcare concept has become more and more important, and the probability of purchasing nutritional supplements has increased to protect the health of the whole family. Senao has become the distributor of a Japanese health supplements brand, "sakuyo," since 2019. Senao has introduced a series of health supplements products to the market, including gift boxes for festivals or related product combinations in response to seasonal current affairs and various festivals, with the intention of caring for the health of the users and their families. 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 change consumers' existing impression that Senao only sells 3C products. Senao can also protect the health of the entire family with the ultimate goal of providing preventive healthcare, connecting information flow, and offering health promotion and preventive healthcare services through big data analysis.

2. 2024 Business Plan

(1) Business Policy

- (1) Analyze and make good use of the member database to provide push messages about exclusive offers that are more in line with consumption preferences of members, strengthen the adhesion of repurchase and repeat purchase, and thereby enhance member satisfaction.
- (2) Optimize retail outlet services and sales items, provide localized sales packages for seasonal and current events products, and use the

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community-based group communication model to shorten the distance from residents in local communities and business districts, so that services can be more regardless of location impact.

- (3) Expand the product options and optimize the operation of the B2B platform for distribution, serve more distributors and customers, and provide more diversified and convenient purchasing options and discounts.
 - (4) Become the No. 1 designated company in the collection and sale of used mobile phones, and provide customers with a transparent selling process to put their mind at rest and a guaranteed safe service for buying mobile phones to build customer confidence.
- (2) Business Objectives:
- (1) Strengthen the stickiness of the existing customers of the parent company, Chunghwa Telecom, optimize service items and expand sales contents, and strengthen the connection between the community and the store through social marketing; reach out to more non-Chunghwa customers through the rapid diffusion of social marketing to increase the number of customers.
 - (2) 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.
 - (3) Strengthen the relationship and cooperation with distributors, and increase the output of distribution and sales by adding new products and categories of products and using digital platform marketing strategies.
 - (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.
 - (5) Expand used mobile phone services, improve recycling efficiency, and increase sales channels to become the No. 1 designated company in the used mobile phone market.
- (3) 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 products with Chunghwa Telecom's telecom charges for sales in the whole channels of Chunghwa Telecom.

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- (2) Home appliances: Continue to introduce seasonal and best-selling products from the top-tier home appliance brands in the market, focus on customer needs, and increase the range of IoT health home appliances.
- (3) Health products: Continue to focus on the health supplements brand “sakuyo” imported from Japan, for which Senao is the distributor, develop health products that are more suitable for the needs of the whole family, and expand sales through traditional and online channels.

3. The Company’s Future Development Strategy

In response to the post-pandemic changes, IoT health home appliances that the whole family needs will inevitably become the mainstream demand. Senao will present the application scenarios to retail outlets for display and sales support through product selection and agency services, and combine the agency and sales of network communication equipment to establish basic infrastructure and service of network communication for home and business.

The Company continues to develop localized services for its retail outlets, and collaborates with the Senao Technical and Cultural Foundation in various public welfare activities and seminars through social media to actively interact with people and establish good connections, in the hope to become the first brand that consumers choose when they purchase digital products or need to solve a problem.

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

According to the forecast released by the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan in 2023, the economic growth rate in 2024 will be 3.35%. Since the pandemic will no longer have an impact and countries around the world have allowed tourism, it is estimated that the relative tourist population will increase significantly in 2024.

As for Taiwan’s telecommunications industry, the two major mergers announced at the end of 2021 were postponed until the end of 2023 for various reasons, and the situation has now returned to the original three players in the industry. The Company will continue to work closely with Chunghwa Telecom, the parent company, to promote its mobile communication business and home fixed network business with different pricing programs. The Company will continue to provide diversified product options and marketing strategies to consolidate the rights and interests of existing Chunghwa Telecom users and improve satisfaction, reduce customer churn and increase stickiness.

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.
- The EnGenius SN-900 Ultra was awarded the “1999 Best of

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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 “Good Design Product” award.

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- 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 phones in April.

II. Company Description

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

II. Company Description

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.
- 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.

II. Company Description

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.

2023

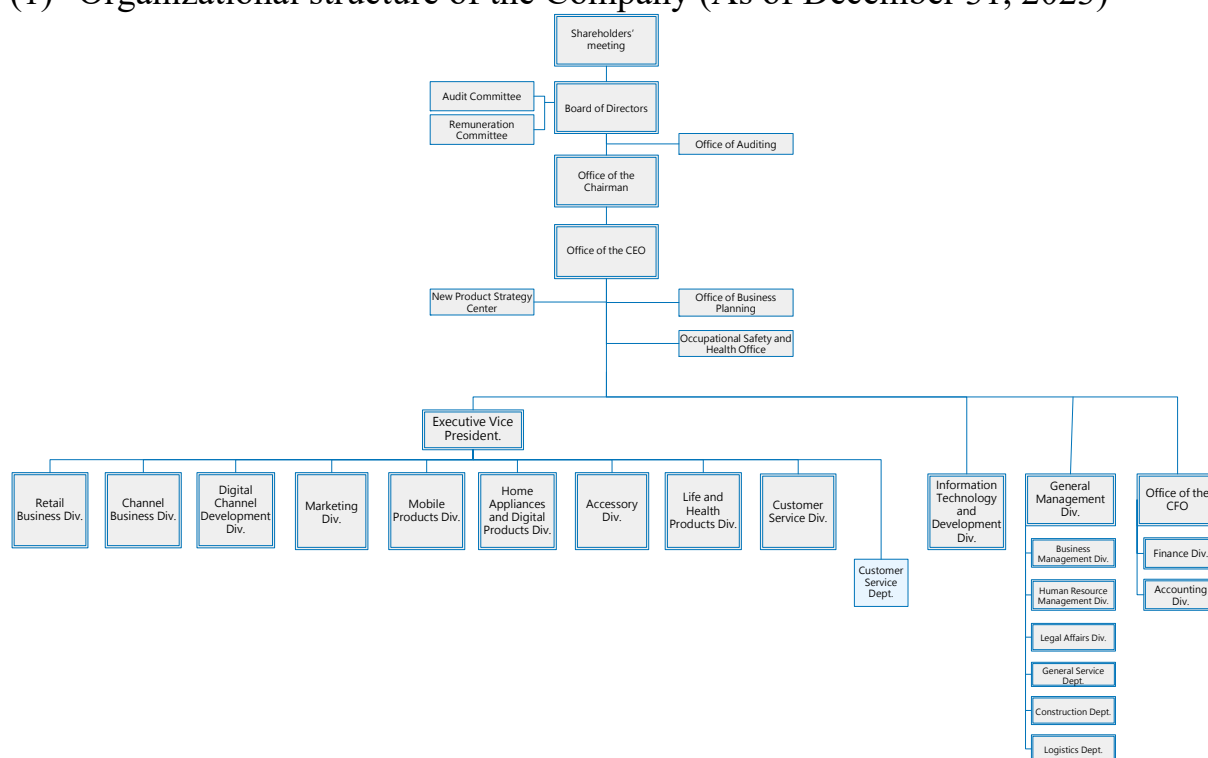
- Acquired ISO 27001 Information Security Management System Certification
- Comply with the “Internet Shopping Packaging Restrictions and Implementation Methods” announced by the Environmental Protection Administration of the Executive Yuan on February 16, 2023, and establish online shopping packaging reduction targets for 2024 to 2026.

III. Corporate Governance Report

III. Corporate Governance Report

1. Organization

(1) Organizational structure of the Company (As of December 31, 2023)



III. Corporate Governance Report

(2) Departments and responsibilities

III. Corporate Governance Report

Department	Functions and responsibilities
Office of the Chairman/ Office of the Chairman/ Office of the CEO	● 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.
Office of Auditing	● 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
Office of Business Planning	● 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 ● Development, planning and tracking management of Japanese product ● Agency, distribution, omnichannel planning, and sale of network equipment
Office of the CFO	● 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

III. Corporate Governance Report

Business Management Division	● Assistance in planning, developing and implementing the strategies of the Company to ensure that the organization can adapt to changes under different market conditions and maintain competitive advantages ● Dedicated to improving internal processes and operating modes of the organization to enhance operating efficiency and benefit, including optimization of sales processes, reduction of procurement costs, and increase resource utilization rate ● Responsible for supervising the actual implementation status of the organization and conduct performance evaluation and monitoring to ensure that the organization can achieve defined goals and indicators and adjust strategies and plans to achieve results as planned.
Legal Affairs Division	● 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
Logistics Department	● Responsible for the planning and execution of processing, storage, logistics and delivery of products
Retail Business Division	● 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, 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

III. Corporate Governance Report

Digital Channel Development Division	● 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
Customer Service Division	● 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 Division	● Responsible for business and overall channel marketing activity planning and coordination ● Responsible for brand and advertising marketing event planning and coordination
Mobile Products Division	● Responsible for communication/Tablet products development and introduction, procurement, marketing communications and sales promotion
Home Appliances and Digital Products Division	● Responsible for introduction, procurement, sales and marketing of home appliances ● Responsible for introduction, procurement, sales and marketing of information products
Accessory Division	● Responsible for introduction, procurement, sales and marketing of accessory products.
Life and Health Products Division	● Responsible for introduction, procurement, sales and marketing of life and health supplements products
Customer Service Department	● Responsible for handling customer complaints, communicating with all units and reporting problems

2. Background information of Directors, President, Vice- Presidents, Assistant Vice-Presidents and heads of departments and branch offices

(1) Background of Directors (As of February 29, 2024)

Title	Nationality or Place of registration	Name	Gender	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	2008.01.15	71,773,155	27.79%	71,773,155	27.79%	0	0	0	0	—	—	—	—	—	—
Chairman (Note 1)	R.O.C.	Rong-Shy Lin	Male 50–60 years old	2023.08.11	2025.06.14	Served as the Chairman from 2022.06.15 to 2023.05.30	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	Executive Vice-President, Chunghwa Telecom Co., Ltd. Marketing Department CISO and CSO, Chunghwa Telecom Director, Taiwan International Standard Electronics Ltd. Director, CHT Security Co., Ltd. Director, Chunghwa SEA Holding Director, Chunghwa Digital Culture and Creation Management Consulting Co., Ltd.	None	None	None	None
Director (Note 1)	R.O.C.	Wen-Chih Lin	Male 50–60 years old	2023.07.19	2025.06.14	2016.10.24-2018.03.26	0	0	0	0	0	0	0	0	Vice President, Administration Division, Chunghwa Telecom Co., Ltd. Master in Automatic Control Engineering, Feng Chia University	Vice President, Administration Division, Chunghwa Telecom Co., Ltd. Chairman, Smartfun Digital Co., Ltd. Director, Honghwa IC International Technology Co., Ltd. Director, Spring House Entertainment Technology Inc. Director, Kkbox Taiwan Co., Ltd.	None	None	None	
Director (Note 1)	R.O.C.	Hsueh-Hai Hu	Male 60–70 years old	2023.07.19	2025.06.14	2023.07.19	0	0	0	0	0	0	0	0	President, Personal and Family Group, Chunghwa Telecom Master in Transportation Management, National Cheng Kung University	President, Personal and Family Group, Chunghwa Telecom Director, So-Net Entertainment Taiwan Limited Director, Taipei Financial Center Corp. Director, Honghwa International CO., LTD. Director, Chunghwa Investment Co., Ltd. Director, Chunghwa Digital Culture and Creation Management Consulting Co.,	None	None	None	

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	
																Ltd.				
Director (Note 1)	R.O.C.	Su-Chiu Ke	Female 60–70 years old	2024.01.01	2015.06.14	2024.01.01	0	0	0	0	0	0	0	0	Vice President, Personal and Family Group, Chunghwa Telecom Department of Land Administration, National Chengchi University	President, Personal and Family Group, Chunghwa Telecom Director, Smartfun Digital Co., Ltd.	None	None	None	None
Director (Note 1)	R.O.C.	Min-Hung Tsai	Male 50–60 years old	2023.09.11	2025.06.14	2023.09.11	0	0	0	0	0	0	0	0	Vice President, Personal and Family Group, Chunghwa Telecom Master in Electrical Engineering, National Taiwan University EMBA, National Chiao Tung University	President of Tainan Branch, Chunghwa Telecom President, Spring House Entertainment Technology Inc. Director, Kkbox Taiwan Co., Ltd.	None	None	None	None
Director	R.O.C.	Cheng Kang Investment Co., Ltd.		2019.06.14	2022.06.13	2007.04.12	14,820,975	5.74%	14,820,975	5.74%	0	0	0	0	—	—	—	—	—	—
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. Master, International MBA English Program, National Chengchi University; Department of Japanese, 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	2016.06.27	0	0	0	0	162	0	0	0	Chairman, Fubon Securities Co., Ltd. EMBA, Finance, National Taiwan University	Director, Fubon 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	2022.06.15	2025.06.14	2019.06.14	0	0	0	0	0	0	0	0	President, Metanoia Communications Inc. Ph.D. In Electrical	Member of Remuneration Committee, Senao International Co., Ltd.;	None	None	None	None

III. Corporate Governance Report

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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	
			old												Engineering, University of Washington, U.S.A.	Member of Audit Committee, Senao International Co., Ltd.				
Independent Director	R.O.C.	Fu-Hai Yeh	Male 60-70 years old	2022.06.15	2025.06.14	2022.06.15	0	0	0	0	0	0	0	0	Vice Chairman, WPG Holdings 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. Independent director, Benq Materials Corp.	None	None	None	None
Independent Director	R.O.C.	Min-Ching Cheng	Male 70-80 years old	2022.06.15	2025.06.14	Served as the Director from 2011.10.20 to 2016.10.24	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. Independent director, NEXT COMMERCIAL BANK 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.	4.95%
	CTBC Bank Trust Account - CHT Employee Stock Ownership Trust Plan	3.97%
	Cathay Life Insurance Co., Ltd.	2.58%
	JP Morgan Chase Bank, N.A., acting as depositary and representative of CHT ADRS	2.47%
	Chunghwa Post Co., Ltd.	2.06%
	Labor Pension Fund of the New Labor Pension System, R.O.C.	2.03%
	Labor Insurance Fund, R.O.C.	1.34%
	Taiwan Life Insurance Co., Ltd.	1.03%
	Labor Pension Fund of the Old Labor Pension System, R.O.C.	0.83%
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 corporate governance information on the Chunghwa Telecom website 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 2022 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
Rong-Shy 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
Wen-Chih 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
Hsueh-Hai Hu	Have professional qualification and at least five years of experience in	(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	0

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Condition Name	Professional qualification and experience (Note 1)	Independence Status (Note 2.3)	Number of public companies also serving as independent directors
	the area needed by the Company.	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	
Su-Chiu Ke	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
Min-Hung Tsai	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
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	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
		relative within the second degree of kinship of other supervisors: Yes	
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 commerce, law, finance, accounting, 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
Wen-Tsan Wu	Have professional qualification and at least five years of experience in the area of commerce, law, 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	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
	work experience. Doesn't have any of the circumstances set forth in Article 30 of the Company Act.	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	
Fu-Hai Yeh	Have professional qualification and at least five years of experience in the area of commerce, law, 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	1
Min-Ching Cheng	Have professional qualification and at least five years of experience in the area of commerce, law, 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	1

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Condition Name	Professional qualification and experience (Note 1)	Independence Status (Note 2.3)	Number of public companies also serving as independent directors
	work experience. Doesn't have any of the circumstances set forth in Article 30 of the Company Act.	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	

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 page 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 134 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.

Note 4: For diversity and independence, please refer to page 56 3 (1) Has the Board of Directors formulated and executed a policy on diversity and concrete management goal?

(5) Background of the Management Team (As of February 29, 2024)

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 Financial Officer	R.O.C.	Miao-Ling Chen	Female	2023.08.18	0	0	0	0	0	0	Head of Accounting Division, Chunghwa Telecom International Business Group Graduated from Department of Business Administration, National Cheng Kung University	—	None	None	None	None
Executive Vice-President	R.O.C.	Chi-Hung Liao	Male	2014.01.01	162	0.00%	0	0	0	0	Sales Manager, Samsung Electronics Co., Ltd. EMBA, National Cheng Kung University	Director, Appleuser 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	R.O.C.	Tsai-Hung Yu	Female	2014.08.05	77,546	0.03%	0	0	0	0	Accounting Manager, 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
Senior Assistant Vice President (Finance Department Manager and Corporate Governance Manager)	R.O.C.	Chia-Chi Chen	Male	2013.05.02	0	0	0	0	0	0	Senior Assistant Vice President, Administration Division, Asia Pacific Telecom Master's in Management Science, National Chiao Tung University	—	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 Vice-President	R.O.C.	Wen-Kai Lai	Male	2017.04.01	2,000	0.00%	0	0	0	0	Manager, Northern Direct Retail Division, Senao International Co., Ltd. IMBA, Chinese Culture University	—	None	None	None	None
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	0.04%	12,000	0%	0	0	Assistant Vice-President, Senao International Co., Ltd. Msc Food Economics and Marketing, University of Reading	—	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	
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
Assistant Vice-President (Accounting Manager)	R.O.C.	Jin-Ding Liu	Female	2021.08.16	0	0	0	0	0	0	Senior Accounting Manager, Taihan Precision Technology Co., Ltd. B.A. in Economics, Fu Jen Catholic University	—	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., Director, Sen Yang Insurance Agency Co., Ltd. ;Director, Appleuser Co., Ltd.	President	Pao-Yung Lin	Father and son	None

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

Year 2023 Unit: thousand shares/ NTD 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		The Company	All Companies included in the financial statements	
Chairman	Rong-Shy Lin (Note 1)(Note 3)	0	0	0	0	12,722	12,722	490	490	13,212 (1.87%)	13,212 (1.87%)	14,125	14,125	0	0	2,850	0	2,850	0	30,188 (4.28%)	30,188 (4.28%)	42,928
Chairman	Cheng, Hung-Hui (Note 1)(Note 3)																					
Director	Tien-Tsai Su (Note 1) (Note 4)																					
Director	Chih-Cheng Chien (Note 1) (Note 4)																					
Director	Wen-Chih Lin (Note 1) (Note 4)																					
Director	Hsueh-Hai Hu (Note 1) (Note 4)																					
Director	Chien-Chih Chen (Note 1) (Note 5)																					
Director	Min-Hung Tsai (Note 1) (Note 5)																					
Director	Li-Hsiu Wu (Note 1)																					
Vice-Chairman	Pao-Yung Lin (Note 2)																					
Director	Cheng-Feng Lin (Note 2)																					
Director	Cheng-Kang Lin (Note 2)																					
Independent Director	Kung-Liang Yeh	4,920	4,920	0	0	0	0	330	330	5,250 (0.74%)	5,250 (0.74%)	0	0	0	0	0	0	0	5,250 (0.74%)	5,250 (0.74%)	None	
Independent Director	Wen-Tsan Wu																					
Independent Director	Fu-Hai Yeh																					
Independent Director	Min-Ching Cheng																					
Independent Director	Ai-Chun Pang																					

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 Rong-Shy Lin was discharged on May 30, 2023. Chunghwa Telecom Co., Ltd. appointed Cheng Hung-Hui. Chairman Cheng Hung-Hui resigned on July 15, 2023, and Chunghwa Telecom Co., Ltd. appointed Lin Rong-Shy on August 11, 2023.

Note 4: Directors Su Tien-Tsai and Chen Chien-Chih were discharged on July 19, 2023, and Lin Wen-Chih and Hu Hsueh-Hai were appointed as new directors.

Note 5: Director Chen Chien-Chih was discharged on September 11, 2023, and Tsai Min-Hung was appointed as the new director.

Note 6: The transportation fees for attending the board of directors' meeting in 2023.

Note 7: Salary, allowances, bonuses and benefits paid to director who concurrently works as company employee in 2023.

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 NTD1,000,000	Rong-Shy Lin, Cheng, Hung-Hui, Tien-Tsai Su, Chien-Chih Chen, Wen-Chih Lin, Hsueh-Hai Hu, Chien-Chih Chen, Min-Hung Tsai, Li-Hsiu Wu, Pao-Yung Lin, Cheng-Feng Lin, Cheng-Kang Lin	Rong-Shy Lin, Cheng, Hung-Hui, Tien-Tsai Su, Chien-Chih Chen, Wen-Chih Lin, Hsueh-Hai Hu, Chien-Chih Chen, Min-Hung Tsai, Li-Hsiu Wu, Pao-Yung Lin, Cheng-Feng Lin, Cheng-Kang Lin,	Rong-Shy Lin, Cheng, Hung-Hui, Tien-Tsai Su, Chien-Chih Chen, Wen-Chih Lin, Hsueh-Hai Hu, Chien-Chih Chen, Min-Hung Tsai, Li-Hsiu Wu	Rong-Shy Lin, Cheng, Hung-Hui, Tien-Tsai Su, Chien-Chih Chen, Wen-Chih Lin, Hsueh-Hai Hu, Chien-Chih Chen, Min-Hung Tsai, Li-Hsiu Wu
NTD 1,000,000 (inclusive) - NTD 2,000,000 (exclusive)	Kung-Liang Yeh, Wen-Tsan Wu, Fu-Hai Yeh, Min-Ching Cheng, Ai-Chun Pang,	Kung-Liang Yeh, Wen-Tsan Wu, Fu-Hai Yeh, Min-Ching Cheng, Ai-Chun Pang,	Kung-Liang Yeh, Wen-Tsan Wu, Fu-Hai Yeh, Min-Ching Cheng, Ai-Chun Pang, Cheng-Kang Lin	Kung-Liang Yeh, Wen-Tsan Wu, Fu-Hai Yeh, Min-Ching Cheng, Ai-Chun Pang, Cheng-Kang Lin
NTD 2,000,000 (inclusive) - NTD 3,500,000 (exclusive)	0	0	Cheng-Feng Lin	Cheng-Feng Lin
NTD 3,500,000 (inclusive) - NTD 5,000,000 (exclusive)	0	0	0	0
NTD 5,000,000 (inclusive) - NTD 10,000,000 (exclusive)	Chunghwa Telecom Co., Ltd. Cheng Kang Investment Co., Ltd.	Chunghwa Telecom Co., Ltd. Cheng Kang Investment Co., Ltd.	Chunghwa Telecom Co., Ltd. Cheng Kang Investment Co., Ltd.	Chunghwa Telecom Co., Ltd. Cheng Kang Investment Co., Ltd.
NTD 10,000,000 (inclusive) - NTD 15,000,000 (exclusive)	0	0	Pao-Yung Lin	Pao-Yung Lin
NTD 15,000,000 (inclusive) - NTD 30,000,000 (exclusive)	0	0	0	0
NTD 30,000,000 (inclusive) - NTD 50,000,000 (exclusive)	0	0	0	0
NTD 50,000,000 (inclusive) - NTD 100,000,000 (exclusive)	0	0	0	0
NTD 100,000,000 and above	0	0	0	0
Total	19	19	19	19

2. Remuneration paid to the President and Vice Presidents

Year 2023 Unit: NTD thousand/ thousand shares/%

Title	Name	Salary(A) (Note 3)		Pension(B)		Bonuses and special allowances etc. (E) (Note 4)		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	24,364	24,364	21,004	21,004	5,717	5,717	4,600	0	4,600	0	55,684 (7.89%)	55,684 (7.89%)	3,973
Chief Strategy Officer	Chih-Chung Chiu (Note 1)													
Chief Financial Officer	Chien-Chi Liao (Note 2)													
Chief Financial Officer	Miao-Ling Chen (Note 2)													
Executive Vice- President	Chi-Hung Liao													
Vice- President	Ching-Lang Chang													
Vice- President	Tsai-Hung Yu													
Vice- President	Chen-San Chou													
Vice- President	Chuan-Cheng Lin													

Note 1: CSO Chiu Chih-Chung retired on March 31, 2023.

Note 2: CFO Liao Chien-Chi was discharged on August 18, 2023 and was succeeded by Chen Miao-Ling.

Note 3: It is the salary and allowances paid to President and Vice-Presidents in 2023.

Note 4: It is the bonuses, allowances and other benefits paid to President and Vice-Presidents in 2023.

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 NTD1,000,000	Miao-Ling Chen	Miao-Ling Chen
NTD 1,000,000 (inclusive) - NTD 2,000,000 (exclusive)	Chien-Chi Liao	Chien-Chi Liao
NTD 2,000,000 (inclusive) - NTD 3,500,000 (exclusive)	Tsai-Hung Yu, Chen-San Chou, Chuan-Cheng Lin	Tsai-Hung Yu, Chen-San Chou, Chuan-Cheng Lin
NTD 3,500,000 (inclusive) - NTD 5,000,000 (exclusive)	Chi-Hung Liao, Ching-Lang Chang	Chi-Hung Liao, Ching-Lang Chang
NTD 5,000,000 (inclusive) - NTD 10,000,000 (exclusive)	0	0
NTD 10,000,000 (inclusive) - NTD 15,000,000 (exclusive)	Pao-Yung Lin	Pao-Yung Lin
NTD 15,000,000 (inclusive) - NTD 30,000,000 (exclusive)	Chih-Chung Chiu	Chih-Chung Chiu
NTD 30,000,000 (inclusive) - NTD 50,000,000 (exclusive)	0	0
NTD 50,000,000 (inclusive) - NTD 100,000,000 (exclusive)	0	0
NTD 100,000,000 and above	0	0
Total	9	9

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

December 31, 2023 Unit: NTD 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	7,040	7,040	1.00
	Chief Financial Officer	Miao-Ling Chen				
	Executive Vice-President	Chi-Hung Liao				
	Vice-President	Ching-Lang Chang				
	Vice-President	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	Chen-Chun Chen				
	Assistant Vice-President (Accounting Manager)	Jin-Ding Liu				
	Senior Assistant Vice President (Finance Department Manager)	Chia-Chi Chen				
	Special Assistant	Cheng-Feng Lin				

Note: Finance Department Manager Lai Kuan-Heng, resigned on February 16, 2024, and was succeeded by Assistant Vice President, Chen Chia-Chi.

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(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 2023	Ratio of total remuneration paid to after-tax profit in 2022
The Company	11.11%	9.25%
All Companies included in the financial statements	11.11%	10.12%

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 control, leadership and subordinate on-job training) is also put into consideration. Article 27 of Articles of Incorporation specified that

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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.

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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 2023 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	Rong-Shy Lin (Note 3)	5	—	100%	On-boarded on August 10, 2023
Chairman	Cheng, Hung- Hui (Note 3)	1	—	100%	Discharged on July 15, 2023
Vice- Chairman	Pao-Yung Lin (Note 4)	7	—	100%	—
Director	Tien-Tsai Su (Note 3)	3	—	100%	Discharged on July 19, 2023
Director	Chih-Cheng Chien(Note 3)	3	—	100%	Discharged on July 19, 2023
Director	Li-Hsiu Wu (Note 3)	6	1	86%	On-boarded on June 15, 2022
Director	Wen-Chih Lin (Note 3)	4	—	100%	On-boarded on July 19, 2023
Director	Hsueh-Hai Hu (Note 3)	4	—	100%	On-boarded on July 19, 2023
Director	Chien-Chih Chen (Note 3)	5	—	100%	Discharged on September 11, 2023
Director	Min-Hung Tsai (Note 3)	2	—	100%	On-boarded on September 11, 2023
Director	Cheng-Feng Lin (Note 4)	7	—	100%	—
Director	Cheng-Kang Lin (Note 4)	7	—	100%	—
Independent Director	Kung-Liang Yeh	7	0	100%	—
Independent Director	Wen-Tsan Wu	6	1	86%	—
Independent Director	Fu-Hai Yeh	6	1	86%	—
Independent Director	Min-Ching Cheng	7	—	100%	—
Independent Director	Ai-Chun Pang	7	—	100%	—

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 211.
- Disclosure regarding avoidance of interest-conflicting agendas, including the names of directors

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

- (1) The 8th meeting of the 11th board of directors on August 4, 2023, Discussion matters: Agenda 2: Reviewed 2022 managers' and employees' compensations disbursement. (Vice-Chairman Pao-Yung Lin and directors Cheng-Feng Lin and Cheng-Kang Lin abstained from 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 abstained from 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 10th meeting of the 11th board of directors dated November 3, 2023
Discussion matters: Agenda 2: Approval of the Chairman's salary. Submitted for discussion. (Stakeholder Chairman Rong-Shy Lin abstained from the discussion and voting due to conflict of interests) Resolution: except for Chairman Rong-Shy Lin who abstained from 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 11th meeting of the 11th board of directors on December 15, 2023, Discussion matters: Agenda 3: Disbursement of 2023 Chairman's and managers' performance appraisal and year-end bonus. Submitted for discussion. (Vice-Chairman Pao-Yung Lin and directors Cheng-Feng Lin and Cheng-Kang Lin abstained from 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 abstained from 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:
- 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.

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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. 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 and assessment on the implementation: three 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 2023.

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, 2023 to December 31, 2023	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	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 website for independent directors to send and receive the issues

III. Corporate Governance Report

			and declaration 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.	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 2023 are listed below:

◎Attendance in person ☆Attendance by proxy – Not applicable

	2023.02.17	2023.04.28	2023.05.30	2023.08.04	2023.08.11	2023.11.03	2023.12.15
	The 5th meeting of the 11th board of directors	The 6th meeting of the 11th board of directors	The 7th meeting of the 11th board of directors	The 8th meeting of the 11th board of directors	The 9th meeting of the 11th board of directors	The 10th meeting of the 11th board of directors	The 11th meeting of the 11th board of directors
Kung-Liang Yeh	◎	◎	◎	◎	◎	◎	◎
Wen-Tsan Wu	◎	◎	◎	◎	◎	☆	◎
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 five meetings in 2023. 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

III. Corporate Governance Report

financial operations.

