

**SENAO NETWORKS, INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

(22) PWCR 21003265

To the Board of Directors and Stockholders of Senao Networks, Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Senao Networks, Inc. and subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of 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 at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards 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 matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Valuation of inventory

Description

Refer to Note 4(10) for description of accounting policy on inventory valuation, Note 5 for significant accounting estimates and assumptions, and Note 6(4) for description of allowance for inventory valuation losses. As of December 31, 2021, the cost of inventories and allowance for inventory valuation losses amounted to NT\$2,235,587 thousand and NT\$88,624 thousand, respectively.

The Group is primarily engaged in research and development, designing, manufacturing and selling wireless communication products. Due to the rapidly changing industry and short lifespan of electronic products, there is a higher risk of incurring obsolete inventory. The Group's inventories are measured at the lower of cost and net realizable value. For inventories that are over a certain age and individually identified obsolete or slow-moving inventories, the net realizable values are determined by management based on historical data of inventory consumption. As the Group's inventory balance is significant, inventory items are voluminous, and accounting estimates are subject to management's judgement, we consider the valuation of inventory a key audit matter.

How our audit addressed the matter

Our procedures in relation to management's valuation of inventory included:

1. Obtaining the Group's accounting policy on allowance for inventory valuation losses, and checking whether the accounting policy has been consistently applied; assessing the reasonableness of management's classification of inventory with regard to net realizable value as well as management's assumptions on inventory consumption.
2. Testing the appropriateness of the detailed schedule of the net realizable value of inventory.
3. Understanding, evaluating, and selecting samples to test the calculation methods used in the inventory ageing schedule; examining selected information in the statements and determining whether it is consistent with policy.
4. Comparing the related documents we gathered during the physical inventory count and the scrap and slow-moving inventory report made by management, and performing an inquiry with management and related personnel to verify whether slow-moving inventory, over certain age inventory and significant damaged inventory have been addressed in the inventory list.
5. Checking the inventory aging report and assessing the reasonableness of valuation loss recognised based on the net realizable value estimated by management, and obtaining the related supporting documents.

Cut off of export operating revenue

Description

Refer to Note 4(21) for accounting policy on revenue recognition in the financial statements.

Depending on the transaction terms of FOB or CPT, the Company recognises operating revenue upon the transfer of risk and ownership of the goods to the buyer. As the export sales revenue amount is significant, the timing of operating revenue recognition may be inappropriate. Thus, we consider cut off of export operating revenue a key audit matter.

How our audit addressed the matter

The procedures performed on the above key audit matter included:

1. Obtaining an understanding of the Company's accounting policy on sales revenue recognition, and verifying compliance with the accounting policy through performing substantive test of sales revenue.
2. Performing cut-off test on sales revenue for transactions with the term "Free on Board" before a certain period of balance sheet date, which include verifying the supporting documents for delivery and checking whether the timing of revenue recognition is appropriate.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Senao Networks, Inc. as at and for the years ended December 31, 2021 and 2020.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance, including supervisors, 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 generally accepted auditing standards 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 generally accepted auditing standards 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 of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pei-Chuan Huang

Penny Pan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 25, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,759,738	23	\$ 2,489,985	37
1170	Accounts receivable, net	6(2)	1,418,968	18	1,107,517	16
1200	Other receivables	6(3)	129,186	2	105,913	2
1210	Other receivables - related parties	7	675	-	590	-
1220	Current income tax assets		-	-	717	-
130X	Inventory	6(4)	2,146,963	28	1,023,663	15
1410	Prepayments		12,143	-	15,118	-
11XX	Total current assets		<u>5,467,673</u>	<u>71</u>	<u>4,743,503</u>	<u>70</u>
Non-current assets						
1600	Property, plant and equipment	6(5)	1,956,847	25	1,676,542	25
1755	Right-of-use assets	6(6)	228,345	3	229,242	3
1780	Intangible assets	6(7)	17,299	-	28,810	1
1840	Deferred income tax assets	6(24)	55,156	1	37,902	1
1900	Other non-current assets	6(8)	13,103	-	19,148	-
15XX	Total non-current assets		<u>2,270,750</u>	<u>29</u>	<u>1,991,644</u>	<u>30</u>
1XXX	Total assets		<u>\$ 7,738,423</u>	<u>100</u>	<u>\$ 6,735,147</u>	<u>100</u>

(Continued)

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 20,760	-	\$ 42,242	1
2130	Current contract liabilities	6(17)	305,543	4	110,691	2
2150	Notes payable		3,488	-	2,777	-
2170	Accounts payable		2,748,030	36	2,213,817	33
2200	Other payables	6(10)	688,149	9	674,294	10
2230	Current income tax liabilities		83,350	1	53,714	1
2250	Current provisions	6(12)	42,186	1	40,773	-
2280	Current lease liabilities	7	78,519	1	90,029	1
2300	Other current liabilities	6(13)	171,700	2	212,586	3
21XX	Total current liabilities		<u>4,141,725</u>	<u>54</u>	<u>3,440,923</u>	<u>51</u>
Non-current liabilities						
2527	Non-current contract liabilities	6(17)	9,597	-	14,040	-
2570	Deferred income tax liabilities	6(24)	987	-	3,369	-
2580	Non-current lease liabilities	7	148,215	2	135,924	2
2600	Other non-current liabilities	6(11)	56,256	1	38,461	1
25XX	Total non-current liabilities		<u>215,055</u>	<u>3</u>	<u>191,794</u>	<u>3</u>
2XXX	Total liabilities		<u>4,356,780</u>	<u>57</u>	<u>3,632,717</u>	<u>54</u>
Equity						
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(14)	490,609	6	490,609	7
Capital surplus						
3200	Capital surplus	6(15)	703,127	9	703,127	11
Retained earnings						
3310	Legal reserve	6(16)	508,132	7	470,758	7
3320	Special reserve		20,729	-	14,334	-
3350	Unappropriated retained earnings		1,491,109	19	1,276,287	19
Other equity interest						
3400	Other equity interest		(24,848)	-	(20,729)	-
31XX	Equity attributable to owners of the parent		<u>3,188,858</u>	<u>41</u>	<u>2,934,386</u>	<u>44</u>
36XX	Non-controlling interest	4(3)	192,785	2	168,044	2
3XXX	Total equity		<u>3,381,643</u>	<u>43</u>	<u>3,102,430</u>	<u>46</u>
3X2X	Total liabilities and equity		<u>\$ 7,738,423</u>	<u>100</u>	<u>\$ 6,735,147</u>	<u>100</u>

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

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Operating revenues	6(17)	\$ 9,179,791	100	\$ 7,766,451	100
5000	Operating costs	6(4)(23) and 7	(7,460,829)	(81)	(6,093,042)	(78)
5900	Net operating margin		<u>1,718,962</u>	<u>19</u>	<u>1,673,409</u>	<u>22</u>
	Operating expenses	6(23) and 7				
6100	Selling expenses		(331,189)	(4)	(352,306)	(5)
6200	General and administrative expenses		(324,146)	(4)	(306,682)	(4)
6300	Research and development expenses		(606,517)	(6)	(555,816)	(7)
6000	Total operating expenses		<u>(1,261,852)</u>	<u>(14)</u>	<u>(1,214,804)</u>	<u>(16)</u>
6500	Net other income (expenses)	6(18)	<u>67,507</u>	<u>1</u>	<u>93,863</u>	<u>1</u>
6900	Operating profit		<u>524,617</u>	<u>6</u>	<u>552,468</u>	<u>7</u>
	Non-operating income and expenses					
7100	Interest income	6(19)	3,237	-	8,825	-
7010	Other income	6(20)	86,104	1	28,249	1
7020	Other gains and losses	6(21)	(3,532)	-	(55,327)	(1)
7050	Finance costs	6(22) and 7	(3,694)	-	(9,313)	-
7000	Total non-operating income and expenses		<u>82,115</u>	<u>1</u>	<u>(27,566)</u>	<u>-</u>
7900	Profit before income tax		<u>606,732</u>	<u>7</u>	<u>524,902</u>	<u>7</u>
7950	Income tax expense	6(24)	(76,576)	(1)	(79,212)	(1)
8200	Profit for the year		<u>\$ 530,156</u>	<u>6</u>	<u>\$ 445,690</u>	<u>6</u>
	Other comprehensive income					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial gain (loss) on defined benefit plan	6(11)	\$ 6,956	-	(\$ 3,279)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	(1,391)	-	656	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>5,565</u>	<u>-</u>	<u>(2,623)</u>	<u>-</u>
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(4,119)	-	(6,395)	-
8300	Other comprehensive income (loss) for the year		<u>\$ 1,446</u>	<u>-</u>	<u>(\$ 9,018)</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 531,602</u>	<u>6</u>	<u>\$ 436,672</u>	<u>6</u>
	Profit attributable to:					
8610	Owners of the parent		<u>\$ 449,270</u>	<u>5</u>	<u>\$ 376,365</u>	<u>5</u>
8620	Non-controlling interest		<u>\$ 80,886</u>	<u>1</u>	<u>\$ 69,325</u>	<u>1</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>\$ 450,716</u>	<u>5</u>	<u>\$ 367,347</u>	<u>5</u>
8720	Non-controlling interest	4(3)	<u>\$ 80,886</u>	<u>1</u>	<u>\$ 69,325</u>	<u>1</u>
	Earnings per share	6(25)				
9750	Basic earnings per share		<u>\$ 9.16</u>		<u>\$ 7.67</u>	
9850	Diluted earnings per share		<u>\$ 9.08</u>		<u>\$ 7.59</u>	

