

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW
REPORT
SEPTEMBER 30, 2023 AND 2022

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' REVIEW REPORT

(23) PWCR 23001796

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Senao Networks, Inc. and subsidiaries (the "Group") as at September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three and nine months then ended as well as of changes in equity and cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. It is the management team's responsibility to prepare the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports" by Securities Issuers and the International Accounting Standards 34 "Interim Financial Reporting", which has been endorsed and issued into effect by the Financial Supervisory Commission (FSC) of Republic of China, to present the consolidated financial position of the Group fairly, while our responsibility is to express a conclusion on the consolidated financial statements based on our review results.

Scope

Except for that stated in the Basis for Qualified Conclusion paragraph, we conducted our review in accordance with the Standards on TWSRE 2410 "Review of Financial Information Performed by the Independent Auditor of the Entity". The procedures performed when we reviewed the consolidated financial statements included inquiries (mainly from personnel in charge of financial and accounting affairs), analytical procedures, and other review procedures. The scope of review work is obviously smaller than that of audit work, so we might not be able to detect all the material matters that could have been identified through audit work, hence we were unable to express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(3) to the consolidated financial statements, the non-significant subsidiaries' financial statements for the same period included in the above consolidated financial statements have not been reviewed by us. As of September 30, 2023 and 2022, their total assets were NT\$845,748 thousand and NT\$607,966 thousand, respectively, accounting for 7% and 5% of the total consolidated assets, respectively; the total liabilities were NT\$251,886 thousand and NT\$208,048 thousand, respectively, both accounting for 3% of the total consolidated liabilities. For the three and the nine months ended September 30, 2023 and 2022, the total comprehensive income totaled NT\$2,855 thousand, NT\$46,518 thousand, NT\$11,147 thousand, and NT\$99,332 thousand, respectively, accounting for 1%, 12%, 1%, and 11% of the total consolidated comprehensive income, respectively.

Qualified Conclusion

According to our review results, except that the financial statements of non-significant subsidiaries described in the Basis for Qualified Conclusion paragraph may result in adjustment to and disclosure of the consolidated financial statements if reviewed by us, we have determined that the foregoing consolidated financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC, with a fair presentation of the Group's consolidated financial position as of September 30, 2023 and 2022, consolidated financial performance for the three months and the nine months ended September 30, 2023 and 2022 as well as consolidated cash flows for the nine months ended September 30, 2023 and 2022.

Pei-Chuan Huang
Pan, Hui-Lin
For and on behalf of PricewaterhouseCoopers, Taiwan

November 7, 2023

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
SEPTEMBER 30, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022
(Expressed in thousands of New Taiwan dollars)

			September 30, 2023		December 31, 2022		September 30, 2022	
Assets		Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 3,308,578	25	\$ 4,422,117	32	\$ 2,766,033	25
1170	Accounts receivable, net	6(2)	2,589,068	20	2,958,811	21	2,514,148	23
1180	Accounts receivable -related parties, net	7	-	-	1,150	-	61	-
1200	Other receivables	6(3)	181,212	1	213,486	2	228,827	2
1210	Other receivables - related parties	7	1,125	-	1,319	-	853	-
1220	Current income tax assets		2,566	-	6	-	6	-
130X	Inventory	6(4)	3,129,662	24	3,103,478	22	2,596,554	23
1410	Prepayments		33,066	1	15,515	-	18,379	-
11XX	Total current assets		9,245,277	71	10,715,882	77	8,124,861	73
Non-current assets								
1600	Property, plant and equipment	6(5)	3,082,372	24	2,577,713	19	2,428,335	22
1755	Right-of-use assets	6(6)	333,873	3	390,290	3	385,099	3
1780	Intangible assets	6(7)	13,873	-	9,056	-	10,868	-
1840	Deferred income tax assets		174,832	1	109,247	1	94,530	1
1900	Other non-current assets	6(8)	134,388	1	40,890	-	89,537	1
15XX	Total non-current assets		3,739,338	29	3,127,196	23	3,008,369	27
1XXX	Total assets		\$ 12,984,615	100	\$ 13,843,078	100	\$ 11,133,230	100

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SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			September 30, 2023		December 31, 2022		September 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(9)	\$ 1,338,619	10	\$ 1,200,119	9	\$ 4,445	-
2130	Current contract liabilities	6(17)	250,949	2	372,400	3	514,854	5
2150	Notes payable		3,586	-	2,889	-	3,957	-
2170	Accounts payable		3,896,788	30	5,391,437	39	4,323,967	39
2200	Other payables	6(10) (26)	1,572,306	12	1,403,631	10	1,280,070	11
2220	Other payables - related parties	7	84,052	1	-	-	403	-
2230	Current income tax liabilities		182,313	1	244,528	2	174,361	2
2250	Current provisions	6(12)	72,318	1	62,699	-	57,082	1
2280	Current lease liabilities	7	111,072	1	116,979	1	108,870	1
2300	Other current liabilities	6(13)	378,267	3	307,759	2	285,619	3
21XX	Total current liabilities		7,890,270	61	9,102,441	66	6,753,628	62
Non-current liabilities								
2527	Non-current contract liabilities	6(17)	16,792	-	13,928	-	14,179	-
2570	Deferred income tax liabilities		788	-	-	-	2,473	-
2580	Non-current lease liabilities	7	230,314	2	278,290	2	279,232	3
2600	Other non-current liabilities		3,548	-	4,103	-	9,793	-
25XX	Total non-current liabilities		251,442	2	296,321	2	305,677	3
2XXX	Total liabilities		8,141,712	63	9,398,762	68	7,059,305	65
Equity								
Equity attributable to owners of the parent								
	Share capital	6(14)						
3110	Share capital - common stock		490,609	4	490,609	4	490,609	4
	Capital surplus	6(15)						
3200	Capital surplus		703,127	5	703,127	5	703,127	6
	Retained earnings	6(16)						
3310	Legal reserve		660,541	5	553,614	4	553,614	5
3320	Special reserve		5,152	-	24,848	-	24,848	-
3350	Unappropriated retained earnings		2,754,509	21	2,363,596	17	2,034,228	18
	Other equity interest							
3400	Other equity interest		5,791	-	(5,152)	-	2,286	-
31XX	Equity attributable to owners of the parent		4,619,729	35	4,130,642	30	3,808,712	33
36XX	Non-controlling interest	4(3)	223,174	2	313,674	2	265,213	2
3XXX	Total equity		4,842,903	37	4,444,316	32	4,073,925	35
3X2X	Total liabilities and equity		\$ 12,984,615	100	\$ 13,843,078	100	\$ 11,133,230	100