4. Issues that directors have a stake in
5. Major assets or derivatives trading
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 five board of director's meetings were held in 2023, 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	—	100%	—
Independent Director	Wen-Tsan Wu	4	1	80%	—
Independent Director	Fu-Hai Yeh	5	—	100%	—
Independent Director	Min-Ching Cheng	5	—	100%	—
Independent Director	Ai-Chun Pang	5	—	100%	—

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 221.
2. Independence 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
2023/02/17	• Report of the result of internal audit from December 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) Management of the operations of the labor and wage cycle and remuneration committee (2) Management of the operation of board meetings + Procedures for Preventing Insider Trading and Handling Material Inside Information (3) Legal compliance audit (4) Financial derivatives audit from November to December, 2022

III. Corporate Governance Report

		(5) Loans to others and endorsements and guarantees for the fourth quarter of 2022 (6) Telecommunications outbound management project review Independent directors did not raise any opinion on such matter
	2023/04/28	- Report of the results of internal audit from February to April, 2023 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) Audit of acquisition and disposal of assets (2) Supervision and management of subsidiaries, and management of long-term and short-term investment operations (3) Financial statements cycle and management of application of International Financial Reporting Standards, procedures for professional accounting judgments, processes for making changes in accounting policies and estimates, and management for transaction of related party (4) Financial derivatives audit from January to March 2023 - Independent directors did not raise any opinion on such matter
	2023/08/04	- Report of the results of internal audit from May to July, 2023 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) Inventory cycle (2) Purchase and payment cycle - Repair (3) Regulations for finance cycle and management of the use of seals (4) Financial derivatives audit from January to April to June 2023 (5) Audit on loans to others and endorsements and guarantees for the first quarter of 2023 - Independent directors did not raise any opinion on such matter
	2023/11/03	- Report of the results of internal audit from August to October, 2023 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) Audit on subsidiaries (Appleuser and Aval Technologies) (3) Financial derivatives audit from January to July to September 2023 (4) Loans to others and endorsements and guarantees for the second quarter of 2023 - Independent directors did not raise any opinion on such matter
	2023/12/15	- Report of the results of internal audit from November to December, 2023 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) E-commerce cycle (2) Audit on compliance of Personal Information Protection Act (3) Financial derivatives audit for October 2023 - 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)	

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Meeting date	Major meeting agenda
2023/11/03	1. The CPAs made a presentation and explained the audit planning in 2023 to independent directors Kung-Liang Yeh, Wen-Tsan Wu (proxy attendance by independent director Kung-Liang Yeh), 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 (proxy attendance by independent director Kung-Liang Yeh), 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.

(3) 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	V		(2) The Company is constantly informed of the shareholding of its directors, managers and major shareholders individually holding	The major shareholder

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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
	Yes	No	Explanation	
its major shareholders and the ultimate controller?			ten percent or more of the Company's shares and makes monthly reports on the Market Observation Post System as required by the competent authority in accordance with Article 25 of the Securities and Exchange Act.	prescribed in article 19 of the 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

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Explanation	
				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 established and implemented risk management practices and firewalls for companies it is affiliated with?	V		(3) The Company has adopted the “Accounting Guidelines for Related Party Transactions,” built and implemented the risk management practices and firewalls for companies it is affiliated with.	No major deviation
(4) Has the company established internal policies that prevent insiders from trading securities against	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	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	
non-public information?			(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.	
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 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 0 female whose ages range from 30 to 50 years old, nine males older than 51 years old, two female older than 51 years old; 15.38% of the directors are females). These directors provided relevant opinions on the	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																
			Company’s operation based on their professional background (e.g., 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><td>Title</td><td>Name</td><td>Gender</td><td>Major Education and Experience</td><td>Audit Committee</td><td>Remuneration Committee</td><td>Professional background</td><td>Ability to make operational judgments</td><td>Ability to perform accounting and financial analysis</td><td>Ability to conduct management administration</td><td>Ability to conduct crisis management</td><td>Knowledge of the industry</td><td>An international market perspective</td><td>Ability to lead</td><td>Ability to make policy decisions.</td></tr></table>	Title	Name	Gender	Major Education and Experience	Audit Committee	Remuneration Committee	Professional background	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	Ability to make policy decisions.	
Title	Name	Gender	Major Education and Experience	Audit Committee	Remuneration Committee	Professional background	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	Ability to make policy decisions.					

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																																																																																																																																																						
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Chairman	Rong-Shy Lin	Male	CTO and Executive Vice President, Chunghwa Telecom Ph.D. in Computer Science, National Yang Ming Chiao Tung University			V	V		V	V	V	V	V	V																																																																																																																																																							
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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																																											
(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	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											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	
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?			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. 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.	

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. 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.	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Explanation	
			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 completed on December 31, 2023, and the average score for the year 2023 were 4.64, 4.82, 4.84 and 4.64, all representing excellent performance. The result was reported in the board of directors’ meeting on February 16, 2024 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	

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	Yes	No	Explanation	
			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 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	

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	Yes	No	Explanation	
			“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 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	

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, 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 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	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, 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 16, 2024. It was submitted to the Board of Directors to for resolution and approval of independence and competency evaluation of the auditor. Note 1 <table><tr><th>Item Number</th><th>Assessment Criteria</th><th colspan="2">Assessment Results</th></tr><tr><td>1</td><td>As of the latest visa operation, there has been no situation of not replacing within seven years.</td><td>■Yes</td><td>□No</td></tr><tr><td>2</td><td>No significant financial interest with the client.</td><td>■Yes</td><td>□No</td></tr><tr><td>3</td><td>Avoid any inappropriate relationship with the client.</td><td>■Yes</td><td>□No</td></tr><tr><td>4</td><td>Accountants should ensure their assistants adhere to integrity, fairness, and independence.</td><td>■Yes</td><td>□No</td></tr><tr><td>5</td><td>Financial statements of the service organization within the past two years must not be audited or certified.</td><td>■Yes</td><td>□No</td></tr><tr><td>6</td><td>The accountant's name must not be used by others.</td><td>■Yes</td><td>□No</td></tr><tr><td>7</td><td>Does not hold shares in the company or its related enterprises.</td><td>■Yes</td><td>□No</td></tr><tr><td>8</td><td>No monetary loans exist between the accountant and the company or its related enterprises.</td><td>■Yes</td><td>□No</td></tr><tr><td>9</td><td>No joint investments or shared interests with the company or its related enterprises.</td><td>■Yes</td><td>□No</td></tr><tr><td>10</td><td>Does not hold a regular position with a fixed salary at the company or its related enterprises.</td><td>■Yes</td><td>□No</td></tr><tr><td>11</td><td>Not involved in the management functions that make decisions for the company or its related enterprises.</td><td>■Yes</td><td>□No</td></tr></table>	Item Number	Assessment Criteria	Assessment Results		1	As of the latest visa operation, there has been no situation of not replacing within seven years.	■Yes	□No	2	No significant financial interest with the client.	■Yes	□No	3	Avoid any inappropriate relationship with the client.	■Yes	□No	4	Accountants should ensure their assistants adhere to integrity, fairness, and independence.	■Yes	□No	5	Financial statements of the service organization within the past two years must not be audited or certified.	■Yes	□No	6	The accountant's name must not be used by others.	■Yes	□No	7	Does not hold shares in the company or its related enterprises.	■Yes	□No	8	No monetary loans exist between the accountant and the company or its related enterprises.	■Yes	□No	9	No joint investments or shared interests with the company or its related enterprises.	■Yes	□No	10	Does not hold a regular position with a fixed salary at the company or its related enterprises.	■Yes	□No	11	Not involved in the management functions that make decisions for the company or its related enterprises.	■Yes	□No	
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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	
	Yes	No	Explanation				
			12	Does not engage in other businesses that could compromise their independence.	■Yes	□No	
			13	No relationship as a spouse, direct blood relative, direct relative by marriage, or second-degree blood relative with any management personnel of the company.	■Yes	□No	
			14	Has not received any commission related to the business.	■Yes	□No	
			15	Up to now, has not been subject to any actions or circumstances that could impair the principle of independence.	■Yes	□No	
(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 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.				

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Explanation	
			• 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 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	

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) 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). Internal corporate talents are evaluated fairly, justly, objectively to select potential talents for succession. The Company cultivates internal talents with high potential. Cultivation covers leadership potential, personality, professional knowledge and management function. In 2023, this method is used select managers on all levels and one vice president as the successor of the top management team. (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.”	

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) 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 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	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	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																															
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 meetings and shareholder meetings and preparation of board meeting and shareholder meeting minutes etc.)?			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 2023. ***2023 corporate governance manager education: <table><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><tr><td>2023.03.27</td><td>Chinese National Association of Industry and Commerce</td><td>Workshop for directors and supervisors “Corporate Resilience; Taiwan’s Competitiveness”</td><td>3.0</td><td>3.0</td></tr><tr><td>2023.06.02</td><td>Chinese National Association of Industry and Commerce</td><td>Workshop for directors and supervisors “2023 Taishin Net-Zero Electricity Summit Forum”</td><td>3.0</td><td>6.0</td></tr><tr><td>2023.07.13</td><td>Taiwan Stock Exchange Corporation</td><td>Sustainable Development Action Plan Advocacy Meeting for TWSE/TPEX-listed Companies</td><td>3.0</td><td>9.0</td></tr><tr><td>2023.08.07</td><td>Taipei Foundation of Finance</td><td>Sustainable Development and Sustainable Governance Trends</td><td>3.0</td><td>12.0</td></tr><tr><td>2023.08.17-18</td><td>Taiwan Corporate Governance</td><td>Net Zero Sustainability Talent Education</td><td>9.0</td><td>21.0</td></tr></table>	Date of the course	Organizer	Course Name	Hours of education	Total hours of education of the current year	2023.03.27	Chinese National Association of Industry and Commerce	Workshop for directors and supervisors “Corporate Resilience; Taiwan’s Competitiveness”	3.0	3.0	2023.06.02	Chinese National Association of Industry and Commerce	Workshop for directors and supervisors “2023 Taishin Net-Zero Electricity Summit Forum”	3.0	6.0	2023.07.13	Taiwan Stock Exchange Corporation	Sustainable Development Action Plan Advocacy Meeting for TWSE/TPEX-listed Companies	3.0	9.0	2023.08.07	Taipei Foundation of Finance	Sustainable Development and Sustainable Governance Trends	3.0	12.0	2023.08.17-18	Taiwan Corporate Governance	Net Zero Sustainability Talent Education	9.0	21.0	
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	Yes	No	Explanation			
				Association	Course – Enterprises' Low-carbon Transformation Strategy	
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 administration	V		The Company has signed the share affairs agency contract with Stock Affairs Department, Taishin Securities Co., Ltd. and engage it to handle			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	
agency to handle shareholder meeting affairs?			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

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) Has the Company adopted other means to disclose 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)?	V		(2)1. Assignment of specific personnel to collect and disclose corporate information: the related departments or divisions of 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.	No major deviation
(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	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	
and third quarters 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	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 168 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.	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	
liabilities of company directors)?			(3) Supplier relations: The Company has maintained good relations with its suppliers for a long time and implemented a prudent review 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 "Corporate Sustainable Development Trend, and the Strategy and Value of Energy Saving and Carbon Reduction" on November 3, 2023. The online course from Taiwan Corporate Governance Association is provided for directors to participate.	No major deviation 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	
			(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 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.	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							
			KRI: Key Risk Indicator KPI: Key Performance Indicator <u>Integrated with MBO</u> <u>Integrated with performance evaluation</u> <u>Extended from the main business</u> <u>Continuous verification and feedback</u> Management responsibility <table><tr><th>Organization name</th><th>Scope of authority and responsibility</th></tr><tr><td>Board of Directors/Audit Committee</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></table>	Organization name	Scope of authority and responsibility	Board of Directors/Audit Committee	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.	
Organization name	Scope of authority and responsibility									
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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										
	Yes	No	Explanation											
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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	
	Yes	No	Explanation		
					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.
					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 objective	1. The headquarter checks the emission data in Scopes 1 and 2 and receives external verification according to ISO 14064-1. 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.				
For the industry we are in, we expect to face the following					

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies										
	Yes	No	Explanation											
			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="3">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> <tr> <td>People’s life style and consumption behavior changed due to the pandemic. It’s hard for the physical retail channel to grow.</td> <td> - In terms of the retail revenue enhancement plan, the focus is on the All in One Service process optimization project, social shopping district marketing 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. </td> </tr> </table>	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.	People’s life style and consumption behavior changed due to the pandemic. It’s hard for the physical retail channel to grow.	In terms of the retail revenue enhancement plan, the focus is on the All in One Service process optimization project, social shopping district marketing 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.	
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			112年風險分佈圖 影響程度 非常嚴重 (高) 嚴重 (中) 輕微 (低) 低 中 高 可能性 ● 政治與法令 ● 技術與維護 ● 市場與競爭 ● 財務與管理 風險事件 1. 經銷商呆帳風險 2. 投資風險(含子公司) 3. 外部報導不正確性、內外部關係人投訴、競爭對手攻擊等 4. 會計人員對TIFRS無足夠了解，致財務報表未允當表達 5. 轉投資股權異動，未及時收集相關資訊 6. 未有適當職能分工致財務報表未允當表達 7. 因人為或天災造成機房毀損、資料庫毀損、主機故障、網路斷線 8. 行動門號轉機綁約率下滑 9. 因產品品質重大瑕疵，造成消費者對公司販售之商品不滿或客訴，嚴重影響企業形象 10. 疫情影響，民眾生活型態與消費行為的改變，使得零售實體通路成長不易 11. 通訊商品市場競爭加劇且已成熟，經銷通路欲擴大營收仍有難度 High/Extremely high risk type and responsive measures: <table><tr><th>Risk type</th><th>Risk incident</th><th>Evaluation of impact</th><th>Responsive measures (response plan)</th></tr><tr><td>Technology and operations and maintenance</td><td>7. Machine room damage, database damage, host breakdown and disconnection due to man-made interference or natural disasters</td><td>1. Damage and loss of host equipment 2. Cannot serve customers immediately, leading to lower customer satisfaction.</td><td>Build the daily remote backup system to execute the Business Continuity Plan (BCP).</td></tr><tr><td>Market and competition</td><td>8. Contact rate of mobile phone purchase decreases.</td><td>1. Become less competitive than other system operators. 2. Revenue of mobile number contract and</td><td>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</td></tr></table>	Risk type	Risk incident	Evaluation of impact	Responsive measures (response plan)	Technology and operations and maintenance	7. Machine room damage, database damage, host breakdown and disconnection due to man-made interference or natural disasters	1. Damage and loss of host equipment 2. Cannot serve customers immediately, leading to lower customer satisfaction.	Build the daily remote backup system to execute the Business Continuity Plan (BCP).	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	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	No major deviation <
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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		
	Yes	No	Explanation				
				communication service decreases. 3. Chance of connecting mobile phone sales with accessory is affected.	operating performance of mobile service and 5G value-added service provided by Chunghwa Telecom effectively.		
			Market and competition	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. In terms of the retail revenue enhancement plan, the focus is on the All in One Service process optimization project, social shopping district marketing 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 hard to increase the revenue of distribution channel.	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 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				

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Explanation	
			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 USD 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 company is not one of the evaluated subjects) The improvements made by the Company based on the latest Corporate Governance Evaluation results published: (1) The annual general shareholders' meeting. is held before the end of May. (2) Succession plan of board members and important management team. (3) Interim financial statements in English. Enhancement measures are as follows: (1) Policies for linking senior managers' remunerations to ESG-related performance evaluations. (2) At least links of two full videos on the meeting are disclosed in the investor conference.				

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	Condition 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 qualifications and at least five years of experience in the area of commerce, law, 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 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 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 or work experience needed by the Company.	✓	✓	✓	✓	1
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

III. Corporate Governance Report

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 30 of this annual report and page 36 of the 2022 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 6 meetings (A) in 2023; 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	6	-	100%	
Member	Wen-Tsan Wu	6	—	100%	
Member	Fu-Hai Yeh	6	—	100%	
Member	Min-Ching Cheng	6	—	100%	
Member	Ai-Chun Pang	6	-	100%	
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
2023.02.17	The 5th meeting of the 5th Remuneration Committee	1. Reviewed the 2022 directors' remuneration and employees' compensations 2. Review of the pension for managers	Passed as proposed unanimously by all members present at the meeting.	Passed by the board of directors' meeting
2023.04.28	The 6th meeting of the 5th Remuneration Committee	Appointment of the Head of the General Management Department of the Company	Passed as proposed unanimously by all members present at the meeting.	Passed by the board of directors' meeting
2023.05.30	The 7th meeting of the 5th Remuneration Committee	Approval of the Chairman's salary.	Passed as proposed unanimously by all members present at the meeting.	Passed by the board of directors' meeting

Date	Number of meetings	Discussion Matters	Resolution	The Company's handling of Remuneration Committee members' opinions
2023.08.04	The 8th meeting of the 5th Remuneration Committee	1. Appointment of the Company's CFO 2. Reviewed 2022 managers' and employees' compensations disbursement	Passed as proposed unanimously by all members present at the meeting.	Passed by the board of directors' meeting
2023.08.11	The 9th (provisional) meeting of the 5th Remuneration Committee	Approval of the Chairman's salary.	Passed as proposed unanimously by all members present at the meeting.	Passed by the board of directors' meeting
2023.12.15	The 10th meeting of the 5th Remuneration Committee	Reviewed 2023 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	V		(1) Although the retail industry has relatively small environmental	No major

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	
conducted a risk assessment on environmental, societal and corporate governance issues related to the Company's operation based on materiality principle, and set up relevant risk management policies or strategies?			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. (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 171 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 and Audit Committee in the form of risk distribution	deviation

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	
			pandemic. It's hard for the physical retail channel to grow.	optimization project, social shopping district marketing 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.
			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. Build an application firewall.

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. 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	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	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	
renewable materials that produce less impact on the environment?			the refurbishment, 83,859 will be sold as refurbished phones (a total of 0 refurbished phones in 2023). In addition, the recycle bins were setup at the director stores for the recycle of discarded mobiles and batteries (A total of 1,561 discarded mobile phones and 1,671KG Kg discarded batteries in 2023) 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	V		(3) To respond to climate change, based on the structure of TCFD	No major

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
assessed its potential risk and opportunity that may be caused by climate change and taken measures on climate related issues?			proposal published by the Financial Stability Board, the Company 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 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.	deviation
(4) Has the Company measured the emission of greenhouse gases,	V		(4) The actual externally purchased electricity of the Head Office in 2022 is about 7.53% less than in 2020. It is expected that the emission of the Head Office in 2026 will be 10% less than in	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																											
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?			2020. Greenhouse Gas Emission In 2022, the total greenhouse gas emission of Senao was 666.5415 t-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. <table> <tr> <th>Type</th> <th>Greenhouse gas emission source</th> <th>Office</th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> <tr> <td>Direct greenhouse gas emission (Scope 1)</td> <td>It includes the greenhouse gas from fixed emission source, moving emission source and exhaust source.</td> <td>t-CO₂e</td> <td>260.3724</td> <td>221.0329</td> <td>341.7181</td> </tr> <tr> <td>Indirect greenhouse gas emission (Scope 2)</td> <td>Emission due to use of externally purchased electricity</td> <td>t-CO₂e</td> <td>351.2665</td> <td>347.9377</td> <td>324.8234</td> </tr> <tr> <td colspan="2">Total emission (Scope 1 + Scope 2)</td> <td>t-CO₂e</td> <td>611.6389</td> <td>568.9706</td> <td>666.5415</td> </tr> </table>			Type	Greenhouse gas emission source	Office	2020	2021	2022	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	260.3724	221.0329	341.7181	Indirect greenhouse gas emission (Scope 2)	Emission due to use of externally purchased electricity	t-CO ₂ e	351.2665	347.9377	324.8234	Total emission (Scope 1 + Scope 2)		t-CO ₂ e	611.6389	568.9706	666.5415	
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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					
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			2) <table> <tr> <td>Emission intensity (total emission/person)</td> <td>t-CO₂e/人</td> <td>1.6943</td> <td>1.6444</td> <td>1.9153</td> </tr> </table> Note: 1.In 2022, the greenhouse gas inspection was conducted according to ISO 14064-1:2018 and it also qualified the SGS-Taiwan certification. 2.The 2022 electricity emissions factor of 1kWh = 0.509kg-CO₂e is calculated as the 2021 electricity emissions factor announced by the Bureau of Energy, Ministry of Economic Affairs; the GWP is based on IPCC 2022 AR6. 3.2020–2021 inspection scope includes the Xindian headquarters and 11 office locations. The inventory boundary in 2022 is based on the operational control approach, including ten offices such as the Head Office in Xindian. Due to the adjustment of the inventory boundary, the base year is adjusted to 2022. 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 2022,			Emission intensity (total emission/person)	t-CO ₂ e/人	1.6943	1.6444	1.9153	
Emission intensity (total emission/person)	t-CO ₂ e/人	1.6943	1.6444	1.9153							

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies																							
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			we performed the inspection on Scope 3 and Scope 4. <table><tr><th>Type</th><th>Item</th><th>Total emissions</th></tr><tr><td>Scope 3</td><td>Employee business travels</td><td>7.4662 t-CO₂e</td></tr><tr><td>Scope 4</td><td>Product purchase (water consumption)</td><td>0.8341 t-CO₂e</td></tr><tr><td>Scope 4</td><td>General waste treatment and disposal</td><td>6.1892 t-CO₂e</td></tr><tr><td>Scope 4</td><td>Fuel and energy-related activities</td><td>149.9912 t-CO₂e</td></tr></table> Water Resource Management The main water consumption source of the Company is tap water. The water consumption in 2022 reached 8.79 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 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>2020</th><th>2021</th><th>2022</th></tr><tr><td>kiloliters</td><td>9.26</td><td>8.67</td><td>8.79</td></tr></table> Note: 2020–2021 inspection scope includes the Xindian headquarters and 11	Type	Item	Total emissions	Scope 3	Employee business travels	7.4662 t-CO ₂ e	Scope 4	Product purchase (water consumption)	0.8341 t-CO ₂ e	Scope 4	General waste treatment and disposal	6.1892 t-CO ₂ e	Scope 4	Fuel and energy-related activities	149.9912 t-CO ₂ e	Water consumption	2020	2021	2022	kiloliters	9.26	8.67	8.79	
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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				
			office locations. 2022 inspection scope includes the Xindian headquarters and 10 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 border="1"> <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. • 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. </td> </tr> <tr> <td> Impact prevention mechanism: The actions adopted for wastes include higher standard for garbage classification and recyclable and re-usable wastes are further added. </td> </tr> </table>	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. • 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.	
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			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: Starting from March 2022, the actual weighing will be conducted regularly to accurately calculate the waste data within the boundary. Waste Management Outcome<table><tr><th>Category</th><th>Handling method</th><th>Office</th><th>2020</th><th>2021</th><th>2022</th></tr><tr><td rowspan="2">Reuse</td><td rowspan="2">In addition to direct reuse, we further implement the reuse actions of chemical, physical and heat treatment.</td><td>tons</td><td>30.8</td><td>4.4</td><td>9.37</td></tr><tr><td>%</td><td>50</td><td>21</td><td>35</td></tr><tr><td rowspan="2">Non-recyclable</td><td rowspan="2">Incineration and landfill method for direct disposal</td><td>tons</td><td>30.8</td><td>16.4</td><td>17.73</td></tr><tr><td>%</td><td>50</td><td>79</td><td>65</td></tr></table> Note: 1. Our company is located at Xindian Fareast Park and the actual waste weighing data for March 13–March 31, 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 2022 was 249 days, and the waste generation total output amount was	Category	Handling method	Office	2020	2021	2022	Reuse	In addition to direct reuse, we further implement the reuse actions of chemical, physical and heat treatment.	tons	30.8	4.4	9.37	%	50	21	35	Non-recyclable	Incineration and landfill method for direct disposal	tons	30.8	16.4	17.73	%	50	79	65	
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	Yes	No	Explanation	
			established for 10 offices of the headquarters. The non-recyclable waste amount is approximately 17.73 tons/year and the recyclable waste amount is approximately 9.37 tons/year, such that a total of 27.11 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: • 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	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			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 accordance with the relevant laws and regulations and international conventions on human rights?	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 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.	No major deviation
(2) Has the Company setup and implemented reasonable employee welfare measures,	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	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	
including salary, leaves, and other welfares and appropriately reflected the corporate business performance or achievements in the employee remuneration policy?			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.	
(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 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	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	
			and personal safety. 2. Health promotion A dedicated nurse is available for health consultation, prevention of occupational diseases and handling of injury. Contract occupational health physicians are available for monthly health consultation. The Company also periodically invites doctors for health seminars, and conducts employee health checks to build a primary healthcare system. In order to build a good and friendly environment for breastfeeding, the Company has furnished a 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 courses, to reinforce safety	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			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 12 occupational accidents (12 employees) in 2023, 0.572% of the total number of employees of 2023 (2092 employees in total). There was one workplace accident (one employee), 0.096% of the total number of employees of 2023.	
(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	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	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	
international guidelines regarding customer health and safety, consumer privacy, marketing or labeling their products and services and has the Company set up relevant policies to protect consumers' or customers' rights and procedures for complaints?			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 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	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			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 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	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			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 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:	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					
			<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 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 </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 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	
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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	
			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."	
			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	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			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	
			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 Provided many domestic job opportunities and collaborate with schools offering internship	

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											
			<table border="1"> <tr> <td>opportunities</td> <td>opportunities for students to implement the corporate social responsibility.</td> </tr> <tr> <td>Implemented information security</td> <td> 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. </td> </tr> </table> · Human rights education and training <table border="1"> <tr> <th>Course</th> <th>Content</th> </tr> <tr> <td>Information session and training for labor laws and regulations compliance</td> <td>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.</td> </tr> <tr> <td>Online course for sexual</td> <td>Education on the pattern and concept of workplace sexual harassment, prevention of sexual harassment,</td> </tr> </table>	opportunities	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.	Course	Content	Information session and training for labor laws and regulations compliance	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.	Online course for sexual	Education on the pattern and concept of workplace sexual harassment, prevention of sexual harassment,	
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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 community and take relevant corresponding measures and disclose concrete measures and			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 to receive job training. Refer to the following for academia-industry collaboration in 2023: <table><tr><th>Type</th><th>School</th><th>umber of ders</th><th>Period</th></tr><tr><td>Academe-</td><td>verseas Chinese University</td><td>9</td><td>2023/7/1~2024/5/31</td></tr></table>		Type	School	umber of ders	Period	Academe-	verseas Chinese University	9	2023/7/1~2024/5/31	
Type	School	umber of ders	Period										
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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						
outcomes?			Collaboration		10	2022/7/1~2023/5/31			
			Takming University of ce and Technology		4	2022/7/1~20123/5/31			
					2	2023/12/25~2024/5/31			
				Cooperative h program	Cheng Shiu University	1	2021/9/1~2026/6/30		
					3	2022/9/1~2026/6/30			
					1	2019/9/1~2023/6/30			
			Total		30				
(8) Does the Company invest into domestic cultural development and disclose how it supports the domestic cultural development and the outcome?			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 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 2023. The information of two-month exhibition is shown below:						
			Name of the two-month exhibition		Period				
			Yu-Chi Chang - Glass Bead Game		2023.11.14~2024.01.10				
			Chi-I Tseng – Bright Flower Language Watercolor Exhibition		2023.09.11~2023.11.13				
			Chi-Fang Chang – Violin Code Watercolor Exhibition		2023.07.11~2023.09.11				
			Ssu-Ling Han – Spring Flowers and		2023.05.16~2023.07.10				

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><u>Autumn Fruits Photography Exhibition</u></td><td></td></tr><tr><td><u>Li-Hui Liao – Three Views – Ink Eastern Gouache</u></td><td>2023.03.14~2023.05.15</td></tr><tr><td>Museum of World Religions – Christmas Drawing</td><td>2023.01.12~2023.03.13</td></tr></table>	<u>Autumn Fruits Photography Exhibition</u>		<u>Li-Hui Liao – Three Views – Ink Eastern Gouache</u>	2023.03.14~2023.05.15	Museum of World Religions – Christmas Drawing	2023.01.12~2023.03.13	
<u>Autumn Fruits Photography Exhibition</u>										
<u>Li-Hui Liao – Three Views – Ink Eastern Gouache</u>	2023.03.14~2023.05.15									
Museum of World Religions – Christmas Drawing	2023.01.12~2023.03.13									
5. Has the Company prepared reports disclosing non-financial information of the Company such as the sustainable report with reference to globally recognized reporting standards or guidelines? Has the reports thereof been assured or verified by a third party?	V		The Company’s “2022 Senao International Co., Ltd. Sustainability Report” was prepared in accordance with Core of the Global Reporting Initiative Standards, (2021) verified by SGS Taiwan and certified with AA1000 ASv3, the Type 1 Moderate Level Assurance. The report was supported with materiality, completeness and responsiveness and awarded the verification declaration.	No major deviation						
6. For companies which have established Sustainable Development Best Practice Principles in accordance with the										

Assessment criteria	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Explanation	
			“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 (2021). 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.	

Climate-related Disclosures for Companies Listed in the TWSE and TPEX:

1. Climate-related Information Execution

Item	Implementation
1. Describe the Board's and senior management's oversight and governance of climate related risks and opportunities.	The Chairman and Vice Chairman of the ESG Committee are the Chairman and President respectively, and both are also members of the Board of Directors to ensure that climate change related issues are discussed and reviewed at the annual ESG Committee and matters are duly reported to the Board of Directors. In response to the importance of climate change issues, in 2022, we have aligned with our parent company, Chunghwa Telecom, in their commitment to achieve net-zero emissions by 2050. We have also signed a pledge to enhance our corporate sustainability performance in relation to climate change through relevant mechanisms and indicators. This commitment reflects our dedication to sustainable practices and addressing the challenges of climate change. The ESG Committee has an Environmental Sustainability Group, which evaluates the risks and opportunities associated with climate issues in accordance with the long-term strategy set by the Board of Directors and the needs of investors, evaluators and stakeholders. In addition, the ESG Committee reviews the company's carbon management strategy and plans appropriate budgeted implementation actions to ensure that the climate strategy can be gradually rolled out in the operation activities. Now carbon footprint verification for locations in all regions has been implemented under the relevant management responsibilities in 2023 (Head Office, business location, store and warehouse).
2. Describe how the identified climate risks and opportunities affect the business, strategy and finances (short, medium and long term).	As the largest distributor of mobile handheld devices in Taiwan, we uphold the service concept of "making life simpler, smarter, and more wonderful", and leverage our core value and competitiveness in the industry to accomplish matters that are beneficial to society and the industry with the corporate culture of "Integrity, Professionalism, Determination, Innovation". Evaluate and analyze the risks and opportunities associated with climate change according to different time horizons, short-term (2024), medium-term (up to 2030)

Item	Implementation
3. Describe the financial impact of extreme climate events and transitional actions.	and long-term (beyond 2050). We believe that the opportunities presented by climate change will be reflected in our future products and services. Therefore, we are continuing to pay attention to and seek suitable green targets for development, hoping to develop more innovative services and business momentum to seize the opportunity in the low-carbon and smart economy.
4. Describe how the climate risk identification, assessment and management process is integrated into the overall risk management system.	Senao International has established the "Risk Management Practice Regulations" in which each department shall identify the priority of significant risks, formulate countermeasures to address the risks of climate-related issues, and report to the Board of Directors as necessary. For climate change-related risks, Senao's Environmental Sustainability Team conducts systematic assessment and analysis of the scope of climate change issues and the impact of business or daily operations. These analyses include a review of major operational processes by risk type, as well as an evaluation of the results of relevant energy-saving programs and the improvement of the adaptability of related facilities. The Environmental Sustainability Team regularly reviews the status of climate change-related risks, evaluates and analyzes the results when necessary, and takes mitigation measures depending on the level of risk. In terms of process, the Environmental Sustainability Team's evaluation and analysis and feedback will improve the existing risk management mechanism to ensure that it is more in line with operational needs, and report to the Board of Directors when and where deemed necessary.
5. If a scenario analysis is used to assess the resilience to climate change risks, the context, parameters, assumptions, analysis factors and key financial impacts used should be described.	TCFD scenario analysis has not been performed yet.
6. If there is a "Transition Plan" for managing climate related risks, describe the contents of the plan, and the	Risk assessment of relevant transition plans has not been executed yet.