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

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent									
		Capital Reserves			Retained Earnings			Other Equity	Total	Non-controlling interest	Total equity
		Share capital - common stock	Additional paid-in capital	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations			
<u>2020</u>											
Balance at January 1, 2020		\$ 490,609	\$ 702,817	\$ 310	\$ 428,561	\$ 11,423	\$ 1,202,768	(\$ 14,334)	\$ 2,822,154	\$ 148,623	\$ 2,970,777
Profit for the year		-	-	-	-	-	376,365	-	376,365	69,325	445,690
Other comprehensive loss		-	-	-	-	-	(2,623)	(6,395)	(9,018)	-	(9,018)
Total comprehensive income (loss)		-	-	-	-	-	373,742	(6,395)	367,347	69,325	436,672
Appropriations of 2019 earnings	6(16)										
Legal reserve		-	-	-	42,197	-	(42,197)	-	-	-	-
Special reserve		-	-	-	-	2,911	(2,911)	-	-	-	-
Cash dividends		-	-	-	-	-	(255,115)	-	(255,115)	-	(255,115)
Change in non-controlling interest		-	-	-	-	-	-	-	-	(49,904)	(49,904)
Balance at December 31, 2020		\$ 490,609	\$ 702,817	\$ 310	\$ 470,758	\$ 14,334	\$ 1,276,287	(\$ 20,729)	\$ 2,934,386	\$ 168,044	\$ 3,102,430
<u>2021</u>											
Balance at January 1, 2021		\$ 490,609	\$ 702,817	\$ 310	\$ 470,758	\$ 14,334	\$ 1,276,287	(\$ 20,729)	\$ 2,934,386	\$ 168,044	\$ 3,102,430
Profit for the year		-	-	-	-	-	449,270	-	449,270	80,886	530,156
Other comprehensive income (loss)		-	-	-	-	-	5,565	(4,119)	1,446	-	1,446
Total comprehensive income (loss)		-	-	-	-	-	454,835	(4,119)	450,716	80,886	531,602
Appropriations of 2020 earnings	6(16)										
Legal reserve		-	-	-	37,374	-	(37,374)	-	-	-	-
Special reserve		-	-	-	-	6,395	(6,395)	-	-	-	-
Cash dividends		-	-	-	-	-	(196,244)	-	(196,244)	-	(196,244)
Change in non-controlling interest		-	-	-	-	-	-	-	-	(56,145)	(56,145)
Balance at December 31, 2021		\$ 490,609	\$ 702,817	\$ 310	\$ 508,132	\$ 20,729	\$ 1,491,109	(\$ 24,848)	\$ 3,188,858	\$ 192,785	\$ 3,381,643

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

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 606,732	\$ 524,902
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(23)	212,661	203,254
Amortization	6(23)	12,692	12,867
Expected credit impairment (gain) loss	12(2)	(611)	258
Interest income	6(19)	(3,237)	(8,825)
Interest expense	6(22)	2,852	3,961
(Gains) losses on disposal of property, plant and equipment	6(21)	(235)	144
Gains arising from lease modifications	6(21)	-	(9)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(310,834)	(378,622)
Other receivables		(23,467)	(41,882)
Other receivables - related parties		(85)	(17)
Inventory		(1,123,300)	(246,118)
Prepayments		2,975	5,669
Changes in operating liabilities			
Contract liabilities		190,409	54,351
Notes payable		711	(3,372)
Accounts payable		534,213	355,515
Other payables		42,260	88,225
Other payables - related parties		-	(5,472)
Current provisions		1,044	(25,727)
Other current liabilities		(40,886)	62,804
Other non-current liabilities		(245)	(182)
Cash inflow generated from operations		103,649	601,724
Interest received		3,431	9,327
Interest paid		(2,852)	(3,961)
Income tax paid		(67,396)	(53,653)
Net cash flows from operating activities		<u>36,832</u>	<u>553,437</u>

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SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(26)	(\$ 387,929)	(\$ 299,682)
Proceeds from disposal of property, plant and equipment		329	116
Increase in intangible assets	6(7)	(1,181)	(3,112)
Decrease in guarantee deposits		1,330	-
Decrease in other non-current assets		-	881
Net cash flows used in investing activities		(387,451)	(301,797)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(27)	(20,537)	28,315
Decrease in non-current liabilities	6(27)	(223)	(65)
Lease payments	6(6)(27)	(101,960)	(112,684)
Payment of cash dividends	6(16)	(196,244)	(255,115)
Change in non-controlling interest	4(3)	(56,145)	(49,904)
Net cash flows used in financing activities		(375,109)	(389,453)
Effect on foreign exchange difference		(4,519)	(6,177)
Net decrease in cash and cash equivalents		(730,247)	(143,990)
Cash and cash equivalents at beginning of year		2,489,985	2,633,975
Cash and cash equivalents at end of year		\$ 1,759,738	\$ 2,489,985

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

SENAO NETWORKS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Senao Networks, Inc. (the “Company”) was established as a result of the spin-off of the wireless communication department of Senao International Co., Ltd. The Company assumed all the department’s business, assets and liabilities effective October 1, 2006. The Company’s registration was approved by the Ministry of Economic Affairs, R.O.C. on October 12, 2006. The Company started selling shares publicly at the Taiwan Over-The-Counter Exchange on December 30, 2013. The Company is mainly engaged in the sales of wireless communication products.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

The consolidated financial statements were authorized for issuance by the Board of Directors on February 25, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform - Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020 cycle	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Statements by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Principles for preparation of consolidated financial reports:
 - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Senao Networks, Inc.	EnGenius Technologies, Inc.	Sales of communication products	100	100	
Senao Networks, Inc.	EnRack Technology Inc.	Sales of communication products and Sales of manufactured stamping component	100	100	
Senao Networks, Inc.	Emplus Technologies, Inc.	Development, manufacturing and sales of communication products	50.99	50.99	
Senao Networks, Inc.	EnGenius International (Samoa) Ltd.	Investment holdings	100	100	Note
Senao Networks, Inc.	EnGenius Technologies Canada Inc.	Sales of communication products	100	100	"
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Sales of communication products	100	100	
EnGenius Networks Singapore Pte.Ltd.	EnGenius Networks Europe B.V.	Sales of communication products	100	100	

Note: On April 30, 2020, the Board of Directors of Senao International (Samoa) Ltd. resolved to dissolve the company, and its investees, EnGenius International (Samoa) Ltd. and EnGenius Technologies Canada Inc., were directly held by the Company. The effective date for this investment structure adjustment was set on June 1, 2020, and the related registrations have been completed in August 2020.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2021 and 2020, the non-controlling interest amounted to \$192,785 and \$168,044, respectively. The information on non-controlling interest and respective subsidiary is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest		Non-controlling interest	
		December 31, 2021		December 31, 2020	
		Amount	Ownership (%)	Amount	Ownership (%)
Emplus Technologies, Inc.	Taiwan	\$ 192,785	49.01%	\$ 168,044	49.01%

Summarised financial information of Emplus Technologies, Inc.:

Balance sheet

	December 31, 2021	December 31, 2020
Current assets	\$ 1,090,970	\$ 828,138
Non-current assets	195,879	145,408
Current liabilities	(828,437)	(615,956)
Non-current liabilities	(65,017)	(14,687)
Total net assets	\$ 393,395	\$ 342,903