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

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2023		2022		2023		2022	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenues	6(17) and 7	\$ 4,184,558	100	\$ 4,592,232	100	\$ 12,848,189	100	\$ 10,946,898	100
5000 Operating costs	6(4)(23)	(3,544,661)	(85)	(3,778,256)	(82)	(10,747,098)	(84)	(8,838,531)	(81)
5900 Net operating margin		<u>639,897</u>	<u>15</u>	<u>813,976</u>	<u>18</u>	<u>2,101,091</u>	<u>16</u>	<u>2,108,367</u>	<u>19</u>
Operating expenses	6(23)								
6100 Selling expenses		(138,598)	(3)	(115,322)	(3)	(394,744)	(3)	(311,235)	(3)
6200 General and administrative expenses		(121,505)	(3)	(148,655)	(3)	(356,416)	(3)	(394,599)	(4)
6300 Research and development expenses		(217,751)	(5)	(200,408)	(4)	(594,777)	(4)	(570,384)	(5)
6000 Total operating expenses		<u>(477,854)</u>	<u>(11)</u>	<u>(464,385)</u>	<u>(10)</u>	<u>(1,345,937)</u>	<u>(10)</u>	<u>(1,276,218)</u>	<u>(12)</u>
6500 Net other income (expenses)	6(18)	<u>7,888</u>	<u>-</u>	<u>6,234</u>	<u>-</u>	<u>33,619</u>	<u>-</u>	<u>30,764</u>	<u>-</u>
6900 Operating profit		<u>169,931</u>	<u>4</u>	<u>355,825</u>	<u>8</u>	<u>788,773</u>	<u>6</u>	<u>862,913</u>	<u>7</u>
Non-operating income and expenses									
7100 Interest income	6(19)	16,689	-	6,323	-	54,485	-	8,964	-
7010 Other income	6(20)	4,952	-	2,704	-	11,845	-	11,622	-
7020 Other gains and losses	6(21)	87,723	2	82,711	2	118,694	1	165,722	2
7050 Finance costs	6(22) and 7	(3,698)	-	(1,839)	-	(10,541)	-	(4,579)	-
7000 Total non-operating income and expenses		<u>105,666</u>	<u>2</u>	<u>89,899</u>	<u>2</u>	<u>174,483</u>	<u>1</u>	<u>181,729</u>	<u>2</u>
7900 Profit before income tax		<u>275,597</u>	<u>6</u>	<u>445,724</u>	<u>10</u>	<u>963,256</u>	<u>7</u>	<u>1,044,642</u>	<u>9</u>
7950 Income tax expense	6(24)	(32,573)	(1)	(76,694)	(2)	(149,406)	(1)	(169,932)	(2)
8200 Profit for the period		<u>\$ 243,024</u>	<u>5</u>	<u>\$ 369,030</u>	<u>8</u>	<u>\$ 813,850</u>	<u>6</u>	<u>\$ 874,710</u>	<u>7</u>
Other comprehensive income, net									
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		\$ 7,884	-	\$ 14,201	-	\$ 10,943	-	\$ 27,134	-
8300 Other comprehensive income, net		<u>\$ 7,884</u>	<u>-</u>	<u>\$ 14,201</u>	<u>-</u>	<u>\$ 10,943</u>	<u>-</u>	<u>\$ 27,134</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 250,908</u>	<u>5</u>	<u>\$ 383,231</u>	<u>8</u>	<u>\$ 824,793</u>	<u>6</u>	<u>\$ 901,844</u>	<u>7</u>
Profit attributable to:									
8610 Owners of the parent		<u>\$ 221,329</u>	<u>4</u>	<u>\$ 310,526</u>	<u>7</u>	<u>\$ 723,448</u>	<u>5</u>	<u>\$ 739,902</u>	<u>6</u>
8620 Non-controlling interest		<u>\$ 21,695</u>	<u>1</u>	<u>\$ 58,504</u>	<u>1</u>	<u>\$ 90,402</u>	<u>1</u>	<u>\$ 134,808</u>	<u>1</u>
Comprehensive income attributable to:									
8710 Owners of the parent		<u>\$ 229,213</u>	<u>4</u>	<u>\$ 324,727</u>	<u>7</u>	<u>\$ 734,391</u>	<u>5</u>	<u>\$ 767,036</u>	<u>6</u>
8720 Non-controlling interest	4(3)	<u>\$ 21,695</u>	<u>1</u>	<u>\$ 58,504</u>	<u>1</u>	<u>\$ 90,402</u>	<u>1</u>	<u>\$ 134,808</u>	<u>1</u>
Earnings per share	6(25)								
9750 Basic earnings per share		<u>\$ 4.51</u>		<u>\$ 6.33</u>		<u>\$ 14.75</u>		<u>\$ 15.08</u>	
Diluted earnings per share	6(25)								
9850 Diluted earnings per share		<u>\$ 4.49</u>		<u>\$ 6.27</u>		<u>\$ 14.64</u>		<u>\$ 14.92</u>	

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

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent						Financial statements translation differences of foreign operations	Total	Non-controlling interest	Total equity
		Capital surplus			Retained earnings						
Notes	Share capital - common stock	Additional paid-in capital	Others	Legal reserve	Special reserve	Unappropriated retained earnings					
<u>Nine months ended September 30, 2022</u>											
		\$ 490,609	\$ 702,817	\$ 310	\$ 508,132	\$ 20,729	\$ 1,491,109	(\$ 24,848)	\$ 3,188,858	\$ 192,785	\$ 3,381,643
	Profit for the period	-	-	-	-	-	739,902	-	739,902	134,808	874,710
	Other comprehensive income, net	-	-	-	-	-	-	27,134	27,134	-	27,134
	Total comprehensive income for the period	-	-	-	-	-	739,902	27,134	767,036	134,808	901,844
	Appropriations of 2021 earnings	6(16)									
	Legal reserve	-	-	-	45,482	-	(45,482)	-	-	-	-
	Special reserve	-	-	-	-	4,119	(4,119)	-	-	-	-
	Cash dividends	-	-	-	-	-	(147,182)	-	(147,182)	-	(147,182)
	Change in non-controlling interest	-	-	-	-	-	-	-	-	(62,380)	(62,380)
	Balance at September 30, 2022	\$ 490,609	\$ 702,817	\$ 310	\$ 553,614	\$ 24,848	\$ 2,034,228	\$ 2,286	\$ 3,808,712	\$ 265,213	\$ 4,073,925
<u>Nine months ended September 30, 2023</u>											
	Balance at January 1, 2023	\$ 490,609	\$ 702,817	\$ 310	\$ 553,614	\$ 24,848	\$ 2,363,596	(\$ 5,152)	\$ 4,130,642	\$ 313,674	\$ 4,444,316
	Profit for the period	-	-	-	-	-	723,448	-	723,448	90,402	813,850
	Other comprehensive income, net	-	-	-	-	-	-	10,943	10,943	-	10,943
	Total comprehensive income for the period	-	-	-	-	-	723,448	10,943	734,391	90,402	824,793
	Appropriations of 2022 earnings	6(16)									
	Legal reserve	-	-	-	106,927	-	(106,927)	-	-	-	-
	Special reserve reversed	-	-	-	-	(19,696)	19,696	-	-	-	-
	Cash dividends	-	-	-	-	-	(245,304)	-	(245,304)	-	(245,304)
	Change in non-controlling interest	-	-	-	-	-	-	-	-	(180,902)	(180,902)
	Balance at September 30, 2023	\$ 490,609	\$ 702,817	\$ 310	\$ 660,541	\$ 5,152	\$ 2,754,509	\$ 5,791	\$ 4,619,729	\$ 223,174	\$ 4,842,903

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

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Nine months ended September 30 2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 963,256	\$ 1,044,642
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(23)	205,474	169,118
Amortization	6(23)	5,932	8,247
Expected credit impairment (gain) loss	12(2)	(59)	391
Interest income	6(19)	(54,485)	(8,964)
Interest expense	6(22)	9,518	2,991
Losses on disposal of property, plant and equipment	6(21)	56	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		369,786	(1,095,600)
Accounts receivable -related parties, net		1,150	(61)
Other receivables		32,706	(99,341)
Other receivables - related parties		194	(178)
Inventory		(26,184)	(449,591)
Prepayments		(17,551)	(6,236)
Changes in operating liabilities			
Contract liabilities		(118,587)	213,893
Notes payable		697	469
Accounts payable		(1,494,649)	1,575,937
Other payables		(25,826)	459,696
Other payables - related parties		1,157	403
Current provisions		6,953	11,609
Other current liabilities		70,508	113,222
Other non-current liabilities		(555)	(446)
Cash inflow (outflow) generated from operations		(70,509)	1,940,201
Interest received		54,053	8,664
Interest paid		(9,518)	(2,991)
Income tax paid		(278,532)	(115,258)
Net cash inflows (outflows) from operating activities		(304,506)	1,830,616

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SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Nine months ended September 30	
	Notes	2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment (including capitalized interest)	6(26)	(\$ 600,281)	(\$ 542,514)
Increase in intangible assets	6(7)	(10,734)	(1,816)
Increase in guarantee deposits paid		(1,162)	(4,703)
Increase in other non-current assets		(72,762)	-
Net cash flows used in investing activities		(684,939)	(549,033)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(27)	137,597	(17,864)
Lease payments	6(6)(27)	(94,902)	(78,263)
Payment of cash dividends	6(16)	-	(147,182)
Change in non-controlling interest	4(3)	(180,902)	(62,380)
Net cash flows used in financing activities		(138,207)	(305,689)
Effect on foreign exchange difference		14,113	30,401
(Decrease) increase in cash and cash equivalents		(1,113,539)	1,006,295
Cash and cash equivalents at beginning of period		4,422,117	1,759,738
Cash and cash equivalents at end of period		<u>\$ 3,308,578</u>	<u>\$ 2,766,033</u>

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

SENAO NETWORKS INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

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 approved for release by the Board of Directors on November 7, 2023.

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 and issued into effect by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed and issued into effect by the FSC from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”	May 23, 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.