Item	Implementation
indicators and targets used to identify and manage physical and transformation risks.	
7. If "internal carbon pricing" is used as a planning tool, the basis of price setting should be stated.	No internal carbon pricing has been determined so far.
8. If a "climate-related target" is set, the activities covered, the scope of greenhouse gas emissions, the planning period, and the annual progress of achievement should be stated; if "carbon offsets" or "renewable energy certificates (RECs)" are used to achieve the relevant target, the source and quantity of carbon credits to be offset or the quantity of renewable energy certificates (RECs) should be stated.	No climate-related targets have been set so far.
9. Status of GHG inventory and assurance	Please refer to table below.

1-1 Status of GHG inventory and assurance/verification in the latest two years

(1) The 2023 greenhouse gas inventory and information on assurance/verification will be disclosed in the Sustainability Report.

(2) The 2022 greenhouse gas inventory and assurance/verification are as follows:

	Total emissions (tCO ₂ e)	Intensity (tCO ₂ e/turnover)	Verification/Assurance Institute	Verification/Assurance Description
Scope 1	341.7181 tCO ₂ e	0.01097 tCO ₂ e/turnover	SGS-Taiwan	Passed
Scope 2	324.8234 tCO ₂ e	0.01043 tCO ₂ e/turnover	SGS-Taiwan	Passed

Scope 3	164.4807 tCO ₂ e	0.00527 tCO ₂ e/turnover	SGS-Taiwan	Passed
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Note:

1. The greenhouse gas inspection was conducted according to ISO 14064-1:2018 and it also qualified the SGS-Taiwan certification.
2. The electricity emissions factor of 1kWh = 0.509kg-CO₂e is calculated as the 2021 electricity emissions factor announced by the Bureau of Energy, Ministry of Economic Affairs; the GWP is based on IPCC 2021 AR6.
3. The inventory boundary is based on the operational control approach, including ten offices such as the Head Office in Xindian.
4. The GHG emissions intensity is calculated based on the turnover per unit (NTD1 million).
5. Items in Scope 3 include employee business travels, waste disposal and transport, purchased tap water, and fuel and energy activities.

1-2 Goals, strategies and specific action plans for Greenhouse gas reduction: The Company's paid-in capital is less than NTD5 billion. Inventory information disclosure shall be completed starting in 2027 and the assurance information disclosure shall be complete starting in 2029 according to Financial Supervisory Commission Letter No. Jin-Guan-Zheng-Qian-Zi 11103849344. As the result, there is no relevant plan for this year.

(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	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	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	
measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?			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.	
(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 Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies?	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 transactional advantage. All the business contracts are required to include statement of honesty and integrity and counter party is mandatory to follow.	No major deviation
(3) Whether or not the company has established relevant policies that are duly enforced to prevent unethical	V		(3) The Company has established the Code of Conduct which details the regulations to be followed by the employees while	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, provided implementation procedures, guidelines, consequences of violation and complaint procedures and periodically reviews and revises such policies?			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.	
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 directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent	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 documentation and monitoring of any report cases. The specialized unit shall report to the board of directors on a regular basis (once a	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	
unethical conduct and monitor its implementation?			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	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	
			strengthen corporate ethics. All new employees are required to sign the code of 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 1656 hours in 2023, 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	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	
			stakeholders: Internal stakeholders: Employees' report or complaint to Senao International's Audit Committee: auditing@senao.com.tw Chairman's mailbox: senaovoice@senao.com.tw 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	V		(1) The Company has disclosed the content of Ethical Corporate Management Best	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	
guidelines and their implementation results on its website and the Market Observation Post System?			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 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 209.
 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 211.
- (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

February 29, 2024

Title	Name	Date of onboarding	Date of discharge	Reason for resignation or discharge
Chairman	Rong-Shy Lin	2022/06/15	2023/05/30	Resigned
Chairman	Cheng, Hung-Hui	2023/05/30	2023/07/15	Resigned
Chief Strategy Officer	Chih-Chung Chiu	2016/05/06	2023/03/31	Retirement
Chief Financial Officer	Chien-Chi Liao	2021/05/01	2023/08/17	Retirement
Finance Department Manager and Corporate Governance Manager	Kuan-Heng Lai	2007/08/21	2024/02/16	Resigned

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: NTD thousand

Name of CPA firm	Name of CPA	CPA audit period	Audit fees	Non-audit fees	Total	Remark
Deloitte & Touche	Yi-Hsin Kao	Year 2023	4,979	1,102	6,081	
	Mei-Yen Chiang	Year 2023				

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 2023.
- (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: None.

III. Corporate Governance Report

5. Information on replacement of CPAs: The Company did not change the auditor in 2023, so it is 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 2023		Year As of February 29, 2024	
		Changes in shares held	Changes in share pledged	Changes in shares held	Changes in share pledged
Major shareholder	Chunghwa Telecom Co., Ltd.	-	-	-	-
Chairman	Rong-Shy Lin (Note 1) (On-boarded on August 10, 2023)	-	-	-	-
Chairman	Cheng, Hung-Hui (Note 1) (Discharged on July 15, 2023)	-	-	Not applicable	Not applicable
Director	Tien-Tsai Su (Note 1) (Discharged on July 19, 2023)	-	-	Not applicable	Not applicable
Director	Chih-Cheng Chien (Note 1) (Discharged on July 19, 2023)	-	-	Not applicable	Not applicable
Director	Hsueh-Hai Hu (Note 1) (On-boarded on July 19, 2023)	-	-	-	-
Director	Wen-Chih Lin (Note 1) (On-boarded on July 19, 2023)	-	-	-	-
Director	Li-Hsiu Wu (Note 1) (Discharged on December 31, 2023)	-	-	Not applicable	Not applicable
Director	Su-Chiu Ke (Note 1) (On-boarded on January 1, 2024)	Not applicable	Not applicable		
Director	Chien-Chih Chen (Note 1) (Discharged on September 19, 2023)	-	-	Not applicable	Not applicable
Director	Min-Hung Tsai (Note 1) (On-boarded on September 19, 2023)	-	-	-	-
Director	Cheng Kang Investment Co., Ltd.	-	-	-	-
Vice Chairman and President	Pao-Yung Lin (Note 2)	-	-	-	-

III. Corporate Governance Report

Title	Name	Year 2023		Year As of February 29, 2024	
		Changes in shares held	Changes in share pledged	Changes in shares held	Changes in share pledged
Director and special assistant	Cheng-Feng Lin (Note 2)	-	-	-	-
Director	Cheng-Kang Lin (Note 2)	-	-	-	-
Independent Director	Kung-Liang Yeh	-	-	-	-
Independent Director	Wen-Tsan Wu	-	-	-	-
Independent Director	Fu-Hai Yeh	-	-	-	-
Independent Director	Min-Ching Cheng	-	-	-	-
Independent Director	Ai-Chun Pang (Discharged on February 28, 2024)	-	-	Not applicable	Not applicable
Chief Strategy Officer	Chih-Chung Chiu (Discharged on March 31, 2023)	-	-	Not applicable	Not applicable
Executive Vice-President	Chi-Hung Liao	(35,000)	-	-	-
Vice-President	Ching-Lang Chang	-	-	-	-
Vice-President	Chen-San Chou	-	-	-	-
Vice-President	Chuan-Cheng Lin	-	-	-	-
Vice-President	Tsai-Hung Yu	-	-	-	-
Chief Financial Officer	Chien-Chi Liao (Discharged on August 18, 2023)	-	-	Not applicable	Not applicable
Chief Financial Officer	Miao-Ling Chen (On-boarded on August 18, 2023)	-	-	-	-
Assistant Vice-President	Sheng-Kai Chen	-	-	-	-
Assistant Vice-President	An-Ting Tsao	-	-	-	-
Assistant Vice-President	Chih-Hsiang Kuo	-	-	-	-
Assistant Vice-President	Wen-Kai Lai	-	-	-	-
Assistant Vice-President	Ya-Ling Yeh (Discharged on October 31, 2023)	-	-	Not applicable	Not applicable
Assistant Vice-President	Tsung-Tsen Hsieh (Discharged on January 31, 2023)	-	-	Not applicable	Not applicable
Assistant Vice-President	Chen-Chun Chen	-	-	-	-
Assistant Vice-President	Chun-Chieh Chiu	-	-	-	-
Assistant Vice-President	Jin-Ding Liu (On-boarded on April 28,	-	-	-	-

III. Corporate Governance Report

Title	Name	Year 2023		Year As of February 29, 2024	
		Changes in shares held	Changes in share pledged	Changes in shares held	Changes in share pledged
(Accounting Manager)	2023)				
Assistant Vice-President (Finance Department Manager and Corporate Governance Manager)	Chia-Chi Chen (On-boarded on May 2, 2023)	-	-	-	-
Assistant Vice-President	Hsiao-Chun Tung (On-boarded on August 28, 2023) (Discharged on January 31, 2024)	-	-	Not applicable	Not applicable
Manager (Finance Department Manager and Corporate Governance Manager)	Kuan-Heng Lai (Discharged on February 16, 2024)	-	-	Not applicable	Not applicable

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.	71,773,155	27.79%	0	0	0	0	None	None	
Chunghwa Telecom Co., Ltd. Representative: Shui-Yi Kuo	0	0	0	0	0	0	None	None	
Hua Shun Investment Co., Ltd.	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	
Hua Shun Investment Co., Ltd. Representative: Cheng-Kang Lin	238,091	0.09%	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.	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	First degree	

III. Corporate Governance Report

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	
							Investment Co., Ltd., Cheng Kang Investment Co., Ltd., All Oriented Services Int. Co., Ltd.	relative of representative Cheng-Feng Lin	
							Yung-Ming Liu	Yung-Ming Liu as the first degree relative	
Engenius Technologies Co., Ltd. Representative: Pao-Yung Lin	8,343,345	3.23%	5,549,777	2.15%	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.	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	
							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	
Yu Yu Investment Co., Ltd. Representative: Cheng-Feng Lin	743,420	0.29%	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' 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.	19,003,436	7.36%	5,549,777	2.15%	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 Feng Investment Co., Ltd. Representative: Pao-Yung Lin	8,343,345	3.23%	5,549,777	2.15%	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.	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.	First degree relative of representative	

III. Corporate Governance Report

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	
							Cheng Feng Investment Co., Ltd.	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 Kang Investment Co., Ltd. Representative: Cheng-Feng Lin	743,420	0.29%	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.	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 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	743,420	0.29%	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' 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.	6,968,747	2.70%	0	0	0	0	None	None	
Cheng Han Investment Co., Ltd. Representative: Hung-Ling Lin	95,000	0.04%	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 26, 2023

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, 2023 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 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%
Aval Technologies Co., Ltd.	12,555,000	100%	0	0	12,555,000	100%
Wiin Technologies Co., Ltd.	—	—	4,418,000	100%	4,418,000	100%
Sen Yang Insurance Agency Co., Ltd.	8,909,000	100%	0	0	8,909,000	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 earnings and NT\$25,120 thousand employee bonus	None	Note 11
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	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
						warrants of NT\$19,382 thousand		
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 2011	10	255,372.6	2,553,726	450,000	4,500,000	Exercise of employee stock warrants of NT\$2,900.5 thousand	None	
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	

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
						thousand		
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 26, 2023 (Note)

Shareholders structure Quantity	Government agencies	Financial institutions	Other juridical persons	Foreign institutions and foreign individuals	Individuals	Total
Number of shareholders	0	12	52	79	15,873	16,016
Shareholdings	0	753,573	185,186,095	7,607,656	64,705,333	258,252,657
Percentage of Shareholdings	0%	0.29%	71.71%	2.95%	25.06%	100.00%

Note: the most recent closure date.

IV. Funding

(2) Diversity of ownership

Common shares of NTD10 face value

June 26, 2023 (Note 1)

Class of shareholdings			Number of shareholders	Shareholdings	Percentage of Shareholdings
1	to	999	5,627	703,992	0.27%
1,000	to	5,000	8,462	16,563,300	6.41%
5,001	to	10,000	1,078	8,632,220	3.34%
10,001	to	15,000	272	3,486,508	1.35%
15,001	to	20,000	160	2,974,956	1.15%
20,001	to	30,000	151	3,900,841	1.51%
30,001	to	40,000	92	3,284,498	1.27%
40,001	to	50,000	51	2,390,282	0.93%
50,001	to	100,000	59	4,381,264	1.70%
100,001	to	200,000	31	4,400,494	1.70%
200,001	to	400,000	14	3,859,402	1.49%
400,001	to	600,000	2	1,008,654	0.39%
600,001	to	800,000	2	1,350,420	0.52%
800,001	to	1,000,000	2	1,740,820	0.67%
1,000,001	to	999,999,999	13	199,575,006	77.28%
Total			16,016	258,252,657	100.00%

Note 1: the most recent closure date.

Note 2: The Company has no preferred shares.

(3) List of major shareholders

Shareholder holds five percent or more and top 10 shareholders

June 26, 2023 (Note)

Name of major shareholder	Shareholdings	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.		6,968,747	2.70%
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 2022	Year 2023	Year As of February 29, 2024
Market price per share	High (Note 1)	35.45	39.90	40.80
	Low (Note 1)	29.45	30.70	37.65
	Average (Note 1)	31.99	35.67	38.28
Net worth per share	Before dividends	24.43	24.84	—
	After dividends	22.23	22.84	—
Earnings per share	Weighted average outstanding shares	258,252,657	258,252,657	—
	Earnings per share	2.55	2.73	—
Dividend per share	Cash dividends	2.20	2.00	—
	Stock dividends	From retained earnings	—	—
		From capital surplus	—	—
	Accumulative undistributed dividends		—	—
Return on investment (Note 2)	Price-earnings ratio	12.55	13.07	—
	Price-dividends ratio	14.54	17.84	—
	Cash dividends yield	6.88%	5.60%	—

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

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

IV. Funding

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 NTD2.00 per share for the 2023 earnings distribution and set the ex-dividends date on June 26, 2024. The distribution of dividends and bonuses is submitted and the earnings distribution table is recognized at the annual shareholders' ordinary meeting on May 20, 2024.

(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

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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 2023 employee bonuses and directors' and supervisors' remuneration and share-based compensations will be recognized as gains/losses for 2024.

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

(1) Proposed employee cash bonus of NTD29,685,339 and directors' remuneration of NTD12,722,288. The board of directors has passed the proposed cash employees' bonuses and directors' remuneration without any difference from the estimated amount in 2023.

(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 2023 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 2022 employees' cash bonuses and directors' remuneration were NTD29,004,250 and NTD12,430,391, 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).

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

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3. Issuance of preferred shares: none
4. Issuance of global depository receipts: none
5. Issuance of employee stock options: none
6. Employee restricted stock: none
7. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: none
8. Capital plans and execution: none

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, Formosa Biomedical Technology Corporation etc.)

(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: NTD thousand

Product type \ Year	Year 2023	
	Revenue	Weight (%)
Sales revenue	29,191,057	93.35
Service revenue	1,470,895	4.70
Repairs revenue	607,180	1.95
Total	31,269,132	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 agencies: communication products and accessories, distribution and wholesale of information products.

(2) Industry overview

1. Current and future industry prospects

In 2023, mainly due to factors such as the overall economic

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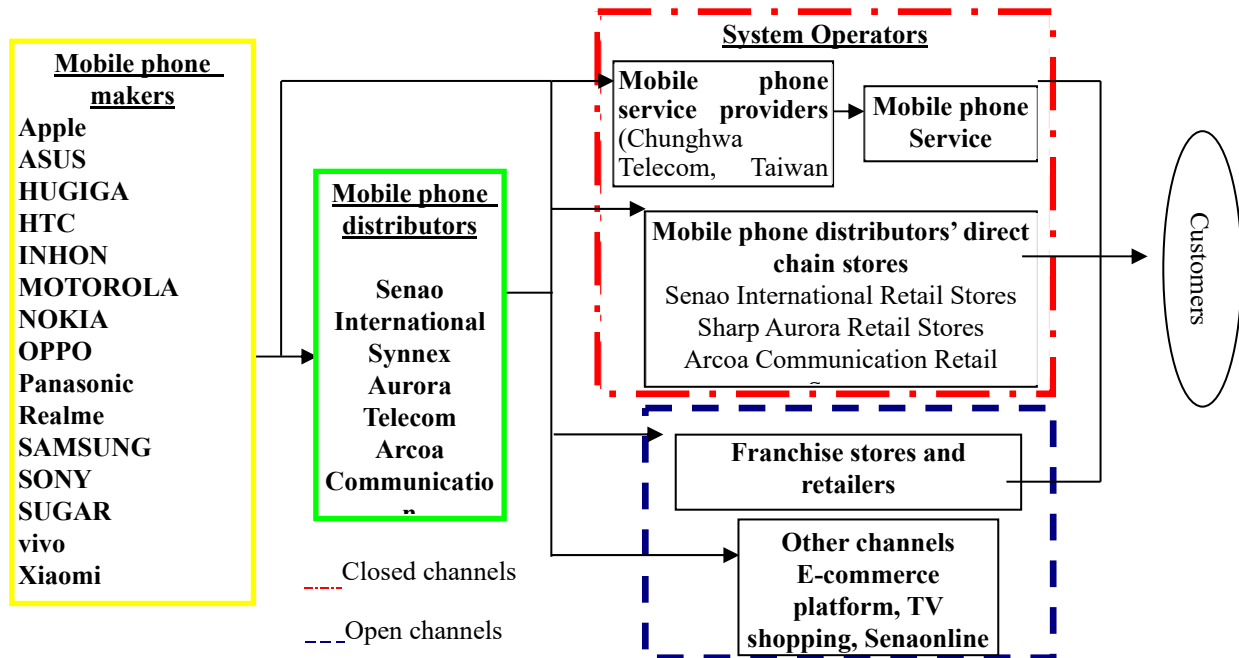
recession, inflation, and inventory pressure at the beginning of the year, global smartphone shipments decreased by about 3.2%, or 1.17 billion set in quantity, compared to 2022 according to the preliminary statistics in the latest IDC mobile phone report (IDC Worldwide Quarterly Mobile Phone Tracker). However, the annual growth rate in the fourth quarter of 2023 was 8.5%, higher than the expected 7.3%, with a total shipment of about 326 million units. The strong growth is helpful for the communication market in 2024; IDC is optimistic about the recovery of the mobile phone market in 2024, and the shipment is expected to increase by 2.8% year-on-year to 1.2 billion units.

In 2024, the communication market will be dominated by the topic of artificial intelligence (AI) and it will continue to flourish and set off a wave of AI smartphones. IDC expects the shipment of AI smartphones to reach 170 million units this year, accounting for nearly 15% of the overall mobile phone shipments, and it will continue to grow year by year.

In addition, the used smartphone shipments have been growing year by year against the trend. The global shipments were about 310 million in 2023, a growth of about 9.5% over 2022. It is estimated that it is expected to exceed 430 million in 2027. However, due to the decline of new phone shipments, the used phone market in 2024 may also face the problem of reduced purchase inventory. The way that system vendors and manufacturers collaborate to expand the trade volume of new phone will become the biggest key factor for affecting the used smart phone market.

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



3. Product development trends and competitions

(1) Smartphones:

- A. The emergence of AI mobile phones will change the entire product ecosystem: In 2024, the integration of generative AI function and smartphone will become the focus, redefining the user experience, including real-time multi-language translation, voice memo summarization, and camera function enhancements.
- B. Mobile phones with foldable screens are becoming more and more mainstream: Since Samsung launched its foldable phones, various manufacturers have rushed to enter the foldable market. Screens that are more durable and have a new foldable design might emerge along with technical advancement and cost reduction, and the price will be cheaper. The foldable mobile phone will no longer be a niche market, but an important part of the mainstream market.
- C. Improvement of wireless charging technology: The official launch of the Qi2 wireless charging standard in 2024 will significantly increase the charging power and efficiency. Qi2 wireless charging is expected to become the mainstream wireless charging standard, providing a more convenient

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charging experience for smartphones.

(2) Information and home appliances:

A. Development and integration of IoT: Taking the IoT technology as the core, the interconnection between brands is achieved through the mutual agreement "Matter" to realize the vision of smart home.

B. Popularity and diverse applications of AI technology: With the development of AI technology, it will be more widely introduced into home appliances in the future to provide users with a smarter and more convenient user experience and various applications in daily life.

C. Increased demand for health home appliances:

Due to the impact of COVID-19 in the past few years, people's concept and awareness of their own health have increased, and they have higher requirements for indoor air and living environment. Health appliances with health-based appeals will become more popular.

D. Subsidies for energy-saving home appliances: ESG has become a common issue faced by all Taiwanese enterprises in recent years. With the continuous injection of government subsidies, it will lead to a wave of trade-ins for home appliances.

E. Wide application of VR/AR: Throughout technology and 5G network development, VR/AR will be more widely used in information products and provide users with a more complete and realistic experience without delay.

(3) Accessories:

A. True wireless Bluetooth earbuds: Lots of true wireless Bluetooth earbuds have been launched. Major brands continue to introduce new products to meet the market's replacement needs.

B. New challenges for VR/AR:

Since Apple's announcement of Vision Pro in 2023, it was officially announced that the VR market will enter a new era with lots of brands competing in the market. Relevant big manufacturers have successively launched new products to fight in the new era, and look forward to more new practical applications derived in the future.

C. Smart wear and health:

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In the post-pandemic era, consumers' health awareness continues to rise, which has led to the steady growth of the smart watch and bracelet markets in recent years. Major brands have also listed functions such as sleep, heart rate, and blood oxygen detection as key items. In the face of diversified competition, the market will have more choices to meet the needs of various types of customers.

D. New Qi2 standard: With the release of the new charging standard Qi2, it is expected that more smart phones, tablets and wearable devices supporting Qi2 will be launched in 2024, along with the corresponding charging peripherals.

(4) Health care products:

A. Personalized and preventive health food: The pandemic has triggered the rise of health awareness among our citizens. In addition to their own immediate needs, the public is paying more attention to disease prevention in order to maintain their own health and that of their families. As a result, leading food and beverage manufacturers have transformed and entered the biotechnology industry to incorporate the health concept into products.

B. Health food with natural ingredients: We appeal for natural, organic health food. Safe and burden-free health food will be the unchanged trend in the future.

C. Digital information: Consumers manage their own health through digital tools (e.g. wearable devices), and quickly acquire information such as health knowledge, food information and dosage.

Senao has become the distributor of “sakuyo,” a Japanese health supplement brand. Senao, with the intention of caring for the health of the users and their families, has introduced a series of health supplement products to the market, including gift boxes for festivals 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 change consumers' existing impression that Senao only sells 3C products. Senao can also protect the health of the entire family with the ultimate goal of providing preventive healthcare, connecting information flow, and offering health

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promotion and preventive healthcare services through big data analysis.

(3) Technological research and development:

The Company acts as a distributor and product distributor, and have not devoted in product technology research or development. In recent years, the Company has been keeping pace with the times for operation innovation. In existing stores, the Company has been working with brands by arranging display and experience areas, and holding activities in the shopping district. Meanwhile, the Company integrates digital tools to build the customer group of shopping district, e.g. social media (LINE, Facebook), connect closer to the community, and bring consumers a more complete and familiar experience on the shopping journey .

In terms of online shopping business, Senao's online shopping platform "senaonline" 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. At the same time, we will continue to work on the agency of products with uniqueness and plan more Senao-only package for our customers.
- (2) To satisfy the price level needs of more users, we expand the variety of used mobile phones, and increase the online and offline sales channels, in order to reach more customer groups.
- (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

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performance private brand accessories and customized products 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. At the same time, the Company will combine Chunghwa Telecom's fixed network fare service with Netcom-related products to introduce future AIoT products into homes for basic network construction.
- (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. The online channel operator will work with the online shopping platform operators to operate under the concept of Senao Brand House.
- (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,

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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.

- (5) Increase the point exchange activities between Senao members and various other industries, and expand the use of the point ecosystem for information exchange between members of both parties.

2. Market and business overview

(1) Market analysis

1. Operating revenue by regions

Unit: NTD thousand

Region \ Year	Year 2023		Year 2022	
	Amount	%	Amount	%
Taiwan	31,269,132	100.00	31,158,594	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.

The difference in market share among the three major telecommunications companies is expected to narrow, and signal quality will become the most important point to maintain existing users. According to the latest Taiwan Mobile Measurement Report published by SPEED TEST in November 2023, Chunghwa Telecom

was the only one that won the title of "Championship of Taiwan's Largest Mobile Coverage and Fastest Internet Speed for 6 Years in a Row" and "Taiwan 5G Mobile Fastest Internet Speed Champion for 3 Years in a Row." In addition, in the "Taiwan 5G User Experience Report" published by OPENSIGNAL in December 2023, Chunghwa Telecom also won the champion of "5G Coverage" and "5G Download and Upload Speed". In terms of hardware and software, we will continue to provide users with the best quality mobile network services. It is expected that Chunghwa Telecom can maintain its leading position in the telecommunications market in such a competitive environment .

3. Future market supply, demand and growth

With regard to the smart phones, according to the forecast of the Market Intelligence & Consulting Institute (MIC), the penetration rate of 5G mobile phones will grow from 59% in 2023 to 68% in 2024. It is mainly due to that chip makers continue to compete in the low-to-mid-tier 5G mobile phone market will drive the shipments of 5G mid-tier and low-tier mobile phones, thereby increasing the penetration rate. At present, the hottest topic on the market is the emergence of AI mobile phones. In the future, all brands will develop new mobile phones based on the AI trend, or create new application scenarios with the assistance of AI. These topics should be able to drive new phone sales.

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 in 2024. 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.

On the other hand, in terms of the performance of smartphone market share, according to the 2023 market survey data, Apple's sales accounted for 40.2%, an increase of about 2% over the previous year. Samsung took the second place, 22.1%, down about 5% from the previous year, but still maintaining a market share of more than 20%. The gap between the two major mobile phone brands has gradually expanded. The overall sales height leans toward Apple iPhone, hence all Android brands are less attractive to users.

The hardware specs and functions of smartphones have become

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mature in the past few years. Besides AI application, there have been no significant changes. In recent years, all manufacturers have introduced camera lenses with high refresh rates, high touch rates, high screen-to-body ratio screens, and high specifications and put them onto models in all price ranges to test the market. Smartphones have really replaced digital cameras.

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 the health supplements brand “sakuyo” imported from Japan, 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 and healthier.

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

Senao International has 240 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 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. Due to the impact of the pandemic, people’s consumption habits have been directly changed. Online consumption capacity has increased because of the pandemic in recent years. Online shopping is popular among all groups. Online shopping platforms are virtual racks of physical stores and a new source of customers for physical stores. Through different powers of referral from physical and online channels,

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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. In terms of products, we actively conduct talent training with communication brands to develop the understanding and sales ability of the latest products. Meanwhile, over 50 excellent internal instructors have been cultivated in the past 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. In addition, over 20 health management specialists in the health professions were trained this year to help enhance the transfer of health knowledge and develop the concept of self-care.

(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

- In terms of 5G development, Chunghwa Telecom is the only "Taiwan 5G Triple Champion" in Taiwan, receiving international certifications SPEED TEST® and OPENSIGNAL. According to the latest Taiwan Mobile Experience Survey Report released by SPEED TEST® and OPENSIGNAL, Chunghwa Telecom ranked first in Taiwan regarding 5G network speed and mobile network coverage. It is the only telecommunication operator in Taiwan to win both titles. It has also won the champion for "5G Mobile Network Speed Champion" 3 years in a row and "Taiwan Mobile Coverage Champion" 6 years in a row. In the 5G competition, Chunghwa Telecom is still the first choice in the market.
- We endeavor for exploring and introducing new related products and marketing accessories of private brands in order to get close

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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 240 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 has occurred in telecom industry. Asia Pacific and T Star were merged into two telecom operators Far EasTone and Taiwan Mobile, and performance of distribution channel of Senao will be 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

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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 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, OPPO, Xiaomi, Redmi, 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, DAIKIN, 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, 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: NTD thousand

Item	Year 2023				Year 2022			
	Name	Amount	As a	Relation to	Name	Amount	As a	Relation

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			percentage to total sales [%]	the issuer			percentage to total sales [%]	to the issuer
1	Chunghwa Telecom Co., Ltd.	7,952,266	25.43	Parent company of this company	Chunghwa Telecom Co., Ltd.	7,563,746	24.27	Parent company of this company
	Others	23,316,866	74.57		Others	23,594,848	75.73	
	Net sales	31,269,132	100		Net sales	31,158,594	100	

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

Unit: NTD thousand

Item	Year 2023				Year 2022			
	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	9,786,164	36.65		603165	10,277,087	37.92	
2	Chunghwa Telecom Co., Ltd. 509918	4,226,402	15.83	Parent company of this company	Chunghwa Telecom Co., Ltd. 509918	3,785,494	13.97	Parent company of this company
3	Others	12,690,935	47.52		Others	13,040,389	48.11	
4	Net purchase	26,703,501	100		Net purchase	27,102,970	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/NTD thousand

Sales volume Major products (or by departments)	Year	Year 2023		Year 2022	
		Taiwan		Taiwan	
		Volume	Value	Volume	Value
Communication products		1,512	21,802,460	1,659	21,896,540
Others		-	7,995,777	-	7,236,970
Service revenue		-	1,470,895	-	2,025,084
Total		1,512	31,269,132	1,659	31,158,594

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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

February 29, 2024

Year		Year As of February 29, 2024	Year 2023	Year 2022
Number of employees	Management and staff	636	622	600
	Sales personnel	1340	1377	1445
	Maintenance personnel	86	87	90
	Operators	6	6	6
	Total	2068	2092	2141
Average age		37.4	37.2	36.6
Average years of service		9.12	8.96	8.77
Distribution of Educational Attainment	Doctoral degree	0.00%	0.00%	0.00%
	Master's degree	5.13%	5.11%	4.90%
	Bachelor's degree	78.29%	78.30%	78.75%
	High school	15.86%	15.82%	15.55%
	Less than high school	0.73%	0.76%	0.79%

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 sorted.
 4. We make efforts in creating and providing our employees a working environment with technology, culture and comfortability.

