Stock Code: **2450**

Senao International Co., Ltd.

2020 General Shareholders' Meeting

Meeting Handbook

Prepared by Senao International Co., Ltd.

Date: June 12, 2020

Location: No.500, Fuxing 3rd Rd., Guishan Dist., Taoyuan City

Contents

Page

I. Meeting Procedures

Senao International Co., Ltd.

2020 General Shareholders' Meeting Procedures

1. Announcement of the Commencement of the Meeting
2. Chairperson's Remarks
3. Reporting Matters
4. Recognition Matters
5. Special Motions
6. Meeting Adjourned

II. Meeting Agenda

Senao International Co., Ltd.

2020 General Shareholders' Meeting Agenda

Date and Time: June 12, 2020 at 9:00 a.m. (Friday)

Location: No.500, Fuxing 3rd Rd., Guishan Dist., Taoyuan City

1. Announcement of the Commencement of the Meeting
2. Chairperson's Remarks
3. Reporting Matters
   (1) 2019 Business Report.
   (2) 2019 Audit Committee Report.
   (3) Report on the Distribution of Dividends and Bonuses for 2019.
   (4) Report on the Distribution of Employees' Compensation and Directors' Remuneration for 2019.
   (5) Amendments to the Company's "Ethical Corporate Management Best Practice Principles and Procedures."
4. Recognition Matters
   (1) 2019 Business Report and Financial Statements.
   (2) 2019 Earnings Distribution Plan.
5. Special Motions
6. Meeting Adjourned

III. Reporting Matters

1. 2019 Business Report. Please Kindly Review.

Explanation: Please refer to page 10 of this handbook for the Business Report. (Appendix 1)

2. 2019 Audit Committee Report. Please Kindly Review.

Explanation: Please refer to page 15 of this handbook for the Audit Committee Report. (Appendix 2)

3. Report on the Distribution of Dividends and Bonuses for 2019. Please Kindly Review.

Explanation:

(1) In accordance with Article 20 of the Articles of Incorporation, the board of directors is authorized to pay whole or part of the distributable dividends and bonuses in cash, and the distribution shall be reported to the shareholders' meeting.

(2) Shareholder bonus totaling NT$374,466,353 has been appropriated as cash dividends, which is equivalent to NT$1.45 per share. The cash dividends are pro rata and rounded down to the nearest whole dollar with any amount less than NT$1 being forfeited. Less than a dollar fractional totals are adjusted in order from large to small decimal points and shareholders numbers are ordered from first to last to meet the distribution of the cash dividend total.

(3) The ex-dividend date for the cash dividend distribution is proposed to be set on July 6, 2020.

(4) If the number of outstanding shares of the Company subsequently changes due to changes to the capital resulting in a different dividend ratio to be adjusted, it is proposed that the Board of Directors authorizes the Chairperson to handle accordingly.

4. Report on Distribution of Employees' Compensation and Directors' Remuneration for 2019. Please Kindly Review.

Explanation: It is proposed to appropriate 3.5% ratio of employees' compensation totaling NT$17,560,019 and 1.5% ratio of directors' compensation totaling NT$7,525,722 in this year. Both are paid in cash.

5. Amendments to the Company's "Ethical Corporate Management Best Practice Principles and Procedures." Please Kindly Review.

Explanation: (1) Amendments to parts of the Company's "Ethical Corporate Management Best Practice Principles and Procedures"are proposed due to the establishment of Audit Committee, and please refer to page 7 of this handbook for the comparison table (Attachment 1).

(2) Please refer to page 37 of this handbook for the original "Ethical Corporate Management Best Practice Principles and Procedures" (Appendix 4).

IV. Recognition Matters

Agenda 1: 2019 Business Report and Financial Statements. Recognition is Respectfully Requested.

Proposed by the Board of Directors

Explanation: (1) The 2019 Financial Statements (including consolidated financial statements) were prepared by the Company and audited by independent auditors Dien Sheng Chang and Benjamin Shih of Deloitte & Touche, who have submitted an unqualified independent auditors' report. The Audit committee has audited the financial statements together with the Business Report, and recognition was respectfully requested.

(2) Please refer to pages 10 and 16 of this handbook for the Business Report, Independent Auditors' Report and financial statements (including consolidated financial statements.) (Appendix 1 and 3)

Resolution:

Agenda 2: 2019 Earnings Distribution Plan. Recognition is Respectfully Requested.

Proposed by the Board of Directors

Explanation: (1) The Company's 2019 earnings distribution plan was approved by the Board of Directors and audited by the Audit Committee, and the earnings distribution plan is as follows:

Senao International Co., Ltd.
Earnings Distribution Plan
Fiscal Year 2019

Unit: NT$

Item	Amount	
Beginning undistributed retained earnings		678,305,342
Net income of 2019	411,231,004	
Add: remeasurements of defined benefit plans recognized in retained earnings	15,438,459	

Less: Adjustment resulting from application of 2019 TIFRS	(11,860,090)	
Total amount of after-tax net income for the period and other items adjusted to the current year's undistributed earnings other than after-tax net income for the period		414,809,373
Less: Appropriation of 10% retained earnings for legal reserve		(41,480,937)
Less: Appropriation of special reserve in accordance with laws		(244,566)
Distributable retained earnings for current period		1,051,389,212
Distribution item:		
Cash dividends on Common Shares (NT$1.45 per share)		(374,466,353)
Ending undistributed retained earnings		676,922,859

Chairperson:Jin-Lin Lai Manager:Pao-Yung Lin Accounting Manager:Tsai-Hung Yu

(2) The current number of outstanding shares is 258,252,657 shares, and the cash dividend is NT$1.45 per share.

Note: The Company's principle for earnings distribution is that the distributable retained earnings of 2019 should be distributed with priority.

Resolution:

5. Special Motions

6. Meeting Adjourned

Attachment 1

Senao International Co., Ltd.

Comparison Table of the Amended "Ethical Corporate Management Best Practice Principles and Procedures"

Amended Article	Original Article	Explanation
Article 2 (Applicable subjects) The term "personnel of this Corporation" in this Principles refers to any director, managerial officer, employee or person having substantial control, of the Company and its group enterprises and organizations.	**Article 2 (Applicable subjects)** The term "personnel of the Company" in the Principles refers to any director, <u>supervisor,</u> managerial officer, employee or person having substantial control, of the Company and its group enterprises and organizations.	Amendment with reference to the establishment of Audit Committee.
Article 4 (Unethical Conduct Prohibited) When engaging in commercial activities, the Company's directors, managerial officers, employees or persons having substantial control over the Company ("Substantial Controllers") shall not directly or indirectly provide, promise, request or accept any improper benefits, nor commit unethical acts including breach of ethics, unlawful acts, or breach of fiduciary duty ("Unethical Conduct") for purposes of acquiring or maintaining benefits. The term "Unethical Conduct" in the Principles means that any personnel of the Company, in the course of their duties, directly or indirectly provides, accepts, promises, or requests any improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits. The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staffs, and	**Article 4 (Unethical Conduct Prohibited)** When engaging in commercial activities, the Company's directors, <u>supervisors,</u> managerial officers, employees or persons having substantial control over the Company ("Substantial Controllers") shall not directly or indirectly provide, promise, request or accept any improper benefits, nor commit unethical acts including breach of ethics, unlawful acts, or breach of fiduciary duty ("Unethical Conduct") for purposes of acquiring or maintaining benefits. The term "Unethical Conduct" in the Principles means that any personnel of the Company, in the course of their duties, directly or indirectly provides, accepts, promises, or requests any improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits. The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staffs, and	Amendment with reference to the establishment of Audit Committee.