Statement of comprehensive income

	Year ended December 31	
	2021	2020
Revenue	\$ 1,559,838	\$ 1,214,613
Profit before income tax	192,187	161,719
Income tax expense	(27,136)	(20,261)
Profit for the year from continuing operations	165,051	141,458
Other comprehensive income, net of tax	-	-
Total comprehensive income for the year	\$ 165,051	\$ 141,458
Comprehensive income attributable to non-controlling interest	\$ 80,886	\$ 69,325
Dividends paid to non-controlling interest	\$ 56,145	\$ 49,904

Statement of cash flows

	Year ended December 31	
	2021	2020
Net cash provided by operating activities	\$ 219,337	\$ 248,003
Net cash used in investing activities	(29,372)	(32,472)
Net cash used in financing activities	(136,769)	(123,151)
Increase in cash and cash equivalents	53,196	92,380
Cash and cash equivalents, beginning of year	535,488	443,108
Cash and cash equivalents, end of year	\$ 588,684	\$ 535,488

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the

currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan dollars.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are:

A. Readily convertible to known amounts of cash;

B. Subject to an insignificant risk of changes in value.

Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Accounts and notes receivable

A. Accounts receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services. A receivable is recognized when the goods are delivered because only the passage of time is required before the payment is due.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For financial assets at amortized cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has not retained control of the financial asset.

(10) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- B. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- C. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Machinery and equipment	5 ~ 15 years
Molding equipment	2 years
Transportation equipment	4 years
Office equipment	5 years
Other equipment	5 years
Leasehold improvements	2 ~ 5 years

(12) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable; and
 - (b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(13) Intangible assets

- A. Computer software

They are stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 5 years.

- B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

Goodwill is recognized as the difference of acquisition price minus fair value of identifiable net assets.

(14) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognized.
- B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(15) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(16) Notes and accounts payable

- A. Notes and accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(18) Provisions

Warranties are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation.

(19) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds at the balance sheet date.
- ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. The calculation of share quantity is based on the closing price on the day before the resolution of Board of Directors for the previous financial year.

(20) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

(21) Revenue recognition

- A. Sales of goods
 - (a) The Group manufactures and sells internet and wireless products. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Sales are recognized when control of the products has transferred, being when the products are delivered to the buyer, the buyer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- (b) The Group has the obligation to provide standard warranty terms, and a provision is recognized when the products are sold.
- (c) The Group estimates and provides sales discount based on historical experience and sales condition of the products. The provision is provided when the sales transaction occurs.
- (d) The Group recognizes contract liabilities if the Group has received consideration from customers (or could receive consideration from customers) before the transfer of products.

B. Sales of services

The Group provides processing, repairs and maintenance on communication services. Revenue from providing services is recognized in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the Group has received consideration from customers (or could receive consideration from customers before the transfer of services), a contract liability is recognized.

(22) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies but no critical judgements were made. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. The information is addressed below:

Inventories are stated at the lower of cost and net realizable value. As for excess and individually recognized as obsolete inventories, the net realizable value is determined based on the historical data of the inventory clearance individually identified by the management. Significant changes might arise since the Group's inventory amounts are material, inventory items are voluminous and the accounting estimates are subject to management's judgement.

As of December 31, 2021, the carrying amount of inventories was \$2,146,963.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 596	\$ 547
Checking accounts and demand deposits	289,119	191,540
Time deposits	1,470,023	2,297,898
	<u>\$ 1,759,738</u>	<u>\$ 2,489,985</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 1,418,990	\$ 1,108,156
Less: Allowance for bad debts	(22)	(639)
	<u>\$ 1,418,968</u>	<u>\$ 1,107,517</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Not past due	\$ 1,375,480	\$ 1,067,060
Up to 30 days	42,640	37,535
31 to 60 days	481	1,008
61 to 90 days	61	2,180
91 to 180 days	-	373
Over 180 days	328	-
	<u>\$ 1,418,990</u>	<u>\$ 1,108,156</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021, December 31, 2020 and January 1, 2020, the balances of receivables from contracts with customers amounted to \$1,418,990, \$1,108,156, and \$729,646, respectively.

C. The Group does not hold any collateral as security.

D. As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$1,418,968 and \$1,107,517, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(3) Transfer of financial assets

A. The Group entered into a factoring agreement with certain banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognized the transferred accounts receivable. As of December 31, 2021 and 2020, the transferred accounts receivable are as follows:

December 31, 2021					
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognized	Facilities (thousand)	Amount advanced	Interest rate of amount advanced
CTBC Bank	\$ 3,458	\$ 3,458	USD 1,300	\$ -	-
Taishin International Bank	14,537	14,537	USD 1,425	-	-
Total	<u>\$ 17,995</u>	<u>\$ 17,995</u>		<u>\$ -</u>	

December 31, 2020					
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognized	Facilities (thousand)	Amount advanced	Interest rate of amount advanced
CTBC Bank	\$ 32,657	\$ 32,657	USD 2,600	\$ -	-

Note: Recorded as ‘other receivables’.

B. The Group paid factoring expenses of \$842 and \$5,352 upon transfer of the derecognized accounts receivable for the years ended December 31, 2021 and 2020, respectively, which was recorded as ‘finance costs’.

(4) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,587,831	(\$ 72,650)	\$ 1,515,181
Work in progress	481,725	-	481,725
Finished goods	166,031	(15,974)	150,057
	<u>\$ 2,235,587</u>	<u>(\$ 88,624)</u>	<u>\$ 2,146,963</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 525,851	(\$ 25,690)	\$ 500,161
Work in progress	423,378	(481)	422,897
Finished goods	110,008	(9,403)	100,605
	<u>\$ 1,059,237</u>	<u>(\$ 35,574)</u>	<u>\$ 1,023,663</u>

The cost of inventories recognized as expense for the years ended December 31, 2021 and 2020 were \$7,437,562 and \$6,069,341, including \$57,458 and \$24,739, respectively, that the Group wrote down from cost to net realizable value which was accounted for as cost of goods sold in 2021 and 2020.

(5) Property, plant and equipment

	2021								Total
	Land	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Other equipment	Leasehold improvements	Unfinished construction and equipment acceptance	
<u>At January 1</u>									
Cost	\$ 950,749	\$ 898,935	\$ 134,341	\$ 4,498	\$ 71,249	\$ 23,603	\$ 85,260	\$ 231,742	\$ 2,400,377
Accumulated depreciation and impairment	-	(478,732)	(121,694)	(4,268)	(46,927)	(12,720)	(59,494)	-	(723,835)
	<u>\$ 950,749</u>	<u>\$ 420,203</u>	<u>\$ 12,647</u>	<u>\$ 230</u>	<u>\$ 24,322</u>	<u>\$ 10,883</u>	<u>\$ 25,766</u>	<u>\$ 231,742</u>	<u>\$ 1,676,542</u>
Opening net book amount as at January 1	\$ 950,749	\$ 420,203	\$ 12,647	\$ 230	\$ 24,322	\$ 10,883	\$ 25,766	\$ 231,742	\$ 1,676,542
Additions	-	108,358	9,394	-	7,509	3,709	4,442	251,353	384,765
Disposals	-	(51)	-	-	(43)	-	-	-	(94)
Other non-current assets-transferred in	-	3,620	-	-	-	-	1,095	-	4,715
Depreciation charge	-	(74,184)	(11,710)	(230)	(7,199)	(2,807)	(12,886)	-	(109,016)
Net exchange differences	-	-	-	-	(33)	(1)	(31)	-	(65)
Closing net book amount as at December 31	<u>\$ 950,749</u>	<u>\$ 457,946</u>	<u>\$ 10,331</u>	<u>\$ -</u>	<u>\$ 24,556</u>	<u>\$ 11,784</u>	<u>\$ 18,386</u>	<u>\$ 483,095</u>	<u>\$ 1,956,847</u>
<u>At December 31</u>									
Cost	\$ 950,749	\$ 1,000,975	\$ 143,735	\$ 3,514	\$ 77,100	\$ 27,273	\$ 90,667	\$ 483,095	\$ 2,777,108
Accumulated depreciation and impairment	-	(543,029)	(133,404)	(3,514)	(52,544)	(15,489)	(72,281)	-	(820,261)
	<u>\$ 950,749</u>	<u>\$ 457,946</u>	<u>\$ 10,331</u>	<u>\$ -</u>	<u>\$ 24,556</u>	<u>\$ 11,784</u>	<u>\$ 18,386</u>	<u>\$ 483,095</u>	<u>\$ 1,956,847</u>