(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 from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”	January 1, 2024
Amendments to IAS 1, “Classification of liabilities as current or non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024

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 21, “Lack of exchangeability”	January 1, 2025

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 adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2022, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Statements by Securities Issuers” and IAS 34, “Interim Financial Reporting” as endorsed and issued into effect by the FSC.

- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

(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 financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the FSC (collectively referred herein as the “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. Basis for preparation of consolidated financial reports:

The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2022.

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2023	December 31, 2022	September 30, 2022	
Senao Networks Inc.	EnGenius Technologies, Inc.	Sales of communication products	100	100	100	Note 1
Senao Networks Inc.	EnRack Technology Inc.	Sales of communication products and Sales of manufactured stamping component	100	100	100	Note 1
Senao Networks Inc.	Emplus Technologies, Inc.	Research and development, manufacture and sales of communication products	50.99	50.99	50.99	
Senao Networks Inc.	EnGenius International (Samoa) Ltd.	Investment holdings	100	100	100	Note 1
Senao Networks Inc.	EnGenius Technologies Canada Inc.	Sales of communication products	100	100	100	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2023	December 31, 2022	September 30, 2022	
Senao Networks Inc.	EnGenius Networks Inc.	Sales of communication products	100	100	-	Note 2
Senao Networks Inc.	EnGenius Networks Japan	Sales of communication products	100	100	-	Note 3
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Sales of communication products	100	100	100	Note 1
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Sales of communication products	100	100	100	Note 1

Note 1: The financial statements as at and for the nine months ended September 30, 2023 and 2022 were not reviewed by independent auditors as the entity did not meet the definition of significant subsidiary.

Note 2: It is a new subsidiary established in October 2022. The financial statements as at and for the nine months ended September 30, 2023 were not reviewed by independent auditors as the entity did not meet the definition of significant subsidiary.

Note 3: It is a new subsidiary established in November 2022. The financial statements as at and for the nine months ended September 30, 2023 were not reviewed by independent auditors as the entity did not meet the definition of significant subsidiary.

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 September 30, 2023, December 31, 2022, and September 30, 2022, the non-controlling interests amounted to \$223,174, \$313,674, and \$265,213, respectively. The information on non-controlling interests and respective subsidiary is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest		Non-controlling interest	
		September 30, 2023		December 31, 2022	
		AMOUNT	Ownership (%)	AMOUNT	Ownership (%)
Emplus Technologies, Inc.	Taiwan	\$ 223,174	49.01%	\$ 313,674	49.01%

Name of subsidiary	Principal place of business	Non-controlling interest	
		September 30, 2022	
		AMOUNT	Ownership (%)
Emplus Technologies, Inc.	Taiwan	\$ 265,213	49.01%

Summarised financial information of Emplus Technologies, Inc.:

Balance sheet

	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 1,054,817	\$ 1,746,373	\$ 1,577,431
Non-current assets	290,125	314,275	317,201
Current liabilities	(781,442)	(1,284,333)	(1,205,502)
Non-current liabilities	(108,094)	(136,243)	(147,944)
Total net assets	<u>\$ 455,406</u>	<u>\$ 640,072</u>	<u>\$ 541,186</u>

Statement of comprehensive income

	Three months ended September 30	
	2023	2022
Revenue	\$ 415,022	\$ 745,130
Profit before income tax	51,268	145,946
Income tax expense	(6,996)	(26,565)
Profit for the period from continuing operations	44,272	119,381
Other comprehensive income, net of tax	-	-
Total comprehensive income for the period	<u>\$ 44,272</u>	<u>\$ 119,381</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 21,695</u>	<u>\$ 58,504</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

	Nine months ended September 30	
	2023	2022
Revenue	\$ 1,545,250	\$ 1,792,674
Profit before income tax	216,352	332,785
Income tax expense	(31,882)	(57,706)
Profit for the period from continuing operations	184,470	275,079
Other comprehensive income, net of tax	-	-
Total comprehensive income for the period	<u>\$ 184,470</u>	<u>\$ 275,079</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 90,402</u>	<u>\$ 134,808</u>
Dividends paid to non-controlling interest	<u>\$ 180,902</u>	<u>\$ 62,380</u>

Statement of cash flows

	Nine months ended September 30	
	2023	2022
Net cash generated flows from operating activities	\$ 81,763	\$ 306,418
Net cash flows used in investing activities	(32,958)	(25,047)
Net cash flows used in financing activities	(397,333)	(146,340)
Decrease in cash and cash equivalents	(348,528)	135,031
Cash and cash equivalents at beginning of period	1,016,414	588,684
Cash and cash equivalents at end of period	<u>\$ 667,886</u>	<u>\$ 723,715</u>

(4) Employee benefits

Under the defined benefit plans, pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year.

(5) Income tax

The tax expense for the period comprises current and deferred tax. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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. The management team has made critical estimates and assumptions concerning future events based on the situation at the balance sheet date. 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. Critical accounting estimates are mainly made for inventory valuation. The details are 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 September 30, 2023, the carrying amount of inventories was \$3,129,662.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash on hand and revolving funds	\$ 512	\$ 680	\$ 678
Checking accounts and demand deposits	450,356	476,400	623,300
Time deposits	<u>2,857,710</u>	<u>3,945,037</u>	<u>2,142,055</u>
	<u>\$ 3,308,578</u>	<u>\$ 4,422,117</u>	<u>\$ 2,766,033</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

	September 30, 2023	December 31, 2022	September 30, 2022
Accounts receivable	\$ 2,589,178	\$ 2,958,964	\$ 2,514,590
Less: Allowance for bad debts	(110)	(153)	(442)
	<u>\$ 2,589,068</u>	<u>\$ 2,958,811</u>	<u>\$ 2,514,148</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Not past due	\$ 2,571,817	\$ 2,923,854	\$ 2,477,462
Up to 30 days	17,082	34,707	35,138
31 to 60 days	91	12	183
61 to 90 days	104	137	928
91 to 180 days	-	170	879
Over 180 days	84	84	-
	<u>\$ 2,589,178</u>	<u>\$ 2,958,964</u>	<u>\$ 2,514,590</u>

The above ageing analysis was based on past due date.

- B. As of September 30, 2023, December 31, 2022, September 30, 2022 and January 1, 2022, the balances of receivables from contracts with customers amounted to \$2,589,178, \$2,958,964, \$2,514,590, and \$1,418,990, respectively.
- C. The Group does not hold any collateral as security.
- D. As at September 30, 2023, December 31, 2022 and September 30, 2022, 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 \$2,589,068, \$2,958,811 and \$2,514,148, 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 September 30, 2023, December 31, 2022 and September 30, 2022, the transferred accounts receivable are as follows:

September 30, 2023					
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognized	Facilities (thousand)	Amount advanced	Interest rate of amount advanced
CTBC Bank	\$ 2,912	\$ 2,912	USD 1,550	\$ -	-
Taishin					
International Bank	10,193	10,193	USD 925	-	-
Total	<u>\$ 13,105</u>	<u>\$ 13,105</u>		<u>\$ -</u>	

December 31, 2022					
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognized	Facilities (thousand)	Amount advanced	Interest rate of amount advanced
CTBC Bank	\$ 5,857	\$ 5,857	USD 1,050	\$ -	-
Taishin					
International Bank	9,213	9,213	USD 1,425	-	-
Total	<u>\$ 15,070</u>	<u>\$ 15,070</u>		<u>\$ -</u>	

September 30, 2022					
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognized	Facilities (thousand)	Amount advanced	Interest rate of amount advanced
CTBC Bank	\$ 5,259	\$ 5,259	USD 1,050	\$ -	-
Taishin					
International Bank	24,918	24,918	USD 1,425	-	-
Total	<u>\$ 30,177</u>	<u>\$ 30,177</u>		<u>\$ -</u>	

Note: Recorded as “other receivables”.

- B. The Group paid factoring expenses of \$322, \$630, \$1,023 and \$1,588 upon transfer of the derecognized accounts receivable for the three months and nine months ended September 30, 2023 and 2022, respectively, which was recorded as “finance costs”.