Amended Article	Original Article	Explanation
government-owned or private-owned enterprises or institutions and their directors, managerial officers, employees, persons having substantial control, or other interested parties.	government-owned or private-owned enterprises or institutions and their directors, supervisors, managerial officers, employees, persons having substantial control, or other interested parties.	
Article 10 (Compliance with Political Donations Act) When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, managers, employees and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.	**Article 10 (Compliance with Political Donations Act)** When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, supervisors, managers, employees and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.	Amendment with reference to the establishment of Audit Committee.
Article 11 (Procedures for handling charitable donations or sponsorships) When making or offering donations and sponsorship, the Company and its directors, managers, employees and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.	**Article 11 (Procedures for handling charitable donations or sponsorships)** When making or offering donations and sponsorship, the Company and its directors, supervisors, managers, employees and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.	Amendment with reference to the establishment of Audit Committee.
Article 12 (Avoidance of Conflicts of Interest) The Company and its directors, managers, employees, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.	**Article 12 (Avoidance of Conflicts of Interest)** The Company and its directors, supervisors, managers, employees, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.	Amendment with reference to the establishment of Audit Committee.
Article 24 (Establishment of a	**Article 24 (Establishment of a**	Amendment with

Amended Article	Original Article	Explanation
system for rewards, penalties, and complaints, and related disciplinary measures) The Company shall periodically organize training and awareness programs for directors, managers, employees and substantial controllers so they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.	**system for rewards, penalties, and complaints, and related disciplinary measures)** The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees and substantial controllers so they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.	reference to the establishment of Audit Committee.
Article 25 (Implementation) The Principles shall be implemented after the board of directors grants the approval, and shall be sent to the Audit Committee and reported at the Shareholders' Meeting. The same procedure shall be followed when the Principles have been amended.	**Article 25 (Implementation)** The Principles shall be implemented after the board of directors grants the approval. The same procedure shall be followed when the Principles have been amended.	Amendment in accordance with Article 23 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.

1. 2019 Operating Result

(1) Operating Result

Annual consolidated operating income reached NT$28.865 billion; profit before tax was NT$480 million; net income was NT$410 million; net income attributable to owners of parent was NT$411 million; earnings per share was NT$1.59.

(2) Profitability Analysis:

Profitability Analysis

Item \ Year	Year 2019	Year 2018
Return on Assets (%)	4.26	3.98
Return on Equity (%)	7.01	6.78
Net Profit Margin (%)	1.42	1.27
Earnings per Share (NT$)	1.59	1.59

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

(3) Research and Development:

2019 is definitely a key year for the development of telecommunication technology, when countries such as the U.S., South Korea, China have all kicked off their commercialization of 5G services; whereas, in Taiwan, the 5G licenses are expected to be released in early 2020, and the commercialization are likely to be launched in July, 2020. In the near future, the consumer application market will be the very first area for 5G application in Taiwan. Higher resolution video streaming and content service for mobile devices will come into the picture and lead a better immersive experience in comparison to those of current 4G services. As the 5G technology matures, more application focuses will be placed on the B2B services. We are looking forwards to emerging 5G applications such as remote medical care, self-driving vehicles, and artificial intelligence and Internet of things (AIoT). Furthermore, the 5G services can replace the traditional back end network equipment, e,g, WI-FI assess points and switches. Such as 5G application in an enterprise network, for example, can lead to faster connections and meet enterprises’ security needs.

In terms of hardware specification of telecommunication products, full upgrades will definitely follow the advent of 5G telecommunication technology, namely upgrades of 5G processor and CPU, elevation of camera resolution, increase of memory capacity, and rise of screen-to-body ratio. In addition, as challenges on foldable screen technology have been overcome, in 2019, many smartphone manufacturers introduced their foldable models (e.g. Samsung's Galaxy Fold, LG's G8X ThinQ and Huawei's Mate X, etc.). We are looking forwards to various forms of foldable phone in 2020. As technology advances and production scale grows, the price of a foldable phone tends to fall and thus leads to more purchases.

2. 2020 Business Plan

(1) Business Policy

1. Through the new retail model that integrates virtual and physical services, combining with seasonal new products, best sellers and clearance products, supported with resources from major phone manufacturers, Senao will enrich a product's lifespan and smooth the whole selling process.
2. Senao analyzes and segments its members' behaviors, and keens to cultivate and expand the number of its members as well as social media fans. It also enhances the branding and product marketing, so to deepen member loyalty and adhesiveness through the sales customization tailoring to specific member segment.
3. It is foreseeable that launch of 5G service in Taiwan in 2020 will be followed by a peak of 5G phone sales, and Senao will act its role as a valuable sales channel by providing a full spectrum of products and diverse telecommunications services.
4. Working closely with global and local home appliance brands, Senao deploys in luxury and smart home appliances market. By placing focus on training to the service personnel at the retail stores and brand experience zones, Senao wishes to offer unique experience to its customers.
5. Senao will continue to push the sales of health care and beauty products under the brands, "sakuyo" and "Healthy Collection" it carries. In 2020, shampoo, conditioner and hair loss treatment

products under these brands will kick off the market, allowing Senao get closer to customers' daily livings. Through the distribution of trail packages in retail stores, customers will know better about the products and place an order.

(2) Business Objectives:

1. Sales of 5G smartphones will enter its growth phase in 2020. According to the forecast made by the Institute for Information Industry in December, 2019, the global shipment of 5G phones will reach to 260 million phones in 2020. Thus, Senao will increase the training on 5G services and products to its service personnel at retail stores in order to provide full-dimensional experience to its customers.
2. By analyzing customers' characteristics and preference, lifting employees' understanding of product features as well as execution, and pairing with reasonable sales KPI system, Senao wishes to satisfy its customers with better product experience and in-store services.
3. Via the brand-new decoration in Senao retail stores, we look forwards to attract more customers visit to Senao retail stores for product experience and provide smart home services.

(3) Sales Policy:

1. As the 3C market trend turns to consumer-oriented, Senao will focus on introducing popular communication and information products, appliance and accessories from well-known brands, and hence providing our customers more popular and top-quality product selections and packages to create a win-win situation among Senao, phone makers and customers.
2. In terms of distribution rights, we will work on the dealership of top brands' competitive products, and ceaselessly look for second-tier brands' products with high potential and price-to-performance ratio.

3. The Company's Future Development Strategy

The Company will continue to be customer-centric and provide its customers with "all time, all products, all services and all channels" services via the new retail model. In the coming year, Senao aims not only to boost the Senao member base, but also to offer 24/7 services by connecting the online and offline businesses through the Senaonline platform. Senao will hold the recruiting events to introduce the 2R startup online platform, “Coco Back”, aiming to pick up sales momentum.