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5. We use the energy consuming lights for energy conservation.
6. We recycle used mobile phones and batteries at all retail stores.

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 International Bill 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. (2) In order to build a good and friendly environment

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Item	Practical control policies
	Explanation
	for pregnancy and breastfeeding, the Company provides maternity health risk assessment and monitoring of health conditions from pregnancy to a year after the birth during the breastfeeding period. 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 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

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Item	Practical control policies
	Explanation
	personnel in accordance with relevant laws and regulations that can provide health education during normal time and first-aid during any emergency hazard. (4) According to the pandemic policy released by the Centers for Disease Control, Ministry of Health and Welfare, and in response to the COVID-19 pandemic, we announced the “Epidemic Control Measures for Different Stages” and health promotion information, such as vaccination, with continuous adjustment. In the first half of the year, we activated the “All Employee with Body Temperature Measurement for Entering Working Area,” and tracked and took care of employee health conditions, purchased sufficient epidemic control materials for employees' use, and performed periodic environmental sterilization. During the peak period of the pandemic, work divergence was executed and the flexible clock in/out policy was implemented in order to reduce employee contact and commute to work infection risk. In the second half of the year, the pandemic preventive policies have been changed and the lockdown has been lifted. We have returned to the pre-pandemic working conditions, prepared epidemic control materials, and taken care of employee health conditions to respond to future pandemic changes.
(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 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,

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Item	Practical control policies
	Explanation
	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 compliance	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.
(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	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

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Item	Practical control policies
	Explanation
prevention	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 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

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

(3)Vital company, flexible management: the average age of the Company is 37.1 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 continue 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 5G and 3C products and enable

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them to provide professional advice on Smart Home digital products.

(5) Active development of digital course:

Senao International has introduced the digital learning platform for over ten years. In 2023, we provided employees with a newly designed learning platform, and held various courses such as “Information Security Education and Training,” “Healthcare Knowledge,” “New Technology Knowledge,” and “Daily Life Skills.” We optimized the interface from the user’s perspective, and our intuitive layout guides users to learn. Through the lively and friendly operation mode, the introduction of digital learning is easier and faster, enabling the implementation of systems, building of habits, and sharing, inheriting, and managing knowledge.

(4) Retirement System:

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 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 sign the labor contracts with employees to protect employees’ rights. 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

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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

Due to the characteristics of the business of Senao International Co., Ltd. (hereinafter referred to as the Company), in order to protect the rights and interests of its customers, shareholders and the Company, the Company and all employees have the responsibility and obligation to jointly establish and maintain a safe information and communication operating environment, and to make information security a part of the corporate culture. The information security policy is formulated to clearly define security goals and requirements for compliance.

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

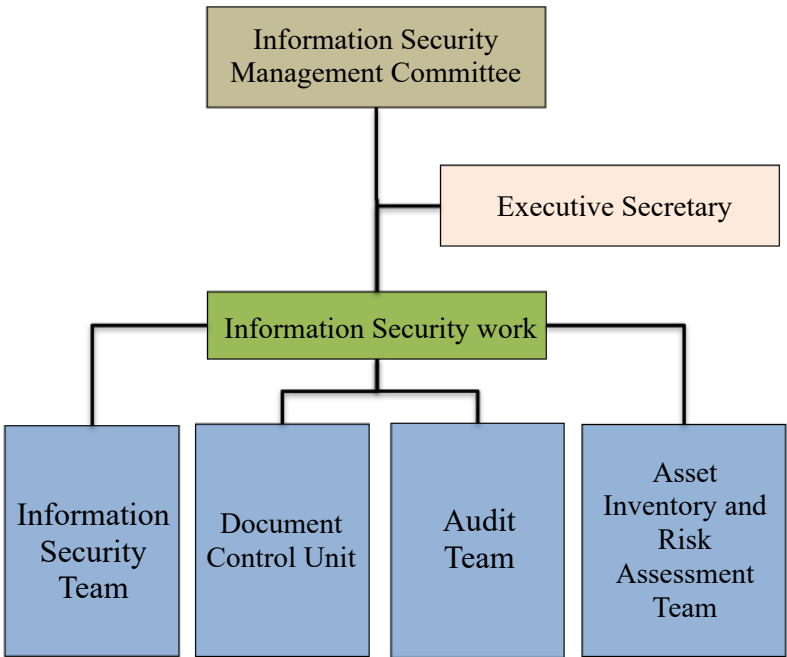
The purpose of the Company's information security policy is to provide a corporate information security guideline and direction that can be followed, to clearly define the Company's information security

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management goals, and to serve as a guiding principle for the Company's business units to regulate their business security responsibilities. Strengthen information security management to ensure the security of information data, systems, equipment and network communications to effectively reduce information assets from theft, improper use, leakage, tampering, damage or system interruption due to human negligence, vandalism, equipment failure or natural disasters. In addition, comply with the information security management system (ISMS) requirements to ensure the confidentiality, integrity and availability of information assets. 1. Confidentiality: Only authorized personnel can reasonably use the information to prevent improper disclosure. 2. Integrity: Ensure that the information is not falsified without authorization and that the information processing methods and results are correct. 3. Availability: Ensure that authorized users can obtain information and use relevant assets when needed.

4.Information security organization

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



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Organization	Scope of authority and responsibility
Information Security Management Committee	1. Serve as the verification representative for the information security management system. 2. Supervise the implementation of the information security management system. 3. Review the objective and implementation scope of the information security management system. 4. Review the implementation and effectiveness of improvement for information security management-related operations. 5. Review information security related policies and regulations, and coordinate the allocation and use of resources. 6. Supervise the implementation of business continuity drills. 7. Review the resources required for the implementation of corrective measures, including manpower, time and funds. 8. Review the effectiveness of corrective measures. 9. At least one management review meeting shall be convened each year. Extraordinary meetings may be convened if necessary.
Executive Secretary	Responsible for various tasks of coordination of information security
Information Security Team	1. Responsible for the implementation of information security services within the unit and the promotion of related technologies. 2. Collect and provide information security related information, such as protection, anti-virus and anti-hack, etc., and release announcements in a timely manner. 3. Establish information security measures, implement information security monitoring and other safety precautions. 4. Participate in external information security seminars, subscribe to information security related e-newsletters, or keep in touch with information security experts from time to time to obtain information security updates. 5. Organize crisis handling procedures, check the causes of crisis events, determining the scope of impact and loss assessment, implement contingency measures, handle information security reporting, and implement resolution measures and other crisis handling matters.

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	6. Execute the disaster recovery work in accordance with the relevant business continuity plan and information security incident notification management procedure. 7. Identify the time the corrective measures were initiated, and regularly track and check the implementation results. 8. Other information security services.
Asset Inventory and Risk Assessment Team	1. Conduct asset inventory and risk assessment. 2. Participate in asset inventory and risk evaluation and discussion. 3. Compile the data on asset inventory and risk assessment. 4. Suggest risk control measures. 5. Assist in the formulation of risk management plans. 6. Assist in risk management. 7. Confirm the risk treatment results. 8. Update and review the information asset list and execute risk assessment at least once a year.
Document Control Unit	1. Issuance, recovery, safekeeping, borrowing and destruction, and version management of information security management system document. 2. Electronic document announcement and update management of the information security management system. 3. Recycling, storage and management of paper records. 4. Assist in information security education and training. 5. Report the implementation result of the annual corrective measures at the management review meeting.
Audit Team	1. Formulate the relevant audit plans and execute the audit operations. 2. Review information security operations. 3. Present audit reports and relevant suggestions. 4. Review the corrective measures for non-conformities in the review report. 5. Conduct an information security audit (including internal) once a year. 6. Keep the information security audit report for future reference.

5. Information security policy of the company

The information security policy includes the following

- (1) Each business unit of the Company must comply with the relevant government laws and regulations (such as the Patent Act, the Copyright Act, the Personal Information Protection Act, the Enforcement Rules of the Personal Information Protection Act, etc.) when conducting business.
- (2) Establish the Information Security Management Committee, which is responsible for the establishment and promotion of the Company's information security management system.
- (3) Establish the organizational landscape evaluation mechanism to define the information security policy and the scope of implementation of the information security management system, and to understand the needs and expectations of the organizational landscape and concerned parties.
- (4) Establish the document control operation rules to define the management principles for establishment, modification, coding, and issuance of documents related to the information security system.
- (5) Establish an information asset management mechanism to coordinate the allocation and effective use of limited resources to solve critical security issues.
- (6) Establish risk assessment management measures and identify the risks of various types of assets in order to take appropriate risk treatment measures to control and reduce risks to an acceptable level.
- (7) Regularly implement business-related information security education and training, and promote information security policies and related implementation regulations.
- (8) Establish physical and environmental safety protection measures for the computer room, and perform relevant maintenance on a regular basis.
- (9) Clearly regulate the permissions of information systems, network services, and sensitive information, and prevent unauthorized access.
- (10) Establish procedures for information system acquisition, development, and maintenance, and clearly regulate the basis for system development and outsourcing. Before the establishment or launch of an information system or service, information

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security-related issues should be included to prevent endangering of the security of the system.

- (11) Formulate and execute internal audit activities of information security to implement the information security management system and corrective measures for non-compliance issues.
- (12) Establish a business continuity plan for information security and practice it to ensure the continuous operation of the Company's business in case of an emergency.
- (13) All personnel of the Company are responsible for maintaining information security, shall understand and comply with relevant information security management regulations, and implement these in their duties.

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 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.	• Always keep track of the trend of international standard and regulations. • Subscribe to information on information security threat and technical news, and keep track of and handle informational security information. • 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.

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Item	Internal	External
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 business system and perform drill every year.	• Implement the national information security policy, update and confirm compliance in real time and carry out information security education training 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) In 2023, a total of NTD13 million was invested in information security-related systems. In the second quarter, numerous

V. Business Overview

information security systems were implemented to continuously observe equipment and network behavior, update and protect the latest threats on the Internet in real time, cooperate with information security vendors to analyze various information, and take immediate action in accordance with the established information security policy.

- (2) In 2023 Q3, ISO 27001:2013 certification has been obtained to meet the global IT standards and international standards to meet the international standard of information security management. It is expected to be updated to the latest ISO27001:2022 certification in 2024 in order to comply with the relevant information communication security guidelines and specifications of the competent authority .
- (3) In 2023, the Information Security Management Committee was established. The existing unit responsible for information security "Information Security Section" was upgraded to the "Information Security Division", with a dedicated information security supervisor and two dedicated information security staffs. This year, five information security reports were delivered at the board meeting and one information security management review meeting was held to meet the needs of concerned parties and among different departments.
- (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. Senao systems 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 NTD172 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 NTD 0.1 billion is lost for relevant service, manufacturing and equipment.

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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	2022/01/01	2024/12/31	Mobile numbers agency contract	None
Manufacturer Contract	LG electronics Taiwan Taipei Co., Ltd.	2011/11/01	If neither of the parties raises an objection, the contract will be automatically renewed.	LG Product procurement	None
Manufacturer Contract	Taiwan Xiaomi Telecommunications Limited	2020/05/01	2023/12/31	Product procurement	None
Manufacturer Contract	Top Enterprise Investments Limited Taiwan Branch (Hong Kong)	2018/05/01	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)	2017/12/13	If neither of the parties raises an objection, the contract will be automatically renewed.	Product procurement	None
Mobile phone supply	Chunghwa Telecom Co., Ltd., Consumer Business Group	2023/01/01	2024/12/31	Mobile phone and terminal product supply	None
Manufacturer Contract	New Boom Global Limited Taiwan Branch (SAMOA)	2014/08/28	Automatic contract renewal	OPPO Product procurement	None
Manufacturer Contract	Samsung Electronics Taiwan Co. Ltd.	2014/01/01	60 days' notice	Samsung Agency Contract	None
Manufacturer Contract	HTC Corporation	2012/01/01	90 days' written notice	HTC Product procurement	None
Manufacturer Contract	Sony Taiwan Ltd	2004/07/15	3 months written notice	Purchase agreement	None
Manufacturer Contract	Microsoft Mobile Taiwan Corporation	1998/04/07	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: NTD thousand

Item	Year	Financial information for the past 5 fiscal years (Note 1 and Note 5)				
		2019	2020	2021	2022	2023
Current assets		6,013,388	6,282,577	7,426,483	6,704,449	6,092,444
Property, plant and equipment (Note 2)		869,510	813,507	777,312	762,167	757,085
Intangible assets		38,710	14,204	18,901	7,181	14,580
Other assets (Note 2)		2,877,409	2,719,888	2,538,815	2,695,630	2,778,577
Total assets		9,799,017	9,830,176	10,761,511	10,169,427	9,642,686
Current liabilities	Before dividends	3,396,820	3,529,863	4,246,872	3,425,119	2,790,133
	After dividends	3,771,286	3,917,242	4,763,377	3,993,275	3,306,638 ^(Note 6)
Non-current liabilities		554,019	386,932	384,408	435,790	437,921
Total liabilities	Before dividends	3,950,839	3,916,795	4,631,280	3,860,909	3,228,054
	After dividends	4,325,305	4,304,174	5,147,785	4,429,065	3,744,559 ^(Note 6)
Equity attributable to stockholders of the parent		5,848,178	5,913,381	6,130,231	6,308,518	6,414,632
Share capital		2,582,527	2,582,527	2,582,527	2,582,527	2,582,527
Capital surplus		717,885	717,521	717,521	717,521	717,664
Retained earnings	Before dividends	2,561,547	2,645,743	2,851,814	2,995,219	3,146,444
	After dividends	2,187,081	2,258,364	2,335,309	2,427,063	2,629,939 ^(Note 6)
Other equity		-13,781	-32,410	-21,631	13,251	-32,003
Treasury shares		-	-	-	-	-
Total equity	Before dividends	5,848,178	5,913,381	6,130,231	6,308,518	6,414,632
	After dividends	5,473,712	5,526,002	5,613,726	5,740,362	5,898,127 ^(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 16, 2024 but has not been submitted to the annual shareholders' ordinary meeting.

VI. Financial Overview

(2) Individual consolidated statements of comprehensive income

Unit: NTD thousand

Item \ Year	Financial information for the past 5 fiscal years (Note 1 and Note 4)				
	2019	2020	2021	2022	2023
Operating revenue	27,493,868	25,426,029	28,912,848	29,142,887	29,597,806
Gross profit	3,082,230	2,803,371	3,094,734	3,027,185	3,074,276
Operating income and loss	274,451	309,395	466,857	317,463	395,391
Non-operating income and expenses	202,178	200,461	240,412	469,795	410,354
Pre-tax profit	476,629	509,856	707,269	787,258	805,745
Net income for the unit continuing operations	411,231	436,884	596,948	658,038	705,677
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	411,231	436,884	596,948	658,038	705,677
Other comprehensive income - current (net, after tax)	15,194	3,149	7,281	36,754	-31,550
Total comprehensive income - current	426,425	440,033	604,229	694,792	674,127
Net profit attributable to owners of the Parent	411,231	436,884	596,948	658,038	705,677
Comprehensive profit (loss) attributable to the owners of the parent company	426,425	440,033	604,229	694,792	674,127
Earnings per share	1.59	1.69	2.31	2.55	2.73

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.

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(3) Consolidated condensed balance sheets

Unit: NTD thousand

Item	Year	Financial information for the past 5 fiscal years (Note 1 and Note 5)				
		2019	2020	2021	2022	2023
Current assets		6,751,385	6,834,221	7,962,726	7,249,222	6,539,760
Property, plant and equipment (Note 2)		895,742	839,868	803,961	787,695	786,284
Intangible assets		227,112	179,843	142,035	107,640	103,104
Other assets (Note 2)		2,195,330	2,321,272	2,183,890	2,315,746	2,404,145
Total assets		10,069,569	10,175,204	11,092,612	10,460,303	9,833,293
Current liabilities	Before dividends	3,617,165	3,832,372	4,531,148	3,680,470	2,949,548
	After dividends	3,991,631	4,219,751	5,047,653	4,248,626	3,466,053 ^(Note 6)
Non-current liabilities		589,882	415,712	418,431	459,666	458,543
Total liabilities	Before dividends	4,207,047	4,248,084	4,949,579	4,140,136	3,408,091
	After dividends	4,581,513	4,635,463	5,466,084	4,708,292	3,924,596 ^(Note 6)
Equity attributable to stockholders of the parent		5,848,178	5,913,381	6,130,231	6,308,518	6,414,632
Share capital		2,582,527	2,582,527	2,582,527	2,582,527	2,582,527
Capital surplus		717,885	717,521	717,521	717,521	717,664
Retained earnings	Before dividends	2,561,547	2,645,743	2,851,814	2,995,219	3,146,444
	After dividends	2,187,081	2,258,364	2,335,309	2,427,063	2,629,939 ^(Note 6)
Other equity		-13,781	-32,410	-21,631	13,251	-32,003
Treasury shares		-	-	-	-	-
Non-controlling interests		14,344	13,739	12,802	11,649	10,570
Total equity	Before dividends	5,862,522	5,927,120	6,143,033	6,320,167	6,425,202
	After dividends	5,488,056	5,539,741	5,626,528	5,752,011	5,908,697 ^(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 16, 2024 but has not been submitted to the annual shareholders' ordinary meeting.

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(4) Consolidated statements of comprehensive income

Unit: NTD thousand

Item \ Year	Financial information for the past 5 fiscal years (Note 1 and Note 4)				
	2019	2020	2021	2022	2023
Operating revenue	28,864,873	27,007,073	31,038,933	31,158,594	31,269,132
Gross profit	3,254,572	3,086,322	3,465,732	3,397,546	3,409,651
Operating income and loss	255,662	308,967	483,498	350,226	425,488
Non-operating income and expenses	224,202	207,574	231,478	443,218	387,829
Pre-tax profit	479,864	516,541	714,976	793,444	813,317
Net income for the unit continuing operations	410,011	435,915	596,011	656,885	704,598
Net income (loss)	410,011	435,915	596,011	656,885	704,598
Other comprehensive income - current (net, after tax)	15,194	3,149	7,281	36,754	-31,550
Total comprehensive income - current	425,205	439,064	603,292	693,639	673,048
Net profit attributable to owners of the Parent	411,231	436,884	596,948	658,038	705,677
Net profit attributable to non-controlling interests	-1,220	-969	-937	-1,153	-1,079
Comprehensive profit (loss) attributable to the owners of the parent company	426,425	440,033	604,229	694,792	674,127
Comprehensive income attributable to non-controlling shareholders	-1,220	-969	-937	-1,153	-1,079
Earnings per share	1.59	1.69	2.31	2.55	2.73

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
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
2023	Deloitte & Touche	Yi-Hsin Kao, Mei-Yen Chiang	Unqualified opinion

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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)				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	40.31	39.84	43.03	37.96	33.47
	Long-term capital to property, plant & equipment ratio	736.29	774.46	838.09	884.88	905.12
Debt servicing capability %	Current ratio	177.02	177.98	174.86	195.74	218.35
	Quick ratio	122.02	122.53	110.52	113.16	132.40
	Times interest earned	34.37	46.36	89.46	93.45	71.46
Operating efficiency	Receivables turnover ratio(times)	15.93	15.73	17.19	16.09	17.63
	Average collection days	22.91	23.20	21.23	22.68	20.70
	Inventory turnover ratio (times)	13.19	12.37	11.51	9.82	10.58
	Payables turnover ratio (times)	12.03	13.32	11.51	10.53	14.15
	Days sales outstanding	27.67	29.50	31.71	37.16	34.49
	Property, plant and equipment turnover ratio(times)	30.47	30.21	36.34	37.86	38.96
	Total asset turnover (times)	2.84	2.59	2.80	2.78	2.98
Profitability	Return on Assets (%)	4.36	4.54	5.86	6.35	7.21
	Return on Equity (%)	7.05	7.42	9.91	10.58	11.09
	Income before tax to paid-in capital ratio(%)	18.45	19.74	27.38	30.48	31.19
	Net Profit Margin (%)	1.49	1.71	2.06	2.25	2.38
	Earnings per share (\$) (Note 2)	1.59	1.69	2.31	2.55	2.73
Cash Flow	Cash flow ratio (%)	21.65	22.79	14.87	-10.41	39.58
	Cash flow adequacy ratio (%)	133.70	105.02	95.83	69.77	86.88
	Cash reinvestment ratio (%)	4.91	5.90	3.25	-11.24	6.80
Leverage	Operating leverage	8.90	7.14	4.94	6.83	5.59
	Financial leverage	1.05	1.03	1.01	1.02	1.02
Explanations for the variations of financial ratios in the last two years. (If the increase or decrease is below 20%, no analysis is required.) 1. Interest coverage ratio: It was primarily caused by the increase of interest expenses and profit before tax in 2023. 2. Payables turnover rate: It was primarily caused by Mainly due to the increase in the cost of goods sold and decrease in average payables balance in 2023. 3. Variation in cash flow reinvestment ratio: It was primarily caused by the increase of net cash flow from operating activities in 2023. 4. Variation in cash flow reinvestment ratio: It was primarily caused by the increase of operating fund in 2023.						

Note 1: All financial information of 2019–2023 has been audited.

VI. Financial Overview

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)				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	41.77	41.74	44.62	39.57	34.65
	Long-term capital to property, plant & equipment ratio	720.34	755.21	816.14	860.71	875.47
Debt servicing capability %	Current ratio	186.64	178.32	175.73	196.96	221.72
	Quick ratio	131.19	124.03	113.43	117.27	138.03
	Times interest earned	33.65	46.08	88.17	91.80	70.90
Operating efficiency	Receivables turnover ratio(times)	16.24	15.66	16.94	15.72	17.25
	Average collection days	22.47	23.30	21.54	23.21	21.15
	Inventory turnover ratio (times)	13.30	12.42	11.78	10.10	10.76
	Payables turnover ratio (times)	11.98	12.84	11.38	10.53	13.99
	Days sales outstanding	27.44	29.38	30.98	36.13	33.92
	Property, plant and equipment turnover ratio(times)	31.01	31.12	37.76	39.15	39.73
	Total asset turnover (times)	2.91	2.66	2.91	2.89	3.08
Profitability	Return on Assets (%)	4.26	4.39	5.66	6.16	7.03
	Return on Equity (%)	7.01	7.39	9.87	10.54	11.05
	Income before tax to paid-in capital ratio(%)	18.58	20.00	27.68	30.72	31.49
	Net Profit Margin (%)	1.42	1.61	1.92	2.10	2.25
	Earnings per share (\$) (Note 2)	1.59	1.69	2.31	2.55	2.73
Cash Flow	Cash flow ratio (%)	14.85	22.50	14.43	-8.94	38.83
	Cash flow adequacy ratio (%)	120.34	96.46	92.46	65.90	84.70
	Cash reinvestment ratio (%)	2.19	6.64	3.52	-10.82	7.28
Leverage	Operating leverage	9.85	7.46	5.00	6.53	5.45
	Financial leverage	1.06	1.03	1.01	1.02	1.02

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

1. Interest coverage ratio: It was primarily caused by the increase of interest expenses and profit before tax in 2023.
2. Payables turnover rate: It was primarily caused by Mainly due to the increase in the cost of goods sold and decrease in average payables balance in 2023.
3. Variation in cash flow reinvestment ratio: It was primarily caused by the increase of net cash flow from operating activities in 2023.
4. Variation in cash flow reinvestment ratio: It was primarily caused by the increase of operating fund in 2023.

VI. Financial Overview

Note 1: All financial information of 2019–2023 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.

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 2023 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 16, 2024

VI. Financial Overview

4. The consolidated financial report in the most recent year audited: Please refer to page 226–293 of Appendix (2).
5. Audited individual financial statement for the most recent fiscal year: Please refer to page 294–368 of Appendix (3).
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: NTD thousand

Item \ Year	December 31, 2023	December 31, 2022	Variation	
			Amount	%
Current assets	6,539,760	7,249,222	-709,462	-9.79%
Non-current assets	3,293,533	3,211,081	82,452	2.57%
Total assets	9,833,293	10,460,303	-627,010	-5.99%
Current liabilities	2,949,548	3,680,470	-730,922	-19.86%
Non-current liabilities	458,543	459,666	-1,123	-0.24%
Total liabilities	3,408,091	4,140,136	-732,045	-17.68%
Share capital	2,582,527	2,582,527	0	0.00%
Capital surplus	717,664	717,521	143	0.02%
Retained earnings	3,146,444	2,995,219	151,225	5.05%
Other equity	-32,003	13,251	-45,254	-341.51%
Treasury shares	-	-	-	-
Non-controlling interests	10,570	11,649	-1,079	-9.26%
Total equity	6,425,202	6,320,167	105,035	1.66%

Analysis of variations exceeding 20%:

1. Decrease of other equity was primarily due to the reduction of cumulative translation adjustment in 2023, and unrealized gains or losses of financial assets measured at fair value through other comprehensive profit and loss are reduced.

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

2. Financial performance

(1) The comparison table of financial performance

Unit: NTD thousand

Item \ Year	Year 2023	Year 2022	Variation	
			Amount	%
Operating revenue	31,269,132	31,158,594	110,538	0.35%
Gross profit	3,409,651	3,397,546	12,105	0.36%
Income from operations	425,488	350,226	75,262	21.49%
Non-operating income and expenses	387,829	443,218	-55,389	-12.50%
Pre-tax profit	813,317	793,444	19,873	2.50%
Net income	704,598	656,885	47,713	7.26%
Total other comprehensive income (loss)	-31,550	36,754	-68,304	-185.84%
Total comprehensive income - current	673,048	693,639	-20,591	-2.97%
Net profit attributable to owners of the Parent	705,677	658,038	47,639	7.24%
Net profit attributable to non-controlling interests	-1,079	-1,153	74	-6.42%
Comprehensive profit (loss) attributable to the owners of the parent company	674,127	694,792	-20,665	-2.97%
Comprehensive income attributable to non-controlling interests	-1,079	-1,153	74	-6.42%

1. Analysis of variations:

- (1) Increase of income from operations is primarily due to increase of gross profit and decrease of operating expenses.
 - (2) Decrease of other comprehensive income was mainly due to decrease of remeasurements of defined benefit plans.
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:

Unit: NTD thousand

	Year 2023	Year 2022	Amount increased (decreased)	Variation (%)
Beginning cash and cash equivalent balance	1,859,023	2,976,985	-1,117,962	-37.55%
Net cash inflows (outflows) from operating activities	1,145,512	-329,154	1,474,666	-448.02%
Net cash inflows (outflows) from investing activities	37,005	36,666	339	0.92%
Net cash inflows (outflows) from financing activities	-873,254	-826,206	-47,048	5.69%
Ending cash and cash equivalent balance	2,168,285	1,859,023	309,262	16.64%

Analysis of variations exceeding 20%:

1. The decrease in the balance of cash and cash equivalents at the end of the year is mainly due to the increase in net cash outflow from operating activities, the decrease in net cash inflow from investing activities, and the increase in net cash outflow from financing activities in the last year.
2. Increase in net cash inflows from operating activities: It was mainly due to changes to major items such as decrease in sales resulting change in inventory, account receivables (payables) and other account receivables (payables) that resulting in increase in cash.

(2) Cash liquidity analysis for the next year:

Unit: NTD 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
1,898,556	839,680	1,171,652	1,566,584	-	-

Note: the financial information above is the unconsolidated data

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

projected by the Company and is not reviewed by the CPA.

1. Analysis of 2024 cash flows:
 - (1) Operating activities: Net income is projected for 2024 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 2023 based on merging foundation is NTD 279,930 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.
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

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

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 2023 based on the merging foundation was NTD129 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 measures.

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

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,

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

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.

- (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

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

management: none.