2020

	Land	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Other equipment	Leasehold improvements	Unfinished construction and equipment acceptance	Total
<u>At January 1</u>									
Cost	\$ 950,749	\$ 809,562	\$ 124,606	\$ 7,245	\$ 65,102	\$ 18,683	\$ 78,144	\$ 18,347	\$ 2,072,438
Accumulated depreciation and impairment	-	(418,755)	(107,911)	(5,972)	(43,273)	(11,130)	(47,155)	-	(634,196)
	<u>\$ 950,749</u>	<u>\$ 390,807</u>	<u>\$ 16,695</u>	<u>\$ 1,273</u>	<u>\$ 21,829</u>	<u>\$ 7,553</u>	<u>\$ 30,989</u>	<u>\$ 18,347</u>	<u>\$ 1,438,242</u>
Opening net book amount as at January 1	\$ 950,749	\$ 390,807	\$ 16,695	\$ 1,273	\$ 21,829	\$ 7,553	\$ 30,989	\$ 18,347	\$ 1,438,242
Additions	-	86,089	9,734	-	8,794	4,355	7,512	213,395	329,879
Disposals	-	(23)	-	(96)	(13)	-	(128)	-	(260)
Other non-current assets- transferred in	-	4,586	-	-	-	1,326	-	-	5,912
Depreciation charge	-	(61,256)	(13,782)	(947)	(6,214)	(2,349)	(12,530)	-	(97,078)
Net exchange differences	-	-	-	-	(74)	(2)	(77)	-	(153)
Closing net book amount as at December 31	<u>\$ 950,749</u>	<u>\$ 420,203</u>	<u>\$ 12,647</u>	<u>\$ 230</u>	<u>\$ 24,322</u>	<u>\$ 10,883</u>	<u>\$ 25,766</u>	<u>\$ 231,742</u>	<u>\$ 1,676,542</u>
<u>At December 31</u>									
Cost	\$ 950,749	\$ 898,935	\$ 134,341	\$ 4,498	\$ 71,249	\$ 23,603	\$ 85,260	\$ 231,742	\$ 2,400,377
Accumulated depreciation and impairment	-	(478,732)	(121,694)	(4,268)	(46,927)	(12,720)	(59,494)	-	(723,835)
	<u>\$ 950,749</u>	<u>\$ 420,203</u>	<u>\$ 12,647</u>	<u>\$ 230</u>	<u>\$ 24,322</u>	<u>\$ 10,883</u>	<u>\$ 25,766</u>	<u>\$ 231,742</u>	<u>\$ 1,676,542</u>

(6) Leasing arrangements - lessee

- A. The Group leases various assets including plants, offices, business vehicles, parking lot and multifunction printers. Rental contracts are typically made for periods of one to seven years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. Short-term leases with a lease term of 12 months or less comprise certain plant and parking spaces.
- C. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 223,928	\$ 223,460
Transportation equipment	3,214	4,275
Office equipment	1,203	1,507
	<u>\$ 228,345</u>	<u>\$ 229,242</u>

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 100,638	\$ 101,496
Transportation equipment	2,349	3,253
Office equipment	658	753
Other equipment	-	674
	<u>\$ 103,645</u>	<u>\$ 106,176</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$103,117 and \$1,645, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,679	\$ 3,539
Expense on short-term lease contracts	4,608	4,333
Expense on variable lease payments	5,106	4,649
Gain on sublease of right-of-use assets (Note)	3,440	7,667

Note: Recorded as 'other income', please refer to Note 6(20).

- F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow relating to lease contracts was \$114,353 and \$125,205, of which \$101,960 and \$112,684 were lease payments, respectively.

G. The Group decreased right-of-use asset and lease liability amounting to \$16, \$927, \$16 and \$936 as of December 31, 2021 and 2020, respectively, and recognised gains arising from lease modifications amounting to \$0 and \$9, for the years then ended, respectively, due to the earlier termination of the lease contracts.

H. Variable lease payments

Some of the Group's lease contracts contain variable lease payment terms that are linked to the actual usage. Variable lease payments are recognized as expense based on the actual usage during the period.

I. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(7) Intangible assets

A. Changes to intangible assets are as follows:

	2021		
	<u>Computer software</u>	<u>Goodwill</u>	<u>Total</u>
At January 1			
Cost	\$ 92,192	\$ 480	\$ 92,672
Accumulated amortisation and impairment	(63,862)	-	(63,862)
	<u>\$ 28,330</u>	<u>\$ 480</u>	<u>\$ 28,810</u>
At January 1	\$ 28,330	\$ 480	\$ 28,810
Additions	1,181	-	1,181
Amortisation charge	(12,692)	-	(12,692)
At December 31	<u>\$ 16,819</u>	<u>\$ 480</u>	<u>\$ 17,299</u>
At December 31			
Cost	\$ 93,373	\$ 480	\$ 93,853
Accumulated amortisation and impairment	(76,554)	-	(76,554)
	<u>\$ 16,819</u>	<u>\$ 480</u>	<u>\$ 17,299</u>

	2020		
	Computer software	Goodwill	Total
At January 1			
Cost	\$ 89,726	\$ 480	\$ 90,206
Accumulated amortisation and impairment	(51,638)	-	(51,638)
	<u>\$ 38,088</u>	<u>\$ 480</u>	<u>\$ 38,568</u>
At January 1	\$ 38,088	\$ 480	\$ 38,568
Additions	3,112	-	3,112
Amortisation charge	(12,867)	-	(12,867)
Net exchange differences	(3)	-	(3)
At December 31	<u>\$ 28,330</u>	<u>\$ 480</u>	<u>\$ 28,810</u>
At December 31			
Cost	\$ 92,192	\$ 480	\$ 92,672
Accumulated amortisation and impairment	(63,862)	-	(63,862)
	<u>\$ 28,330</u>	<u>\$ 480</u>	<u>\$ 28,810</u>

B. Details of amortisation on intangible assets are as follows:

	Year ended December 31	
	2021	2020
Manufacturing expenses	\$ 606	\$ 974
Selling expenses	3,855	3,629
General and administrative expenses	2,377	2,400
Research and development expenses	5,854	5,864
	<u>\$ 12,692</u>	<u>\$ 12,867</u>

C. The Group's goodwill was recognized from the acquisition of the subsidiary, Emplus Technologies, Inc.

When comparing the value in use and book value to determine the recoverable amount, there were no indicators that the Group's goodwill may be impaired. Value in use was evaluated based on the gross profit ratio and growth ratio of Emplus Technologies, Inc.

(8) Other non-current assets

	December 31, 2021	December 31, 2020
Prepayment for equipment	\$ -	\$ 4,715
Refundable deposits	13,103	14,433
	<u>\$ 13,103</u>	<u>\$ 19,148</u>

(9) Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured bank borrowings	\$ 20,760	\$ 42,242
Interest rate	<u>0~0.7%</u>	<u>0.77~1.00%</u>

(10) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accrued salary expenses and bonus	\$ 425,447	\$ 351,806
Accrued employees' compensation and directors' and supervisors' remuneration	75,510	66,427
Accrued equipment	11,484	39,889
Accrued commission expenses	-	43,514
Others	175,708	172,658
	<u>\$ 688,149</u>	<u>\$ 674,294</u>

(11) Pensions

A. Defined benefit plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by March 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	\$ 44,004	\$ 49,852
Fair value of plan assets	(33,809)	(32,454)
Net liability in the balance sheet (recorded as 'other non-current liabilities')	<u>\$ 10,195</u>	<u>\$ 17,398</u>

(c) Movements in net defined benefit liabilities are as follows:

	2021		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at January 1	\$ 49,852	(\$ 32,454)	\$ 17,398
Current service cost	478	-	478
Interest expense (income)	173	(114)	59
	<u>50,503</u>	<u>(32,568)</u>	<u>17,935</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(457)	(457)
Change in demographic assumptions	214	-	214
Change in financial assumptions	(2,209)	-	(2,209)
Experience adjustments	(4,504)	-	(4,504)
	<u>(6,499)</u>	<u>(457)</u>	<u>(6,956)</u>
Pension fund contribution	-	(784)	(784)
Balance at December 31	<u>\$ 44,004</u>	<u>(\$ 33,809)</u>	<u>\$ 10,195</u>
	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at January 1	\$ 44,850	(\$ 30,549)	\$ 14,301
Current service cost	552	-	552
Interest expense (income)	333	(229)	104
	<u>45,735</u>	<u>(30,778)</u>	<u>14,957</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(995)	(995)
Change in demographic assumptions	99	-	99
Change in financial assumptions	2,604	-	2,604
Experience adjustments	1,571	-	1,571
	<u>4,274</u>	<u>(995)</u>	<u>3,279</u>
Pension fund contribution	-	(838)	(838)
Paid pension	(157)	157	-
Balance at December 31	<u>\$ 49,852</u>	<u>(\$ 32,454)</u>	<u>\$ 17,398</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined

benefit pension plan in accordance with the Fund’s annual investment and utilization plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund” (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2021	2020
Discount rate	0.75%	0.35%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on the 6th and 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2021 and 2020, respectively.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 1,330)	\$ 1,385	\$ 1,351	(\$ 1,304)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 1,653)	\$ 1,727	\$ 1,678	(\$ 1,615)

The sensitivity analysis above was based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2022 amount to \$780.
- (g) As of December 31, 2021, the weighted average duration of that retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	746
1-2 year(s)		943
2-5 years		3,486
Over 5 years		43,012
	<u>\$</u>	<u>48,187</u>

B. Defined contribution plan

- (a) The Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company and its domestic subsidiaries for the years ended December 31, 2021 and 2020 amounted to \$48,226 and \$43,685, respectively.
- (b) Senao International (Samoa) Ltd., EnGenius International (Samoa) Ltd., EnGenius Networks Europe B.V. and EnGenius Technologies Canada Inc. have not yet established an employee pension plan. EnGenius Technologies, Inc. and EnGenius Networks Singapore Pte. Ltd. follow the established pension regulations of their respective local governments. These subsidiaries pay monthly pension contributions and have no further obligations. The pension costs under the defined contribution pension plans of the above companies for the years ended December 31, 2021 and 2020 were \$2,384 and \$2,042, respectively.

(12) Provisions

	<u>2021</u>	<u>2020</u>
At January 1	\$ 40,773	\$ 64,915
Additional (reversal of) provisions during the year	13,998 (9,103)
Used during the year	(12,954) (16,624)
Effect of exchange rate changes	369	1,585
At December 31	<u>\$ 42,186</u>	<u>\$ 40,773</u>

The Group’s liability provisions are related to the provision for warranty of products sold, which is estimated based on past experience of the use of warranties on the product. It is expected that the provision will be used starting next year.

(13) Other current liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Collection of project development on behalf of others	\$ 165,904	\$ 203,628
Sales refund liabilities	2,518	6,101
Others	<u>3,278</u>	<u>2,857</u>
	<u>\$ 171,700</u>	<u>\$ 212,586</u>

(14) Share capital

As of December 31, 2021, the Company's authorized capital was \$1.2 million, consisting of 49,061 thousand shares of common stock outstanding, with a par value of \$10 in dollars per share. There was no change in the number of the Company's ordinary shares outstanding for the years ended December 31, 2021 and 2020.

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(16) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the balance of legal reserve is equal to that of issued share capital. The balance after setting aside legal reserve and special reserve shall be combined with the remaining surplus at the beginning of the year and counted as unappropriated retained earnings. The method of distribution shall be proposed by the Board of Directors and presented to the shareholders for approval.
- B. The Company is currently in the growth stage. Based on capital expenditures and needs for branching out and completing financial plans to pursue sustainable development, the Company's dividend policy is in accordance with the future budget for capital expenditures and capital needs. Cash dividends and /or stock dividends are to be distributed to the shareholders. Total dividends distributed shall account for at least 10% of the distributable earnings for the current year. Cash dividends shall account for at least 5% of the total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their

share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2020 earnings had been resolved on June 15, 2021 via electronic voting platform for the shareholders' meeting and was reported to the shareholders on July 20, 2021. Additionally, the appropriation of 2019 earnings had been resolved at the shareholders' meeting on June 12, 2020. Details are summarised below:

	Year ended December 31			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 37,374	\$ -	\$ 42,197	\$ -
Special reserve	6,395	-	2,911	-
Cash dividends	196,244	4.0	255,115	5.2
	<u>\$ 240,013</u>	<u>\$ 4.0</u>	<u>\$ 300,223</u>	<u>\$ 5.2</u>

(17) Operating revenue

	Year ended December 31	
	2021	2020
Revenue from contracts with customers	<u>\$ 9,179,791</u>	<u>\$ 7,766,451</u>

- A. Information on disaggregation of revenue from contracts with customers based on geographical regions is provided in Note 14 (5).

B. Contract liabilities

(a) The Group has recognized the following revenue-related contract liabilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Current contract liabilities:			
Contract liabilities			
-sales of goods	\$ 300,564	\$ 105,471	\$ 55,597
Contract liabilities			
-providing services	<u>4,979</u>	<u>5,220</u>	<u>4,294</u>
	305,543	110,691	59,891
Non-current contract liabilities:			
Contract liabilities			
-providing services	<u>9,597</u>	<u>14,040</u>	<u>10,489</u>
	<u>\$ 315,140</u>	<u>\$ 124,731</u>	<u>\$ 70,380</u>

(b) Revenue recognized that was included in the contract liability balance at the beginning of the year:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers	<u>\$ 82,127</u>	<u>\$ 56,650</u>

C. Financing components

The Group does not expect to have many contracts where the time interval between the transfer of the committed goods or services to the customer and payment by the customer exceeds one year. In addition, the transaction prices for those contracts where the time interval exceeds a year are immaterial. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(18) Other income and expenses— net

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Other income		
Project development income	<u>\$ 67,507</u>	<u>\$ 93,863</u>

(19) Interest income

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Interest income	\$ 3,155	\$ 8,750
Other interest income	82	75
	<u>\$ 3,237</u>	<u>\$ 8,825</u>

(20) Other income

	Year ended December 31	
	2021	2020
Rent income	\$ 3,440	\$ 7,667
Accounts payable written off	46,010	-
Other income	36,654	20,582
	<u>\$ 86,104</u>	<u>\$ 28,249</u>

(21) Other gains and losses

	Year ended December 31	
	2021	2020
Currency exchange losses	(\$ 4,037)	(\$ 55,192)
Gains (losses) on disposal of property, plant and equipment	235	(144)
Gains arising from lease modifications	-	9
Others	270	-
	<u>(\$ 3,532)</u>	<u>(\$ 55,327)</u>

(22) Financial costs

	Year ended December 31	
	2021	2020
Interest expense	\$ 2,852	\$ 3,961
Other financial expense	842	5,352
	<u>\$ 3,694</u>	<u>\$ 9,313</u>

(23) Expenses by nature

	Year ended December 31	
	2021	2020
Wages and salaries	\$ 1,517,547	\$ 1,322,055
Labor and health insurance fees	123,023	104,072
Pension costs	51,147	46,383
Other personnel expenses	55,879	50,969
Employee benefit expense	<u>\$ 1,747,596</u>	<u>\$ 1,523,479</u>
Depreciation charges	<u>\$ 212,661</u>	<u>\$ 203,254</u>
Amortization charges	<u>\$ 12,692</u>	<u>\$ 12,867</u>

A. According to the Articles of Incorporation of the Company and its domestic subsidiaries, a ratio of profit of the current year distributable, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio for the Company and domestic subsidiaries shall not be lower than 3% and not lower than 1% for employees' compensation, respectively, and shall not be higher than 3% and not higher than 1% for directors' and supervisors' remuneration, respectively. However, if the Company has accumulated deficit, the Company should cover accumulated losses first. Qualification requirements of employees, including the

employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned employees' compensation may be specified in the Articles of Incorporation. Qualification requirements are set by the Board of Directors. Distribution of employees' compensation and directors' and supervisors' remuneration shall be reported to the stockholders during their meeting and distributed in the form of shares or in cash as resolved by the Board of Directors.

- B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$61,070 and \$51,095, respectively; while directors' and supervisors' remuneration was accrued at \$10,016 and \$9,944, respectively. The aforementioned amounts were recognized in salary expenses. The expenses recognized were accrued based on the earnings of current year.