2020 will be the official launch of the 5G market, and a peak of phone sales is anticipated, and Senao will target to create opportunities in sales of accessories, information, home appliance, health care products in addition to the existing telecommunication business. With flexible product packages, varied marketing campaigns, and dense sales network, we will create more potential business opportunities.

Finally, Senao will ceaselessly promote all kinds of social welfare events through the Senao Technology Education Foundation to pursue our corporate social responsibilities.

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

According to the forecast announced by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on February 12, 2020 , the projected economic growth rate for 2020 is 2.37%, declined by 0.35% in comparison to 2.72% projected in November 2019; declined by 0.34% in comparison to 2.71% of the year 2019.

A slow growth of Taiwan's overall economy is anticipated in 2020. In the first quarter of 2020, the domestic economy is likely to be negatively impacted by the Novel Coronavirus (COVID-19) outbreak, especially for airlines, travel industry, hotels, restaurants and Taiwanese enterprises who have operations in Mainland China.

In terms of telecommunication industry in Taiwan, it is expected that 5G phones sales will follow with the launch of 5G service, and all phone manufacturers are likely to introduce their 5G flagship models packaged with 5G fare plans from all telecommunication companies to capture a piece of the 5G pie.

Taiwan’s mobile communication user market has become saturated. According to NCC’s statistics, as of the end of December 2019, the population of mobile users was 29.21 million declined by

0.04% in comparison to 29.22 million at the end of December 2018. The Company will work closely with its parent company, Chunghwa Telecom, to promote Chunghwa Telecom's mobile numbers pairing with diverse fare plans and provide a wide range of product selection and marketing strategy.

Chairman: Chin-Lin Lai

Manager: Pao-Yung Lin

Accounting Manager: Tsai-Hung Yu

Appendix 2

Senao International Co., Ltd.

Audit Committee Report

The Board of Directors has prepared this Company's 2019 financial statements (including consolidated financial statements), which have been audited by external auditors Dien Sheng Chang and Benjamin Shih 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 approve.

To

The Company's 2020 General Shareholders' Meeting

Senao International Co., Ltd.

Audit Committee Convenor : Kung-Liang Yeh

February 21, 2020

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Senao International Company Limited ("the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2019. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter of the financial statements for the year ended December 31, 2019 is as follows:

Valuation of Inventories

As described in Note 9 to the financial statements, the carrying amount of the Company's inventories was $1,785,706 thousand as of December 31, 2019, which represented 18% of the total assets. The inventories of the Company are mainly consisted of communication products. Due to rapid changes in technology, the value of inventory is greatly affected by market price fluctuations, and there is high risk of inventory loss or obsolescence. In addition, the amount of inventories is significant and the valuation of inventories involved significant judgement 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 material accounting judgement and estimation, refer to Notes 4-e. and 5.

Corresponding audit procedures:

We evaluated the appropriateness of the method applied in the calculation of the valuation loss for inventories at year end. Then, we verified the data used in the assumptions against the relevant supporting documents and recalculated the loss provision to ensure its accuracy.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 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 audit resulting in this independent auditors' report are Dien Sheng Chang and Shih Ching Pin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 21, 2020

Notice to Readers

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

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

SENAO INTERNATIONAL CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 2,255,114	23	$ 2,112,082	22
Financial assets at fair value through profit or loss (Note 7)	53	-	-	-
Notes receivable, net (Note 8)	85,066	1	133,818	1
Trade receivables, net (Note 8)	606,155	6	643,800	7
Trade receivables from related parties (Note 27)	902,930	9	1,031,573	11
Other receivables (Note 8)	101,969	1	141,911	1
Other receivables from related parties (Note 27)	193,516	2	289,160	3
Inventories (Note 9)	1,785,706	18	1,915,572	20
Other prepaid expenses (Note 27)	34,257	-	18,732	-
Prepayments	39,159	1	46,829	1
Other current assets (Note 10)	9,463	-	7,822	-
Total current assets	6,013,388	61	6,341,299	66
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 11)	10,648	-	25,704	-
Investments accounted for using equity method (Note 12)	1,669,375	17	1,717,228	18
Property, plant and equipment (Notes 13 and 27)	869,510	9	934,876	10
Right-of-use assets (Note 14)	695,029	7	-	-
Intangible assets (Notes 15 and 27)	38,710	-	28,275	-
Deferred tax assets (Note 22)	437,994	5	434,038	5
Refundable deposits (Note 27)	61,363	1	60,774	1
Other noncurrent assets	3,000	-	12,136	-
Total noncurrent assets	3,785,629	39	3,213,031	34
TOTAL	$ 9,799,017	100	$ 9,554,330	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Note 7)	$ 11	-	$ 217	-
Contract liabilities (Note 20)	112,928	1	51,466	1
Notes payable (Note 16)	2,989	-	15,789	-
Notes payable to related parties (Note 27)	18	-	18	-
Trade payables (Note 16)	1,415,687	15	2,147,308	23
Trade payables to related parties (Note 27)	261,302	3	214,714	2
Other payables (Note 17)	1,052,670	11	897,726	9
Other payables to related parties (Note 27)	207,505	2	237,647	3
Current tax liabilities (Note 22)	32,863	-	1,443	-
Lease liabilities - current (Note 14)	262,856	3	-	-
Advance receipts (Note 27)	8,369	-	5,828	-
Other current liabilities	39,622	-	42,290	-
Total current liabilities	3,396,820	35	3,614,446	38
NONCURRENT LIABILITIES				
Deferred income tax liabilities (Note 22)	52	-	129	-
Lease liabilities - noncurrent (Note 14)	447,799	4	-	-
Net defined benefit liabilities - noncurrent (Note 18)	81,607	1	104,294	1
Guarantee deposits	24,561	-	27,382	-
Total noncurrent liabilities	554,019	5	131,805	1
Total liabilities	3,950,839	40	3,746,251	39
EQUITY				
Share capital - ordinary shares (Note 19)	2,582,527	27	2,582,527	27
Capital surplus (Note 19)	717,885	7	717,885	8
Retained earnings (Note 19)				
Legal reserve	1,454,896	15	1,414,311	15
Special reserve	13,536	-	-	-
Unappropriated earnings	1,093,115	11	1,106,892	11
Total retained earnings	2,561,547	26	2,521,203	26
Other equity	(13,781)	-	(13,536)	-
Treasury shares (Note 19)	-	-	-	-
Total equity	5,848,178	60	5,808,079	61
TOTAL	$ 9,799,017	100	$ 9,554,330	100