(4) Inventory

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 1,321,795	\$ 1,747,375	\$ 1,455,304
Work in progress	983,705	872,469	838,116
Finished goods	824,162	483,634	303,134
	<u>\$ 3,129,662</u>	<u>\$ 3,103,478</u>	<u>\$ 2,596,554</u>

The cost of inventories recognized as expense for the three months and nine months ended September 30, 2023 and 2022 were \$3,541,291, \$3,771,993, \$10,733,322 and \$8,818,274, including \$85,572, \$8,562, \$147,518 and \$100,498, respectively, that the Group wrote down from cost to net realizable value which was accounted for as cost of goods sold during the three months and nine months ended September 30, 2023 and 2022.

(5) Property, plant and equipment

2023										
	Land	Buildings	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Other equipment	Leasehold improvements	Unfinished construction and equipment acceptance	Total
At January 1										
Cost	\$ 950,749	\$ -	\$ 1,157,088	\$ 153,901	\$ 3,233	\$ 94,224	\$ 34,275	\$ 97,328	\$ 1,012,359	\$ 3,503,157
Accumulated depreciation and impairment	-	-	(625,524)	(143,168)	(3,233)	(52,461)	(18,579)	(82,479)	-	(925,444)
	<u>\$ 950,749</u>	<u>\$ -</u>	<u>\$ 531,564</u>	<u>\$ 10,733</u>	<u>\$ -</u>	<u>\$ 41,763</u>	<u>\$ 15,696</u>	<u>\$ 14,849</u>	<u>\$ 1,012,359</u>	<u>\$ 2,577,713</u>
At January 1	\$ 950,749	\$ -	\$ 531,564	\$ 10,733	\$ -	\$ 41,763	\$ 15,696	\$ 14,849	\$ 1,012,359	\$ 2,577,713
Additions	-	-	317,806	9,316	-	44,059	27,045	13,377	191,517	603,120
Transfers	-	23,402	-	-	-	1,648	100	-	(25,150)	-
Disposals	-	-	(37)	-	-	(19)	-	-	-	(56)
Other non-current assets-transferred in	-	-	9,679	-	-	-	-	-	-	9,679
Depreciation	-	-	(79,478)	(7,242)	-	(10,366)	(4,120)	(6,920)	-	(108,126)
Net exchange differences	-	-	-	-	-	38	-	4	-	42
At September 30	<u>\$ 950,749</u>	<u>\$ 23,402</u>	<u>\$ 779,534</u>	<u>\$ 12,807</u>	<u>\$ -</u>	<u>\$ 77,123</u>	<u>\$ 38,721</u>	<u>\$ 21,310</u>	<u>\$ 1,178,726</u>	<u>\$ 3,082,372</u>
At September 30										
Cost	\$ 950,749	\$ 23,402	\$ 1,475,114	\$ 163,217	\$ 3,397	\$ 138,834	\$ 61,412	\$ 110,723	\$ 1,178,726	\$ 4,105,574
Accumulated depreciation and impairment	-	-	(695,580)	(150,410)	(3,397)	(61,711)	(22,691)	(89,413)	-	(1,023,202)
	<u>\$ 950,749</u>	<u>\$ 23,402</u>	<u>\$ 779,534</u>	<u>\$ 12,807</u>	<u>\$ -</u>	<u>\$ 77,123</u>	<u>\$ 38,721</u>	<u>\$ 21,310</u>	<u>\$ 1,178,726</u>	<u>\$ 3,082,372</u>

2022

	Land	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Other equipment	Leasehold improvements	Unfinished construction and equipment acceptance	Total
At January 1									
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>
At January 1	\$ 950,749	\$ 457,946	\$ 10,331	\$ -	\$ 24,556	\$ 11,784	\$ 18,386	\$ 483,095	\$ 1,956,847
Additions	-	63,186	7,238	-	12,870	2,015	5,336	467,043	557,688
Depreciation	-	(61,008)	(7,309)	-	(6,279)	(2,285)	(9,524)	-	(86,405)
Net exchange differences	-	-	-	-	127	1	77	-	205
At September 30	<u>\$ 950,749</u>	<u>\$ 460,124</u>	<u>\$ 10,260</u>	<u>\$ -</u>	<u>\$ 31,274</u>	<u>\$ 11,515</u>	<u>\$ 14,275</u>	<u>\$ 950,138</u>	<u>\$ 2,428,335</u>
At September 30									
Cost	\$ 950,749	\$ 1,064,038	\$ 150,973	\$ 3,342	\$ 90,948	\$ 29,340	\$ 94,734	\$ 950,138	\$ 3,334,262
Accumulated depreciation and impairment	-	(603,914)	(140,713)	(3,342)	(56,674)	(17,825)	(80,459)	-	(905,927)
	<u>\$ 950,749</u>	<u>\$ 460,124</u>	<u>\$ 10,260</u>	<u>\$ -</u>	<u>\$ 31,274</u>	<u>\$ 11,515</u>	<u>\$ 14,275</u>	<u>\$ 950,138</u>	<u>\$ 2,428,335</u>

The capitalized amount of borrowing costs for the Group's property, plant and equipment for the nine months ended September 30, 2023 totaled \$5,547, and the capitalized interest rate ranged from 2.48% to 3.61%.

(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:

	September 30, 2023	December 31, 2022	September 30, 2022
	Book value	Book value	Book value
Buildings	\$ 324,385	\$ 380,441	\$ 374,731
Transportation equipment	4,450	4,066	4,161
Office equipment	473	788	953
Other equipment	4,565	4,995	5,254
	<u>\$ 333,873</u>	<u>\$ 390,290</u>	<u>\$ 385,099</u>

	Three months ended September 30	
	2023	2022
	Depreciation	Depreciation
Buildings	\$ 31,884	\$ 28,379
Transportation equipment	635	735
Office equipment	82	159
Other equipment	289	259
	<u>\$ 32,890</u>	<u>\$ 29,532</u>

	Nine months ended September 30	
	2023	2022
	Depreciation	Depreciation
Buildings	\$ 94,548	\$ 79,884
Transportation equipment	1,673	1,837
Office equipment	321	475
Other equipment	806	517
	<u>\$ 97,348</u>	<u>\$ 82,713</u>

- D. For the three months and nine months ended September 30, 2023 and 2022, the additions to right-of-use assets were \$15,952, \$48,351, \$38,768 and \$235,755, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Three months ended September 30	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,360	\$ 1,160
Expense on short-term lease contracts	1,226	1,168
Expense on variable lease payments	2,213	1,332
Gain on sublease of right-of-use assets (Note)	1,321	911
	Nine months ended September 30	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,119	\$ 2,416
Expense on short-term lease contracts	4,378	3,642
Expense on variable lease payments	6,546	3,779
Gain on sublease of right-of-use assets (Note)	3,410	2,683

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

F. For the nine months ended September 30, 2023 and 2022, the Group’s total cash outflow relating to lease contracts was \$109,945 and \$88,100, of which \$94,902 and \$78,263 were lease payments, respectively.

G. 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.

H. 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:

2023			
	Computer software	Goodwill	Total
At January 1			
Cost	\$ 93,922	\$ 480	\$ 94,402
Accumulated amortization and impairment	(85,346)	-	(85,346)
	<u>\$ 8,576</u>	<u>\$ 480</u>	<u>\$ 9,056</u>
At January 1	\$ 8,576	\$ 480	\$ 9,056
Additions	10,734	-	10,734
Amortization	(5,932)	-	(5,932)
Net exchange differences	15	-	15
At September 30	<u>\$ 13,393</u>	<u>\$ 480</u>	<u>\$ 13,873</u>
At September 30			
Cost	\$ 104,211	\$ 480	\$ 104,691
Accumulated amortization and impairment	(90,818)	-	(90,818)
	<u>\$ 13,393</u>	<u>\$ 480</u>	<u>\$ 13,873</u>
2022			
	Computer software	Goodwill	Total
At January 1			
Cost	\$ 93,373	\$ 480	\$ 93,853
Accumulated amortization and impairment	(76,554)	-	(76,554)
	<u>\$ 16,819</u>	<u>\$ 480</u>	<u>\$ 17,299</u>
At January 1	\$ 16,819	\$ 480	\$ 17,299
Additions	1,816	-	1,816
Amortization	(8,247)	-	(8,247)
At September 30	<u>\$ 10,388</u>	<u>\$ 480</u>	<u>\$ 10,868</u>
At September 30			
Cost	\$ 94,935	\$ 480	\$ 95,415
Accumulated amortization and impairment	(84,547)	-	(84,547)
	<u>\$ 10,388</u>	<u>\$ 480</u>	<u>\$ 10,868</u>