On May 3, 2021, employees' compensation and directors' and supervisors' remuneration for 2020 amounting to \$37,734 and \$7,075, respectively, as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2020 financial statements. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

On February 19, 2021, employees' compensation and directors' and supervisors' remuneration of the subsidiary, Emplus Technologies, Inc., for 2020 amounting to \$12,182 and \$2,648, respectively, as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2020 financial statements.

On February 25, 2021, employees' compensation and directors' and supervisors' remuneration of the subsidiary, Enrack Technology Inc., for 2020 amounting to \$1,179 and \$221, respectively, as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2020 financial statements.

(24) Income tax

- A. Components of income tax expense:

	Year ended December 31	
	2021	2020
Current tax:		
Current tax on profit for the year	\$ 103,902	\$ 72,183
Tax on undistributed surplus earnings	325	1,002
Prior year income tax over estimation	(6,624)	(7,457)
Total current tax	97,603	65,728
Deferred tax:		
Origination and reversal of temporary differences	(21,027)	13,484
Income tax expense	<u>\$ 76,576</u>	<u>\$ 79,212</u>

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 144,530	\$ 130,192
Expenses disallowed by tax regulation	653	279
Not recognized as deferred tax assets and liabilities	(7,959)	(1,695)
Unrealized share of profit of domestic subsidiaries accounted for under the equity method	(19,307)	(16,357)
Cash dividends from domestic subsidiaries accounted for under the equity method	11,683	10,385
Tax exempt income by tax regulation	(11,683)	(10,385)
Additional tax on undistributed earnings	325	1,002
Prior year income tax over estimation	(6,624)	(7,457)
Effect of investment tax credits	(35,042)	(26,738)
Others	-	(14)
Income tax expense	<u>\$ 76,576</u>	<u>\$ 79,212</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
-Deferred tax assets:					
Unrealized gross profit					
- affiliated companies	\$ 5,766	\$ 3,423	\$ -	\$ -	\$ 9,189
Provision for warranty	6,821	1,150	-	-	7,971
Unpaid annual leave	6,725	879	-	-	7,604
Unrealized gross profit	1,111	31	-	-	1,142
Allowance for loss on market price decline and obsolete and slow-moving inventories	7,231	10,592	-	-	17,823
Others	10,248	2,570	(1,391)	-	11,427
	<u>\$ 37,902</u>	<u>\$ 18,645</u>	<u>(\$ 1,391)</u>	<u>\$ -</u>	<u>\$ 55,156</u>
-Deferred tax liabilities:					
Unrealized exchange gain	\$ 3,369	(\$ 2,382)	\$ -	\$ -	\$ 987

	2020				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
-Deferred tax assets:					
Unrealized gross profit					
- affiliated companies	\$ 15,818	(\$ 10,052)	\$ -	\$ -	\$ 5,766
Provision for warranty	11,592	(4,771)	-	-	6,821
Unpaid annual leave	5,634	1,091	-	-	6,725
Unrealized gross profit	3,812	(2,701)	-	-	1,111
Allowance for loss on market price decline and obsolete and slow-moving inventories	4,609	2,622	-	-	7,231
Others	8,531	1,061	656	-	10,248
	<u>\$ 49,996</u>	<u>(\$ 12,750)</u>	<u>\$ 656</u>	<u>\$ -</u>	<u>\$ 37,902</u>
-Deferred tax liabilities:					
Unrealized exchange gain	\$ 2,635	\$ 734	\$ -	\$ -	\$ 3,369

D. The Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary differences unrecognized as deferred tax liabilities were \$17,893 and \$12,684, respectively.

E. Deferred tax assets of the Company's indirect subsidiary - EnGenius Networks Singapore Pte. Ltd. arising from taxable loss for claims of state tax:

December 31, 2021					
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiry year	
2020	\$ 2,466	\$ 2,466	\$ 2,466	(Note)	
2019	7,928	7,928	7,928	(Note)	
2017	5,579	5,579	5,579	(Note)	
2016	15,833	15,501	15,501	(Note)	
2015	4,281	-	-	(Note)	

December 31, 2020

Year incurred	Amount		Unrecognized deferred tax assets		Expiry year
	filed/assessed	Unused amount			
2020	\$ 2,466	\$ 2,466	\$ 2,466		(Note)
2019	7,928	7,928	7,928		(Note)
2017	5,579	5,579	5,579		(Note)
2016	15,833	15,833	15,833		(Note)
2015	4,281	3,058	3,058		(Note)

Note: The tax laws of Singapore allow losses to be carried forward indefinitely.

F. The Company and its subsidiaries - EnRack Technology Inc. and Emplus Technologies Inc.'s income tax returns through 2019 have all been assessed and approved by the Tax Authority.

(25) Earnings per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 449,270	49,061	<u>\$ 9.16</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	405	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 449,270</u>	<u>49,466</u>	<u>\$ 9.08</u>

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 376,365	49,061	\$ 7.67
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	499	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 376,365	49,560	\$ 7.59

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31	
	2021	2020
Purchase of property, plant and equipment and other non-current assets-transferred in property, plant and equipment	\$ 389,480	\$ 335,791
Less: Ending balance of payable on equipment	(11,484)	(39,889)
Ending balance of construction retainage received (Note)	(45,320)	(20,079)
Opening balance of prepayments for equipment	(4,715)	(9,200)
Add: Opening balance of payable on equipment	39,889	28,344
Opening balance of construction retainage received (Note)	20,079	-
Ending balance of prepayments for equipment	-	4,715
Cash paid during the year for purchase of property, plant and equipment	\$ 387,929	\$ 299,682

Note: Shown as 'other non-current liabilities'.

(27) Changes in liabilities from financing activities

Under the amendments to IAS 7, 'Disclosure initiative', changes during the years ended December 31, 2021 and 2020 are disclosed as follows:

	2021			
	Short-term borrowings	Lease liability	Other non-current liabilities	Liabilities from financing activities-gross
At January 1	\$ 42,242	\$ 225,953	\$ 984	\$ 269,179
Changes in cash flow from financing activities	(20,537)	(101,960)	(223)	(122,720)
Impact of changes in foreign exchange rate	(945)	(360)	(22)	(1,327)
Changes in other non-cash items	-	103,101	-	103,101
At December 31	<u>\$ 20,760</u>	<u>\$ 226,734</u>	<u>\$ 739</u>	<u>\$ 248,233</u>

	2020			
	Short-term borrowings	Lease liability	Other non-current liabilities	Liabilities from financing activities-gross
At January 1	\$ 15,739	\$ 338,499	\$ 1,049	\$ 355,287
Changes in cash flow from financing activities	28,315	(112,684)	(65)	(84,434)
Impact of changes in foreign exchange rate	(1,812)	(571)	-	(2,383)
Changes in other non-cash items	-	709	-	709
At December 31	<u>\$ 42,242</u>	<u>\$ 225,953</u>	<u>\$ 984</u>	<u>\$ 269,179</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

As of December 31, 2021 and 2020, the Group does not have a parent company. Senao International Co., Ltd. (SIC) held 33.79% of the Company's shares, and is the most influential entity to the Company.

(2) Name of related party and relationship

Name of related party	Relationship with the Group
Senao International Co., Ltd. (SIC)	Entities with joint control or significant influence over the Group

(3) Significant related party transactions

A. Processing fees

	Year ended December 31	
	2021	2020
Purchases of services Entities with joint control or significant influence over the Group	\$ 3	\$ 36,734

The Group's purchase prices and payment term for processing fees by the related parties are based on mutual agreement, which is due 10 days after the transaction.

B. Receivables from related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other receivables-payment on behalf of others		
Entities with joint control or significant influence over the Group	\$ <u>675</u>	\$ <u>590</u>

C. Property transactions

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Acquisition of property, plant and equipment:		
Entities with joint control or significant influence over the Group	\$ <u>9,842</u>	\$ <u>-</u>

D. Lease transactions – lessee

(a) The Group leases office buildings from SIC. Rental contracts are typically made for periods from 2019 to 2024. The lease terms and prices were determined in accordance with mutual agreement, and rent is paid monthly.