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

SENAO INTERNATIONAL CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 20 and 27)				
Sales	$ 26,364,640	96	$ 28,423,743	96
Less: Sales returns	259,562	1	264,005	1
Sales discounts and allowances	606,055	2	738,547	2
Net sales	25,499,023	93	27,421,191	93
Service and repairs revenue	1,994,845	7	2,200,545	7
Total operating revenue	27,493,868	100	29,621,736	100
OPERATING COSTS (Notes 9, 21 and 27)				
Cost of goods sold	23,806,106	87	25,397,696	86
Service and repairs costs	605,532	2	784,053	2
Total operating costs	24,411,638	89	26,181,749	88
GROSS PROFIT	3,082,230	11	3,439,987	12
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	2,457,379	9	2,813,653	10
General and administrative expenses	351,910	1	394,539	1
Total operating expenses	2,809,289	10	3,208,192	11
OTHER INCOME AND EXPENSES (Note 21)	1,510	-	(5,773)	-
INCOME FROM OPERATIONS	274,451	1	226,022	1
NON-OPERATING INCOME AND EXPENSES (Note 27)				
Other income (Note 21)	117,204	1	126,465	-
Share of profit of subsidiaries and associates accounted for using equity method	99,863	-	59,161	-
Net gain on foreign currency exchange (Note 21)	1,195	-	1,636	-
Gain on financial assets and liabilities at fair value through profit or loss	259	-	267	-
Interest expense (Notes 21 and 27)	(14,280)	-	-	-
Miscellaneous disbursements	(2,063)	-	(1,493)	-
Total non-operating income and expenses	202,178	1	186,036	-

(Continued)

SENAO INTERNATIONAL CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	$ 476,629	2	$ 412,058	1
INCOME TAX EXPENSE (Note 22)	65,398	-	6,204	-
NET INCOME	411,231	2	405,854	1
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	20,363	-	(12,556)	-
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	(15,056)	-	(10,296)	-
Share of remeasurement of defined benefit plans of associates	(851)	-	67	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	(4,073)	-	4,499	-
	383	-	(18,286)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	15,795	-	(5,248)	-
Share of exchange differences arising from the translation of the foreign operations of associates	(984)	-	898	-
	14,811	-	(4,350)	-
Total other comprehensive income (loss), net of income tax	15,194	-	(22,636)	-
TOTAL COMPREHENSIVE INCOME	$ 426,425	2	$ 383,218	1
EARNINGS PER SHARE (Note 23)				
Basic	$ 1.59		$ 1.59	
Diluted	$ 1.59		$ 1.58	

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

SENAO INTERNATIONAL CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

			Retained Earnings (Note 19)			Other Equity			
	Share Capital - Ordinary Shares (Note 19)	Capital Surplus (Note 19)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares (Note 19)	Total Equity
BALANCE, JANUARY 1, 2018	$ 2,582,527	$ 703,314	$ 1,331,759	$ -	$ 1,609,507	$ 1,110	$ -	$ (328,076)	$ 5,900,141
Appropriation of 2017 earnings									
Legal reserve	-	-	82,552	-	(82,552)	-	-	-	-
Cash dividends - NT$3.1662 per share	-	-	-	-	(817,683)	-	-	-	(817,683)
	-	-	82,552	-	(900,235)	-	-	-	(817,683)
Other changes in capital surplus									
Changes in capital surplus from investments in associates accounted for using the equity method	-	(39)	-	-	-	-	-	-	(39)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(244)	-	-	-	(244)
Net income for the year ended December 31, 2018	-	-	-	-	405,854	-	-	-	405,854
Other comprehensive loss for the year ended December 31, 2018	-	-	-	-	(7,990)	(4,350)	(10,296)	-	(22,636)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	397,864	(4,350)	(10,296)	-	383,218
Share-based payment	-	14,610	-	-	-	-	-	328,076	342,686
BALANCE, DECEMBER 31, 2018	2,582,527	717,885	1,414,311	-	1,106,892	(3,240)	(10,296)	-	5,808,079
Effect of retrospective application	-	-	-	-	(11,860)	-	-	-	(11,860)
BALANCE, JANUARY 1, 2019 AS ADJUSTED	2,582,527	717,885	1,414,311	-	1,095,032	(3,240)	(10,296)	-	5,796,219
Appropriation of 2018 earnings									
Legal reserve	-	-	40,585	-	(40,585)	-	-	-	-
Special reserve	-	-	-	13,536	(13,536)	-	-	-	-
Cash dividends - NT$1.4500 per share	-	-	-	-	(374,466)	-	-	-	(374,466)
	-	-	40,585	13,536	(428,587)	-	-	-	(374,466)
Net income for the year ended December 31, 2019	-	-	-	-	411,231	-	-	-	411,231
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	15,439	14,811	(15,056)	-	15,194
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	426,670	14,811	(15,056)	-	426,425
BALANCE, DECEMBER 31, 2019	$ 2,582,527	$ 717,885	$ 1,454,896	$ 13,536	$ 1,093,115	$ 11,571	$ (25,352)	$ -	$ 5,848,178

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

SENAO INTERNATIONAL CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 476,629	$ 412,058
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation expenses	416,517	88,900
Amortization expenses	31,227	24,824
Expected credit loss	1,254	1,307
Net gain on financial assets and liabilities at fair value through profit or loss	(259)	(267)
Interest expense	14,280	-
Interest income	(4,978)	(5,530)
Compensation cost of share-based payment transactions	-	15,564
Share of profit of subsidiaries and associates accounted for using equity method	(99,863)	(59,161)
Net loss on disposal of property, plant and equipment	1,121	5,773
Net gain on lease modification	(2,631)	-
Net loss (gain) on foreign currency exchange	80	(456)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Notes receivable	48,752	91,079
Trade receivables	36,381	52,164
Trade receivables from related parties	128,643	247,556
Other receivables	39,979	(3,237)
Other receivables from related parties	95,644	41,616
Inventories	129,866	310,603
Other prepaid expenses	(15,525)	(1,630)
Prepayments	7,670	(1,615)
Other current assets	(1,641)	(7,822)
Increase (decrease) in:		
Contract liabilities	61,462	(21,815)
Notes payable	(12,800)	5,303
Trade payables	(731,621)	(102,560)
Trade payables to related parties	46,588	81,135
Other payables	154,944	(22,256)
Other payables to related parties	(30,142)	(265,308)
Advance receipts	2,541	(9,942)
Other current liabilities	(2,668)	(9,597)
Net defined benefit liabilities - noncurrent	(2,324)	(2,581)
Cash generated from operations	789,126	864,105
Interest paid	(14,280)	-
Income tax paid	(39,228)	(136,266)
Net cash generated from operating activities	735,618	727,839

(Continued)

SENAO INTERNATIONAL CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	$ (29,550)	$ (78,500)
Proceeds from capital reduction of investments accounted for using equity method	83,025	-
Acquisition of property, plant and equipment	(16,731)	(59,223)
Proceeds from disposal of property, plant and equipment	135	59
Increase in refundable deposits	(589)	-
Decrease in refundable deposits	-	3,715
Acquisition of intangible assets	(41,662)	(34,023)
Decrease (increase) in other noncurrent assets	9,136	11,169
Interest received	4,951	5,516
Dividends received	107,764	99,474
Net cash generated from (used in) investing activities	116,479	(51,813)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits	(2,821)	(98)
Repayment of the principal portion of lease liabilities	(331,698)	-
Cash dividends paid	(374,466)	(817,683)
Treasury shares transferred to employees	-	327,122
Net cash used in financing activities	(708,985)	(490,659)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	(80)	456
NET INCREASE IN CASH AND CASH EQUIVALENTS	143,032	185,823
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	2,112,082	1,926,259
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 2,255,114	$ 2,112,082

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

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, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in 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, 2019. 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, 2019 is as follows:

Valuation of Inventories

As described in Note 9 to the consolidated financial statements, the carrying amount of the inventories held by Group was $1,866,957 thousand as of December 31, 2019, which represented 19% of the consolidated total assets. The inventories of the Group are mainly consisted of communication products. Due to rapid changes in technology, the value of inventory is greatly affected by market price fluctuations, and there is 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 Notes 4-f. and 5.