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

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

7. Other important matters: none

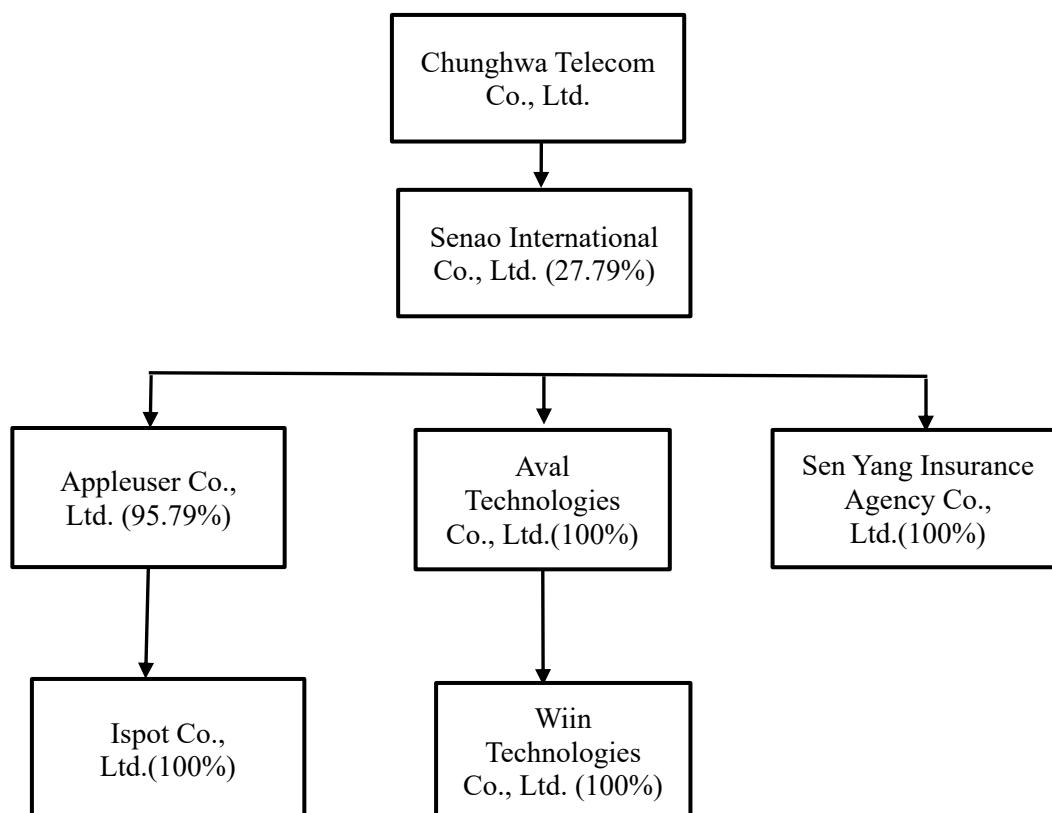
VIII. Special remarks

VIII. Special remarks

1. Information related to the Company's affiliates

(1) Relationship of affiliated entities

1. Organizational chart (As of December 31, 2023)



VIII. Special remarks

2. Backgrounds of affiliated entities

Unit: NTD thousand December 31, 2023

Name of entity	Established date	Address	Paid-in capital	Main business activities or products
Chunghwa Telecom Co., Ltd.	1996.06.15	No.21-3, Sec. 1, Xinyi Rd., Taipei City	NTD 77,574,465	Telecommunication/data service
Appleuser Co., Ltd.	1996.10.04	No.13, Sec. 1, Bade Rd., Zhongzheng Dist., Taipei City	NTD 154,000	Sale of telecommunication products
Ispot Co., Ltd.	2012.09.05	No.13, Sec. 1, Bade Rd., Zhongzheng Dist., Taipei City	NTD 10,727	Sale of telecommunication products
Aval Technologies Co., Ltd.	2015.10.05	6F., No.533, Zhongzheng Rd., Xindian Dist., New Taipei City	NTD 125,550	Sale of telecommunication products
Wiin Technologies Co., Ltd.	2019.09.12	6F., No.533, Zhongzheng Rd., Xindian Dist., New Taipei City	NTD 44,180	Sale of telecommunication products
Sen Yang Insurance Agency Co., Ltd.	2017.11.22	2F., No.531, Zhongzheng Rd., Xindian Dist., New Taipei City	NTD 89,090	Property insurance agency

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

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, 2023

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: Shui-Yi Kuo	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: Chao-Yang Lin	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%

VIII. Special remarks

Name of entity	Title	Name or representative	Shareholdings	
			Number of Shareholdings	Percentage of Shareholdings
	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%
	Independent Director	Shih-Ming Lin	0	0%
	Independent Director	Yu-Fen Lin	0	0%
	President	Chao-Yang Lin	0	0%
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%
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	12,555,000	100%
	President	Yu-Chiang Wu	—	0%

VIII. Special remarks

Name of entity	Title	Name or representative	Shareholdings	
			Number of Shareholdings	Percentage of Shareholdings
Wiin Technologies Co., Ltd.	Director	Aval Technologies Co., Ltd. Representative: Wen-He Tsai	4,418,000	100%
	President	Yu-Chiang Wu	—	0%
Sen Yang Insurance Agency Co., Ltd.	Chairman	Senao International Co., Ltd. Representative: Yen-Yen Cheng	8,909,000	100%
	Director	Senao International Co., Ltd. Representative: Chi-Hung Liao	8,909,000	100%
	Director	Senao International Co., Ltd. Representative: Kuan-Heng Lai	8,909,000	100%
	President	Yen-Yen Cheng	—	0%

VIII. Special remarks

(2) Performance of affiliated enterprises in 2023:

Unit: NTD thousand, except earnings per share is expressed in NTD

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	499,392,878	117,084,790	382,308,088	188,729,545	43,436,830	36,916,708	4.76
Senao International (Samoa) Holding Ltd.	-	-	-	-	-	-212	506	-
Appleuser Co., Ltd.	154,000	137,926	5,411	132,515	143,232	-1,778	-2,969	-0.2
Ispot Co., Ltd.	10,727	24,476	12,579	11,897	97,844	978	1,117	-
York Co., Ltd.	-	-	-	-	5,161	-2,144	-4,081	-
Aval Technologies Co., Ltd.	125,550	227,859	90,404	137,455	1,595,418	6,100	7,898	0.65
Wiin Technologies Co., Ltd.	44,180	71,738	22,488	49,250	365,018	4,861	3,440	0.82
Sen Yang Insurance Agency Co., Ltd.	89,090	225,290	98,040	127,250	386,508	32,454	26,433	3.62
Senaolife Insurance Distributor Co., Ltd.	-	-	-	-	1,107	-124	-2,013	-

VIII. Special remarks

2024.2.17 Chin Shen No. 11302536

Recipient: Senao International Co., Ltd.

Subject: Opinion on the statement claiming that information related to your 2023 relationship report has no significant non-conformity

Explanation:

1. In the 2023 relationship report (from January 1 to December 31, 2023) organized on February 16, 2024, 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 2023 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 2023 relationship report (from January 1 to December 31, 2023) 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: Rong-Shy Lin

February 16, 2024

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 February 29, 2024)	-	Chairman Director Director Director Chief Financial Officer	Rong-Shy Lin Wen-Chih Lin Hsueh-Hai Hu Su-Chiu Ke Min-Hung Tsai Miao-Ling Chen

Sales and purchases information

Unit: NTD 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 (NTD)	Credit period	Unit price (NTD)	Credit period		Balance	Percentage to the total account and note receivables (payables)	Amount	Handling method	Amount of bad loan provision	
Sales	\$7,514,452	24.03		—	30-90 days	—	—	—	892,147	56.79	—	—	—	
Purchases	\$4,226,402	15.83	1,802,723	—	30 days	—	—	—	147,614	-8.99	—	—	—	

Note: trading terms were agreed individually.

Asset lease

Unit: NTD 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	-	\$19,701	\$19,701	None

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

Trading of property: None.

Financing: None

Guarantees and endorsements:

VIII. Special remarks

VIII. Special remarks

Senao International Co., Ltd. and subsidiaries

Guarantees and endorsements January 1 to December 31, 2023

Unit: NTD 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
		Company Name	Relation (Note2)											
0	Senao International Co., Ltd.	Aval Technologies Co., Ltd.	2	641,463	300,000	300,000	300,000	\$ -	4.68	3,207,316	Y	-	-	
		Win Technologies Co., Ltd.	2	641,463	200,000	200,000	200,000	\$ -	3.12	3,207,316	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 NTD6,414,632 thousand* 10% = NTD641,463 thousand.

Note 4: Maximum amount limit of endorsement/guarantee = Equity attributable to the owners of the parent company NTD6,414,632 thousand* 50% = NTD3,207,316 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 16, 2024

The following declaration had been made based on the 2023 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, 2023. 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 16, 2024. 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: Rong-Shy 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
2023.05.29	1. Recognized 2022 Business Report and Financial Statements (along with the earnings distribution plan).	1. Set the ex-dividend date on June 26, 2023 and cash dividends were scheduled to be paid on July 14, 2023. (Cash dividend was NTD2.2 per share, totaling NTD568,155,845)

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
2023.02.17	The 5th meeting of the 11th board of directors	1. Recognized the distribution of Employees' Compensation and Directors' Remuneration of 2022	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 May 29, 2023 as a reporting matter.	V	None
		2. Recognized 2022 Business Report and Financial Statements.		2. The management department has handled as passed, and the financial statements were submitted on February 17, 2023, 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
				shareholders' meeting on May 29 2023 as recognition matters.		
		3. Passed the proposal to issue the "2022 Declaration of domestic and SOX internal control policies"		3. The management department has handled as passed, and public announcement was made on March 1, 2023.	V	
		4. Passed the 2023 audit fees		4. The management department has handled as passed.	V	
		5. Report on the Distribution and Disbursement of Dividends and Bonuses for 2022.		5. The management department has handled as passed and included it into the agenda of the annual shareholders' meeting on May 29, 2023 as a reporting matter.		
		6. Set the date and relevant matters for the 2023 annual shareholders' meeting.		6. The management department has handled as passed, and public announcement was made on February 17, 2023.		

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
		7. Adjusted the amount for the right-of-use asset by the Company because the Company threw the lease for seven counters at the business hall.		7. The management department has handled as passed, and public announcement was made on February 17, 2023.	V	
2023.04.28	The 6th meeting of the 11th board of directors	1. 2023 Q1 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 April 27, 2022.	V	None
		2. Appointment of the Head of the General Management Department of the Company		2. The management department has handled as passed, and public announcement was made on April 28, 2023.		
		3. Change of the accounting manager of the Company		3. The management department has handled as passed, and public announcement was made on April 28, 2023.	V	
		4. Review of the pension for managers		4. The management department has		

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
				handled as passed.		
		5. Passed the proposal for applying extension of general credit line and applying extension of credit line for derivative transactions.		5. The management department has handled as passed.		
		6. Amendment to parts of the Company's "Corporate Governance Best Practice Principles"		6. The management department has handled as passed.		
		7. Amendments to parts of the "Ethical Corporate Management Best-Practice Principles and Operation Procedures"		7. The management department has handled as passed.		
		8. Acquisition of right-of-use assets by the Company from the related party.		8. The management department has handled as passed and public announcement was made on April 28, 2023.	V	
		9. Adjusted the amount for the		9. The management	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
		right-of-use asset by the Company because the Company threw the lease for six counters at the business hall.		department has handled as passed and public announcement was made on April 28, 2023.		
2023.05.30	The 7th meeting of the 11th interim board of directors	1. Please elect the Chairman of the Company.	Hung-Hui Cheng was elected as the Chairman of the Company by all directors present at the meeting.	1. The management department has handled as passed, and public announcement was made on May 30, 2023.		None
2023.08.04	The 8th meeting of the 11th board of directors	1. 2023 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 August 4, 2023.	V	None
		2. Reviewed 2022 managers' and employees' compensations disbursement	Resolution: Except Vice Chairman Pao-Yung Lin, directors Cheng-Feng Lin and Cheng-Kang Lin had avoided the	2. 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
			discussion and voting due to conflict of interests, the agenda was passed as proposed unanimously by the remaining directors present at the meeting.			
		3. Approval of the Chairman's salary.		3. The management department has handled as passed.	V	
		4. Appointment of the Company's CFO.	Passed as proposed unanimously by all directors present at the meeting. 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 August 4, 2023.	V	
		5. Amendments to parts of the "Code of Conduct."		5. The management department has handled as passed.	V	
		6. Adjusted the amount for the right-of-use asset by the Company because the Company		6. The management department has handled as passed, and public announcement	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
		threw the lease for one counter at business hall from the related party.		was made on August 4, 2023.		
		7. Acquisition of right-of-use assets by the Company from the related party Chunghwa Telecom Co., Ltd.		7. The management department has handled as passed, and public announcement was made on August 4, 2023.	V	
		8. Acquisition of right-of-use assets by the Company from the related party Appleuser Co., Ltd.		8. The management department has handled as passed, and public announcement was made on August 4, 2023.	V	
2023.08.11	9th (provisional) Board of Directors meeting of the 11th term	1. Please elect the Chairman of the Company.	It was unanimously approved by all directors present to appoint Rong-Shy Lin to serve as the Chairman of the Company.	1. The management department has handled as passed, and public announcement was made on August 11, 2023.	V	
2023.11.03	The 10th meeting of the 11th board of directors	2023 Q3 financial statement	Passed as proposed unanimously by all directors	The management department has handled as passed, and public announcement was	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
			present at the meeting.	made on November 3, 2023.		
		2. Approval of the Chairman's salary.	Resolution: Except Chairman Rong-Shy 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.	2. The management department has handled as passed.	V	
		3. Formulation of the "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties" 4. 5.	Passed as proposed unanimously by all directors present at the meeting.	3. The management department has handled as passed. 4. 5.	V	
2023.12.15	The 11th meeting of the 11th board of directors	1. 2024 Business Plan and budget	Passed as proposed unanimously by all directors present at	1. The management department has handled as passed.	V	None
		2. Recognition	present at	2. The	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
		of 2024 internal audit plan	the meeting.	management department has handled as passed and filed on December 18, 2023 in accordance with relevant laws.		
		3. Disbursement of 2023 Chairman's and managers' performance appraisal and year-end bonus.	Resolution: Except Vice Chairman Pao-Yung Lin, 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 all directors present at the meeting.	3. The management department has handled as passed.	V	
		4. Adjusted the amount for the right-of-use asset by the Company because the Company threw the lease for two counters at the	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 15, 2023.	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
		business hall.				
		5. Acquisition of right-of-use assets by the Company.		5. The management department has handled as passed, and public announcement was made on December 15, 2023.	V	
		6. Discussed the 2024 donation to related parties.		6. The management department has handled as passed, and public announcement was made on December 15, 2023.	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
2023.02.17	The 4th meeting of the 2nd Audit Committee	1. Recognized 2022 Business Report and Financial Statements.	Passed as proposed unanimously by all members present at the meeting.	1. Submitted to the Board of Directors' meeting for resolution	V	None
		2. Passed the proposal to issue the "2022 Declaration of domestic and SOX internal control policies"		2. Submitted to the Board of Directors' meeting for resolution	V	
		3. Passed the 2023 audit fees		3. Submitted to the Board of Directors' meeting for resolution	V	
		4. Report on the Distribution and Disbursement of Dividends and Bonuses for 2022.		4. Submitted to the Board of Directors' meeting for resolution		
		5. Adjusted the amount for the right-of-use asset by the Company because the Company threw the lease for seven counters at the business hall.		5. 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
2023.04.28	The 5th meeting of the 2nd Audit Committee	1. 2023 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. Change of the Company's accounting officer.		2. Submitted to the Board of Directors' meeting for resolution	V	
		3. Amendments to parts of the "Ethical Corporate Management Best-Practice Principles and Operation Procedures"		3. Submitted to the Board of Directors' meeting for resolution		
		4. Acquisition of right-of-use assets by the Company from the related party.		4. Submitted to the Board of Directors' meeting for resolution	V	
		5. Adjusted the amount for the right-of-use asset by the Company because the Company threw the lease for six counters at the business hall.		5. 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
2023.08.04	The 6th meeting of the 2nd Audit Committee	1. 2023 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. 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 Chunghwa Telecom Co., Ltd.		2. Submitted to the Board of Directors' meeting for resolution	V	
		3. Acquisition of right-of-use assets by the Company from the related party Chunghwa Telecom Co., Ltd.		3. Submitted to the Board of Directors' meeting for resolution	V	
		4. The Company's acquisition of right-of-use assets from the related party, You Shi Co., Ltd.		4. Submitted to the Board of Directors' meeting for resolution	V	
2023.11.03	The 7th meeting of the 2nd Audit	1. 2023 Q3 financial statement	Passed as proposed unanimously by all	1. Submitted to the Board of Directors' meeting for resolution	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
	Committee	2. Formulation of the “Rules Governing Financial and Business Matters Between this Corporation and its Related Parties”	members present at the meeting.	2. Submitted to the Board of Directors’ meeting for resolution	V	
2023.12.15	The 8th meeting of the 2nd Audit Committee	1. 2024 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 2024 internal audit plan		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 two counters at the business hall.		3. Submitted to the Board of Directors’ meeting for resolution	V	
		4. Acquisition of right-of-use assets by the Company.		4. Submitted to the Board of Directors’ meeting for resolution	V	
		5. Discussed the 2024 donation to related parties.		5. 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, 2023 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 16, 2024

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, 2023 and 2022, 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 material accounting policy information (collectively referred to as the “consolidated financial statements”).

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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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, 2023. 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, 2023 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 \$2,379,632 thousand as of December 31, 2023, which represented 24% 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, 2023 and 2022 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, 2023 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



Deloitte & Touche
Taipei, Taiwan
Republic of China

February 16, 2024

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023		2022	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 2,168,285	22	\$ 1,859,023	18
Notes receivable, net (Note 7)	70,134	1	89,061	1
Trade receivables, net (Note 7)	606,191	6	949,118	9
Trade receivables from related parties (Note 25)	894,645	9	975,128	9
Other receivables (Notes 7 and 21)	207,450	2	299,091	3
Other receivables from related parties (Note 25)	124,595	1	144,967	1
Inventories (Note 8)	2,379,632	24	2,797,824	27
Prepayments (Note 25)	66,300	1	69,350	1
Other current assets (Note 14)	22,528	-	65,660	1
Total current assets	6,539,760	66	7,249,222	70
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income	9,969	-	10,428	-
Investments accounted for using equity method (Note 10)	1,564,311	16	1,395,858	13
Property, plant and equipment (Notes 11, 20 and 25)	786,284	8	787,695	8
Right-of-use assets (Notes 12, 20 and 25)	642,474	7	609,540	6
Intangible assets (Notes 13 and 20)	103,104	1	107,640	1
Deferred tax assets (Note 21)	84,567	1	192,971	2
Refundable deposits (Note 25)	55,265	1	55,485	-
Other noncurrent assets (Notes 14 and 26)	47,559	-	51,464	-
Total noncurrent assets	3,293,533	34	3,211,081	30
TOTAL	\$ 9,833,293	100	\$ 10,460,303	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Note 19)	\$ 90,454	1	\$ 132,722	2
Notes payable (Note 15)	3,075	-	6,705	-
Notes payable to related parties (Note 25)	18	-	18	-
Trade payables (Note 15)	1,489,909	15	1,953,167	19
Trade payables to related parties (Note 25)	148,106	2	379,584	4
Other payables (Note 16)	673,181	7	713,349	7
Other payables to related parties (Note 25)	264,940	3	224,945	2
Current tax liabilities (Note 21)	891	-	4,765	-
Lease liabilities - current (Notes 12, 20 and 25)	236,694	3	226,430	2
Other current liabilities (Note 25)	42,280	-	38,785	-
Total current liabilities	2,949,548	31	3,680,470	36
NONCURRENT LIABILITIES				
Deferred tax liabilities (Note 21)	17,663	-	20,079	-
Lease liabilities - noncurrent (Notes 12, 20 and 25)	417,423	4	395,519	4
Net defined benefit liabilities - noncurrent (Notes 17 and 20)	1,054	-	21,326	-
Guarantee deposits	22,403	-	22,742	-
Total noncurrent liabilities	458,543	4	459,666	4
Total liabilities	3,408,091	35	4,140,136	40
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT				
Share capital - ordinary shares (Note 18)	2,582,527	26	2,582,527	24
Capital surplus (Note 18)	717,664	7	717,521	7
Retained earnings (Note 18)				
Legal reserve	1,667,579	17	1,601,588	15
Special reserve	-	-	21,631	-
Unappropriated earnings	1,478,865	15	1,372,000	14
Total retained earnings	3,146,444	32	2,995,219	29
Other equity	(32,003)	-	13,251	-
Total equity attributable to stockholders of the parent	6,414,632	65	6,308,518	60
NONCONTROLLING INTERESTS (Note 18)	10,570	-	11,649	-
Total equity	6,425,202	65	6,320,167	60
TOTAL	\$ 9,833,293	100	\$ 10,460,303	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, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 19 and 25)				
Sales	\$ 30,377,928	97	\$ 30,145,061	97
Less: Sales returns	316,918	1	225,014	1
Sales discounts and allowances	869,953	3	786,537	2
Net sales	29,191,057	93	29,133,510	94
Service and repairs revenue	2,078,075	7	2,025,084	6
Total operating revenue	31,269,132	100	31,158,594	100
OPERATING COSTS (Notes 8, 17, 20 and 25)				
Cost of goods sold	27,372,589	88	27,301,887	88
Service and repairs costs	486,892	2	459,161	1
Total operating costs	27,859,481	90	27,761,048	89
GROSS PROFIT	3,409,651	10	3,397,546	11
OPERATING EXPENSES (Notes 17, 20 and 25)				
Selling and marketing expenses	2,629,762	8	2,698,594	9
General and administrative expenses	354,308	1	339,346	1
Total operating expenses	2,984,070	9	3,037,940	10
NET OTHER INCOME AND EXPENSES (Notes 20 and 25)	(93)	-	(9,380)	-
INCOME FROM OPERATIONS	425,488	1	350,226	1
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 20 and 25)	89,216	-	87,192	-
Share of profit of associates accounted for using equity method	279,930	1	359,842	1
Interest income	12,952	-	5,147	-
Gain on disposal of investments (Note 9)	17,706	-	-	-
Net gain (loss) on foreign currency exchange	129	-	236	-
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	-	-	3	-
Interest expense (Notes 20 and 25)	(11,635)	-	(8,738)	-
Miscellaneous disbursements	(469)	-	(464)	-
Total non-operating income and expenses	387,829	1	443,218	1

(Continued)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 813,317	2	\$ 793,444	2
INCOME TAX EXPENSE (Note 21)	<u>108,719</u>	<u>-</u>	<u>136,559</u>	<u>-</u>
NET INCOME	<u>704,598</u>	<u>2</u>	<u>656,885</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)	17,569	-	30,282	-
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	(459)	-	777	-
Share of remeasurement of defined benefit plans of associates	(351)	-	1,493	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	<u>(3,514)</u>	<u>-</u>	<u>(6,056)</u>	<u>-</u>
	<u>13,245</u>	<u>-</u>	<u>26,496</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(16,564)	-	3,602	-
Share of exchange differences arising from the translation of the foreign operations of associates	<u>(28,231)</u>	<u>-</u>	<u>6,656</u>	<u>-</u>
	<u>(44,795)</u>	<u>-</u>	<u>10,258</u>	<u>-</u>
Total other comprehensive income, net of income tax	<u>(31,550)</u>	<u>-</u>	<u>36,754</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 673,048</u>	<u>2</u>	<u>\$ 693,639</u>	<u>2</u>
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 705,677	2	\$ 658,038	2
Noncontrolling interests	<u>(1,079)</u>	<u>-</u>	<u>(1,153)</u>	<u>-</u>
	<u>\$ 704,598</u>	<u>2</u>	<u>\$ 656,885</u>	<u>2</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 674,127	2	\$ 694,792	2
Noncontrolling interests	<u>(1,079)</u>	<u>-</u>	<u>(1,153)</u>	<u>-</u>
	<u>\$ 673,048</u>	<u>2</u>	<u>\$ 693,639</u>	<u>2</u>

(Continued)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 2.73</u>		<u>\$ 2.55</u>	
Diluted	<u>\$ 2.72</u>		<u>\$ 2.54</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, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Stockholders of the Parent									
						Other Equity				
	Share Capital - Ordinary Shares (Note 18)	Capital Surplus (Note 18)	Retained Earnings (Note 18)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Noncontrolling Interests (Note 18)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2022	\$ 2,582,527	\$ 717,521	\$ 1,542,243	\$ 32,410	\$ 1,277,161	\$ 4,564	\$ (26,195)	\$ 6,130,231	\$ 12,802	\$ 6,143,033
Appropriation of 2021 earnings										
Legal reserve	-	-	59,345	-	(59,345)	-	-	-	-	-
Special reserve	-	-	-	(10,779)	10,779	-	-	-	-	-
Cash dividends - NT\$2.00 per share	-	-	-	-	(516,505)	-	-	(516,505)	-	(516,505)
	-	-	59,345	(10,779)	(565,071)	-	-	(516,505)	-	(516,505)
Net income for the year ended December 31, 2022	-	-	-	-	658,038	-	-	658,038	(1,153)	656,885
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	25,719	10,258	777	36,754	-	36,754
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	683,757	10,258	777	694,792	(1,153)	693,639
Disposal of investments in equity investments designated as at fair value through other comprehensive income	-	-	-	-	(23,847)	-	23,847	-	-	-
BALANCE, DECEMBER 31, 2022	2,582,527	717,521	1,601,588	21,631	1,372,000	14,822	(1,571)	6,308,518	11,649	6,320,167
Appropriation of 2022 earnings										
Legal reserve	-	-	65,991	-	(65,991)	-	-	-	-	-
Special reserve	-	-	-	(21,631)	21,631	-	-	-	-	-
Cash dividends - NT\$2.20 per share	-	-	-	-	(568,156)	-	-	(568,156)	-	(568,156)
	-	-	65,991	(21,631)	(612,516)	-	-	(568,156)	-	(568,156)
Disposal of subsidiaries	-	143	-	-	-	-	-	143	-	143
Net income for the year ended December 31, 2023	-	-	-	-	705,677	-	-	705,677	(1,079)	704,598
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	13,704	(44,795)	(459)	(31,550)	-	(31,550)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	719,381	(44,795)	(459)	674,127	(1,079)	673,048
BALANCE, DECEMBER 31, 2023	\$ 2,582,527	\$ 717,664	\$ 1,667,579	\$ -	\$ 1,478,865	\$ (29,973)	\$ (2,030)	\$ 6,414,632	\$ 10,570	\$ 6,425,202

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, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 813,317	\$ 793,444
Adjustments to reconcile income before income tax to net cash generated from operating activities:		
Depreciation expenses	347,639	357,729
Amortization expenses	25,623	26,646
Expected credit reversal of loss	(1,644)	(930)
Net gain on financial assets and liabilities at fair value through profit or loss	-	(3)
Interest expense	11,635	8,738
Interest income	(12,952)	(5,147)
Dividend income	(516)	-
Share of profit of associates accounted for using equity method	(279,930)	(359,842)
Net loss on disposal of property, plant and equipment	851	243
Net gain on lease modification	(758)	(410)
Impairment loss recognized on non-financial assets	-	9,547
Provision for inventory and obsolescence	5,704	759
Net loss on foreign currency exchange	1,286	4,102
Gain on disposal of subsidiaries	(17,706)	-
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Notes receivable	18,927	10,632
Trade receivables	344,571	(54,667)
Trade receivables from related parties	80,483	(66,213)
Other receivables	92,417	(189,148)
Other receivables from related parties	20,372	6,357
Inventories	412,488	(102,226)
Prepayments	3,050	11,334
Other current assets	43,132	(20,912)
Increase (decrease) in:		
Contract liabilities	(42,268)	50,023
Notes payable	(3,630)	1,823
Trade payables	(463,258)	135,446
Trade payables to related parties	(231,478)	(730,284)
Other payables	(40,168)	(158,041)
Other payables to related parties	39,995	(34,334)
Other current liabilities	3,495	1,876
Net defined benefit liabilities - noncurrent	(2,703)	(2,932)
Cash generated from (used in) operations	1,167,974	(306,390)
Interest paid	(11,635)	(8,738)
Income tax paid	(10,827)	(14,026)
Net cash generated from (used in) operating activities	1,145,512	(329,154)

(Continued)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	\$ -	\$ (5,000)
Proceeds from financial assets at fair value through profit or loss	-	5,003
Proceeds from sale of financial assets at fair value through other comprehensive income	-	154
Acquisition of property, plant and equipment	(42,339)	(35,658)
Proceeds from disposal of property, plant and equipment	11	108
Decrease in refundable deposits	220	21,295
Acquisition of intangible assets	(21,087)	(1,798)
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	3,905	-
Interest received	12,884	5,031
Dividends received	<u>83,411</u>	<u>49,737</u>
Net cash generated from investing activities	<u>37,005</u>	<u>36,666</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	961,000	13,000
Repayment of short-term loans	(961,000)	(13,000)
Decrease in guarantee deposits	(339)	(220)
Repayment of the principal portion of lease liabilities	(304,759)	(309,481)
Cash dividends paid	<u>(568,156)</u>	<u>(516,505)</u>
Net cash used in financing activities	<u>(873,254)</u>	<u>(826,206)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(1)</u>	<u>732</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	309,262	(1,117,962)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>1,859,023</u>	<u>2,976,985</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 2,168,285</u>	<u>\$ 1,859,023</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, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL

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

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

Chunghwa Telecom Co., Ltd. (“Chunghwa”) acquired the shares of Senao on January 15, 2007. Chunghwa has a substantial control over Senao, and it is the ultimate parent entity of Senao. As of December 31, 2023, Chunghwa’s ownership interest in Senao was 27.79%.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on February 16, 2024.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

- Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.
- Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.
- Note 3: The amendments provide some transition relief regarding disclosure requirements.
- c. The IFRS Accounting Standards issued by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB

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

As of the date the consolidated financial statements were authorized for issue, the 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 MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit 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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

- 1) The consolidated financial statements incorporate the financial statements of Senao and the entities controlled by Senao (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by Senao. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of Senao and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.
- 2) Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.
- 3) See Note 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 24.

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 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	
	2023	2022
Cash on hand and petty cash	\$ 242,531	\$ 322,061
Checking accounts and demand deposits	1,330,390	988,450
Cash equivalents		
Commercial paper	<u>595,364</u>	<u>548,512</u>
	<u>\$ 2,168,285</u>	<u>\$ 1,859,023</u>

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

	December 31	
	2023	2022
Bank deposits	0.01%-1.45%	0.01%-1.05%
Commercial paper	0.98%-1.10%	0.56%-0.67%

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2023	2022
<u>Notes receivable</u>		
Notes receivable	\$ 71,065	\$ 89,992
Less: Allowance for impairment loss	<u>931</u>	<u>931</u>
	<u>\$ 70,134</u>	<u>\$ 89,061</u>
<u>Trade receivables</u>		
Trade receivables	\$ 623,617	\$ 970,475
Less: Allowance for impairment loss	<u>17,426</u>	<u>21,357</u>
	<u>\$ 606,191</u>	<u>\$ 949,118</u>
<u>Other receivables</u>		
Suppliers allowance receivable	\$ 169,664	\$ 263,981
Others	<u>37,786</u>	<u>35,110</u>
	<u>\$ 207,450</u>	<u>\$ 299,091</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, 2023

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

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>

* 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>2023</u>	<u>2022</u>
Balance on January 1	\$ 22,288	\$ 24,340
Add: Amounts recovered	53	1,062
Less: Amounts written off	(2,340)	(2,185)
Less: Net remeasurement of loss allowance	<u>(1,644)</u>	<u>(929)</u>
Balance on December 31	<u>\$ 18,357</u>	<u>\$ 22,288</u>

8. INVENTORIES

	December 31	
	2023	2022
Merchandise	\$ 2,379,632	\$ 2,797,824

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2023 was \$27,372,589 thousand, including write-down of inventories \$5,704 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2022 was \$27,301,887 thousand, including write-down of inventories \$759 thousand.

9. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Nature of Activities	Percentage of Ownership December 31		Remark
			2023	2022	
Senao International Co., Ltd.	Senao International (Samoa) Holding Ltd. ("Senao Samoa")	International investment	-	100.00	a
	Youth Co., Ltd. ("Youth")	Sale of information and communication technologies products	95.79	95.79	-
	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	b
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	c
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	d

Remarks:

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

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2023	2022
<u>Investments in associates</u>		
Material associate		
Senao Networks, Inc. (“SNI”)	<u>\$ 1,564,311</u>	<u>\$ 1,395,858</u>
<u>Material associate</u>		
	Proportion of Ownership and Voting Rights	
	December 31	
	2023	2022
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, 2023 and 2022 were based on the associate’s financial statements which have been audited for the same period.

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

	December 31	
	2023	2022
SNI	<u>\$ 4,061,863</u>	<u>\$ 3,299,228</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 IFRS Accounting Standards adjusted by the Group for equity accounting purposes.