(b) Lease liabilities

i. Outstanding balance:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Entities with joint control or significant influence over the Group		
Current	\$ 40,869	\$ 40,358
Non-current	<u>60,365</u>	<u>105,034</u>
	<u>\$ 101,234</u>	<u>\$ 145,392</u>

ii. Interest expense

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Entities with joint control or significant influence over the Group	\$ <u>1,442</u>	\$ <u>1,948</u>

(4) Key management compensation

	Year ended December 31	
	2021	2020
Salaries and other short-term employee benefits	\$ 65,130	\$ 64,525
Post-employment benefits	899	856
	<u>\$ 66,029</u>	<u>\$ 65,381</u>

8. PLEGGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2021, the Company had capital expenditures contracted for but not yet incurred in the amount of \$676,792.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to maintain an optimal capital ratio to support the Group's operations and to maximize the shareholders' equity. The Group builds a suitable capital structure based on the future growth and gearing ratios of the industry and the consideration of costs and risks that may result from different capital structures. The Group normally utilizes a meticulous risk management policy.

(2) Financial instruments

A. Financial instruments by category

The financial assets and liabilities at amortized cost include cash and cash equivalents, accounts receivable, other receivables (including related parties), guarantee deposits paid, short-term and long-term borrowings, notes payable, accounts payable, other payables, guarantee deposits received and lease liabilities.

B. Financial risk management policies

The Group adopts overall risk management and control systems to identify, measure and control all kinds of risk (including market risk, credit risk and liquidity risk and cash flow risk), so that the management of the Group can effectively control and evaluate market risk, credit risk, liquidity risk and cash flow risk.

The Group maintains an optimal level of liquidity and centralizes risk management operations in order to effectively monitor and control the various kinds of market risks and to achieve management objectives. This decision is made with consideration of the economic environment, competitive status and market value risk.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions.
- ii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and CAD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	USD 77,583	27.68	\$ 2,147,489
<u>Non-monetary items</u>			
USD:NTD	USD 4,925	27.68	130,962
CAD:NTD	CAD 520	21.62	11,245
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	USD 60,799	27.68	1,682,920

		December 31, 2020		
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD 74,215	28.48	\$	2,113,643
<u>Non-monetary items</u>				
USD:NTD	USD 3,833	28.48		109,162
CAD:NTD	CAD 361	22.35		8,074
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD 46,657	28.48		1,328,791

iii. Please refer to the following table for the details of unrealized exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group.

		Year ended December 31, 2021		
		Exchange gain (loss)		
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	-	27.68	(\$	3,812)
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	-	27.68		8,507
		Year ended December 31, 2020		
		Exchange gain (loss)		
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	-	28.48	(\$	4,714)
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	-	28.48		22,814

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 21,475	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	16,829	-
	Year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 21,136	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	13,288	-

Price risk

The Group is not exposed to commodity price risk. In addition, as the Group has no investments, there was no significant price risk based on the Group's assessment.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowings and accounts receivable factoring. Borrowings are issued at fixed rates and factoring expenses are charged at fixed rate, thus, the Group is exposed to fair value interest rate risk.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. According to the Group's credit policy, the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Credit risk arises from cash and cash equivalents, derivative financial instruments, notes receivable and other receivables as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only the parties with excellent credit ratings are accepted.

- iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group classifies customer's accounts receivable in accordance with credit rating of customer and historical information of default. The Company applies loss rate methodology to estimate expected credit loss.
- vi. The Group takes into account the forecasts of the Basel Committee on Banking Supervision to adjust historical and timely information to assess the default possibility of accounts receivable as of December 31, 2021 and 2020.

	Not past due	30 days	31-60 days	61-90 days	91-180 days	Over 181 days	Total
<u>December 31, 2021</u>							
Expected loss rate	0.03%	0.03%	10%	30%	50%	100%	
Total book value	\$ 1,375,480	\$ 42,640	\$ 481	\$ 61	\$ -	\$ 328	\$ 1,418,990
Loss allowance	\$ -	\$ -	\$ 21	\$ 1	\$ -	\$ -	\$ 22
<u>December 31, 2020</u>							
Expected loss rate	0.03%	0.03%	10%	30%	50%	100%	
Total book value	\$ 1,067,060	\$ 37,535	\$ 1,008	\$ 2,180	\$ 373	\$ -	\$ 1,108,156
Loss allowance	\$ -	\$ -	\$ -	\$ 639	\$ -	\$ -	\$ 639

- vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>2021</u>
	<u>Accounts receivable</u>
At January 1	\$ 639
Reversal of impairment loss	(611)
Effect of exchange rate changes	(6)
At December 31	<u>\$ 22</u>

	2020
	<u>Accounts receivable</u>
At January 1	\$ 561
Provision for impairment loss	258
Write-offs	(112)
Effect of exchange rate changes	(68)
At December 31	<u>\$ 639</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above the balance required for working capital management are invested in interest bearing current accounts, time deposits, and marketable securities. The Group chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>December 31, 2021</u>				
Short-term borrowings	\$ 20,772	\$ -	\$ -	\$ -
Notes payable	3,488	-	-	-
Accounts payable	2,748,030	-	-	-
Other payables	688,149	-	-	-
Lease liabilities	85,863	68,985	72,652	12,000
Other non-current liabilities	-	45,969	-	-
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>December 31, 2020</u>				
Short-term borrowings	\$ 42,420	\$ -	\$ -	\$ -
Notes payable	2,777	-	-	-
Accounts payable	2,213,817	-	-	-
Other payables	674,294	-	-	-
Lease liabilities	90,680	75,098	62,239	-
Other non-current liabilities	-	10,934	10,039	-

(3) Fair value estimation

The Group has no financial and non-financial instruments measured at fair value.

(4) Impact of the Covid-19 pandemic on the Group

Due to the slowdown of the Covid-19 pandemic and the economic rebound in Europe and America, compared to 2020, the consolidated operating revenue of the Group for the year ended December 31, 2021 has increased by \$1,413 billion. The growth rate was 18.20%. Based on the Group's assessment, the pandemic has no significant impact on its financial performance and various risk factors.

The Group has complied with the various preventive measures imposed by the government. In addition to disinfecting workplaces and activity areas continuously and regularly, the Group continues to closely monitor the developments of the pandemic, encourages colleagues and foreign colleagues to be vaccinated to strengthen their resistance to the Covid-19 and continuously provide updates on relevant contingency measures. As the Group has effectively managed and controlled various risks in all its factories and offices, the pandemic has no significant impact on the Group's operations and production activities.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information:

- A. Loan to others: None.
- B. Provisions of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 1.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 2.

(2) Information on investments

Names, locations and other information of investee companies (not including investees in Mainland

China): Please refer to table 3.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Please refer to table 4.

14. SEGMENT INFORMATION

(1) General information

The information about geographical areas is provided to the chief operating decision-maker to make decisions. The sales orders will be divided into three main areas, namely Taiwan, America and Others (including Europe, Asia and Africa). Because the nature of the product and the model of sales of the three areas are different, and the chief operating decision-maker also uses the information on the three areas in financial management and operational performance evaluation, therefore, the reportable segments are Taiwan, America and Others.

(2) Assessment of segment information

The operational performance evaluation of each segment is based on operating revenue and income (not including administrative expense). All the operating segments consistently apply uniform accounting policies as described in Note 4, "Summary of significant accounting policies". The interdepartmental sales are in accordance with the fair value principle. Revenues from external customers provided to the chief operating decision-maker are measured in a manner consistent with that used for the income statement. The segment information for the years ended December 31, 2021 and 2020 is provided as follows:

	Year ended December 31, 2021				
	<u>Taiwan</u>	<u>America</u>	<u>Others</u>	<u>Eliminated transactions during the consolidation</u>	<u>Total</u>
Revenue from external customers	\$ 8,341,500	\$ 559,524	\$ 278,767	\$ -	\$ 9,179,791
Inter-segment revenue	703,235	18,650	-	(721,885)	-
Total segment revenue	<u>\$ 9,044,735</u>	<u>\$ 578,174</u>	<u>\$ 278,767</u>	<u>(\$ 721,885)</u>	<u>\$ 9,179,791</u>
Segment income	<u>\$ 747,435</u>	<u>\$ 54,776</u>	<u>\$ 32,839</u>	<u>\$ 13,713</u>	<u>\$ 848,763</u>
Segment income, including depreciation and amortisation	<u>\$ 200,246</u>	<u>\$ 3,732</u>	<u>\$ 1,837</u>	<u>(\$ 10,881)</u>	<u>\$ 194,934</u>