Corresponding audit procedures:

We evaluated the appropriateness of the method applied in the calculation of the valuation loss for inventories at year end. Then, we verified the data used in the assumptions against the relevant supporting documents and recalculated the loss provision to ensure its accuracy.

Emphasis of Matter

As disclosed in Note 3 to the consolidated financial statements, the Group initially applied IFRS 16 “Leases” in 2019. Our audit opinion is not modified in respect of this matter.

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, 2019 and 2018 on which we have issued an unmodified opinion with emphasis of matter.

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 auditing standards generally accepted in 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 auditing standards generally accepted in 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, 2019 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 audit resulting in this independent auditors' report are Dien Sheng Chang and Shih Ching Pin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 21, 2020

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 2,568,897	25	$ 2,513,558	26
Financial assets at fair value through profit or loss (Note 7)	53	-	-	-
Notes receivable, net (Note 8)	85,098	1	133,866	1
Trade receivables, net (Note 8)	775,269	8	742,325	8
Trade receivables from related parties (Note 29)	825,474	8	943,962	10
Other receivables (Note 8)	297,482	3	153,230	1
Other receivables from related parties (Note 29)	193,265	2	288,923	3
Inventories (Note 9)	1,866,957	19	1,983,094	20
Other prepaid expenses (Note 29)	40,475	-	21,652	-
Prepayments	58,892	1	61,071	1
Other current assets (Notes 10 and 31)	39,523	-	199,735	2
Total current assets	6,751,385	67	7,041,416	72
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 11)	10,648	-	25,704	-
Investments accounted for using equity method (Note 13)	953,685	10	919,841	9
Property, plant and equipment (Notes 14, 23 and 29)	895,742	9	965,662	10
Right-of-use assets (Notes 15, 23 and 29)	707,610	7	-	-
Goodwill (Note 16)	38,001	-	46,947	1
Intangible assets (Notes 17 and 23)	189,111	2	193,264	2
Deferred tax assets (Note 24)	444,380	4	442,467	5
Refundable deposits (Note 29)	73,177	1	78,748	1
Other noncurrent assets (Note 30)	5,830	-	13,837	-
Total noncurrent assets	3,318,184	33	2,686,470	28
TOTAL	$ 10,069,569	100	$ 9,727,886	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Note 7)	$ 11	-	$ 217	-
Contract liabilities (Note 22)	117,083	1	52,841	1
Notes payable (Note 18)	3,499	-	16,589	-
Notes payable to related parties (Note 29)	18	-	18	-
Trade payables (Note 18)	1,546,693	15	2,230,261	23
Trade payables to related parties (Note 29)	261,122	3	215,780	2
Other payables (Note 19)	1,082,626	11	926,967	9
Other payables to related parties (Note 29)	236,840	2	237,564	2
Current tax liabilities (Note 24)	37,636	-	1,443	-
Lease liabilities - current (Notes 15 and 29)	269,839	3	-	-
Advance receipts (Note 29)	11,678	-	6,733	-
Other current liabilities	50,120	1	51,749	1
Total current liabilities	3,617,165	36	3,740,162	38
NONCURRENT LIABILITIES				
Deferred income tax liabilities (Note 24)	29,565	-	32,156	1
Lease liabilities - noncurrent (Notes 15 and 29)	453,847	5	-	-
Net defined benefit liabilities - noncurrent (Note 20)	81,607	1	104,294	1
Guarantee deposits	24,863	-	27,606	-
Total noncurrent liabilities	589,882	6	164,056	2
Total liabilities	4,207,047	42	3,904,218	40
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT				
Share capital - ordinary shares (Note 21)	2,582,527	26	2,582,527	27
Capital surplus (Note 21)	717,885	7	717,885	7
Retained earnings (Note 21)				
Legal reserve	1,454,896	14	1,414,311	15
Special reserve	13,536	-	-	-
Unappropriated earnings	1,093,115	11	1,106,892	11
Total retained earnings	2,561,547	25	2,521,203	26
Other equity	(13,781)	-	(13,536)	-
Treasury shares (Note 21)	-	-	-	-
Total equity attributable to stockholders of the parent	5,848,178	58	5,808,079	60
NONCONTROLLING INTERESTS (Note 21)	14,344	-	15,589	-
Total equity	5,862,522	58	5,823,668	60
TOTAL	$ 10,069,569	100	$ 9,727,886	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, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 22 and 29)				
Sales	$ 27,620,481	96	$ 30,006,380	96
Less: Sales returns	283,049	1	293,473	1
Sales discounts and allowances	622,762	2	757,922	2
Net sales	26,714,670	93	28,954,985	93
Service and repairs revenue	2,150,203	7	2,285,955	7
Total operating revenue	28,864,873	100	31,240,940	100
OPERATING COSTS (Notes 9, 20, 23 and 29)				
Cost of goods sold	24,991,556	87	26,897,328	86
Service and repairs costs	618,745	2	798,850	3
Total operating costs	25,610,301	89	27,696,178	89
GROSS PROFIT	3,254,572	11	3,544,762	11
OPERATING EXPENSES (Notes 20, 23 and 29)				
Selling and marketing expenses	2,600,243	9	2,934,045	10
General and administrative expenses	389,802	1	433,746	1
Total operating expenses	2,990,045	10	3,367,791	11
OTHER INCOME AND EXPENSES (Note 23)	(8,865)	-	(57,943)	-
INCOME FROM OPERATIONS	255,662	1	119,028	-
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	121,515	-	132,483	-
Share of profit of associates accounted for using equity method	143,443	-	155,981	1
Gain on financial assets and liabilities at fair value through profit or loss	259	-	5,199	-
Interest expense (Notes 23 and 29)	(14,695)	-	(182)	-
Miscellaneous disbursements	(2,726)	-	(5,164)	-
Gain (loss) on disposal of investments	(21,282)	-	1,342	-
Net loss on foreign currency exchange (Note 23)	(2,312)	-	(2,036)	-
Total non-operating income and expenses	224,202	-	287,623	1

(Continued)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	$ 479,864	1	$ 406,651	1
INCOME TAX EXPENSE (Note 24)	69,853	-	8,134	-
NET INCOME	410,011	1	398,517	1
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	20,363	-	(12,556)	-
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	(15,056)	-	(10,296)	-
Share of remeasurement of defined benefit plans of associates	(851)	-	67	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	(4,073)	-	4,499	-
	383	-	(18,286)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	15,795	-	(5,248)	-
Share of exchange differences arising from the translation of the foreign operations of associates	(984)	-	898	-
	14,811	-	(4,350)	-
Total other comprehensive income (loss), net of income tax	15,194	-	(22,636)	-
TOTAL COMPREHENSIVE INCOME	$ 425,205	1	$ 375,881	1
NET INCOME ATTRIBUTABLE TO:				
Owners of the Parent	$ 411,231	1	$ 405,854	1
Noncontrolling interests	(1,220)	-	(7,337)	-
	$ 410,011	1	$ 398,517	1
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Parent	$ 426,425	1	$ 383,218	1
Noncontrolling interests	(1,220)	-	(7,337)	-
	$ 425,205	1	$ 375,881	1