SNI and its subsidiaries

	December 31	
	2023	2022
Current assets	\$ 8,053,590	\$ 10,715,882
Noncurrent assets	3,999,193	3,127,196
Current liabilities	(6,953,911)	(9,102,441)
Noncurrent liabilities	<u>(233,577)</u>	<u>(296,321)</u>
Equity	4,865,295	4,444,316
Noncontrolling interests	<u>(236,165)</u>	<u>(313,674)</u>
	<u>\$ 4,629,130</u>	<u>\$ 4,130,642</u>

(Continued)

	December 31	
	2023	2022
Proportion of the Group's ownership	33.79%	33.79%
Equity attributable to the Group (carrying amount of the investment)	<u>\$ 1,564,311</u>	<u>\$ 1,395,858</u> (Concluded)
	For the Year Ended December 31	
	2023	2022
Operating revenue	<u>\$ 16,609,171</u>	<u>\$ 16,322,282</u>
Net profit for the year	\$ 931,766	\$ 1,248,119
Other comprehensive (loss) gain	<u>(84,581)</u>	<u>24,116</u>
Total comprehensive income for the year	<u>\$ 847,185</u>	<u>\$ 1,272,235</u>

11. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2023	2022
Assets used by the Group	\$ 357,720	\$ 354,836
Assets leased under operating leases	<u>428,564</u>	<u>432,859</u>
	<u>\$ 786,284</u>	<u>\$ 787,695</u>

a. Assets used by the Group

	Land	Buildings	Machinery and Equipment	Computer Telecommuni- cations Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost								
Balance on January 1, 2023	\$ 169,405	\$ 238,666	\$ 41,955	\$ 196,590	\$ 122,800	\$ 308,803	\$ 5,735	\$ 1,083,954
Additions	3,010	3,905	-	18,257	4,606	8,486	96	38,360
Reclassified	-	-	-	-	-	-	1,228	1,228
Disposals	-	-	(611)	(12,116)	(5,718)	(15,301)	(229)	(33,975)
Balance on December 31, 2023	<u>\$ 172,415</u>	<u>\$ 242,571</u>	<u>\$ 41,344</u>	<u>\$ 202,731</u>	<u>\$ 121,688</u>	<u>\$ 301,988</u>	<u>\$ 6,830</u>	<u>\$ 1,089,567</u>
Accumulated depreciation								
Balance on January 1, 2023	\$ -	\$ 116,620	\$ 40,444	\$ 171,643	\$ 104,727	\$ 290,795	\$ 4,889	\$ 729,118
Depreciation expenses	-	4,515	611	11,574	7,615	10,010	289	34,614
Reclassified	-	-	-	-	-	-	1,228	1,228
Disposals	-	-	(611)	(12,055)	(5,584)	(14,634)	(229)	(33,113)
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 121,135</u>	<u>\$ 40,444</u>	<u>\$ 171,162</u>	<u>\$ 106,758</u>	<u>\$ 286,171</u>	<u>\$ 6,177</u>	<u>\$ 731,847</u>
Carrying amounts on December 31, 2023	<u>\$ 172,415</u>	<u>\$ 121,436</u>	<u>\$ 900</u>	<u>\$ 31,569</u>	<u>\$ 14,930</u>	<u>\$ 15,817</u>	<u>\$ 653</u>	<u>\$ 357,720</u>
Cost								
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>

(Continued)

	Land	Buildings	Machinery and Equipment	Computer Telecommunications Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
<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>
(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	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, 2023	\$ 149,879	\$ 585,688	\$ 735,567
Additions	<u>-</u>	<u>3,979</u>	<u>3,979</u>
Balance on December 31, 2023	<u>\$ 149,879</u>	<u>\$ 589,667</u>	<u>\$ 739,546</u>
<u>Accumulated depreciation</u>			
Balance on January 1, 2023	\$ -	\$ 302,708	\$ 302,708
Depreciation expenses	<u>-</u>	<u>8,274</u>	<u>8,274</u>
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 310,982</u>	<u>\$ 310,982</u>
Carrying amounts on December 31, 2023	<u>\$ 149,879</u>	<u>\$ 278,685</u>	<u>\$ 428,564</u>
<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>
(Continued)			

	Land	Buildings	Total
<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> (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:

	December 31	
	2023	2022
Year 1	\$ 15,200	\$ 45,600
Year 2	-	15,200
Year 3	-	-
Year 4	-	-
Year 5	<u>-</u>	<u>-</u>
	<u>\$ 15,200</u>	<u>\$ 60,800</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, 2023 and 2022, the Group did not recognize impairment loss of property, plant and equipment.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Buildings	\$ 641,143	\$ 609,286
Transportation equipment	1,211	-
Others	<u>120</u>	<u>254</u>
	<u>\$ 642,474</u>	<u>\$ 609,540</u>

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 385,031</u>	<u>\$ 404,987</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 303,950	\$ 305,083
Transportation equipment	292	564
Others	<u>509</u>	<u>509</u>
	<u>\$ 304,751</u>	<u>\$ 306,156</u>

The initial recognition of right-of-use assets and lease liabilities of \$385,031 thousand and \$404,987 thousand were noncash transactions for the years ended December 31, 2023 and 2022, respectively.

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

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Current	<u>\$ 236,694</u>	<u>\$ 226,430</u>
Non-current	<u>\$ 417,423</u>	<u>\$ 395,519</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Buildings	1.30%-2.35%	1.30%-2.25%
Transportation equipment	1.80%	-
Others	1.30%-1.84%	1.30%-1.79%

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	
	2023	2022
Expenses relating to low-value asset leases	<u>\$ 3,963</u>	<u>\$ 4,267</u>
Total cash outflow for leases	<u>\$ 319,629</u>	<u>\$ 322,480</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, 2023	\$ 129,052	\$ 148,000	\$ 53,000	\$ 330,052
Additions	21,087	-	-	21,087
Disposals	<u>(228)</u>	<u>-</u>	<u>-</u>	<u>(228)</u>
Balance on December 31, 2023	<u>\$ 149,911</u>	<u>\$ 148,000</u>	<u>\$ 53,000</u>	<u>\$ 350,911</u>
<u>Accumulated amortization and accumulated impairment loss</u>				
Balance on January 1, 2023	\$ 121,531	\$ 63,353	\$ 37,528	\$ 222,412
Amortization expenses	13,820	6,639	5,164	25,623
Disposals	<u>(228)</u>	<u>-</u>	<u>-</u>	<u>(228)</u>
Balance on December 31, 2023	<u>\$ 135,123</u>	<u>\$ 69,992</u>	<u>\$ 42,692</u>	<u>\$ 247,807</u>
Carrying amounts on December 31, 2023	<u>\$ 14,788</u>	<u>\$ 78,008</u>	<u>\$ 10,308</u>	<u>\$ 103,104</u>
<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>

Except for amortization expenses, there was no significant addition, disposal, and impairment of the intangible assets used by the Group for the year ended December 31, 2023; there was no significant addition and disposal for the year ended December 31, 2022.

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 loss \$9,547 thousand in 2022. 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.

14. OTHER ASSETS

	December 31	
	2023	2022
<u>Current</u>		
Trust account deposit*	\$ 22,528	\$ 65,660
<u>Non-current</u>		
Others	\$ 47,559	\$ 51,464

* Advanced receipts of electronic reward points of Senao are guaranteed by trust delivery. Senao signs a trust contract with the special deposit account bank (Cathay United Bank), and remits the advance receipts of electronic reward points to the trust account according to the trust contract, and the special trust account is recognized as other current assets. The outstanding electronic reward points held in trust are recognized as contract liability and were \$16,540 thousand and \$20,930 thousand, respectively, as of December 31, 2023 and 2022.

The annual yield rates of deposit were as follows:

	December 31	
	2023	2022
Trust account	0.51%	0.385%

15. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2023	2022
<u>Notes payable</u>		
Operating	\$ 3,075	\$ 6,705
<u>Trade payables</u>		
Operating	\$ 1,489,909	\$ 1,953,167

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	
	2023	2022
Payables for bonuses	\$ 157,832	\$ 162,648
Payables for salaries	142,899	145,817
Accrued marketing compensation	51,192	46,998
Accrued compensation to employees and remuneration to directors	44,406	44,050
Others	<u>276,852</u>	<u>313,836</u>
	<u>\$ 673,181</u>	<u>\$ 713,349</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Senao, Youth, ISPOT, Aval, Wiin and Senyoung within the Group adopted a pension plan under the Labor Pension Act (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 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	
	2023	2022
Present value of funded defined benefit obligation	\$ 181,534	\$ 201,784
Fair value of plan assets	<u>(180,480)</u>	<u>(180,458)</u>
Funded status - deficit	<u>1,054</u>	<u>21,326</u>
Net defined benefit liabilities	<u>\$ 1,054</u>	<u>\$ 21,326</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, 2023	\$ 201,784	\$ (180,458)	\$ 21,326
Service cost			
Current service cost	771	-	771
Net interest expense (income)	<u>2,522</u>	<u>(2,280)</u>	<u>242</u>
Recognized in profit or loss	<u>3,293</u>	<u>(2,280)</u>	<u>1,013</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,539)	(1,539)
Actuarial loss - experience adjustments	<u>(16,030)</u>	<u>-</u>	<u>(16,030)</u>
Recognized in other comprehensive income	<u>(16,030)</u>	<u>(1,539)</u>	<u>(17,569)</u>
Contributions from the employer	-	(3,716)	(3,716)
Benefits paid	<u>(7,513)</u>	<u>7,513</u>	<u>-</u>
Balance on December 31, 2023	<u>\$ 181,534</u>	<u>\$ (180,480)</u>	<u>\$ 1,054</u>
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	<u>(14,294)</u>	<u>-</u>	<u>(14,294)</u>
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>

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	
	2023	2022
Operating costs	\$ 95	\$ 89
Operating expenses	<u>918</u>	<u>966</u>
	<u>\$ 1,013</u>	<u>\$ 1,055</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	
	2023	2022
Discount rates	1.25%	1.25%
Expected rates of salary increase	1.00%	1.00%

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

	December 31	
	2023	2022
Discount rates		
0.25% increase	<u>\$ (4,131)</u>	<u>\$ (4,427)</u>
0.25% decrease	<u>\$ 4,280</u>	<u>\$ 4,591</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 4,210</u>	<u>\$ 4,515</u>
0.25% decrease	<u>\$ (4,083)</u>	<u>\$ (4,375)</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	
	2023	2022
Expected contributions to the plans for the next year	<u>\$ 3,600</u>	<u>\$ 3,900</u>
Average duration of the defined benefit obligation	9.2 years	8.9 years

18. EQUITY

a. Share capital - ordinary shares

	December 31	
	2023	2022
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, 2023 and 2022 were as follows:

	Share Premium	Compensation Costs Related to Share-based Payment	Movements of Capital Surplus for Associates Accounted for Using Equity Method and Subsidiaries	Movements of Capital Surplus due to Transactions of Treasury Shares	Total
Balance on January 1, 2023	\$ 346,007	\$ 215,648	\$ 131,358	\$ 24,508	\$ 717,521
Disposal of subsidiaries	<u>-</u>	<u>-</u>	<u>143</u>	<u>-</u>	<u>143</u>
Balance on December 31, 2023	<u>\$ 346,007</u>	<u>\$ 215,648</u>	<u>\$ 131,501</u>	<u>\$ 24,508</u>	<u>\$ 717,664</u>
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>

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

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

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

c. Retained earnings and dividends policy

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

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

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

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

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

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

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

The appropriation of earnings for 2023, which were proposed by the Company's board of directors on February 16, 2024, were as follows:

	For the Year Ended December 31, 2023
Legal reserve	\$ 71,938
Special reserve	\$ 32,004
Cash dividends	\$ 516,505
Cash dividends per share (NT\$)	\$ 2.00

The above appropriation for cash dividends has been resolved by Senao's board of directors; the other appropriations will be resolved by the shareholders in their meeting to be held on May 20, 2024.

d. Noncontrolling interests

	For the Year Ended December 31	
	2023	2022
Beginning balance	\$ 11,649	\$ 12,802
Shares attributed to noncontrolling interests		
Net loss of the year	<u>(1,079)</u>	<u>(1,153)</u>
Ending balance	<u>\$ 10,570</u>	<u>\$ 11,649</u>

19. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from sale of goods	\$ 29,191,057	\$ 29,133,510
Revenue from rendering of services	1,470,895	1,459,481
Revenue from repairs and maintenance services	<u>607,180</u>	<u>565,603</u>
	<u>\$ 31,269,132</u>	<u>\$ 31,158,594</u>

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

Contract Balances

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities			
Sale of goods	\$ 84,811	\$ 120,539	\$ 70,373
Others	<u>5,643</u>	<u>12,183</u>	<u>12,326</u>
	<u>\$ 90,454</u>	<u>\$ 132,722</u>	<u>\$ 82,699</u>

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

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	
	2023	2022
Revenues from the beginning contract liabilities		
Sale of goods	\$ 107,881	\$ 70,373
Others	<u>11,837</u>	<u>11,938</u>
	<u>\$ 119,718</u>	<u>\$ 82,311</u>

20. NET INCOME

a. Other income and expenses

	For the Year Ended December 31	
	2023	2022
Impairment loss on intangible assets	\$ -	\$ (9,547)
Net loss on disposal of property, plant and equipment	(851)	(243)
Net gain on lease modification	<u>758</u>	<u>410</u>
	<u>\$ (93)</u>	<u>\$ (9,380)</u>

b. Other income

	For the Year Ended December 31	
	2023	2022
Rental income	\$ 69,843	\$ 73,692
Dividend income	516	-
Others	<u>18,857</u>	<u>13,500</u>
	<u>\$ 89,216</u>	<u>\$ 87,192</u>

c. Interest expense

	For the Year Ended December 31	
	2023	2022
Interest on lease liabilities	\$ 10,907	\$ 8,732
Interest on bank loans	<u>728</u>	<u>6</u>
	<u>\$ 11,635</u>	<u>\$ 8,738</u>

d. Depreciation and amortization expenses

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 42,888	\$ 51,573
Right-of-use assets	304,751	306,156
Intangible assets	<u>25,623</u>	<u>26,646</u>
	<u>\$ 373,262</u>	<u>\$ 384,375</u>
An analysis of depreciation by function		
Operating costs	\$ 843	\$ 918
Operating expenses	<u>346,796</u>	<u>356,811</u>
	<u>\$ 347,639</u>	<u>\$ 357,729</u>
An analysis of amortization by function		
Selling and marketing expenses	\$ 11,907	\$ 12,800
General and administrative expenses	<u>13,716</u>	<u>13,846</u>
	<u>\$ 25,623</u>	<u>\$ 26,646</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Post-employment benefits (Note 17)		
Defined contribution plans	\$ 66,922	\$ 71,216
Defined benefit plans	<u>1,013</u>	<u>1,055</u>
	67,935	72,271
Termination benefits	19,835	1,708
Other employee benefits	<u>1,543,764</u>	<u>1,588,568</u>
Total employee benefits expense	<u>\$ 1,631,534</u>	<u>\$ 1,662,547</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 61,102	\$ 63,774
Operating expenses	<u>1,570,432</u>	<u>1,598,773</u>
	<u>\$ 1,631,534</u>	<u>\$ 1,662,547</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, 2023 and 2022, which had been approved by Senao's board of directors on February 16, 2024 and February 17, 2023, respectively, were as follows:

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022.

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

21. INCOME TAX

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

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 6,244	\$ 8,971
Income tax on unappropriated earnings	1	1,421
Adjustments for prior years	-	(115,757)
Deferred tax		
In respect of the current year	98,358	90,429
Adjustments for prior years	<u>4,116</u>	<u>151,495</u>
Income tax expense recognized in profit or loss	<u>\$ 108,719</u>	<u>\$ 136,559</u>

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

	For the Year Ended December 31	
	2023	2022
Income before income tax	<u>\$ 813,317</u>	<u>\$ 793,444</u>
Income tax expense calculated at the statutory rate (20%)	\$ 162,663	\$ 158,689
Nondeductible expenses in determining taxable income	27	156
Tax-exempt income - Dividend income	(103)	-
Investment gain not recognized in taxable income	(63,146)	(76,319)
Income tax on unappropriated earnings	1	1,421
Unrecognized deductible temporary differences	-	12,743
Unrecognized loss carryforwards	857	(199)
Deferred tax effect of earnings of subsidiaries	4,304	4,330
Adjustments for prior years' tax	-	(115,757)
Adjustments for prior years' deferred tax	<u>4,116</u>	<u>151,495</u>
Income tax expense recognized in profit or loss	<u>\$ 108,719</u>	<u>\$ 136,559</u>

According to the Income Tax Act in the ROC, the applicable tax rate used by the Group is 20%. Senao Samoa's income is exempt from taxation by law. Senao HK, which has completed the liquidation process on July 28, 2023, did not have any tax position.

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

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
Remeasurement on defined benefit plan	<u>\$ 3,514</u>	<u>\$ 6,056</u>

c. Current tax assets and liabilities

	December 31	
	2023	2022
Tax refund receivable and prepaid income tax (recognized as other receivables)	\$ 1,284	\$ 577
Income tax payable	\$ 891	\$ 4,765

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, 2023

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

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	1,916	(700)	-	1,216
	<u>440,549</u>	<u>(403,949)</u>	<u>(6,056)</u>	<u>30,544</u>
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>

- 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>	
	2023	2022
Loss carryforwards		
Expire in 2024	\$ 511	\$ 746
Expire in 2025	15,200	15,200
Expire in 2026	8,395	8,395
Expire in 2027	2,559	2,559
Expire in 2028	907	907
Expire in 2029	692	692
Expire in 2030	198	198
Expire in 2031	-	-
Expire in 2032	51	-
Expire in 2033	<u>745</u>	<u>286</u>
	<u>\$ 29,258</u>	<u>\$ 28,983</u>
Deductible temporary differences	<u>\$ -</u>	<u>\$ 12,743</u>

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2023 comprised:

Unused Amount	Expiry Year
\$ 511	2024
15,200	2025
8,395	2026
2,559	2027
907	2028
692	2029
198	2030
-	2031
58,242	2032
<u>745</u>	2033
<u>\$ 87,449</u>	

g. Income tax assessments

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

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	
	2023	2022
Net income attributable to owners of Senao	<u>\$ 705,677</u>	<u>\$ 658,038</u>

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

	For the Year Ended December 31	
	2023	2022
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>869</u>	<u>1,049</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>259,122</u>	<u>259,302</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, 2023

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

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

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	
	2023	2022
<u>Financial assets</u>		
Financial assets at amortized cost (a)	\$ 4,192,368	\$ 4,483,215
Financial assets at FVTOCI		
Equity investments	9,969	10,428
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (b)	2,256,495	2,947,994

Remarks:

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

d. Financial risk management objectives and policies

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

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

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

1) Market risk

The Group's activities 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	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 617,892	\$ 615,872
Financial liabilities	654,117	621,949
Cash flow interest rate risk		
Financial assets	1,291,679	949,326

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, 2023 and 2022 would increase/decrease by \$3,229 thousand and \$2,373 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 \$498 thousand.

The Group does not have significant other price risk.

2) Credit risk

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

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

The Group's main credit risk is concentrated on the Group's major clients. The receivables from the major clients composed 53% and 45% of the total trade receivables as of December 31, 2023 and 2022, respectively. The clients mentioned above have good credit records, no material default risk was assessed; material credit risk did not exist.

3) Liquidity risk

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

a) Liquidity and interest rate risk table

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

December 31, 2023

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

Information about the maturity analysis for lease liabilities:

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

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	\$ 2,925,252	\$ -	\$ -	\$ 22,742

Information about the maturity analysis for lease liabilities:

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

b) Financing facilities

	December 31	
	2023	2022
Unsecured bank loan facility		
Amount used	\$ -	\$ -
Amount unused	4,330,000	3,430,000
	<u>\$ 4,330,000</u>	<u>\$ 3,430,000</u>

25. TRANSACTIONS WITH RELATED PARTIES

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

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

(Continued)

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

(Concluded)

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

1) Operating revenues

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Sales	Ultimate parent entity	\$ 6,844,903	\$ 6,503,683
	Fellow subsidiaries	3,990	3,012
	Associates	2,680	3,607
	Other related parties	<u>23,236</u>	<u>29,634</u>
		<u>\$ 6,874,809</u>	<u>\$ 6,539,936</u>
Service	Ultimate parent entity	\$ 1,093,703	\$ 1,055,391
	Fellow subsidiaries	<u>220</u>	<u>1,744</u>
		<u>\$ 1,093,923</u>	<u>\$ 1,057,135</u>

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Repairs and maintenance	Ultimate parent entity	\$ 13,660	\$ 4,672
	Fellow subsidiaries	54	60
	Associates	1	453
	Other related parties	<u>394</u>	<u>397</u>
		<u>\$ 14,109</u>	<u>\$ 5,582</u>

2) Purchases of goods

Related Party Category	For the Year Ended December 31	
	2023	2022
Ultimate parent entity	\$ 4,226,402	\$ 3,785,494
Fellow subsidiaries	3,613	13,035
Associates	101	158
Other related parties	<u>1,618</u>	<u>154</u>
	<u>\$ 4,231,734</u>	<u>\$ 3,798,841</u>

3) Operating expenses

Related Party Category	For the Year Ended December 31	
	2023	2022
Ultimate parent entity	\$ 317,403	\$ 302,378
Fellow subsidiaries	260	3,076
Associates	1,462	809
Other related parties	<u>15,099</u>	<u>14,571</u>
	<u>\$ 334,224</u>	<u>\$ 320,834</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	
		2023	2022
Non-operating income	Ultimate parent entity	\$ 755	\$ 856
	Other related parties	<u>1,833</u>	<u>1,896</u>
		<u>\$ 2,588</u>	<u>\$ 2,752</u>

5) Receivables from related parties

Line Item	Related Party Category	December 31	
		2023	2022
Accounts receivable from related parties	Ultimate parent entity	\$ 892,147	\$ 971,313
	Fellow subsidiaries	1,796	214
	Other related parties	<u>702</u>	<u>3,601</u>
		<u>\$ 894,645</u>	<u>\$ 975,128</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no allowance loss was recognized for receivables from related parties.

6) Other receivables from related parties

Line Item	Related Party Category	December 31	
		2023	2022
Other receivables from related parties	Ultimate parent entity	\$ 124,216	\$ 144,967
	Associates	126	-
	Other related parties	<u>253</u>	<u>-</u>
		<u>\$ 124,595</u>	<u>\$ 144,967</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	
		2023	2022
Prepaid rents	Ultimate parent entity	<u>\$ 231</u>	<u>\$ 231</u>

8) Refundable deposits

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

9) Notes payable to related parties

Line Item	Related Party Category	December 31	
		2023	2022
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	
		2023	2022
Trade payables to related parties	Ultimate parent entity	\$ 147,596	\$ 378,565
	Fellow subsidiaries	26	974
	Associates	-	45
	Other related parties	<u>484</u>	<u>-</u>
		<u>\$ 148,106</u>	<u>\$ 379,584</u>

The trade payables to related parties were unsecured.

11) Other payables to related parties

Line Item	Related Party Category	December 31	
		2023	2022
Other payables to related parties	Ultimate parent entity	\$ 260,044	\$ 218,610
	Fellow subsidiaries	22	-
	Associates	930	2,424
	Other related parties	<u>3,944</u>	<u>3,911</u>
		<u>\$ 264,940</u>	<u>\$ 224,945</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	
		2023	2022
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	
	2023	2022
Ultimate parent entity	\$ 4,162	\$ -
Associates	<u>520</u>	<u>243</u>
	<u>\$ 4,682</u>	<u>\$ 243</u>

The parent company purchased fire protection engineering and environment control system from the ultimate parent entity. The parent company also purchased computer telecommunications equipment from associates.

14) Lease arrangements - the Group is lessee

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

Acquisition of right-of-use assets

Related Party Category	<u>For the Year Ended December 31</u>	
	2023	2022
Ultimate parent entity	\$ 34,774	\$ 38,503

Line Item	Related Party Category	<u>December 31</u>	
		2023	2022
Lease liabilities - current	Ultimate parent entity	\$ 4,865	\$ 6,550
Lease liabilities - noncurrent	Ultimate parent entity	\$ 3,158	\$ 6,469

Line Item	Related Party Category	<u>For the Year Ended December 31</u>	
		2023	2022
Interest expense	Ultimate parent entity	\$ 420	\$ 437
Lease expense (accounted for operating expense)	Ultimate parent entity	\$ 19,701	\$ 11,441

15) Lease arrangements - the Group is lessor

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

Line Item	Related Party Category	<u>For the Year Ended December 31</u>	
		2023	2022
Non-operating income	Ultimate parent entity	\$ -	\$ 667
	Associates	45,611	45,611
	Other related parties	2	2
		<u>\$ 45,613</u>	<u>\$ 46,280</u>

c. Compensation of key management personnel

The remuneration of directors and members of key management personnel for the years ended December 31, 2023 and 2022 was as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Short-term employee benefits	\$ 65,078	\$ 76,769
Post-employment benefits	18,976	1,445
Termination benefits	-	237
	<u>\$ 84,054</u>	<u>\$ 78,451</u>

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Group used part of the bank deposits, which are recognized as other current assets, as collateral for the importation of goods. As of December 31, 2023 and 2022, the amount of the collateral were \$0 and \$1,700 thousand, respectively.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Group as of December 31, 2023 and 2022 were as follows:

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

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

29. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

The cash issuance of the ordinary shares of Senao Networks, an associate accounted for using equity method, has been resolved by its board of directors on August 2, 2023. The subscription rate from the original shareholders is 80% of the new shares. The subscription share of 2,703,421 has been resolved by Senao's board of directors on February 16, 2024 causing Senao's ownership percentage in Senao Networks decreased to 32.65% after the cash issuance of the ordinary shares.

30. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided: See Table 1.
- 3) Marketable securities held (excluding investments in subsidiaries and associates): See Table 2.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 3.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 4.

- 9) Names, locations, and other information of investees in which the Company exercises significant influence (excluding investment in mainland China): See Table 5.
 - 10) Trading in derivative instruments: 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.

31. SEGMENT INFORMATION

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

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

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

a. Segment revenues and results

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

	Sales	Others	Total
<u>For the year ended December 31, 2023</u>			
Revenue from external customers	<u>\$ 27,320,226</u>	<u>\$ 3,948,906</u>	<u>\$ 31,269,132</u>
Segment income	<u>\$ 861,334</u>	<u>\$ (63,057)</u>	\$ 798,277
Share of profit of associates accounted for using the equity method			279,930
Rental income			69,843
Interest income			12,952
Dividend income			516
Gain on disposal of investments			17,706
Gain on foreign currency exchange			129
Other gain and loss			(93)
Interest expense			(11,635)
Central administration costs and remuneration to directors			<u>(354,308)</u>
Profit before tax			<u>\$ 813,317</u>
<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)
Other gain and loss			(9,380)
Central administration costs and remuneration to directors			<u>(339,346)</u>
Profit before tax			<u>\$ 793,444</u>

The segment revenues reported above all came from transactions with external customers. There were no intersegment sales in 2023 and 2022.

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	
	2023	2022
Taiwan	<u>\$ 31,269,132</u>	<u>\$ 31,158,594</u>

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

	Noncurrent Assets	
	December 31	
	2023	2022
Taiwan	<u>\$ 1,534,862</u>	<u>\$ 1,510,080</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	
	2023	2022
Customer from channel business department	<u>\$ 7,952,266</u>	<u>\$ 7,563,746</u>

For the years ended December 31, 2023 and 2022, 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, 2023</u>			
Information and communication products	\$ 22,867,381	\$ 1,556,567	\$ 24,423,948
Revenues from services and repairs	1,649,986	428,089	2,078,075
Others	<u>2,802,859</u>	<u>1,964,250</u>	<u>4,767,109</u>
	<u>\$ 27,320,226</u>	<u>\$ 3,948,906</u>	<u>\$ 31,269,132</u>
<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>

TABLE 1

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Borrowing Amount	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 5)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 5)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 5)	Note
		Name	Nature of Relationship (Note 2)											
0	Senao International Co., Ltd.	Aval Technologies Co., Ltd.	b	\$ 641,463	\$ 300,000	\$ 300,000	\$ 300,000	\$ -	4.68	\$ 3,207,316	Yes	-	-	
		Wiin Technologies Co., Ltd.	b	641,463	200,000	200,000	200,000	-	3.12	3,207,316	Yes	-	-	

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

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

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

- a. A company with which it does business.
- b. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- c. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- d. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- e. The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- f. All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- g. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

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

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

Note 5: The following circumstances represent “Yes”:

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

TABLE 2

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARY AND RELATED PARTY)
DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2023				Note
				Shares (Thousands/ Thousand Units)	Carrying Value	Percentage of Ownership	Fair Value	
Senao International Co., Ltd.	<u>Stocks</u> N.T.U. Innovation Incubation Corporation	-	Financial assets at FVOCI	1,200	\$ 9,969	9.41	\$ 9,969	

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

TABLE 3

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 2)		Notes/Trade Payable or Receivable		Note
			Purchase/ Sales	Amount	% to Total	Payment Terms	Units Price	Payment Terms	Ending Balance	% to Total	
Senao International Co., Ltd.	Chunghwa Telecom	Ultimate parent entity	Sales	\$ 7,514,452	24.03	30-90 days	\$ -	-	\$ 892,147	56.79	Note 1
			Purchase	4,226,402	15.83	30 days	-	-	(147,614)	(8.99)	
	Aval	Subsidiary	Sales	407,324	1.30	60 days	-	-	18,737	1.19	
			Purchase	191,608	0.72	30 days	-	-	(6,031)	(0.37)	
Aval	Chunghwa Telecom	Ultimate parent entity	Sales	437,814	1.40	30 days	-	-	-	-	Note 1
	Youth	Fellow subsidiary	Sales	103,983	0.33	30 days	-	-	858	0.05	

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, 2023
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
Senao International Co., Ltd.	Chunghwa Telecom	Ultimate parent entity	\$ 1,016,363 (Note 1)	8.15 (Note 2)	\$ -	-	\$ 189,841	\$ -

Note 1: The receivables from related parties included \$114,744 thousand which is the amount of products sold by Chunghwa Telecom Co., Ltd. for Senao, but not yet collected.