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

	Three months ended September 30	
	2023	2022
Manufacturing expenses	\$ 264	\$ 45
Selling expenses	-	601
General and administrative expenses	823	587
Research and development expenses	768	1,533
	<u>\$ 1,855</u>	<u>\$ 2,766</u>

	Nine months ended September 30	
	2023	2022
Manufacturing expenses	\$ 505	\$ 178
Selling expenses	-	1,804
General and administrative expenses	2,187	1,825
Research and development expenses	3,240	4,440
	<u>\$ 5,932</u>	<u>\$ 8,247</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

	September 30, 2023	December 31, 2022	September 30, 2022
Prepayment for equipment	\$ 42,290	\$ 22,716	\$ 71,731
Refundable deposits	19,336	18,174	17,806
Others	72,762	-	-
	<u>\$ 134,388</u>	<u>\$ 40,890</u>	<u>\$ 89,537</u>

(9) Short-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank borrowings	\$ 1,338,619	\$ 1,200,119	\$ 4,445
Interest rate	1.8%~6.27%	1.73%~5.09%	4.00%

(10) Other payables

	September 30, 2023	December 31, 2022	September 30, 2022
Accrued salary expenses and bonus	\$ 796,344	\$ 802,181	\$ 636,814
Accrued employees' compensation and directors' remuneration	130,627	172,506	122,306
Dividends payable	162,409	-	-
Construction retainage received	105,068	95,418	90,193
Accrued equipment	73,950	51,508	53,516
Others	303,908	282,018	377,241
	<u>\$ 1,572,306</u>	<u>\$ 1,403,631</u>	<u>\$ 1,280,070</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 at the end of each 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) For the aforementioned benefit plan the Group recognized pension costs of \$15, \$26, \$39 and \$79 for the three months and nine months ended September 30, 2023 and 2022, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 amount to \$780.

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 three months and nine months ended September 30, 2023 and 2022 amounted to \$21,987, \$14,037, \$59,603 and \$39,297, respectively.

- (b) EnGenius International (Samoa) Ltd. and EnGenius Technologies Canada Inc. have not yet established an employee pension plan. EnGenius Technologies, Inc., EnGenius Networks Singapore Pte. Ltd., EnGenius Networks Europe B.V., and EnGenius Networks Japan 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 three months and nine months ended September 30, 2023 and 2022 were \$680, \$686, \$2,164 and \$1,915, respectively.

(12) Provisions

	2023	2022
At January 1	\$ 62,699	\$ 42,186
Additional provisions during this period	20,112	25,767
Used during this period	(13,159)	(14,158)
Effect of exchange rate changes	2,666	3,287
At September 30	<u>\$ 72,318</u>	<u>\$ 57,082</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

	September 30, 2023	December 31, 2022	September 30, 2022
Collection of project development on behalf of others	\$ 360,432	\$ 290,679	\$ 271,095
Sales refund liabilities	11,300	12,896	9,999
Others	6,535	4,184	4,525
	<u>\$ 378,267</u>	<u>\$ 307,759</u>	<u>\$ 285,619</u>

(14) Share capital

As of September 30, 2023, 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 nine months ended September 30, 2023 and 2022.

(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 2022 and 2021 earnings distribution proposals, which were approved by the resolution of the shareholders' meetings on May 31, 2023 and June 17, 2022, respectively, are detailed below:

	Year ended December 31			
	2022		2021	
	AMOUNT	Dividends per share (in dollars)	AMOUNT	Dividends per share (in dollars)
Legal reserve	\$ 106,927	\$ -	\$ 45,482	\$ -
Special reserve	(19,696)	-	4,119	-
Cash dividends	245,304	5.0	147,182	3.0
	<u>\$ 332,535</u>	<u>\$ 5.0</u>	<u>\$ 196,783</u>	<u>\$ 3.0</u>

(17) Operating revenues

		Three months ended September 30	
		2023	2022
Revenue from contracts with customers	\$	4,184,558	\$ 4,592,232

		Nine months ended September 30	
		2023	2022
Revenue from contracts with customers	\$	12,848,189	\$ 10,946,898

A. Information on disaggregation of revenue from contracts with customers based on geographical regions is provided in Note 14(2).

B. Contract liabilities

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

	September 30, 2023	December 31, 2022
Current contract liabilities:		
Contract liabilities- sales of goods	\$ 231,674	\$ 360,823
Contract liabilities- providing services	19,275	11,577
Sub-total	250,949	372,400
Non-current contract liabilities:		
Contract liabilities- providing services	16,792	13,928
Total	\$ 267,741	\$ 386,328

	September 30, 2022	January 1, 2022
Current contract liabilities:		
Contract liabilities- sales of goods	\$ 503,169	\$ 300,564
Contract liabilities- providing services	11,685	4,979
Sub-total	514,854	305,543
Non-current contract liabilities:		
Contract liabilities- providing services	14,179	9,597
Total	\$ 529,033	\$ 315,140

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

		Three months ended September 30	
		2023	2022
Revenue from contracts with customers	\$	59,009	\$ 72,257

		Nine months ended September 30	
		2023	2022
Revenue from contracts with customers	\$	269,088	\$ 190,004

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) Net other income (expenses)

		Three months ended September 30	
		2023	2022
Other income			
Project development income	\$	7,888	\$ 6,234
		Nine months ended September 30	
		2023	2022
Other income			
Project development income	\$	33,619	\$ 30,764

(19) Interest income

		Three months ended September 30	
		2023	2022
Interest income	\$	16,655	\$ 6,306
Other interest income		34	17
	\$	16,689	\$ 6,323
		Nine months ended September 30	
		2023	2022
Interest income	\$	54,354	\$ 8,915
Other interest income		131	49
	\$	54,485	\$ 8,964

(20) Other income

		Three months ended September 30	
		2023	2022
Rent income	\$	1,321	\$ 911
Other income		3,631	1,793
	\$	4,952	\$ 2,704
		Nine months ended September 30	
		2023	2022
Rent income	\$	3,410	\$ 2,683
Other income		8,435	8,939
	\$	11,845	\$ 11,622

(21) Other gains and losses

Three months ended September 30			
	2023	2022	
Foreign exchange gains	\$ 87,848	\$ 82,711	
Losses on disposal of property, plant and equipment	(28)	-	
Others	(97)	-	
	<u>\$ 87,723</u>	<u>\$ 82,711</u>	
Nine months ended September 30			
	2023	2022	
Foreign exchange gains	\$ 119,319	\$ 165,722	
Losses on disposal of property, plant and equipment	(56)	-	
Others	(569)	-	
	<u>\$ 118,694</u>	<u>\$ 165,722</u>	

(22) Finance costs

Three months ended September 30			
	2023	2022	
Interest expense	\$ 3,376	\$ 1,209	
Other financial expense	322	630	
	<u>\$ 3,698</u>	<u>\$ 1,839</u>	
Nine months ended September 30			
	2023	2022	
Interest expense	\$ 9,518	\$ 2,991	
Other financial expense	1,023	1,588	
	<u>\$ 10,541</u>	<u>\$ 4,579</u>	

(23) Expenses by nature

Three months ended September 30			
	2023	2022	
Wages and salaries	\$ 714,774	\$ 642,870	
Labor and health insurance fees	50,779	33,331	
Pension costs	22,682	14,749	
Other personnel expenses	24,705	23,100	
Employee benefit expense	<u>\$ 812,940</u>	<u>\$ 714,050</u>	
Depreciation	<u>\$ 73,180</u>	<u>\$ 59,299</u>	
Amortization	<u>\$ 1,855</u>	<u>\$ 2,766</u>	

	Nine months ended September 30	
	2023	2022
Wages and salaries	\$ 2,123,599	\$ 1,655,377
Labor and health insurance fees	144,594	97,039
Pension costs	61,806	41,291
Other personnel expenses	82,922	58,708
Employee benefit expense	<u>\$ 2,412,921</u>	<u>\$ 1,852,415</u>
Depreciation	<u>\$ 205,474</u>	<u>\$ 169,118</u>
Amortization	<u>\$ 5,932</u>	<u>\$ 8,247</u>

A. According to the Articles of Incorporation of the Company and its domestic subsidiaries, where the Company or its domestic subsidiaries make a profit for a fiscal year, they shall provide no lower than 3% of the balance for employees' compensation and no higher than 3% for directors' and supervisors' remuneration. 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 three months and nine months ended September 30, 2023 and 2022, employees' compensation was accrued at \$27,357, \$44,823, \$94,827 and \$104,650, respectively; while directors' and supervisors' remuneration was accrued at \$4,746, \$7,314, \$16,163 and \$17,135, respectively. The aforementioned amounts were recognized in salary expenses. The expenses recognized were accrued based on the earnings as of the end of this period.