(Continued)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 25)				
Basic	$ 1.59		$ 1.59	
Diluted	$ 1.59		$ 1.58	

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Stockholders of the Parent										
			Retained Earnings (Note 21)			Other Equity					
	Share Capital - Ordinary Shares (Note 21)	Capital Surplus (Note 21)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares (Note 21)	Total	Noncontrolling Interests (Note 21)	Total Equity
BALANCE, JANUARY 1, 2018	$ 2,582,527	$ 703,314	$ 1,331,759	$ -	$ 1,609,507	$ 1,110	$ -	$ (328,076)	$ 5,900,141	$ 22,682	$ 5,922,823
Appropriation of 2017 earnings											
Legal reserve	-	-	82,552	-	(82,552)	-	-	-	-	-	-
Cash dividends - NT$3.1662 per share	-	-	-	-	(817,683)	-	-	-	(817,683)	-	(817,683)
	-	-	82,552	-	(900,235)	-	-	-	(817,683)	-	(817,683)
Other changes in capital surplus											
Changes in capital surplus from investments in associates accounted for using the equity method	-	(39)	-	-	-	-	-	-	(39)	-	(39)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(244)	-	-	-	(244)	244	-
Net income for the year ended December 31, 2018	-	-	-	-	405,854	-	-	-	405,854	(7,337)	398,517
Other comprehensive loss for the year ended December 31, 2018	-	-	-	-	(7,990)	(4,350)	(10,296)	-	(22,636)	-	(22,636)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	397,864	(4,350)	(10,296)	-	383,218	(7,337)	375,881
Share-based payment transactions	-	14,610	-	-	-	-	-	328,076	342,686	-	342,686
BALANCE, DECEMBER 31, 2018	2,582,527	717,885	1,414,311	-	1,106,892	(3,240)	(10,296)	-	5,808,079	15,589	5,823,668
Effect of retrospective application	-	-	-	-	(11,860)	-	-	-	(11,860)	(25)	(11,885)
BALANCE, JANUARY 1, 2019 AS ADJUSTED	2,582,527	717,885	1,414,311	-	1,095,032	(3,240)	(10,296)	-	5,796,219	15,564	5,811,783
Appropriation of 2018 earnings											
Legal reserve	-	-	40,585	-	(40,585)	-	-	-	-	-	-
Special reserve	-	-	-	13,536	(13,536)	-	-	-	-	-	-
Cash dividends - NT$1.4500 per share	-	-	-	-	(374,466)	-	-	-	(374,466)	-	(374,466)
	-	-	40,585	13,536	(428,587)	-	-	-	(374,466)	-	(374,466)
Net income for the year ended December 31, 2019	-	-	-	-	411,231	-	-	-	411,231	(1,220)	410,011
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	15,439	14,811	(15,056)	-	15,194	-	15,194
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	426,670	14,811	(15,056)	-	426,425	(1,220)	425,205
BALANCE, DECEMBER 31, 2019	$ 2,582,527	$ 717,885	$ 1,454,896	$ 13,536	$ 1,093,115	$ 11,571	$ (25,352)	$ -	$ 5,848,178	$ 14,344	$ 5,862,522

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 479,864	$ 406,651
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation expenses	428,858	93,378
Amortization expenses	45,746	39,738
Expected credit loss	1,254	1,307
Net gain on financial liabilities at fair value through profit or loss	(259)	(5,199)
Interest expense	14,695	182
Interest income	(8,265)	(11,762)
Compensation cost of share-based payment transactions	-	15,564
Share of profit of associates accounted for using equity method	(143,443)	(155,981)
Net loss on disposal of property, plant and equipment	2,670	7,193
Net gain on lease modification	(2,751)	-
Net loss (gain) on disposal of investment	21,282	(1,342)
Impairment loss recognized on non-financial assets	8,946	50,750
Net (gain) loss on foreign currency exchange	(7,870)	1,024
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Notes receivable	48,768	91,105
Trade receivables	(34,208)	39,835
Trade receivables from related parties	118,488	286,176
Other receivables	(144,940)	7,580
Other receivables from related parties	95,658	41,699
Inventories	116,137	321,400
Other prepaid expenses	(18,823)	20,519
Prepayments	2,179	(3,570)
Other current assets	(1,641)	(7,822)
Increase (decrease) in:		
Contract liabilities	64,242	(21,707)
Notes payable	(13,090)	4,602
Trade payables	(683,568)	(143,644)
Trade payables to related parties	45,342	81,863
Other payables	155,659	(31,083)
Other payables to related parties	(724)	(265,370)
Advance receipts	4,945	(10,560)
Other current liabilities	(1,629)	(16,738)
Net defined benefit liabilities - noncurrent	(2,324)	(2,581)
Cash generated from operations	591,198	833,207
Interest paid	(14,695)	(182)
Income tax paid	(39,294)	(136,883)
Net cash generated from operating activities	537,209	696,142

(Continued)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	$ -	$ (476,489)
Proceeds from disposal of financial assets at fair value through profit or loss	-	479,930
Proceeds from disposal of investments accounted for using equity method	-	3,379
Proceeds from capital reduction of investments accounted for using equity method	-	19,184
Acquisition of property, plant and equipment	(17,437)	(60,881)
Proceeds from disposal of property, plant and equipment	212	521
Decrease in refundable deposits	5,571	3,345
Acquisition of intangible assets	(41,662)	(37,512)
Acquisition of time deposits with maturities of more than three months	(62,752)	(385,279)
Proceeds from disposal of time deposits with maturities of more than three months	227,255	317,367
Decrease (increase) in other noncurrent assets	8,007	11,168
Interest received	8,967	13,197
Dividends received	107,764	99,474
Net cash generated from (used in) investing activities	235,925	(12,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	240,000	95,000
Repayment of short-term loans	(240,000)	(95,000)
Decrease in guarantee deposits	(2,743)	(196)
Repayment of the principal portion of lease liabilities	(340,393)	-
Cash dividends paid	(374,466)	(817,683)
Treasury shares transferred to employees	-	327,122
Net cash used in financing activities	(717,602)	(490,757)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	(193)	516
NET INCREASE IN CASH AND CASH EQUIVALENTS	55,339	193,305
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	2,513,558	2,320,253
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 2,568,897	$ 2,513,558

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

Appendix 4

Senao International Co., Ltd.

Ethical Corporate Management Best Practice Principles and Procedures

Passed by the 2nd meeting of the 8th board of directors on August 6, 2013
Passed by the 9th meeting of the 9th board of directors on December 28, 2017

Article 1 (Purpose and Scope)

The Company, to create a sustainable business environment, hereby adopts the ethics-oriented policy in accordance with its principles of integrity, transparency and accountability and establishes good corporate governance and risk control mechanism.

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 adopted the "Ethical Corporate Management Best Practice Principles and Procedures" (the "Principles") passed by the board of directors to regulate behavior of personnel of the Company while performing their duties.