	Year ended December 31, 2020				
	Taiwan	America	Others	Eliminated transactions during the consolidation	Total
Revenue from external customers	\$ 7,005,324	\$ 512,780	\$ 248,347	\$ -	\$ 7,766,451
Inter-segment revenue	<u>569,592</u>	<u>26,457</u>	<u>2,207</u>	(<u>598,256</u>)	<u>-</u>
Total segment revenue	<u>\$ 7,574,916</u>	<u>\$ 539,237</u>	<u>\$ 250,554</u>	<u>(\$ 598,256)</u>	<u>\$ 7,766,451</u>
Segment income	<u>\$ 788,227</u>	<u>\$ 47,500</u>	<u>\$ 23,423</u>	<u>\$ -</u>	<u>\$ 859,150</u>
Segment income, including depreciation and amortisation	<u>\$ 188,688</u>	<u>\$ 3,370</u>	<u>\$ 1,721</u>	<u>(\$ 10,452)</u>	<u>\$ 183,327</u>

(3) Reconciliation for segment income (loss)

The Group's segments' operating income reported to the chief operating decision-maker is measured in a manner consistent with the revenue and expenses in the statement of comprehensive income. The Group did not provide the chief operating decision-maker with the amount of total assets and liabilities for decision-making purposes. A reconciliation of reportable segment income or loss and income from continuing operations before income tax for the years ended December 31, 2021 and 2020 is provided as follows:

	Year ended December 31	
	2021	2020
Reportable segments profit	\$ 848,763	\$ 859,150
Undistributed amount		
General administrative expense	(324,146)	(306,682)
Non-operating income	<u>82,115</u>	<u>(27,566)</u>
Income from continuing operations before income tax	<u>\$ 606,732</u>	<u>\$ 524,902</u>

(4) Revenue information by products

The Group is mainly engaged in the sales of wireless communication products. Details of revenue balance are as follows:

	Year ended December 31	
	2021	2020
Product revenue		
Wifi / wireless internet	\$ 3,398,343	\$ 3,580,291
Switch / wired internet	4,229,975	3,210,126
VCM / Phone system	228,417	215,117
Others	<u>1,323,056</u>	<u>760,917</u>
	<u>\$ 9,179,791</u>	<u>\$ 7,766,451</u>

(5) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
US	\$ 8,299,216	\$ 25,979	\$ 6,234,911	\$ 2,952
Europe	303,268	3,177	129,897	6,256
Taiwan	259,985	2,169,722	497,852	1,929,178
Others	317,322	3,613	903,791	923
	<u>\$ 9,179,791</u>	<u>\$ 2,202,491</u>	<u>\$ 7,766,451</u>	<u>\$ 1,939,309</u>

(6) Major customer information

The customers accounting for more than 10% of the Group's operating revenues for the years ended December 31, 2021 and 2020 are as follows:

	Year ended December 31			
	2021		2020	
	Revenue	Segment	Revenue	Segment
Company A	\$ 2,021,232	Taiwan	\$ 2,307,636	Taiwan
Company B	1,602,884	Taiwan	1,070,392	Taiwan
Company D	1,170,873	Taiwan	909,269	Taiwan
Company C	1,107,222	Taiwan	768,298	Taiwan

SENAO NETWORKS, INC. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

Year ended December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Senao Networks, Inc.	EnGenius Technologies, Inc.	Subsidiary	Sales	\$ 362,383	5	Note 1	Note 1	Note 1	\$ 63,140	5	
EnGenius Technologies, Inc.	Senao Networks, Inc.	Parent company	Purchases	362,383	100	"	"	"	(63,140)	100	
Senao Networks, Inc.	EnGenius Networks Singapore Pte. Ltd.	Subsidiary	Sales	104,089	1	"	"	"	15,563	1	
EnGenius Networks Singapore Pte. Ltd.	Senao Networks, Inc.	Parent company	Purchases	104,089	100	"	"	"	(15,563)	100	

Note 1: Sales prices to EnGenius Technologies, Inc. are based on the sales volume. The collection term is 60 days from the first day of the month following the month of sales.

Note 2: The transactions were eliminated when preparing the consolidated financial statements.

SENAO NETWORKS, INC. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total
				General ledger account	Amount (Notes 7 and 8)	Transaction terms	
0	Senao Networks, Inc.	EnGenius Technologies, Inc.	1	Sales revenue	\$ 362,383	Note 4	4
0	Senao Networks, Inc.	EnGenius Technologies, Inc.	1	Accounts receivable	63,140	"	1
0	Senao Networks, Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Sales revenue	104,089	"	1
0	Senao Networks, Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Accounts receivable	15,563	"	-
0	Senao Networks, Inc.	EnGenius Networks Europe B.V.	1	Sales revenue	81,630	"	1
0	Senao Networks, Inc.	EnGenius Networks Europe B.V.	1	Accounts receivable	11,170	"	-
0	Senao Networks, Inc.	Emplus Technologies, Inc.	1	Sales revenue	24,946	"	-
0	Senao Networks, Inc.	Emplus Technologies, Inc.	1	Rent revenue	10,964	Note 6	-
1	EnRack Technology Inc.	Senao Networks, Inc.	2	Sales revenue	53,192	Note 5	1
1	EnRack Technology Inc.	Senao Networks, Inc.	2	Accounts receivable	19,090	"	-
1	EnRack Technology Inc.	Emplus Technologies, Inc.	3	Sales revenue	65,742	"	1
2	EnGenius Technologies, Inc.	EnGenius Technologies Canada Inc.	3	Sales revenue	18,650	Note 4	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.)

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: Sales prices are based on sales volume. The credit terms were approximately the same with third parties, which is 60 days from the first day of the month following the month of sales.

Note 5: The sales price and terms and conditions were based on mutual agreement.

Note 6: The rental payments were determined by mutual agreements and were paid monthly.

Note 7: Only amounts in excess of \$10 million of related party transactions are disclosed, and the opposite side of the transaction is not disclosed.

Note 8: The transactions were eliminated when preparing the consolidated financial statements.

SENAO NETWORKS, INC. AND SUBSIDIARIES
Information on investees
Year ended December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as at December 31, 2021			Net profit of the investee for the year ended December 31, 2021	Investment income recognized by the Company for the year ended December 31, 2021 (Note 2)	Footnote (Note 3)
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Senao Networks, Inc.	EnGenius Technologies, Inc.	USA	Sales of communication products	\$ 55,360	\$ 55,360	60,000	100.00	\$ 112,593	\$ 26,045	\$ 27,080	
Senao Networks, Inc.	EnRack Technology Inc.	Taiwan	Sales of communication products and manufacture and sales of stamping component	50,000	50,000	5,000,000	100.00	70,315	13,950	12,186	
Senao Networks, Inc.	Emplus Technologies, Inc.	Taiwan	Development, manufacture and sales of communication products	84,249	84,249	6,490,800	50.99	200,271	165,051	84,353	
Senao Networks, Inc.	EnGenius International (Samoa) Ltd.	Samoa	Investment holdings	165,803	165,803	5,990,000	100.00	13,152	8,945	9,174	
Senao Networks, Inc.	EnGenius Technologies Canada Inc.	Canada	Sales of communication products	3,794	3,794	100	100.00	11,245	3,541	3,541	
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Singapore	Sales of communication products	164,696	164,696	5,950,000	100.00	18,369	8,992	8,992	
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Netherlands	Sales of communication products	56,132	56,132	210,000	100.00	2,555	2,304	2,304	

Note 1: The column "Initial investment amount" is translated into New Taiwan Dollars at the spot exchange rate prevailing at the end of the period.

Note 2: The column "Investment income (loss) recognized by the Company" represents the income (loss), including the amount of investment income or loss from reinvestment, of directly invested subsidiaries and subsidiaries under equity method.

Note 3: The transactions were eliminated when preparing the consolidated financial statements.

SENAO NETWORKS, INC. AND SUBSIDIARIES

Major shareholders information

December 31, 2021

Table 4

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
Senao International Co., Ltd. (SIC)	16,579,033	33.79

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.

Note 2: If the aforementioned data contains shares which are held in trust by the shareholders, the data is disclosed as a separate account of client which was set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10%, in accordance with the Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on the reported share equity of insider, please refer to the Market Observation Post System.

Note 3: The preparation principle of this table uses the shareholders' register as of the book closure date for the shareholders' special meeting (no need buy-to-cover short sales) to calculate the distribution of the balance of each unsecured transaction.

Note 4: Ownership (%) = total shares held by the shareholder/total shares transferred in dematerialised form.

Note 5: Total shares transferred in dematerialised form (including treasury shares) amounted to 49,060,881 shares=49,060,881 common shares+0 preference shares.