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

TABLE 5

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEs IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INVESTMENT IN MAINLAND CHINA)
YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Recognized Gain (Loss)	Note
				December 31, 2023	December 31, 2022	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Senao International Co., Ltd.	Senao Networks	Taiwan	Telecommunication facilities manufacturing and sales	\$ 202,758	\$ 202,758	16,579	33.79	\$ 1,564,311	\$ 828,373	\$ 279,930	Note 1
	Senao Samoa	Samoa Islands	International investment	- (US\$ -)	2,046,143 (US\$ 68,275)	-	-	- (US\$ -)	506 (US\$ 16)	506 (US\$ 16)	Notes 1, 6 and 10
	Youth	Taiwan	Sale of information and communication technologies products	427,850	427,850	14,752	95.79	169,391	(2,969)	(10,953)	Notes 1, 2 and 6
	Aval	Taiwan	Sale of information and communication technologies products	89,550	89,550	12,555	100.00	137,461	7,898	7,901	Notes 1, 3 and 6
	Senyoung	Taiwan	Property and liability insurance agency	59,000	59,000	8,909	100.00	127,250	26,433	26,433	Notes 1 and 6
Youth	ISPOT	Taiwan	Sale of information and communication technologies products	53,021	53,021	-	100.00	14,574	1,117	925	Notes 1, 4 and 6
	Youyi	Taiwan	Maintenance of information and communication technologies products	-	21,354	-	-	-	(4,081)	(4,236)	Notes 1, 5, 6 and 11
Aval	Wiin	Taiwan	Sale of information and communication technologies products	29,550	29,550	4,418	100.00	49,250	3,440	3,440	Notes 1 and 6
Senyoung	Senaolife	Taiwan	Life insurance agency	-	29,500	-	-	-	(2,013)	(2,013)	Notes 1, 6 and 8
Senao Samoa	Senao HK	Hong Kong	International investment	- (US\$ -)	2,060,467 (US\$ 68,740)	-	-	- (US\$ -)	- (US\$ -)	- (US\$ -)	Notes 1, 6 and 9

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

Note 2: Loss of Youth of \$2,969 thousand in 2023; the amount of \$297 thousand is the premium and the intangible assets resulting from acquisition on the basis of fair value and its accumulated amortization; the amount of \$4 thousand is comprised of lease arrangements between the parent entity and subsidiaries; the amount of \$8,285 thousand is the deduction from the amortization of this premium and intangible assets.

Note 3: An investment gain of \$7,898 thousand; the amount of \$3 thousand is comprised of lease arrangements between the parent entity and subsidiaries.

Note 4: An investment gain of \$1,117 thousand; the amount of \$192 thousand is comprised of adjustment from the increase of continuing interest.

Note 5: An investment loss of \$4,081 thousand; the amount of \$155 thousand is comprised of adjustment from the increase of continuing interest and lease arrangements between the parent entity and subsidiaries.

Note 6: The amount was eliminated upon consolidation.

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

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

Note 9: The liquidation and dissolution of Senao HK, a subsidiary, has been resolved by its board of directors on August 31, 2022; Senao HK’s shareholders have approved the liquidation on April 25, 2023. In accordance with the local ordinances, and the liquidations process completed on July 28, 2023.

Note 10: The liquidation and dissolution of Senao Samoa, a subsidiary, has been resolved by its shareholders on August 22, 2023, and the liquidation process completed on September 29, 2023.

Note 11: On September 23, 2023, the board of directors of Youth, a subsidiary, resolved the liquidation and dissolution of its subsidiary, Youyi, and the liquidation date to be October 31, 2023. The liquidation and dissolution were completed on November 14, 2023.

TABLE 6

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	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, 2023 (Notes 2 and 3)	Accumulated Inward Remittance of Earnings as of December 31, 2023	Note
					Outflow	Inflow							
Senao International Trading (Shanghai) Co., Ltd.	Sale of information and communication technologies products	\$ 955,838 (US\$ 32,000)	b	\$ 955,838 (US\$ 32,000)	\$ -	\$ 34,279 (US\$ 1,079)	\$ 921,559 (US\$ 30,921)	\$ -	100	\$ -	\$ -	\$ -	Note 5

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 4)
\$ 921,559 (US\$ 30,921)	\$ 2,013,579 (US\$ 67,213)	\$ 3,855,121

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

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

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

Note 3: The amount was eliminated upon consolidation.

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

Note 5: Senao International Trading (Shanghai) Co., Ltd. was approved to dissolve its business on December 23, 2020 by the Board of Directors. The liquidation of Senao International Trading (Shanghai) Co., Ltd was completed in April 2021. The investment commission of MOEA has approved the deregistration of Senao International Trading (Shanghai) Co., Ltd. on October 20, 2023.

TABLE 7

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms (Note 4)	% of Total Sales or Assets (Note 5)
0	Senao International Co., Ltd.	Aval	a	Sales revenue	\$ 407,324	-	1
				Cost of goods sold	191,608	-	1
				Trade receivables from related parties	18,737	-	-
		Wiin	a	Trade payables to related parties	6,031	-	-
				Cost of goods sold	23,104	-	-
				Trade payables to related parties	639	-	-
		Senyoung	a	Service revenue	92,582	-	-
				Trade receivables from related parties	28,924	-	-
1	Aval	Youth	c	Sales revenue	103,983	-	-
				Trade receivables from related parties	858	-	-
		ISPOT	c	Sales revenue	81,798	-	-
				Trade receivables from related parties	3,423	-	-
2	Wiin	Youth	c	Sales revenue	19,532	-	-
				Trade receivables from related parties	536	-	-
3	Senao International Co., Ltd.	Youth	a	Right-of-use assets	754	-	-
				Lease liabilities	758	-	-

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

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

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

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

Note 3: The amount was eliminated upon consolidation.

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

Note 5: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2023, while revenues, costs and expenses are shown as a percentage to consolidated revenues for the year ended December 31, 2023.

TABLE 8**SENAO INTERNATIONAL CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

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

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

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



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying parent company only financial statements of Senao International Co., Ltd. ("the Company"), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including material accounting policy information (collectively referred to as the "parent company only financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only 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 Financial Statement Audit and Attestation Engagements of 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 Parent Company Only 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 parent company only financial statements for the year ended December 31, 2023. The matter was addressed in the context of our audit of the parent company only 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 parent company only financial statements for the year ended December 31, 2023 is as follows:

Valuation of Inventories

As described in Note 8 to the parent company only financial statements, the carrying amount of the Company's inventories was \$2,312,601 thousand as of December 31, 2023, which represented 23% 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 Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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 Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 parent company only 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 parent company only financial statements for the year ended December 31, 2023 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



Deloitte & Touche
Taipei, Taiwan
Republic of China

February 16, 2024

Notice to Readers

The accompanying parent company only 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 parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.

SENAO INTERNATIONAL CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023		2022	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,898,556	20	\$ 1,584,152	16
Notes receivable, net (Note 7)	70,134	1	89,034	1
Trade receivables, net (Note 7)	453,466	5	722,311	7
Trade receivables from related parties (Note 22)	942,372	10	1,038,884	10
Other receivables (Notes 7 and 18)	204,970	2	296,472	3
Other receivables from related parties (Note 22)	124,806	1	145,245	1
Inventories (Note 8)	2,312,601	23	2,700,385	26
Prepayments (Note 22)	63,011	1	62,306	1
Other current assets	22,528	-	65,660	1
Total current assets	6,092,444	63	6,704,449	66
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income	9,969	-	10,428	-
Investments accounted for using equity method (Note 9)	1,998,413	21	1,843,427	18
Property, plant and equipment (Notes 10, 17 and 22)	757,085	7	762,167	7
Right-of-use assets (Notes 11, 17 and 22)	635,141	7	600,357	6
Intangible assets (Note 17)	14,580	-	7,181	-
Deferred tax assets (Note 18)	81,007	1	184,644	2
Refundable deposits (Note 22)	51,048	1	51,568	1
Other noncurrent assets	2,999	-	5,206	-
Total noncurrent assets	3,550,242	37	3,464,978	34
TOTAL	\$ 9,642,686	100	\$ 10,169,427	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Note 16)	\$ 89,689	1	\$ 130,855	1
Notes payable (Note 12)	2,943	-	6,573	-
Notes payable to related parties (Note 22)	18	-	18	-
Trade payables (Note 12)	1,401,553	15	1,788,272	18
Trade payables to related parties (Note 22)	154,776	2	392,902	4
Other payables (Note 13)	642,521	7	678,077	7
Other payables to related parties (Note 22)	226,444	2	181,659	2
Lease liabilities - current (Notes 11 and 22)	232,032	2	220,535	2
Other current liabilities (Note 22)	40,157	-	26,228	-
Total current liabilities	2,790,133	29	3,425,119	34
NONCURRENT LIABILITIES				
Deferred tax liabilities (Note 18)	-	-	55	-
Lease liabilities - noncurrent (Notes 11 and 22)	414,464	4	391,667	4
Net defined benefit liabilities - noncurrent (Notes 14 and 17)	1,054	-	21,326	-
Guarantee deposits	22,403	-	22,742	-
Total noncurrent liabilities	437,921	4	435,790	4
Total liabilities	3,228,054	33	3,860,909	38
EQUITY				
Share capital - ordinary shares (Note 15)	2,582,527	27	2,582,527	26
Capital surplus (Note 15)	717,664	7	717,521	7
Retained earnings (Note 15)				
Legal reserve	1,667,579	18	1,601,588	16
Special reserve	-	-	21,631	-
Unappropriated earnings	1,478,865	15	1,372,000	13
Total retained earnings	3,146,444	33	2,995,219	29
Other equity	(32,003)	-	13,251	-
Total equity	6,414,632	67	6,308,518	62
TOTAL	\$ 9,642,686	100	\$ 10,169,427	100

The accompanying notes are an integral part of the parent company only financial statements.

SENAO INTERNATIONAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 16 and 22)				
Sales	\$ 28,966,631	98	\$ 28,429,612	98
Less: Sales returns	310,965	1	216,357	1
Sales discounts and allowances	835,796	3	762,384	3
Net sales	27,819,870	94	27,450,871	94
Service and repairs revenue	1,777,936	6	1,692,016	6
Total operating revenue	29,597,806	100	29,142,887	100
OPERATING COSTS (Notes 8, 14, 17 and 22)				
Cost of goods sold	26,039,827	88	25,662,804	88
Service and repairs costs	483,703	2	452,898	2
Total operating costs	26,523,530	90	26,115,702	90
GROSS PROFIT	3,074,276	10	3,027,185	10
OPERATING EXPENSES (Notes 14, 17 and 22)				
Selling and marketing expenses	2,351,993	8	2,398,942	8
General and administrative expenses	326,799	1	310,958	1
Total operating expenses	2,678,792	9	2,709,900	9
NET OTHER INCOME AND EXPENSES (Notes 17 and 22)	(93)	-	178	-
INCOME FROM OPERATIONS	395,391	1	317,463	1
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 17 and 22)	90,165	-	86,969	-
Share of profit or loss of subsidiaries and associates accounted for using equity method	303,817	1	387,434	2
Interest income	10,309	-	4,072	-
Gain on disposal of investments (Note 9)	17,706	-	-	-
Interest expense (Notes 17 and 22)	(11,435)	-	(8,515)	-
Miscellaneous disbursements	(337)	-	(401)	-
Net gain on foreign currency exchange	129	-	236	-
Total non-operating income and expenses	410,354	1	469,795	2

(Continued)

SENAO INTERNATIONAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 805,745	2	\$ 787,258	3
INCOME TAX EXPENSE (Note 18)	<u>100,068</u>	<u>-</u>	<u>129,220</u>	<u>1</u>
NET INCOME	<u>705,677</u>	<u>2</u>	<u>658,038</u>	<u>2</u>
TOTAL OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans (Note 14)	17,569	-	30,282	-
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	(459)	-	777	-
Share of remeasurement of defined benefit plans of associates	(351)	-	1,493	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 18)	<u>(3,514)</u>	<u>-</u>	<u>(6,056)</u>	<u>-</u>
	<u>13,245</u>	<u>-</u>	<u>26,496</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(16,564)	-	3,602	-
Share of exchange differences arising from the translation of the foreign operations of associates	<u>(28,231)</u>	<u>-</u>	<u>6,656</u>	<u>-</u>
	<u>(44,795)</u>	<u>-</u>	<u>10,258</u>	<u>-</u>
Total other comprehensive income, net of income tax	<u>(31,550)</u>	<u>-</u>	<u>36,754</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 674,127</u>	<u>2</u>	<u>\$ 694,792</u>	<u>2</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 2.73</u>		<u>\$ 2.55</u>	
Diluted	<u>\$ 2.72</u>		<u>\$ 2.54</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

SENAO INTERNATIONAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2023 AND 2022 (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	Unappropriated Earnings			
BALANCE, JANUARY 1, 2022	\$ 2,582,527	\$ 717,521	\$ 1,542,243	\$ 32,410	\$ 1,277,161	\$ 4,564	\$ (26,195)	\$ 6,130,231
Appropriation of 2021 earnings								
Legal reserve	-	-	59,345	-	(59,345)	-	-	-
Special reserve	-	-	-	(10,779)	10,779	-	-	-
Cash dividends - NT\$2.00 per share	-	-	-	-	(516,505)	-	-	(516,505)
	-	-	59,345	(10,779)	(565,071)	-	-	(516,505)
Net income for the year ended December 31, 2022	-	-	-	-	658,038	-	-	658,038
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	25,719	10,258	777	36,754
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	683,757	10,258	777	694,792
Disposal of investments in equity investments designated as at fair value through other comprehensive income	-	-	-	-	(23,847)	-	23,847	-
BALANCE, DECEMBER 31, 2022	2,582,527	717,521	1,601,588	21,631	1,372,000	14,822	(1,571)	6,308,518
Appropriation of 2022 earnings								
Legal reserve	-	-	65,991	-	(65,991)	-	-	-
Special reserve	-	-	-	(21,631)	21,631	-	-	-
Cash dividends - NT\$2.20 per share	-	-	-	-	(568,156)	-	-	(568,156)
	-	-	65,991	(21,631)	(612,516)	-	-	(568,156)
Disposal of subsidiaries	-	143	-	-	-	-	-	143
Net income for the year ended December 31, 2023	-	-	-	-	705,677	-	-	705,677
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	13,704	(44,795)	(459)	(31,550)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	719,381	(44,795)	(459)	674,127
BALANCE, DECEMBER 31, 2023	<u>\$ 2,582,527</u>	<u>\$ 717,664</u>	<u>\$ 1,667,579</u>	<u>\$ -</u>	<u>\$ 1,478,865</u>	<u>\$ (29,973)</u>	<u>\$ (2,030)</u>	<u>\$ 6,414,632</u>

The accompanying notes are an integral part of the parent company only financial statements.

SENAO INTERNATIONAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 805,745	\$ 787,258
Adjustments to reconcile income before income tax to net cash generated from operating activities:		
Depreciation expenses	340,126	349,145
Amortization expenses	13,562	13,372
Expected credit reversal of loss	(1,644)	(930)
Interest expense	11,435	8,515
Interest income	(10,309)	(4,072)
Dividend income	(516)	-
Share of profit of subsidiaries and associates accounted for using equity method	(303,817)	(387,434)
Net loss on disposal of property, plant and equipment	851	232
Net gain on lease modification	(758)	(410)
Provision for inventory and obsolescence	5,429	826
Net loss (gain) on foreign currency exchange	1	(732)
Gain on disposal of subsidiaries	(17,706)	-
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Notes receivable	18,900	10,619
Trade receivables	270,489	(35,301)
Trade receivables from related parties	96,512	(99,132)
Other receivables	92,259	(189,377)
Other receivables from related parties	20,439	6,283
Inventories	382,355	(88,077)
Prepayments	(705)	11,287
Other current assets	43,132	(19,680)
Increase (decrease) in:		
Contract liabilities	(41,166)	49,974
Notes payable	(3,630)	1,980
Trade payables	(386,719)	138,243
Trade payables to related parties	(238,126)	(721,905)
Other payables	(35,556)	(152,740)
Other payables to related parties	44,785	(18,975)
Other current liabilities	13,929	(4,473)
Net defined benefit liabilities - noncurrent	(2,703)	(2,932)
Cash generated from (used in) operations	1,116,594	(348,436)
Interest paid	(11,435)	(8,515)
Income tax paid	(694)	243
Net cash generated from (used in) operating activities	1,104,465	(356,708)

(Continued)

SENAO INTERNATIONAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
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	38,639	-
Acquisition of property, plant and equipment	(37,564)	(35,363)
Proceeds from disposal of property, plant and equipment	-	107
Decrease in refundable deposits	520	2,374
Acquisition of intangible assets	(20,961)	(1,652)
Increase in other noncurrent assets	-	(2,206)
Decrease in other noncurrent assets	2,207	-
Interest received	10,246	3,977
Dividends received	<u>83,411</u>	<u>82,187</u>
Net cash generated from investing activities	<u>76,498</u>	<u>49,578</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	950,000	-
Repayment of short-term loans	(950,000)	-
Decrease in guarantee deposits	(339)	(220)
Repayment of the principal portion of lease liabilities	(298,063)	(302,488)
Cash dividends paid	<u>(568,156)</u>	<u>(516,505)</u>
Net cash used in financing activities	<u>(866,558)</u>	<u>(819,213)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(1)</u>	<u>732</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	314,404	(1,125,611)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>1,584,152</u>	<u>2,709,763</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 1,898,556</u>	<u>\$ 1,584,152</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

SENAO INTERNATIONAL CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (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 parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Board of Directors on February 16, 2024.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

The IFRS Accounting Standards endorsed and issued into effect by the FSC would not have material impact on the Company’s accounting policies.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

- Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.
- Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.
- Note 3: The amendments provide some transition relief regarding disclosure requirements.
- c. The IFRS Accounting Standards issued by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB

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

As of the date the parent company only 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 parent company only financial position and parent company only financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The parent company only 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 parent company only 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 parent company only 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 parent company only 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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

In preparing the parent company only 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 in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only 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 parent company only 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 in the parent company only balance sheets 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 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 parent company only 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 parent company only 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	
	2023	2022
Cash on hand and petty cash	\$ 241,223	\$ 320,678
Checking accounts and demand deposits	1,258,215	864,164
Cash equivalents		
Commercial paper	<u>399,118</u>	<u>399,310</u>
	<u>\$ 1,898,556</u>	<u>\$ 1,584,152</u>

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

	December 31	
	2023	2022
Bank deposits	0.01%-1.45%	0.01%-1.05%
Commercial paper	1.08%-1.10%	0.67%

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2023	2022
<u>Notes receivable</u>		
Notes receivable	\$ 71,065	\$ 89,965
Less: Allowance for impairment loss	<u>931</u>	<u>931</u>
	<u>\$ 70,134</u>	<u>\$ 89,034</u>
<u>Trade receivables</u>		
Trade receivables	\$ 470,892	\$ 743,668
Less: Allowance for impairment loss	<u>17,426</u>	<u>21,357</u>
	<u>\$ 453,466</u>	<u>\$ 722,311</u>
<u>Other receivables</u>		
Suppliers allowance receivable	\$ 168,950	\$ 263,168
Others	<u>36,020</u>	<u>33,304</u>
	<u>\$ 204,970</u>	<u>\$ 296,472</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, 2023

	Not Past Due	Less than 60 Days	61 to 90 Days	Over 91 Days*	Total
Expected credit loss rate	0%	0%	0%	0%-100%	
Notes receivable and trade receivables	\$ 517,234	\$ 2,116	\$ 7	\$ 22,600	\$ 541,957
Less: Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,357</u>	<u>18,357</u>
Amortized cost	<u>\$ 517,234</u>	<u>\$ 2,116</u>	<u>\$ 7</u>	<u>\$ 4,243</u>	<u>\$ 523,600</u>

December 31, 2022

	Not Past Due	Less than 60 Days	61 to 90 Days	Over 91 Days*	Total
Expected credit loss rate	0%-0.0969%	14.8743%-64.5161%	90.6628%	0%-100%	
Notes receivable and trade receivables	\$ 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>

* 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>2023</u>	<u>2022</u>
Balance on January 1	\$ 22,288	\$ 24,340
Add: Amounts recovered	53	1,062
Less: Amounts written off	(2,340)	(2,185)
Less: Net remeasurement of loss allowance	<u>(1,644)</u>	<u>(929)</u>
Balance on December 31	<u>\$ 18,357</u>	<u>\$ 22,288</u>

8. INVENTORIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Merchandise	<u>\$ 2,312,601</u>	<u>\$ 2,700,385</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2023 was \$26,039,827 thousand, including write-down of inventories \$5,429 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2022 was \$25,662,804 thousand, including write-down of inventories \$826 thousand.

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2023	2022
Investments in subsidiaries	\$ 434,102	\$ 447,569
Investments in associates	<u>1,564,311</u>	<u>1,395,858</u>
	<u>\$ 1,998,413</u>	<u>\$ 1,843,427</u>

a. Investments in subsidiaries

	December 31	
	2023	2022
Senao International (Samoa) Holding Ltd. (“Senao Samoa”)	\$ -	\$ 36,848
Youth Co., Ltd. (“Youth”)	169,390	180,344
Aval Technologies Co., Ltd. (“Aval”)	137,462	129,560
Senyoung Insurance Agent Co., Ltd. (“Senyoung”)	<u>127,250</u>	<u>100,817</u>
	<u>\$ 434,102</u>	<u>\$ 447,569</u>

	Proportion of Ownership and Voting Rights	
	December 31	
	2023	2022
Senao Samoa	-	100.00%
Youth	95.79%	95.79%
Aval	100.00%	100.00%
Senyoung	100.00%	100.00%

The liquidation and dissolution of Senao Samoa, a subsidiary, has been resolved by its shareholders on August 22, 2023, and the liquidations process completed on September 29, 2023. Receivables from disposal of investments, which have been collected, and gain on disposal of investments were recognized after the disposal of its shares.

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, 2023 and 2022, 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 25 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.

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. 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 in the parent company only statements of comprehensive income for the years ended December 31, 2022.

c. Investments in associates

	December 31	
	2023	2022
Material associate		
Senao Networks, Inc. ("SNI")	<u>\$ 1,564,311</u>	<u>\$ 1,395,858</u>
	Proportion of Ownership and Voting Rights	
	December 31	
	2023	2022
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, 2023 and 2022 were based on the associate's financial statements which have been audited for the same period.

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

	December 31	
	2023	2022
SNI	<u>\$ 4,061,863</u>	<u>\$ 3,299,228</u>

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRS Accounting Standards adjusted by the Company and its subsidiaries as a Company for equity accounting purposes.

SNI and its subsidiaries

	December 31	
	2023	2022
Current assets	\$ 8,053,590	\$ 10,715,882
Noncurrent assets	3,999,193	3,127,196
Current liabilities	(6,953,911)	(9,102,441)
Noncurrent liabilities	<u>(233,577)</u>	<u>(296,321)</u>
Equity	4,865,295	4,444,316
Noncontrolling interests	<u>(236,165)</u>	<u>(313,674)</u>
	\$ 4,629,130	\$ 4,130,642
Proportion of the Company's ownership	33.79%	33.79%
Equity attributable to the Company (carrying amount of the investment)	<u>\$ 1,564,311</u>	<u>\$ 1,395,858</u>
	For the Year Ended December 31	
	2023	2022
Operating revenue	<u>\$ 16,609,171</u>	<u>\$ 16,322,282</u>
Net profit for the year	\$ 931,766	\$ 1,248,119
Other comprehensive gain	<u>(84,581)</u>	<u>24,116</u>
Total comprehensive income for the year	<u>\$ 847,185</u>	<u>\$ 1,272,235</u>

10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2023	2022
Assets used by the Company	\$ 328,521	\$ 329,308
Assets leased under operating leases	<u>428,564</u>	<u>432,859</u>
	\$ 757,085	\$ 762,167

a. Assets used by the Company

	Land	Buildings	Machinery and Equipment	Computer Telecommunications Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>								
Balance on January 1, 2023	\$ 150,363	\$ 231,904	\$ 41,955	\$ 193,183	\$ 122,249	\$ 301,409	\$ 6,907	\$ 1,047,970
Additions	-	2,745	-	18,084	4,606	8,055	95	33,585
Disposals	-	-	(611)	(11,479)	(5,670)	(12,956)	(229)	(30,945)
Balance on December 31, 2023	<u>\$ 150,363</u>	<u>\$ 234,649</u>	<u>\$ 41,344</u>	<u>\$ 199,788</u>	<u>\$ 121,185</u>	<u>\$ 296,508</u>	<u>\$ 6,773</u>	<u>\$ 1,050,610</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, 2023	\$ -	\$ 114,679	\$ 40,444	\$ 168,931	\$ 104,339	\$ 284,182	\$ 6,087	\$ 718,662
Depreciation expenses	-	4,391	611	11,188	7,550	9,500	281	33,521
Disposals	-	-	(610)	(11,430)	(5,536)	(12,289)	(229)	(30,094)
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 119,070</u>	<u>\$ 40,445</u>	<u>\$ 168,689</u>	<u>\$ 106,353</u>	<u>\$ 281,393</u>	<u>\$ 6,139</u>	<u>\$ 722,089</u>
Carrying amounts on December 31, 2023	<u>\$ 150,363</u>	<u>\$ 115,579</u>	<u>\$ 899</u>	<u>\$ 31,099</u>	<u>\$ 14,832</u>	<u>\$ 15,115</u>	<u>\$ 634</u>	<u>\$ 328,521</u>
<u>Cost</u>								
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>\$ 1,047,970</u>
<u>Accumulated depreciation</u>								
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>

(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, 2023	\$ 149,879	\$ 585,688	\$ 735,567
Additions	-	3,979	3,979
Balance on December 31, 2023	<u>\$ 149,879</u>	<u>\$ 589,667</u>	<u>\$ 739,546</u>
<u>Accumulated depreciation</u>			
Balance on January 1, 2023	\$ -	\$ 302,708	\$ 302,708
Depreciation expenses	-	8,274	8,274
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 310,982</u>	<u>\$ 310,982</u>
Carrying amounts on December 31, 2023	<u>\$ 149,879</u>	<u>\$ 278,685</u>	<u>\$ 428,564</u>

(Continued)

	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>
			(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:

	December 31	
	2023	2022
Year 1	\$ 15,200	\$ 45,600
Year 2	-	15,200
Year 3	-	-
Year 4	-	-
Year 5	<u>-</u>	<u>-</u>
	<u>\$ 15,200</u>	<u>\$ 60,800</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, 2023 and 2022, the Company did not recognize impairment loss of property, plant and equipment.

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Buildings	\$ 633,810	\$ 600,103
Transportation equipment	1,211	-
Others	<u>120</u>	<u>254</u>
	<u>\$ 635,141</u>	<u>\$ 600,357</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 380,461</u>	<u>\$ 401,616</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 297,530	\$ 297,903
Transportation equipment	292	564
Others	<u>509</u>	<u>509</u>
	<u>\$ 298,331</u>	<u>\$ 298,976</u>

The initial recognition of right-of-use assets and lease liabilities of \$380,461 thousand and \$401,616 thousand were noncash transactions for the years ended December 31, 2023 and 2022, 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 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Current	<u>\$ 232,032</u>	<u>\$ 220,535</u>
Noncurrent	<u>\$ 414,464</u>	<u>\$ 391,667</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Buildings	1.30%-2.00%	1.30%-1.79%
Transportation equipment	1.80%	-
Others	1.30%-1.84%	1.30%-1.79%

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	
	2023	2022
Expenses relating to low-value asset leases	<u>\$ 3,900</u>	<u>\$ 4,187</u>
Total cash outflow for leases	<u>\$ 312,676</u>	<u>\$ 315,190</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	
	2023	2022
<u>Notes payable</u>		
Operating	<u>\$ 2,943</u>	<u>\$ 6,573</u>
<u>Trade payables</u>		
Operating	<u>\$ 1,401,553</u>	<u>\$ 1,788,272</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	
	2023	2022
Payables for bonuses	\$ 150,102	\$ 152,423
Payables for salaries	139,051	141,277
Accrued marketing compensation	51,192	46,998
Accrued compensation to employees and remuneration to directors	42,408	41,434
Others	<u>259,768</u>	<u>295,945</u>
	<u>\$ 642,521</u>	<u>\$ 678,077</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 parent company only balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2023	2022
Present value of funded defined benefit obligation	\$ 181,534	\$ 201,784
Fair value of plan assets	<u>(180,480)</u>	<u>(180,458)</u>
Funded status - deficit	<u>1,054</u>	<u>21,326</u>
Net defined benefit liabilities	<u>\$ 1,054</u>	<u>\$ 21,326</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, 2023	\$ 201,784	\$ (180,458)	\$ 21,326
Service cost			
Current service cost	771	-	771
Net interest expense (income)	<u>2,522</u>	<u>(2,280)</u>	<u>242</u>
Recognized in profit or loss	<u>3,293</u>	<u>(2,280)</u>	<u>1,013</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,539)	(1,539)
Actuarial loss - experience adjustments	<u>(16,030)</u>	<u>-</u>	<u>(16,030)</u>
Recognized in other comprehensive income	<u>(16,030)</u>	<u>(1,539)</u>	<u>(17,569)</u>
Contributions from the employer	-	(3,716)	(3,716)
Benefits paid	<u>(7,513)</u>	<u>7,513</u>	<u>-</u>
Balance on December 31, 2023	<u>\$ 181,534</u>	<u>\$ (180,480)</u>	<u>\$ 1,054</u>

(Continued)

	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> (Concluded)

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	
	2023	2022
Operating costs	\$ 95	\$ 89
Operating expenses	<u>918</u>	<u>966</u>
	<u>\$ 1,013</u>	<u>\$ 1,055</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	
	2023	2022
Discount rates	1.25%	1.25%
Expected rates of salary increase	1.00%	1.00%

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

	December 31	
	2023	2022
Discount rates		
0.25% increase	<u>\$ (4,131)</u>	<u>\$ (4,427)</u>
0.25% decrease	<u>\$ 4,280</u>	<u>\$ 4,591</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 4,210</u>	<u>\$ 4,515</u>
0.25% decrease	<u>\$ (4,083)</u>	<u>\$ (4,375)</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	
	2023	2022
Expected contributions to the plans for the next year	<u>\$ 3,600</u>	<u>\$ 3,900</u>
Average duration of the defined benefit obligation	9.2 years	8.9 years

15. EQUITY

a. Share capital - ordinary shares

	December 31	
	2023	2022
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, 2023 and 2022 were as follows:

	Share Premium	Compensation Costs Related to Share-based Payment	Movements of Capital Surplus for Associates Accounted for Using Equity Method and Subsidiaries	Movements of Capital Surplus due to Transactions of Treasury Shares	Total
Balance on January 1, 2023	\$ 346,007	\$ 215,648	\$ 131,358	\$ 24,508	\$ 717,521
Disposal of subsidiaries	<u>-</u>	<u>-</u>	<u>143</u>	<u>-</u>	<u>143</u>
Balance on December 31, 2023	<u>\$ 346,007</u>	<u>\$ 215,648</u>	<u>\$ 131,501</u>	<u>\$ 24,508</u>	<u>\$ 717,664</u>
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>

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 2022 and 2021 were as follows:

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

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

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

	For the Year Ended December 31, 2023
Legal reserve	\$ 71,938
Special reserve	\$ 32,004
Cash dividends	\$ 516,505
Cash dividends per share (NT\$)	\$ 2.00

The above appropriation for cash dividends has been resolved by Senao's board of directors; the other appropriations will be resolved by the shareholders in their meeting to be held on May 20, 2024.

16. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from sale of goods	\$ 27,819,870	\$ 27,450,871
Revenue from rendering of services	1,175,480	1,136,057
Revenue from repairs and maintenance services	<u>602,456</u>	<u>555,959</u>
	<u>\$ 29,597,806</u>	<u>\$ 29,142,887</u>

Contract Balances

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities			
Sale of goods	\$ 84,046	\$ 118,681	\$ 68,574
Others	<u>5,643</u>	<u>12,174</u>	<u>12,307</u>
	<u>\$ 89,689</u>	<u>\$ 130,855</u>	<u>\$ 80,881</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>	
	2023	2022
Revenues from the beginning contract liabilities		
Sale of goods	\$ 106,024	\$ 68,574
Others	<u>11,837</u>	<u>11,919</u>
	<u>\$ 117,861</u>	<u>\$ 80,493</u>

17. NET INCOME

a. Other income and expenses

	<u>For the Year Ended December 31</u>	
	2023	2022
Net loss on disposal of property, plant and equipment	\$ (851)	\$ (232)
Net gain on lease modification	<u>758</u>	<u>410</u>
	<u>\$ (93)</u>	<u>\$ 178</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	2023	2022
Rental income	\$ 70,234	\$ 74,495
Dividend income	516	-
Others	<u>19,415</u>	<u>12,474</u>
	<u>\$ 90,165</u>	<u>\$ 86,969</u>

c. Interest expense

	For the Year Ended December 31	
	2023	2022
Interest on lease liabilities	\$ 10,713	\$ 8,515
Interest on bank loans	<u>722</u>	<u>-</u>
	<u>\$ 11,435</u>	<u>\$ 8,515</u>

d. Depreciation and amortization expenses

	For the Year Ended December 31	
	2023	2022
Right-of-use assets	\$ 298,331	\$ 298,976
Property, plant and equipment	41,795	50,169
Intangible assets	<u>13,562</u>	<u>13,372</u>
	<u>\$ 353,688</u>	<u>\$ 362,517</u>
An analysis of depreciation by function		
Operating costs	\$ 843	\$ 918
Operating expenses	<u>339,283</u>	<u>348,227</u>
	<u>\$ 340,126</u>	<u>\$ 349,145</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 13,562</u>	<u>\$ 13,372</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Post-employment benefits (Note 14)		
Defined contribution plans	\$ 64,829	\$ 68,988
Defined benefit plans	<u>1,013</u>	<u>1,055</u>
	65,842	70,043
Termination benefits	19,615	1,708
Other employee benefits	<u>1,487,754</u>	<u>1,527,620</u>
Total employee benefits expense	<u>\$ 1,573,211</u>	<u>\$ 1,599,371</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 60,897	\$ 63,549
Operating expenses	<u>1,512,314</u>	<u>1,535,822</u>
	<u>\$ 1,573,211</u>	<u>\$ 1,599,371</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 parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and will be recognized in the following year.

The employees' compensation and remuneration of directors for the years ended December 31, 2023 and 2022, which had been approved by the Company's board of directors on February 16, 2024 and February 17, 2023, respectively, were as follows:

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2023 and 2022.

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	
	2023	2022
Current tax		
In respect of the current year	\$ -	\$ (1,419)
Income tax on unappropriated earnings	-	1,419
Adjustments for prior years	-	(115,757)
Deferred tax		
In respect of the current year	100,310	94,334
Adjustments for prior years	<u>(242)</u>	<u>150,643</u>
Income tax expense recognized in profit or loss	<u>\$ 100,068</u>	<u>\$ 129,220</u>

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

	For the Year Ended December 31	
	2023	2022
Income before income tax	<u>\$ 805,745</u>	<u>\$ 787,258</u>
Income tax expense calculated at the statutory rate	\$ 161,149	\$ 157,452
Nondeductible expenses in determining taxable income	27	151
Investment gain not recognized in taxable income	(103)	-
Income tax on unappropriated earnings	(60,763)	(77,431)
Unrecognized deductible temporary differences	-	1,419
Adjustments for prior years' tax	-	12,743
Adjustments for prior years' deferred tax	(242)	(115,757)
	<u>-</u>	<u>150,643</u>
Income tax expense recognized in profit or loss	<u>\$ 100,068</u>	<u>\$ 129,220</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	
	2023	2022
<u>Deferred tax</u>		
Remeasurement on defined benefit plan	<u>\$ 3,514</u>	<u>\$ 6,056</u>

c. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax assets		
Tax refund receivable and prepaid income tax (accounted for other receivables)	<u>\$ 1,254</u>	<u>\$ 560</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, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Payables for annual leave	\$ 10,790	\$ (406)	\$ -	\$ 10,384
Defined benefit obligation	3,476	(540)	(3,514)	(578)
Unrealized sales discounts and allowances	1,817	17	-	1,834
				(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Valuation loss on inventory	\$ 4,913	\$ 1,086	\$ -	\$ 5,999
Contract liabilities	4,413	(879)	-	3,534
Intangible assets	-	400	-	400
Others	<u>1,247</u>	<u>(4)</u>	<u>-</u>	<u>1,243</u>
	26,656	(326)	(3,514)	22,816
Loss carryforwards	<u>157,988</u>	<u>(99,797)</u>	<u>-</u>	<u>58,191</u>
	<u>\$ 184,644</u>	<u>\$ (100,123)</u>	<u>\$ (3,514)</u>	<u>\$ 81,007</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment gain on subsidiaries	<u>\$ 55</u>	<u>\$ (55)</u>	<u>\$ -</u>	<u>\$ -</u> (Concluded)

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>

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Deductible temporary differences	<u>\$ -</u>	<u>\$ 12,743</u>

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2023 comprised:

Unused Amount	Expiry Year
<u>\$ 58,191</u>	2032

g. Income tax assessments

The income tax returns of the Company through 2021 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>	
	2023	2022
Net income for the year	<u>\$ 705,677</u>	<u>\$ 658,038</u>

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

	<u>For the Year Ended December 31</u>	
	2023	2022
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>869</u>	<u>1,049</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>259,122</u>	<u>259,302</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, 2023

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

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

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

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 3,767,880	\$ 3,993,326
Financial assets at FVTOCI		
Equity investments	9,969	10,428
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	2,119,097	2,735,108

- 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 24.

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	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 421,646	\$ 464,970
Financial liabilities	646,496	612,202
Cash flow interest rate risk		
Financial assets	1,219,893	825,429

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, 2023 and 2022 would increase/increase by \$3,050 thousand and \$2,064 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 \$498 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 parent company only 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 57% and 48% of the total trade receivables as of December 31, 2023 and 2022, respectively. The clients mentioned above have good credit records, no material default risk was assessed; material credit risk did not exist.

3) Liquidity risk

The 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, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,096,694	\$ -	\$ -	\$ 22,403

Information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	Total
Lease liabilities	\$ 240,597	\$ 420,100	\$ 3,376	\$ 664,073

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	\$ 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	\$ 227,724	\$ 393,815	\$ 5,980	\$ 627,519

b) Financing facilities

	December 31	
	2023	2022
Unsecured bank loan facility		
Amount used	\$ -	\$ -
Amount unused	4,110,000	3,210,000
	<u>\$ 4,110,000</u>	<u>\$ 3,210,000</u>

22. TRANSACTIONS WITH RELATED PARTIES

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

Company	Relationship
Chunghwa Telecom Co., Ltd. (“Chunghwa Telecom”)	Ultimate parent entity
Fellow subsidiary	
CHIEF Telecom Inc.	Chunghwa Telecom’s subsidiary
Chunghwa System Integration Co., Ltd.	Chunghwa Telecom’s subsidiary
Spring House Entertainment Tech. Inc.	Chunghwa Telecom’s subsidiary
Smartfun Digital Co., Ltd.	Chunghwa Telecom’s subsidiary
Honghwa International Co., Ltd.	Chunghwa Telecom’s subsidiary
CHT Security Co., Ltd.	Chunghwa Telecom’s subsidiary
International Integrated Systems, Inc.	Chunghwa Telecom’s subsidiary
Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Telecom’s subsidiary
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

(Continued)

Company	Relationship
Associate	
Senao Networks, Inc. (“Senao Networks”)	Senao’s investment accounted for equity method
EnRack Technology Inc.	Senao Networks’s subsidiary
Emplus Technologies, Inc.	Senao Networks’s subsidiary
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
Kangsin Co., Ltd.	Substantial related party
Tsann Kuen Enterprise Co., Ltd.	Substantial related party
Taiwan International Standard Electronics Co., Ltd.	Chunghwa Telecom’s investment accounted for equity method
KKBOX Taiwan Co., Ltd.	Chunghwa Telecom’s investment accounted for equity method
Next Commercial Bank Co., Ltd.	Chunghwa Telecom’s investment accounted for equity method
BMT Biomedical Engineering Technology Co., Ltd.	Substantial related party of Chunghwa Telecom’s associate
Chunghwa Telecom Foundation	A nonprofit organization of which the funds donated by Chunghwa Telecom exceeds one third of its total funds

(Concluded)

- 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	
		2023	2022
Sales	Ultimate parent entity	\$ 6,407,089	\$ 6,157,944
	Fellow subsidiaries	3,990	3,012
	Subsidiaries	408,399	355,703
	Associates	2,680	3,607
	Other related parties	<u>23,122</u>	<u>29,539</u>
		<u>\$ 6,845,280</u>	<u>\$ 6,549,805</u>

(Continued)

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Service	Ultimate parent entity	\$ 1,093,703	\$ 1,055,391
	Fellow subsidiaries	220	1,744
	Subsidiaries	<u>92,582</u>	<u>88,699</u>
		<u>\$ 1,186,505</u>	<u>\$ 1,145,834</u>
Repairs and maintenance	Ultimate parent entity	\$ 13,660	\$ 4,672
	Fellow subsidiaries	54	60
	Subsidiaries	-	12
	Associates	1	453
	Other related parties	<u>394</u>	<u>379</u>
		<u>\$ 14,109</u>	<u>\$ 5,576</u> (Concluded)

2) Purchases of goods

Related Party Category	For the Year Ended December 31	
	2023	2022
Ultimate parent entity	\$ 4,226,402	\$ 3,785,494
Fellow subsidiaries	3,613	13,035
Subsidiaries	215,147	271,951
Associates	101	158
Other related parties	<u>1,618</u>	<u>154</u>
	<u>\$ 4,446,881</u>	<u>\$ 4,070,792</u>

3) Operating expenses

Related Party Category	For the Year Ended December 31	
	2023	2022
Ultimate parent entity	\$ 172,728	\$ 164,184
Fellow subsidiaries	260	3,076
Subsidiaries	6	13
Associates	1,462	809
Other related parties	<u>15,099</u>	<u>14,571</u>
	<u>\$ 189,555</u>	<u>\$ 182,653</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	
		2023	2022
Non-operating income	Ultimate parent entity	\$ 755	\$ 856
	Subsidiaries	1,902	34
	Other related parties	<u>1,833</u>	<u>1,896</u>
		<u>\$ 4,490</u>	<u>\$ 2,786</u>

5) Receivables from related parties

Line Item	Related Party Category	December 31	
		2023	2022
Accounts receivable from related parties	Ultimate parent entity	\$ 892,147	\$ 951,247
	Fellow subsidiaries	1,796	214
	Subsidiaries	47,727	83,822
	Other related parties	<u>702</u>	<u>3,601</u>
		<u>\$ 942,372</u>	<u>\$ 1,038,884</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no allowance loss was recognized for receivables from related parties.

6) Other receivables from related parties

Line Item	Related Party Category	December 31	
		2023	2022
Other receivables from related parties	Ultimate parent entity	\$ 124,216	\$ 144,967
	Subsidiaries	211	278
	Associates	126	-
	Other related party	<u>253</u>	<u>-</u>
		<u>\$ 124,806</u>	<u>\$ 145,245</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	
		2023	2022
Prepaid rents	Ultimate parent entity	<u>\$ 231</u>	<u>\$ 231</u>

8) Refundable deposits

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

9) Notes payable to related parties

Line Item	Related Party Category	December 31	
		2023	2022
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	
		2023	2022
Trade payables to related parties	Ultimate parent entity	\$ 147,596	\$ 378,565
	Fellow subsidiaries	26	974
	Subsidiaries	6,670	13,318
	Associates	-	45
	Other related parties	<u>484</u>	<u>-</u>
		\$ <u>154,776</u>	\$ <u>392,902</u>

The trade payables to related parties were unsecured.

11) Other payables to related parties

Line Item	Related Party Category	December 31	
		2023	2022
Other payables to related parties	Ultimate parent entity	\$ 221,548	\$ 175,324
	Fellow subsidiaries	22	-
	Associates	930	2,424
	Other related parties	<u>3,944</u>	<u>3,911</u>
		\$ <u>226,444</u>	\$ <u>181,659</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	
		2023	2022
Other advance receipts	Associates	\$ <u>3,990</u>	\$ <u>3,990</u>

13) Acquisitions of property, plant and equipment

Related Party Category	Purchase Price For the Year Ended December 31	
	2023	2022
Ultimate parent entity	\$ 4,162	\$ -
Subsidiaries	69	243
Associates	<u>520</u>	<u>243</u>
	<u>\$ 4,751</u>	<u>\$ 486</u>

The company purchased fire protection engineering and environment control system from the ultimate parent entity. The company also purchased computer telecommunications equipment from subsidiaries and associates.

14) 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	
	2023	2022
Ultimate parent entity	\$ 34,774	\$ 38,503
Subsidiaries	<u>1,413</u>	<u>-</u>
	<u>\$ 36,187</u>	<u>\$ 38,503</u>

Line Item	Related Party Category	December 31	
		2023	2022
Lease liabilities - current	Ultimate parent entity	\$ 4,865	\$ 6,550
	Subsidiaries	<u>757</u>	<u>-</u>
		<u>\$ 5,622</u>	<u>\$ 6,550</u>
Lease liabilities - noncurrent	Ultimate parent entity	<u>\$ 3,158</u>	<u>\$ 6,469</u>

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Interest expense	Ultimate parent entity	\$ 420	\$ 437
	Subsidiaries	<u>10</u>	<u>-</u>
		<u>\$ 430</u>	<u>\$ 437</u>
Lease expense (accounted for operating expense)	Ultimate parent entity	<u>\$ 19,701</u>	<u>\$ 11,441</u>

15) 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	
		2023	2022
Non-operating income	Ultimate parent entity	\$ -	\$ 667
	Subsidiaries	391	804
	Associates	45,611	45,611
	Other related parties	<u>2</u>	<u>2</u>
		<u>\$ 46,004</u>	<u>\$ 47,084</u>

c. Endorsements/guarantees provided

Related Party Category	December 31	
	2023	2022
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, 2023 and 2022 was as follows:

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 58,249	\$ 68,800
Post-employment benefits	<u>18,856</u>	<u>1,289</u>
	<u>\$ 77,105</u>	<u>\$ 70,089</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, 2023 and 2022, the amount of bank guarantees for the application were both \$10,000 thousand.

24. 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, 2023

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

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

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

25. 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, 2023
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Borrowing Amount	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Endorsement/ Guarantee Given by 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.	b	\$ 641,463	\$ 300,000	\$ 300,000	\$ 300,000	\$ -	4.68%	\$ 3,207,316	Yes	-	-	-
		Wiin Technologies Co., Ltd.	b	641,463	200,000	200,000	200,000	-	3.12%	3,207,316	Yes	-	-	-

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

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

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

- a. A company with which it does business.
- b. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- c. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- d. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- e. The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- f. All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- g. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 3: The total amount of endorsement or guarantee that the 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”:

- a. Endorsement/guarantee given by parent on behalf of subsidiaries.
- b. Endorsement/guarantee given by subsidiaries on behalf of the Company.
- c. 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, 2023
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2023				Note
				Shares (Thousands/Thousand Units)	Carrying Value	Percentage of Ownership	Fair Value	
Senao International Co., Ltd.	<u>Stocks</u> N.T.U. Innovation Incubation Corporation	-	Financial assets at FVOCI	1,200	\$ 9,969	9.41	\$ 9,969	-

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 NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 2)		Notes/Trade Payable or Receivable		Note
			Purchase/ Sales	Amount	% to Total	Payment Terms	Units Price	Payment Terms	Ending Balance	% to Total	
Senao International Co., Ltd.	Chunghwa Telecom	Ultimate parent entity	Sales	\$ 7,514,452	25.39	30-90 days	\$ -	-	\$ 892,147	60.86	Note 1
			Purchase	4,226,402	16.63	30 days	-	-	(147,614)	(9.47)	
	Aval	Subsidiary	Sales	407,324	1.38	60 days	-	-	18,737	1.28	
			Purchase	191,608	0.75	30 days	-	-	(6,031)	(0.39)	
Aval	Chunghwa Telecom	Ultimate parent entity	Sales	437,814	1.48	30 days	-	-	-	-	Note 1
	Youth	Fellow subsidiary	Sales	103,983	0.35	30 days	-	-	858	0.06	

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 NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
Senao International Co., Ltd.	Chunghwa Telecom	Parent entity	\$ 1,016,363 (Note 1)	8.15 (Note 2)	\$ -	-	\$ 189,841	\$ -

Note 1: The receivables from related parties included \$114,744 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, 2023
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Recognized Gain (Loss)	Note
				December 31, 2023	December 31, 2022	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Senao International Co., Ltd.	Senao Networks	Taiwan	Telecommunication facilities manufacturing and sales	\$ 202,758	\$ 202,758	16,579	33.79	\$ 1,564,311	\$ 828,373	\$ 279,930	Note 1
	Senao Samoa	Samoa Islands	International investment	- (US\$ -)	2,046,143 (US\$ 68,275)	-	-	- (US\$ -)	506 (US\$ 16)	506 (US\$ 16)	Notes 1 and 9
	Youth	Taiwan	Sale of information and communication technologies products	427,850	427,850	14,752	95.79	169,391	(2,969)	(10,953)	Notes 1 and 2
	Aval	Taiwan	Sale of information and communication technologies products	89,550	89,550	12,555	100.00	137,461	7,898	7,901	Notes 1 and 3
	Senyoung	Taiwan	Property and liability insurance agency	59,000	59,000	8,909	100.00	127,250	26,433	26,433	Note 1
Youth	ISPOT	Taiwan	Sale of information and communication technologies products	53,021	53,021	-	100.00	14,574	1,117	925	Notes 1 and 4
	Youyi	Taiwan	Maintenance of information and communication technologies products	-	21,354	-	-	-	(4,081)	(4,236)	Notes 1, 5 and 10
Aval	Wiin	Taiwan	Sale of information and communication technologies products	29,550	29,550	4,418	100.00	49,250	3,440	3,440	Note 1
Senyoung	Senaolife	Taiwan	Life insurance agency	-	29,500	-	-	-	(2,013)	(2,013)	Notes 1 and 7
Senao Samoa	Senao International HK Limited (“Senao HK”)	Hong Kong	International investment	- (US\$ -)	2,060,467 (US\$ 68,740)	-	-	- (US\$ -)	- (US\$ -)	- (US\$ -)	Notes 1 and 8

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

Note 2: Loss of Youth of \$2,969 thousand in 2023; the amount of \$297 thousand is the premium and the intangible assets resulting from acquisition on the basis of fair value and its accumulated amortization; the amount of \$4 thousand is comprised of lease arrangements between the parent entity and subsidiaries; the amount of \$8,285 thousand is the deduction from the amortization of this premium and intangible assets.

Note 3: An investment gain of \$7,898 thousand; the amount of \$3 thousand is comprised of lease arrangements between the parent entity and subsidiaries.

Note 4: An investment gain of \$1,117 thousand; the amount of \$192 thousand is comprised of adjustment from the increase of continuing interest.

Note 5: An investment loss of \$4,081 thousand; the amount of \$155 thousand is comprised of adjustment from the increase of continuing interest and lease arrangements between the parent entity and subsidiaries.

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

Note 7: On April 22, 2022, the board of directors of Senyoung, a subsidiary, resolved to merge with its subsidiary, Senaolife. The merger was completed on May 1, 2023. Senyoung is the continuing entity after the merger.

Note 8: The liquidation and dissolution of Senao HK, a subsidiary, has been resolved by its board of directors on August 31, 2022; Senao HK’s shareholders have approved the liquidation on April 25, 2023. In accordance with the local ordinances, and the liquidations process completed on July 28, 2023.

Note 9: The liquidation and dissolution of Senao Samoa, a subsidiary, has been resolved by its shareholders on August 22, 2023, and the liquidation process completed on September 29, 2023.

Note 10: On September 23, 2023, the board of directors of Youth, a subsidiary, resolved the liquidation and dissolution of its subsidiary, Youyi, and the liquidation date to be October 31, 2023. The liquidation and dissolution were completed on November 14, 2023.

TABLE 6

SENAO INTERNATIONAL CO., LTD.

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	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, 2023 (Notes 2 and 3)	Accumulated Inward Remittance of Earnings as of December 31, 2023	Note
					Outflow	Inflow							
Senao International Trading (Shanghai) Co., Ltd.	Sale of information and communication technologies products	\$ 955,838 (US\$ 32,000)	b	\$ 955,838 (US\$ 32,000)	\$ -	\$ 34,279 (US\$ 1,079)	\$ 921,559 (US\$ 30,921)	\$ -	100	\$ -	\$ -	\$ -	Note 4

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
\$921,559 (US\$30,921)	\$2,013,579 (US\$67,213)	\$3,855,121

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

- a. Direct investment.
- b. Investments through a holding company, which means Senao Samoa here, registered in a third region.
- c. 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. The investment commission of MOEA has approved the deregistration of Senao International Trading (Shanghai) Co., Ltd. on October 20, 2023.

TABLE 7**SENAO INTERNATIONAL CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

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

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

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

SENAO INTERNATIONAL CO., LTD.

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SENAO INTERNATIONAL CO., LTD.**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Description	Amount
Cash in banks and petty cash		\$ 241,223
Checking accounts and demand deposits		1,257,759
Foreign currency deposits	Including US\$15 thousand @30.705	456
Commercial paper	Maturities from 2023.12.28 to 2024.01.05, interest rates 1.08%-1.10%	<u>399,118</u>
		<u>\$ 1,898,556</u>

SENAO INTERNATIONAL CO., LTD.**STATEMENT OF NOTES RECEIVABLE, NET****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Client A	\$ 13,151
Client B	9,018
Client C	7,247
Client D	6,953
Client E	5,733
Client F	3,860
Others (Note)	<u>25,103</u>
	71,065
Less: Allowance for impairment loss	<u>931</u>
	<u><u>\$ 70,134</u></u>

Note: The amount for each individual client included in others does not exceed 5% of the account balance.

SENAO INTERNATIONAL CO., LTD.**STATEMENT OF TRADE RECEIVABLES, NET****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Client G	\$ 50,115
Client H	47,440
Client I	44,742
Others (Note)	<u>328,595</u>
	470,892
Less: Allowance for impairment loss	<u>17,426</u>
	<u>\$ 453,466</u>

Note: The amount for each individual client included in others does not exceed 5% of the account balance.

SENAO INTERNATIONAL CO., LTD.**STATEMENT OF INVENTORIES****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Merchandise inventories	<u>\$ 2,312,601</u>	<u>\$ 2,604,818</u>

SENAO INTERNATIONAL CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2023		Additions in Investment		Decrease in Investment		Gain or (Loss) on Investment Accounted for Using Equity Method	Adjustment in Using Equity Method	Balance, December 31, 2023			Net Assets Value (Note 8)	Collateral	Note
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount			Shares (In Thousands)	Proportion of Ownership %	Amount			
Senao Samoa	1,191	\$ 36,848	-	\$ -	(1,191)	\$ (20,789)	\$ 506	\$ (16,565)	-	-	\$ -	\$ -	Nil	Notes 1 and 2
Senao Networks	16,579	1,395,858	-	-	-	-	279,930	(111,477)	16,579	33.79	1,564,311	1,564,311	Nil	Note 3
Youth	14,752	180,344	-	-	-	-	(10,953)	-	14,752	95.79	169,391	151,727	Nil	Note 4
Aval	11,660	129,560	895	-	-	-	7,901	-	12,555	100.00	137,461	137,455	Nil	Notes 5 and 6
Senyoung	5,900	100,817	3,009	-	-	-	26,433	-	8,909	100.00	127,250	127,250	Nil	Notes 6 and 7
		<u>\$ 1,843,427</u>		<u>\$ -</u>		<u>\$ (20,789)</u>	<u>\$ 303,817</u>	<u>\$ (128,042)</u>			<u>\$ 1,998,413</u>	<u>\$ 1,980,743</u>		

Note 1: The adjustment in using equity method of Senao Samoa was resulted from exchange differences on translating the financial statements of foreign operations.

Note 2: Senao Samoa has been resolved by its shareholders on August 22, 2023, and the liquidations process completed on September 29, 2023.

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.	\$ (28,231)
b.	Share of remeasurement of defined benefit plans of associates accounted for using the equity method through other comprehensive gain or loss.	(351)
c.	Cash dividends paid by investees.	<u>(82,895)</u>
		<u>\$ (111,477)</u>

Note 4: The difference between balances of December 31, 2023 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 June 2023, Aval issued 895 thousand shares through capitalization of earnings.

Note 6: The difference between balances of December 31, 2023 and net assets value was the unamortized amount from the lease contracts between parent entity and subsidiaries.

Note 7: In July 2023, Senyoung issued 3,009 thousand shares through capitalization of earnings.

Note 8: The amounts were based on audited financial statements.

SENAO INTERNATIONAL CO., LTD.

STATEMENT OF RIGHT-OF-USE ASSETS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

	Balance on January 1, 2023	Additions	Decreases	Closing Balance
<u>Cost</u>				
Buildings	\$ 1,102,959	\$ 378,583	\$ 354,208	\$ 1,127,334
Transportation equipment	-	1,503	-	1,503
Others	694	375	375	694
	<u>1,103,653</u>	<u>380,461</u>	<u>354,583</u>	<u>1,129,531</u>
<u>Accumulated depreciation</u>				
Buildings	502,856	297,530	306,862	493,524
Transportation equipment	-	292	-	292
Others	440	509	375	574
	<u>503,296</u>	<u>298,331</u>	<u>307,237</u>	<u>494,390</u>
	<u>\$ 600,357</u>	<u>\$ 82,130</u>	<u>\$ 47,346</u>	<u>\$ 635,141</u>

SENAO INTERNATIONAL CO., LTD.

STATEMENT OF TRADE PAYABLES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Vendor A	\$ 509,959
Vendor B	121,094
Vendor C	120,113
Vendor D	106,145
Vendor E	104,390
Vendor F	103,688
Vendor G	85,281
Others (Note)	<u>250,883</u>
	<u>\$ 1,401,553</u>

Note: The amount for each individual vendor in others does not exceed 5% of the account balance.

SENAO INTERNATIONAL CO., LTD.**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Item	Lease Term	Discount Rate (%)	Closing Balance
Buildings	2019.01-2031.11	1.30-2.00	\$ 645,158
Machinery and Equipment	2023.06-2026.05	1.80	1,217
Others	2021.03-2024.09	1.30-1.84	<u>121</u>
			646,496
Less: Lease term ends not later than 1 year			<u>232,032</u>
			<u>\$ 414,464</u>

SENAO INTERNATIONAL CO., LTD.**STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Amount
Sales revenue	\$ 28,966,631
Less: Sales returns	310,965
Sales discounts and allowances	<u>835,796</u>
Net sales	27,819,870
Revenue from rendering of services	1,175,480
Revenue from repairs and maintenance services	<u>602,456</u>
Net revenue	<u>\$ 29,597,806</u>

SENAO INTERNATIONAL CO., LTD.**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Amount
Merchandise inventories, beginning of year	\$ 2,700,385
Add: Merchandise purchased	27,438,464
Less: Merchandise inventories, end of year	2,312,601
Purchase discounts and allowances	2,025,096
Transferred to repair costs	248,461
Add: Others	<u>487,136</u>
Cost of goods sold	26,039,827
Service and repair costs	<u>483,703</u>
Operating costs	<u>\$ 26,523,530</u>

SENAO INTERNATIONAL CO., LTD.**STATEMENT OF SELLING AND MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Amount
Payroll expense	\$ 1,110,423
Depreciation expense	320,815
Business promotion expense	247,414
Bank commission	139,289
Insurance expense	136,725
Freight	130,307
Others (Note)	<u>267,020</u>
	<u><u>\$ 2,351,993</u></u>

Note: The amount for each item in others does not exceed 5% of the amount balance.

SENAO INTERNATIONAL CO., LTD.

**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Amount
Payroll expense	\$ 186,904
Depreciation expense	19,115
Repair expense	18,468
Others (Note)	<u>102,312</u>
	<u>\$ 326,799</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, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	2023			2022		
	Belonging to Operating Costs	Belonging to Operating Expenses	Total	Belonging to Operating Costs	Belonging to Operating Expenses	Total
Employee benefit expenses (Note)						
Payroll expense	\$ 48,981	\$ 1,215,725	\$ 1,264,706	\$ 50,922	\$ 1,232,756	\$ 1,283,678
Labor and health insurance	5,915	136,183	142,098	6,268	140,567	146,835
Pension	2,702	63,140	65,842	2,902	67,141	70,043
Remuneration to directors	-	18,462	18,462	-	17,239	17,239
Others	3,299	78,804	82,103	3,457	78,119	81,576
	<u>\$ 60,897</u>	<u>\$ 1,512,314</u>	<u>\$ 1,573,211</u>	<u>\$ 63,549</u>	<u>\$ 1,535,822</u>	<u>\$ 1,599,371</u>
Depreciation expense	<u>\$ 843</u>	<u>\$ 339,283</u>	<u>\$ 340,126</u>	<u>\$ 918</u>	<u>\$ 348,227</u>	<u>\$ 349,145</u>
Amortization expense	<u>\$ -</u>	<u>\$ 13,562</u>	<u>\$ 13,562</u>	<u>\$ -</u>	<u>\$ 13,372</u>	<u>\$ 13,372</u>

Note 1: As of December 31, 2023 and 2022, the Company had an average of 1,977 and 2,058 employees, respectively, including 10 and 8 non-employee directors, respectively.

Note 2: As of December 31, 2023 and 2022, the average employee benefit expense were \$790 thousand and \$772 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, 2023 and 2022, the average payroll expense were \$643 thousand and \$626 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 2.72%.

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.