The Principles are applicable to the Company's subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company.

Article 2 (Applicable subjects)

The term "personnel of the Company" in the Principles refers to any director, supervisor, managerial officer, employee or person having substantial control, of the Company and its group enterprises and organizations.

Any provision, promise, request, or acceptance of any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, hospitality, dining, or any other item of value in whatever form or name by any personnel of the Company through a third party will be presumed to be an act by the personnel of the Company.

Article 3 (Principles of Ethical Practice)

The Company shall engage in commercial activities in a fair and transparent manner.

Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.

Article 4 (Unethical Conduct Prohibited)

When engaging in commercial activities, the Company’s directors, supervisors, managerial officers, employees or persons having substantial control over the Company (“Substantial Controllers”) shall not directly or indirectly provide, promise, request or accept any improper benefits, nor commit unethical acts including breach of ethics, unlawful acts, or breach of fiduciary duty (“Unethical Conduct”) for purposes of acquiring or maintaining benefits.

The term "Unethical Conduct" in the Principles means that any personnel of the Company, in the course of their duties, directly or indirectly provides, accepts, promises, or requests any improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staffs, and government-owned or private-owned enterprises or institutions and their directors, supervisors, managerial officers, employees, persons having substantial control, or other interested parties.

Article 5 (Types of Benefits)

"Benefits" in the Principles means any valuable things, including any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, hospitality, dining, or any other item of value in whatever form or name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 6（Responsible unit）

The Company have designated the Legal Affairs Department specialized (“Responsible Unit” of the Company) 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.

Article 7 (Provision or Acceptance of Improper Benefits Prohibited)

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any money, gratuity, service, preferential treatment, hospitality, dining, or any other benefit, the conduct of the given personnel of the Company shall comply with the Principles, and the relevant procedures shall have been carried out:

1. The conduct is in compliance with local laws and regulations in the countries where the Company is doing business.
2. The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during

domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.

3. The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.
4. Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
5. Attendance at folk festivals that are open to and invite the attendance of the general public.
6. Rewards, emergency assistance, condolence payments, or honorariums from the management.
7. The conduct that is a social custom or other conduct that complies with the Company's rules.

Article 8 (Procedures for handling the acceptance of improper benefit)

Except under any of the circumstances set forth in the preceding article, when any personnel of the Company are provided with or are promised, either directly or indirectly, any money, gratuity, service, preferential treatment, hospitality, dining, or any other benefit by a third party, the matter shall be handled in accordance with the following procedures:

1. If there is no relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the Responsible Unit shall be notified if necessary.

2. If a relationship of interest does exist between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the Responsible Unit. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the Responsible Unit for handling.

"A relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel," as referred to in the preceding paragraph, refers to one of the following circumstances:

1. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
2. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
3. Other circumstances in which a decision regarding the Company's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The Responsible Unit of the Company shall make a proposal, based on the nature and value of the benefit under Paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported and approved by the general manager.

Article 9 (Prohibition of and handling procedure for facilitating payments)

The Company shall neither provide nor promise any facilitating payment.

If any personnel of the Company provides or promises a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and shall notify the Responsible Unit.

Upon receipt of the report under the preceding paragraph, the Responsible Unit shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the Responsible Unit shall also immediately report to the relevant judicial agency.

Article 10 (Compliance with Political Donations Act)

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, supervisors, managers, employees and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 11 (Procedures for handling charitable donations or sponsorships)

When making or offering donations and sponsorship, the Company and its directors, supervisors, managers, employees and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Charitable donations or sponsorships by the Company shall be provided in accordance with the Table of Duties Segregation for the Board of Directors and Management as well as following provisions:

1. The donation or sponsorship shall be in compliance with local laws and regulations in the countries where the Company is doing business.
2. A written record of the decision making process shall be kept.

3. A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
4. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest.
5. After a charitable donation or sponsorship has been given, a lawful receipt shall be obtained.

Article 12 (Avoidance of Conflicts of Interest)

The Company and its directors, supervisors, managers, employees, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

The Company's directors shall practice high degree of self-discipline. When a Company director attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting where there is a likelihood that the interests of the Company would be prejudiced, may state his or her opinion and answer any inquiry but may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.

If in the course of conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the Responsible Unit, and the immediate supervisor shall provide the personnel with proper instructions.

No personnel of the Company may use company resources on commercial activities other than those of this Corporation, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.

Article 13 (Special unit in charge of confidentiality regime and its responsibilities)

The Company's confidential information is designated to be managed, preserved and maintained by relevant departments based on business activities and relevant regulations.

Article 14 (Disclosure of confidential information prohibited)

Any personnel of the Company shall comply with relevant procedures and regulations regarding confidential information, and is prohibited from disclosure of confidential information to others. Any inquiry or collection of the Company’s confidential information that is not related to his or her official duties is also prohibited.

Article 15 (Insider trading prohibited)

All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.

Article 16 (Non-disclosure agreement)

Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Company shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of this Company acquired as a result, and that they may not use such information without the prior consent of the Company.

Article 17 (Announcement of policy of ethical management to outside parties)

The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.

Article 18 (Statement of ethical management policy to counterparties in commercial dealing)

Any personnel of the Company, when engaging in commercial activities, shall make a statement to the trading counterparty about the Company's ethical management policy and related rules, and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit, including rebate, commission, or facilitating payment, or to provide or accept any improper benefit through other manner.

Article 19 (Ethical management evaluation prior to development of commercial relationships)

Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterparty in commercial dealings, the Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.

When the Company carries out the evaluation under the preceding paragraph, it may adopt appropriate audit procedures for a review of the counterparty with which it will have commercial dealings with respect to the following matters, in order to gain a comprehensive knowledge of its ethical management:

1. The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.
2. Whether the enterprise has adopted an ethical management policy, and the status of its implementation.
3. Whether enterprise's business operations are located in a country with a high risk of corruption.
4. Whether the business operated by the enterprise is in an industry with a high risk of bribery.
5. The long-term business condition and degree of goodwill of the enterprise.
6. Consultation with the enterprise's business partners on their opinion of the enterprise.
7. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

Article 20 (Avoidance of commercial dealings with unethical operators)

All Company’s personnel shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement the Company's ethical management policy.

Article 21 (Stipulation of terms of ethical management in contracts)

Before entering into a contract with another party, the Company shall gain a thorough knowledge of the status of the other party's ethical management, and shall make observance of the ethical management policy of the Company part of the terms and conditions of the contract, stipulating at the least for the following matters:

1. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other improper benefit that was provided, promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. If there has been resultant damage to either party, the party may claim from the other party agreed amount as damages, and may also deduct the full amount of the damages from the contract price payable.
2. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
3. Specific and reasonable payment terms, including the place and method of payment and the requirement for compliance with related tax laws and regulations.

Article 22 (Handling of unethical conduct by personnel of the Company)

When the Company discovers or is informed of any unethical conduct by the Company’s personnel, it shall immediately verify the facts. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.

With respect to a confirmed information, the Company shall charge relevant units with the task of reviewing and proposing corrective measures to prevent recurrence.