On February 24, 2023, employees' compensation and directors' and supervisors' remuneration for 2022 amounting to \$105,957 and \$19,867, respectively, as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2022 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 16, 2023, employees' compensation and directors' and supervisors' remuneration of the subsidiary, Emplus Technologies, Inc., for 2022 amounting to \$37,704 and \$3,696, respectively, as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2022 financial statements.

On February 20, 2023, employees' compensation and directors' and supervisors' remuneration of the subsidiary, Enrack Technology Inc., for 2022 amounting to \$4,011 and \$750, respectively, as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2022 financial statements.

(24) Income tax

A. Income tax expense

	Three months ended September 30	
	2023	2022
Current tax:		
Current tax on profit for the period	\$ 64,826	\$ 88,977
Tax on undistributed surplus earnings	(3,982)	(3,329)
Prior year income tax underestimation and overestimation	190	(174)
Total current tax	61,034	85,474
Deferred tax:		
Origination and reversal of temporary differences	(28,461)	(8,780)
Income tax expense	<u>\$ 32,573</u>	<u>\$ 76,694</u>

	Nine months ended September 30	
	2023	2022
Current tax:		
Current tax on profit for the period	\$ 203,097	\$ 203,389
Tax on undistributed surplus earnings	7,507	993
Prior year income tax underestimation	3,599	3,438
Total current tax	214,203	207,820
Deferred tax:		
Origination and reversal of temporary differences	(64,797)	(37,888)
Income tax expense	<u>\$ 149,406</u>	<u>\$ 169,932</u>

- B. The profit-seeking enterprise income tax returns filed by the Company and subsidiary, EnRack Technology Inc., up to 2021 were approved by the Tax Authority. The profit-seeking enterprise income tax returns of the subsidiary, Emplus Technologies, Inc., up to 2020 was approved by the Tax Authority.

(25) Earnings per share

	Three months ended September 30, 2023		
	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	\$ 221,329	49,061	<u>\$ 4.51</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	283	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 221,329</u>	<u>49,344</u>	<u>\$ 4.49</u>

Three months ended September 30, 2022			
	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	\$ 310,526	49,061	<u>\$ 6.33</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	436	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 310,526</u>	<u>49,497</u>	<u>\$ 6.27</u>
Nine months ended September 30, 2023			
	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	\$ 723,448	49,061	<u>\$ 14.75</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	356	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 723,448</u>	<u>49,417</u>	<u>\$ 14.64</u>

	Nine months ended September 30, 2022		
	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	\$ 739,902	49,061	<u>\$ 15.08</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	535	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 739,902</u>	<u>49,596</u>	<u>\$ 14.92</u>

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Nine months ended September 30	
	2023	2022
Purchase of property, plant and equipment and other non-current assets-transferred in property, plant and equipment	\$ 612,799	\$ 557,688
Less: Ending balance of payable on equipment	(73,950)	(53,516)
Ending balance of construction retainage received (Note)	(105,068)	(90,193)
Opening balance of prepayments for equipment	(22,716)	-
Add: Opening balance of payable on equipment	51,508	11,484
Opening balance of construction retainage received (Note)	95,418	45,320
Ending balance of prepayments for equipment	<u>42,290</u>	<u>71,731</u>
Cash paid during the period for purchase of property, plant and equipment	<u>\$ 600,281</u>	<u>\$ 542,514</u>

Note: They were recognized in "Other non-current liabilities" as at January 1, 2022, while in "Other payables" during the period except for said date.

B. Financing activities with no cash flow effects

	Nine months ended September 30	
	2023	2022
Cash dividends declared but yet to be paid	\$ 245,304	\$ -

(27) Changes in liabilities from financing activities

Under the amendments to IAS 7, “Disclosure initiative”, changes during the nine months ended September 30, 2023 and 2022 are disclosed as follows:

	2023			
	Short-term borrowings	Lease liabilities	Other non-current liabilities	Liabilities from financing gross
At January 1	\$ 1,200,119	\$ 395,269	\$ 90	\$ 1,595,478
Changes in cash flow from financing activities	137,597	(94,902)	-	42,695
Impact of changes in foreign exchange rate	903	2,243	-	3,146
Changes in other non-cash items	-	38,776	-	38,776
At September 30	<u>\$ 1,338,619</u>	<u>\$ 341,386</u>	<u>\$ 90</u>	<u>\$ 1,680,095</u>

	2022			
	Short-term borrowings	Lease liabilities	Other non-current liabilities	Liabilities from financing gross
At January 1	\$ 20,760	\$ 226,734	\$ 739	\$ 248,233
Changes in cash flow from financing activities	(17,864)	(78,263)	-	(96,127)
Impact of changes in foreign exchange rate	1,549	3,876	48	5,473
Changes in other non-cash items	-	235,755	(697)	235,058
At September 30	<u>\$ 4,445</u>	<u>\$ 388,102</u>	<u>\$ 90</u>	<u>\$ 392,637</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

As of September 30, 2023, December 31, 2022, and September 30, 2022, the Group does not have a parent company. Senao International Co., Ltd. held 33.79% of the Company’s shares, and is the most influential entity to the Company.

(2) Name of related party and relationship

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

(3) Significant related party transactions

A. Operating revenues

	<u>Three months ended September 30</u>	
	<u>2023</u>	<u>2022</u>
Merchandise sales:		
Entities with joint control or significant influence over the Group	<u>(\$ 846)</u>	<u>\$ 58</u>

	<u>Nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>
Merchandise sales:		
Entities with joint control or significant influence over the Group	<u>\$ 2,083</u>	<u>\$ 58</u>

The Group's selling prices and payment term for the merchandise sold to the related parties are based on mutual agreement, which is due within 60 days after the end of each month.

B. Receivables from related parties

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts receivable:			
Entities with joint control or significant influence over the Group	<u>\$ -</u>	<u>\$ 1,150</u>	<u>\$ 61</u>
Other receivables- payment on behalf of others:			
Entities with joint control or significant influence over the Group	<u>\$ 1,125</u>	<u>\$ 1,319</u>	<u>\$ 853</u>

C. Other payables

	September 30, 2023	December 31, 2022	September 30, 2022
Dividends payable			
Entities with joint control or significant influence over the Group	\$ 82,895	\$ -	\$ -
Other payables			
Entities with joint control or significant influence over the Group	1,157	-	403
	<u>\$ 84,052</u>	<u>\$ -</u>	<u>\$ 403</u>

D. Property transactions

	September 30, 2023	December 31, 2022	September 30, 2022
Acquisition of property, plant and equipment:			
Entities with joint control or significant influence over the Group	\$ -	\$ 54	\$ 54

E. 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. Ending balance:

	September 30, 2023	December 31, 2022	September 30, 2022
Entities with joint control or significant influence over the Group			
Current	\$ 22,724	\$ 41,387	\$ 41,257
Non-current	-	15,178	26,524
	<u>\$ 22,724</u>	<u>\$ 56,565</u>	<u>\$ 67,781</u>

ii. Interest expense

	Three months ended September 30	
	2023	2022
Entities with joint control or significant influence over the Group	\$ 87	\$ 216

	Nine months ended September 30	
	2023	2022
Entities with joint control or significant influence over the Group	\$ 359	\$ 746

(4) Information on the remuneration to directors, supervisors, the President, Vice Presidents, and other key management personnel

	Three months ended September 30	
	2023	2022
Salaries and other short-term employee benefits	\$ 22,560	\$ 24,362
Post-employment benefits	654	271
	<u>\$ 23,214</u>	<u>\$ 24,633</u>

	Nine months ended September 30	
	2023	2022
Salaries and other short-term employee benefits	\$ 69,531	\$ 67,881
Post-employment benefits	1,216	774
	<u>\$ 70,747</u>	<u>\$ 68,655</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of September 30, 2023, the Company had capital expenditures contracted for but not yet incurred in the amount of \$126,999.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) The Vietnamese subsidiary, CONGTY TNHH SENAO NETWORKS VIET NAM, was incorporated and registered in September 2023. The Company remitted US\$20 million for its registered capital in October 2023.
- (2) The Indian subsidiary, SENAO NETWORKS PRIVATE LIMITED, was incorporated and registered in August 2023. The Company remitted US\$205,000 for its registered capital in October 2023.