The Responsible Unit of the Company shall submit to the Board of Directors a report on the unethical conduct, actions taken, and subsequent reviews and corrective measures.

Article 23 (Actions upon event of unethical conduct by others towards the Company)

If any personnel of the Company discovers that another party has engaged in unethical conduct towards the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, the Company shall additionally notify the governmental anti-corruption agency.

Article 24 (Establishment of a system for rewards, penalties, and complaints, and related disciplinary measures)

The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees and substantial controllers so they understand the Company’s resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The Company shall link ethical management to employee performance evaluations and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints. The Company shall keep the whistleblowers' identity and contents of information confidential.

If any personnel of the Company seriously violates ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company. The Company shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.

Article 25 (Implementation)

The Principles shall be implemented after the board of directors grants the approval. The same procedure shall be followed when the Principles have been amended.

Appendix 5

Senao International Co., Ltd.

Rules Governing the Procedures for Shareholders' Meeting

(Amended by the General Shareholders' Meeting on June 14, 2006)
(Amended by the General Shareholders' Meeting on June 27, 2016)

1. The Company's shareholders' meeting shall be proceeded with in accordance with the Rules. Relevant laws and regulations shall govern matters not provided in the Rules.
2. The Company shall furnish the attending shareholders with an attendance book to sign at the shareholders' meeting, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
3. Attendance and voting at shareholders meetings shall be calculated based on number of shares.
4. The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
5. If a shareholders meeting is convened by the Board of Directors, the meeting shall be chaired by the chairperson of the Board. When the chairperson of the Board is on leave or for any reason is unable to exercise the powers of the chairperson, the vice chairperson shall act on behalf the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason is unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as a chairperson, or, if there are no managing directors, one of the directors shall be appointed to act as a chairperson. Where the chairperson does not make such a designation, the managing directors or the directors shall select one person from among themselves one person to serve as a chairperson. If a shareholders meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chairperson from among themselves.
6. The Company may appoint its attorneys, certified public accountants, or related persons to attend a shareholders meeting. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.
7. The company shall make an audio and video recording of the entire Shareholders' meeting and retain the recorded materials for at least one (1) year.

8. The chairperson shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairperson may announce a postponement, provided that no more than two (2) such postponements, for a combined total of no more than one (1) hour, may be made. If the quorum is not met after two (2) postponements but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Paragraph 1, Article 175 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chairperson may resubmit the tentative resolution for a vote by the Shareholders' meeting pursuant to Article 174 of the Company Act.
9. If a shareholders meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors. The chairperson may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including special motions). After the meeting adjourned, shareholders may not select another person to serve as chairperson and continue the meeting at the same location or other location. During the shareholders' meeting, if the chairperson announces the adjournment of the meeting in violation of the Rules, other members of the Board shall promptly assist the attending shareholders to elect, by a majority of votes represented by attending shareholders in the meeting, another person to serve as chairperson and continue the meeting in accordance with due procedures.
10. When a shareholder attending the meeting wishes to speak, a speech note shall be filled out with summary of the speech, the shareholder's account number (or the number of attendance card) and the account name of the shareholder. The chairperson shall determine the sequence of shareholders' speeches. If any attending shareholder at the meeting submits a speech note but does not speak, no speech should be deemed to have been made by the shareholder. In case the content of the speech of a shareholder are inconsistent with the contents of the speech note, the contents of actual speech shall prevail. Unless otherwise permitted by the chairperson and the speaking shareholder, no shareholder shall interrupt the speech of the speaking shareholder; otherwise, the chairperson shall stop such interruptions.
11. For the same proposal, each shareholder shall not speak twice without the chairperson's consent, with a maximum of five (5) minutes for each speech. The chairperson may stop the speech of any shareholder who violates the above rules or exceeds the scope of the agenda.

12. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. When a juristic person shareholder appoints two or more representatives to attend a Shareholders' meeting, only one of the representatives appointed may speak on the same proposal.
13. After an attending shareholder has spoken, the chairperson may respond in person or direct relevant personnel to respond.
14. When the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed and call for a vote.
15. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chairperson, provided that all monitoring personnel shall be shareholders of the Company. The results of the voting shall be announced on-site at the meeting, and a record made of the vote.
16. When a meeting is in progress, the chairperson may announce a break based on time considerations.
17. Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.
18. When there is an amendment or an alternative to a proposal, the chairperson shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When anyone among them is passed, the other proposals will then be deemed to be rejected, and no further voting shall be required.
19. The chairperson may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an armband bearing the word "Proctor."
20. Matters not specified in the Rules but beneficial to the shareholders' meeting may be added or amended to the Rules, provided that no violations of laws and preceding regulations are made.
21. These Rules, and any amendments or abrogation hereto, shall be implemented after adoption by shareholders meetings.

Appendix 6

Senao International Co., Ltd.

Shareholdings by the Directors

(1) The Company's paid-in capital is NT$2,582,526,570 with total 258,252,657 shares issued.

(2) Pursuant to Article 26 of the Securities and Exchange Act, the minimum number of shares required to be held by all the directors is 12,000,000 shares. (Since the Company has two or more independent directors, shareholdings requirement of all directors other than the independent directors shall be decreased by 20%.)

(3) As of the share register closure date (April 14, 2020) for this General Shareholders' Meeting, the numbers of shares held by individual and all directors are as follows, which complies with the minimum shareholding requirement by Article 26 of the Securities and Exchange Act.

Title	Name	Date of election	Term of office	Shareholding as of the election date		Shareholding as of the share register closure date	
				Number of shareholdings	Percentage	Number of shareholdings	Percentage
Chairman (Note 1)	Chin-Lin Lai	June 14, 2019	3 years	71,773,155	27.79%	71,773,155	27.79%
Vice Chairperson (Note 2)	Pao-Yung Lin	June 14, 2019	3 years	14,820,975	5.74%	14,820,975	5.74%
Director (Note 1)	Yuan-Kuang Tu	June 14, 2019	3 years	71,773,155	27.79%	71,773,155	27.79%
Director (Note 1)	Ming-Shih Chen	June 14, 2019	3 years	71,773,155	27.79%	71,773,155	27.79%
Director (Note 1)	Li-Hsiu Wu	June 14, 2019	3 years	71,773,155	27.79%	71,773,155	27.79%
Director (Note 1)	Chien-Chih Chen	June 14, 2019	3 years	71,773,155	27.79%	71,773,155	27.79%
Director (Note 2)	Cheng-Feng Lin	June 14, 2019	3 years	14,820,975	5.74%	14,820,975	5.74%
Director (Note 2)	Cheng-Kang Lin	June 14, 2019	3 years	14,820,975	5.74%	14,820,975	5.74%
Independent Director	Kung-Liang Yeh	June 14, 2019	3 years	0	0%	0	0%
Independent Director	Yung-Lin Su	June 14, 2019	3 years	12,209	0.00%	12,209	0.00%
Independent Director	Wen-Tsan Wu	June 14, 2019	3 years	0	0%	0	0%
Total shareholdings of all directors				86,606,339	33.54%	86,606,339	33.54%

Note 1: Representative of the Chunghwa Telecom Co., Ltd.

Note 2: Representative of the Cheng Kang Investment Co., Ltd.