12. OTHERS

(1) Capital risk 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 (including related parties), other receivables (including related parties), guarantee deposits paid (under other non-current assets), short-term borrowings, notes payable, accounts payable, other payables (including related parties), guarantee deposits received (under other non-current liabilities), 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, 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, CAD and JPY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2023					
		Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	USD	150,046		32.270	\$ 4,841,984
JPY:NTD	JPY	147,301		0.216	31,846
<u>Non-monetary items</u>					
USD:NTD	USD	4,959		32.270	160,041
CAD:NTD	CAD	617		23.900	14,758
JPY:NTD	JPY	29,527		0.216	6,384
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	USD	68,658		32.270	2,215,589

December 31, 2022					
		Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	USD	161,678		30.710	\$ 4,965,121
JPY:NTD	JPY	147,300		0.232	34,233
<u>Non-monetary items</u>					
USD:NTD	USD	5,928		30.710	182,052
CAD:NTD	CAD	639		22.670	14,497
JPY:NTD	JPY	29,997		0.232	6,971
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	USD	109,215		30.710	3,353,984

September 30, 2022					
		Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	USD	132,292		31.750	\$ 4,200,285
<u>Non-monetary items</u>					
USD:NTD	USD	5,924		31.750	188,101
CAD:NTD	CAD	637		23.240	14,808
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	USD	84,344		31.750	2,677,931

- 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.

Three months ended September 30, 2023					
Exchange gain (loss)					
		Foreign currency amount (in thousands)		Exchange rate	Book value
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD		-		32.270	\$ 29,771
JPY:NTD		-		0.216	176
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD		-		32.270	(21,393)

	Three months ended September 30, 2022			
	Exchange gain (loss)			
	Foreign currency amount (in thousands)	Exchange rate	Book value	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	-	31.750	\$	108,524
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	-	31.750	(	106,222)

	Nine months ended September 30, 2023		
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	-	32.270	\$ 70,001
JPY:NTD	-	0.216	191
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	-	32.270	(64,744)

	Nine months ended September 30, 2022		
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	-	31.750	\$ 133,841
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	-	31.750	(149,130)

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

Nine months ended September 30, 2023				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 48,420	\$	-
JPY:NTD	1%	318		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	22,156		-

Nine months ended September 30, 2022				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 42,003	\$	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	26,779		-

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 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 (including related parties) as of September 30, 2023, December 31, 2022 and September 30, 2022.

	Not past due	30 days	31-60 days	61-90 days	91-180 days	Over 181 days	Total
<u>September 30, 2023</u>							
Expected loss rate	0.03%	0.03%	10%	30%	50%	100%	
Total book value	\$ 2,571,817	\$ 17,082	\$ 91	\$ 104	\$ -	\$ 84	\$ 2,589,178
Loss allowance	\$ -	\$ -	\$ -	\$ 26	\$ -	\$ 84	\$ 110
					91-180 days	Over 181 days	Total
<u>December 31, 2022</u>							
Expected loss rate	0.03%	0.03%	10%	30%	50%	100%	
Total book value	\$ 2,923,899	\$ 35,812	\$ 12	\$ 137	\$ 170	\$ 84	\$ 2,960,114
Loss allowance	\$ -	\$ -	\$ -	\$ 69	\$ -	\$ 84	\$ 153
					91-180 days	Over 181 days	Total
<u>September 30, 2022</u>							
Expected loss rate	0.03%	0.03%	10%	30%	50%	100%	
Total book value	\$ 2,477,523	\$ 35,138	\$ 183	\$ 928	\$ 879	\$ -	\$ 2,514,651
Loss allowance	\$ -	\$ -	\$ 3	\$ -	\$ 439	\$ -	\$ 442

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

	2023	2022
	Accounts receivable	Accounts receivable
At January 1	\$ 153	\$ 22
Provision for impairment loss	(59)	391
Effect of exchange rate changes	16	29
At September 30	<u>\$ 110</u>	<u>\$ 442</u>

(c) Liquidity risk

- 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.
- 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.
- 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
September 30, 2023				
Short-term borrowings	\$ 1,345,046	\$ -	\$ -	\$ -
Notes payable	3,586	-	-	-
Accounts payable	3,896,788	-	-	-
Other payables (including related parties)	1,656,358	-	-	-
Lease liabilities	113,916	90,720	143,844	-
Other non-current liabilities	-	90	-	-

Non-derivative financial
liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2022				
Short-term borrowings	\$ 1,204,204	\$ -	\$ -	\$ -
Notes payable	2,889	-	-	-
Accounts payable	5,391,437	-	-	-
Other payables	1,403,631	-	-	-
Lease liabilities	121,167	95,699	188,754	-
Other non-current liabilities	-	90	-	-

Non-derivative financial
liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
September 30, 2022				
Short-term borrowings	\$ 4,494	\$ -	\$ -	\$ -
Notes payable	3,957	-	-	-
Accounts payable	4,323,967	-	-	-
Other payables (including related parties)	1,280,473	-	-	-
Lease liabilities	112,854	98,015	186,144	1,437
Other non-current liabilities	649	-	-	-

(3) Fair value estimation

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

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: Please refer to table 1.
- 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 2.
- 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. The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: Please refer to table 3.

(2) Information on investments

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Please refer to table 5.

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 Group's segment information for the three months and nine months ended September 30, 2023 and 2022 is provided as follows:

Three months ended September 30, 2023					
	Taiwan	America	Others	Eliminated transactions during the consolidation	Total
Revenue from external customers	\$ 3,951,720	\$ 155,511	\$ 77,327	\$ -	\$ 4,184,558
Inter-segment revenue	242,584	8,063	94	(250,741)	-
Total segment revenue	<u>\$ 4,194,304</u>	<u>\$ 163,574</u>	<u>\$ 77,421</u>	<u>(\$ 250,741)</u>	<u>\$ 4,184,558</u>
Segment income	<u>\$ 283,118</u>	<u>\$ 719</u>	<u>\$ 7,026</u>	<u>\$ 573</u>	<u>\$ 291,436</u>
Segment income, including:					
Depreciation and amortization	<u>\$ 67,027</u>	<u>\$ 1,488</u>	<u>\$ 451</u>	<u>(\$ 3,119)</u>	<u>\$ 65,847</u>

Three months ended September 30, 2022					
	Taiwan	America	Others	Eliminated transactions during the consolidation	Total
Revenue from external customers	\$ 4,248,932	\$ 208,258	\$ 135,042	\$ -	\$ 4,592,232
Inter-segment revenue	312,105	5,420	-	(317,525)	-
Total segment revenue	<u>\$ 4,561,037</u>	<u>\$ 213,678</u>	<u>\$ 135,042</u>	<u>(\$ 317,525)</u>	<u>\$ 4,592,232</u>
Segment income	<u>\$ 458,461</u>	<u>\$ 24,374</u>	<u>\$ 17,051</u>	<u>\$ 4,594</u>	<u>\$ 504,480</u>
Segment income, including:					
Depreciation and amortization	<u>\$ 55,254</u>	<u>\$ 1,022</u>	<u>\$ 499</u>	<u>(\$ 3,059)</u>	<u>\$ 53,716</u>

Nine months ended September 30, 2023					
	Taiwan	America	Others	Eliminated transactions during the consolidation	Total
Revenue from external customers	\$ 12,136,974	\$ 447,294	\$ 263,921	\$ -	\$12,848,189
Inter-segment revenue	749,699	19,956	495	(770,150)	-
Total segment revenue	<u>\$ 12,886,673</u>	<u>\$ 467,250</u>	<u>\$ 264,416</u>	<u>(\$ 770,150)</u>	<u>\$12,848,189</u>
Segment income	<u>\$ 1,100,319</u>	<u>\$ 10,191</u>	<u>\$ 24,914</u>	<u>\$ 9,765</u>	<u>\$ 1,145,189</u>
Segment income, including:					
Depreciation and amortization	<u>\$ 188,705</u>	<u>\$ 3,516</u>	<u>\$ 1,321</u>	<u>(\$ 9,268)</u>	<u>\$ 184,274</u>

Nine months ended September 30, 2022					
	Taiwan	America	Others	Eliminated transactions during the consolidation	Total
Revenue from external customers	\$ 10,063,966	\$ 532,415	\$ 350,517	\$ -	\$10,946,898
Inter-segment revenue	773,263	16,431	650	(790,344)	-
Total segment revenue	<u>\$ 10,837,229</u>	<u>\$ 548,846</u>	<u>\$ 351,167</u>	<u>(\$ 790,344)</u>	<u>\$10,946,898</u>
Segment income	<u>\$ 1,141,187</u>	<u>\$ 58,646</u>	<u>\$ 46,715</u>	<u>\$ 10,964</u>	<u>\$ 1,257,512</u>
Segment income, including:					
Depreciation and amortization	<u>\$ 157,606</u>	<u>\$ 3,035</u>	<u>\$ 1,441</u>	<u>(\$ 8,603)</u>	<u>\$ 153,479</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 three months and nine months ended September 30, 2023 and 2022 is provided as follows:

Three months ended September 30			
	2023	2022	
Reportable segments profit	\$ 291,436	\$ 504,480	
Undistributed amount			
General administrative expense	(121,505)	(148,655)	
Non-operating income	105,666	89,899	
Income from continuing operations before income tax	<u>\$ 275,597</u>	<u>\$ 445,724</u>	
Nine months ended September 30			
	2023	2022	
Reportable segments profit	\$ 1,145,189	\$ 1,257,512	
Undistributed amount			
General administrative expense	(356,416)	(394,599)	
Non-operating income	174,483	181,729	
Income from continuing operations before income tax	<u>\$ 963,256</u>	<u>\$ 1,044,642</u>	

SENAO NETWORKS INC. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital

Nine months ended September 30, 2023

Table 1

Expressed in thousands of NTD
(except as otherwise indicated)

Buyer/Seller	Type and name of securities held	Account	Trading counterparty	Relationship with the counterparty	Beginning of the period		Buy		Sell				End of the period	
					Number of shares	Amount	Number of shares (Note 1)	Amount (Note 2)	Number of shares	Selling price	Book cost	Disposal gain or loss	Number of shares	Amount
The Company	EnRack Technology Inc.	Investment using the equity method	EnRack Technology Inc.	Subsidiary	5,000,000	\$ 108,808	19,900,000	\$ 160,857	-	\$ -	\$ -	\$ -	24,900,000	\$ 269,665

Note 1: It included a cash capital increase of 14,400,000 shares and stock dividends of 5,500,000 new shares distributed.

Note 2: The Company's new investment of \$160,857 in EnRack Technology Inc. included investment income recognized in this period and net unrealized gross profit on sales.

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

Nine months ended September 30, 2023

Table 2

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		Notes/accounts receivable (payable)		Remarks (Note 3)
			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	\$ 326,799	3	Note 1	Note 1	Note 1	\$ 88,819	4	
EnGenius Technologies, Inc.	Senao Networks Inc.	Parent company	Purchases	326,799	100	"	"	"	(88,819)	100	
Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	Subsidiary	Sales	99,953	1	"	"	"	23,549	1	
EnGenius Networks Singapore Pte. Ltd.	Senao Networks Inc.	Parent company	Purchases	99,953	100	"	"	"	(23,549)	100	
EnRack Technology Inc.	Senao Networks Inc.	Parent company	Sales	108,659	72	Note 2	Note 2	Note 2	35,282	72	
Senao Networks Inc.	EnRack Technology Inc.	Subsidiary	Purchases	108,659	1	"	"	"	(35,282)	1	

Note 1: Sales prices to subsidiaries 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 sales price and terms and conditions were based on mutual agreement.

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

SENAO NETWORKS INC. AND SUBSIDIARIES

The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them.

Nine months ended September 30, 2023

Table 3

Expressed in thousands of NTD
(except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Notes 7 and 8)		
0	Senao Networks Inc.	EnGenius Technologies, Inc.	1	Sales of goods	\$ 326,799	Note 4	3
0	Senao Networks Inc.	EnGenius Technologies, Inc.	1	Accounts receivable	88,819	"	1
0	Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Sales of goods	99,953	"	1
0	Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Accounts receivable	23,549	"	-
0	Senao Networks Inc.	EnGenius Networks Europe B.V.	1	Sales of goods	51,410	"	-
0	Senao Networks Inc.	EnGenius Networks Europe B.V.	1	Accounts receivable	16,744	"	-
0	Senao Networks Inc.	EnGenius Networks Inc.	1	Sales of goods	10,700	"	-
1	EnRack Technology Inc.	Senao Networks Inc.	2	Sales of goods	108,659	Note 5	1
1	EnRack Technology Inc.	Senao Networks Inc.	2	Accounts receivable	35,282	"	-
1	EnRack Technology Inc.	Emplus Technologies, Inc.	3	Sales of goods	34,992	"	-
1	EnRack Technology Inc.	Emplus Technologies, Inc.	3	Accounts receivable	12,519	"	-
2	Emplus Technologies, Inc.	EnGenius Networks Inc.	3	Sales of goods	47,948	"	-
2	Emplus Technologies, Inc.	Senao Networks Inc.	2	Lease liabilities	46,198	Note 6	-
3	EnGenius Networks Inc.	EnGenius Technologies, Inc.	3	Sales of goods	27,183	Note 4	-
3	EnGenius Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	3	Sales of goods	15,140	"	-
4	EnGenius Technologies, Inc.	EnGenius Technologies Canada Inc.	3	Sales of goods	18,439	"	-

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: The discounts on the sales were offered depending on the 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. The lease liabilities were the balance recognized on September 30, 2023 in line with IFRS 16.

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

Nine months ended September 30, 2023

Table 4

Expressed in thousands of NTD
(except as otherwise indicated)

Name of investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as at September 30, 2023			Net profit (loss) of the investee for the nine months ended September 30, 2023	Investment income (loss) recognized by the Company for the nine months ended September 30, 2023 (Note 2)	Remarks (Note 3)
				Balance as at September 30, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
Senao Networks Inc.	EnGenius Technologies, Inc.	USA	Sales of communication products	\$ 64,540	\$ 64,540	60,000	100.00	\$ 99,435	(\$ 23,218)	(\$ 21,767)	
Senao Networks Inc.	EnRack Technology Inc.	Taiwan	Sales of communication products and Sales of manufactured stamping component	194,000	50,000	24,900,000	100.00	269,665	17,014	16,857	
Senao Networks Inc.	Emplus Technologies, Inc.	Taiwan	Research and development, manufacture and sales of communication products	84,249	84,249	6,490,800	50.99	233,307	184,470	94,425	
Senao Networks Inc.	EnGenius International (Samoa) Ltd.	Samoa	Investment holdings	193,297	193,297	5,990,000	100.00	45,841	3,843	3,956	
Senao Networks Inc.	EnGenius Technologies Canada Inc.	Canada	Sales of communication products	4,423	4,423	100	100.00	14,758	(525)	(525)	
Senao Networks Inc.	EnGenius Networks Inc.	Taiwan	Sales of communication products	60,000	500	6,000,000	100.00	63,353	7,366	3,355	
Senao Networks Inc.	EnGenius Networks Japan	Japan	Sales of communication products	6,486	6,486	3,000	100.00	6,384	(108)	(108)	
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Singapore	Sales of communication products	192,007	192,007	5,950,000	100.00	60,606	3,864	3,864	
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Netherlands	Sales of communication products	65,440	65,440	210,000	100.00	14,988	(1,676)	(1,676)	

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: Regarding “Investment income (loss) recognized by the Company for the nine months ended September 30, 2023” please only enter the income or loss on each direct subsidiary recognized by the Company and each investee valued using the equity method. Regarding the “income or loss on each direct subsidiary recognized by the Company for this period”, it should be confirmed that the amount of income or loss on each direct subsidiary for this period has included its investment income or loss that should be recognized in accordance with the regulations on its investment.

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

SENAO NETWORKS INC. AND SUBSIDIARIES

Major shareholders information

September 30, 2023

Table 5

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Senao International Co., Ltd.	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.