

**SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 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.

SENAO NETWORKS INC.

Representation Letter

Considering that the companies to be included into the consolidated financial statements of affiliates under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 for 2023 (from January 1, 2023 to December 31, 2023), and the relevant information to be disclosed in the consolidated financial statements of the affiliates has already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliates were prepared separately.

It is hereby certified that the information disclosed herein is true and correct.

Name of Company: Senao Networks Inc.

Person in Charge: Wen-Ho Tsai

February 27, 2024

Independent Auditors' Report

(24) PWCR 23003540

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

Opinion

We have reviewed the consolidated sheets of Senao Networks Inc. and its subsidiaries (collectively, the “Group”) for the years ended December 31, 2023 and 2022 and the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the Group’s consolidated financial position as of December 31, 2023 and 2022 and for the years then ended, and its consolidated financial performance and consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibility under those standards is further described in the paragraph “Auditor's responsibilities for the audit of the consolidated financial statements”. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results, we believe that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key audit matters

Key audit matters refer to the most vital matters in our audit of the Group's consolidated financial statements for the year ended December 31, 2023 based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2023, are stated as follows:

Inventory valuation

Description

See Note 4(10) to the consolidated financial statements for the accounting policy on inventory valuation; see Note 5 to the consolidated financial statements for the significant accounting estimates and assumptions adopted for inventory valuation; see Note 6(4) to the consolidated financial statements for the details of inventories.

The Group mainly engages in the R&D, design, manufacturing, and sales of wireless communication products. Due to the rapid changes in technology, the short life cycle of electronic products, and outdated products, the risk of inventory backlog is relatively high. The Group's inventories are measured at the lower of cost or the 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. As the Group's inventory amounts are material, inventory items are voluminous, and the accounting estimates are subject to the management's judgment, we listed this as one of the key audit matters.

How our audit addressed the matter

The procedure for auditing the above key audit matter is as follows:

- Obtained the Group's policy for providing an allowance for inventory valuation losses, checked if the policy was adopted consistently during the period of the consolidated financial statements, and checked if the assumptions on the categories of inventories and destocking adopted by the management team to determine the net realizable values were reasonable.
- Tested the adequacy of the Statement of Net Realizable Values of Inventories.

- Learned about, evaluated, and randomly tested the calculation methods in the Stock Age Statement and spot checked if the data in the reports is consistent with the policy.
- Checked the relevant information obtained during the stocktaking process and the discarded reports or obsolete inventory reports prepared by the management team; asked the management team and personnel related to the inventories to confirm that there were no major obsolete, surplus, long-term, or aged inventory, or outdated or damaged items failed to be stated in the inventory statements.
- Assessed the reasonability and obtained supporting documents for the inventory age and the inventory valuation losses after the net realizable value was individually assessed by the management team based on the destocking status.

Authenticity of sales of goods

Description

Please refer to Note 4(21) to the consolidated financial statements for the accounting policy on revenue recognition; please refer to Note 6(17) to the consolidated financial statements for the details of revenue.

The Group mainly engages in the fields of wireless communication. Most of the sales clients are international brand companies with long-term and stable partnerships. Although the issue of material shortage eased this year, the overall situation of the Netcom industry was declining. As this year's operating revenue increased year-on-year and the top ten sales clients accounted for nearly 90% of the Group's operating revenue, we believed that the top 10 new sales clients and the top 10 sales clients with a greater increase in the proportion to the Company's revenue had a material impact on the financial statements, so we listed the authenticity of sales of goods from these clients as one of the key audit matters.

How our audit addressed the matter

The procedure for auditing the above key audit matter is as follows:

- Learned about and evaluated the Group's internal control procedures for recognition of sales of goods and tested the effectiveness of internal control related to sales of goods.
- Inspected relevant background information on the top ten sales clients.

- Obtained and randomly checked relevant receipts or invoices of the top 10 new sales clients and the top 10 sales clients with a greater increase in the proportion to the Company's revenue this year and confirmed the appropriateness of revenue recognition.
- Checked the statements of sales returns and discounts (after the balance sheet date) of the top 10 new sales clients and the top 10 sales clients with a greater increase in the proportion to the Company's revenue in this year and confirmed that there were no significant sales returns and discounts.

Other matters: Parent company only financial statements

The Company has prepared parent company only financial reports for the years ended on December 31, 2023 and 2022, with an audit report, along with an unqualified opinion expressed, issued by us for reference.

Responsibilities of the management and the governing bodies for the consolidated financial statements

The management's responsibilities are to prepare the financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC of the Republic of China and to maintain necessary internal control associated with the preparation in order to ensure that the consolidated financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Group in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

The Group's governing bodies (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

We have utilized our professional judgment and maintained professional skepticism when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China. We also performed the following tasks:

1. Identified and assessed the risks of material misstatement arising from fraud or error within the consolidated financial statements; designed and executed countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
2. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.

4. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
6. Obtained sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion about the Group.

The matters communicated between us and the governing bodies included the planned scope and times of the audit and material audit findings (including any material defects in internal control identified during the audit).

We also provided the governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence and communicated with them all relations and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2023. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Pei-Chuan Huang

Pan, Hui-Lin

For and on behalf of PricewaterhouseCoopers, Taiwan

February 27, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

Assets	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,957,907	25	\$ 4,422,117	32
1170	Accounts receivable, net	6(2)	1,812,098	15	2,958,811	21
1180	Accounts receivable -related parties, net	7	-	-	1,150	-
1200	Other receivables	6(3)	244,136	2	213,486	2
1210	Other receivables - related parties	7	930	-	1,319	-
1220	Current income tax assets		3,516	-	6	-
130X	Inventory	6(4)	2,995,089	25	3,103,478	22
1410	Prepayments		39,914	1	15,515	-
11XX	Total current assets		<u>8,053,590</u>	<u>68</u>	<u>10,715,882</u>	<u>77</u>
Non-current assets						
1600	Property, plant and equipment	6(5)	3,258,455	27	2,577,713	19
1755	Right-of-use assets	6(6)	522,686	4	390,290	3
1780	Intangible assets	6(7)	45,594	-	9,056	-
1840	Deferred income tax assets	6(24)	143,952	1	109,247	1
1900	Other non-current assets	6(8)	28,506	-	40,890	-
15XX	Total non-current assets		<u>3,999,193</u>	<u>32</u>	<u>3,127,196</u>	<u>23</u>
1XXX	Total assets		<u>\$ 12,052,783</u>	<u>100</u>	<u>\$ 13,843,078</u>	<u>100</u>

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SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9)	\$ 1,598,581	13	\$ 1,200,119	9
2130	Current contract liabilities	6(17)	199,376	2	372,400	3
2150	Notes payable		2,681	-	2,889	-
2170	Accounts payable		3,082,714	26	5,391,437	39
2200	Other payables	6(10)(26)	1,484,052	12	1,403,631	10
2220	Other payables - related parties	7	126	-	-	-
2230	Current income tax liabilities		126,446	1	244,528	2
2250	Current provisions	6(12)	28,151	-	62,699	-
2280	Current lease liabilities	7	100,663	1	116,979	1
2300	Other current liabilities	6(13)	331,121	3	307,759	2
21XX	Total current liabilities		<u>6,953,911</u>	<u>58</u>	<u>9,102,441</u>	<u>66</u>
	Non-current liabilities					
2527	Non-current contract liabilities	6(17)	17,081	-	13,928	-
2580	Non-current lease liabilities	7	211,743	2	278,290	2
2600	Other non-current liabilities	6(11)	4,753	-	4,103	-
25XX	Total non-current liabilities		<u>233,577</u>	<u>2</u>	<u>296,321</u>	<u>2</u>
2XXX	Total liabilities		<u>7,187,488</u>	<u>60</u>	<u>9,398,762</u>	<u>68</u>
	Equity					
	Equity attributable to owners of the parent					
	Share capital	6(14)				
3110	Share capital - common stock		490,609	4	490,609	4
	Capital surplus	6(15)				
3200	Capital surplus		703,127	6	703,127	5
	Retained earnings	6(16)				
3310	Legal reserve		660,541	5	553,614	4
3320	Special reserve		5,152	-	24,848	-
3350	Unappropriated retained earnings		2,858,395	24	2,363,596	17
	Other equity interest					
3400	Other equity interest		(88,694)	(1)	(5,152)	-
31XX	Equity attributable to owners of the parent		<u>4,629,130</u>	<u>38</u>	<u>4,130,642</u>	<u>30</u>
36XX	Non-controlling interest	4(3)	<u>236,165</u>	<u>2</u>	<u>313,674</u>	<u>2</u>
3XXX	Total equity		<u>4,865,295</u>	<u>40</u>	<u>4,444,316</u>	<u>32</u>
3X2X	Total liabilities and equity		<u>\$ 12,052,783</u>	<u>100</u>	<u>\$ 13,843,078</u>	<u>100</u>

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

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2023		2022	
		AMOUNT	%	AMOUNT	%
4000 Operating revenues	6(17) and 7	\$ 16,609,171	100	\$ 16,322,282	100
5000 Operating costs	6(4)(23)	(13,906,732)	(84)	(13,309,818)	(82)
5900 Net operating margin		<u>2,702,439</u>	<u>16</u>	<u>3,012,464</u>	<u>18</u>
Operating expenses	6(23)				
6100 Selling expenses		(537,761)	(3)	(422,514)	(3)
6200 General and administrative expenses		(475,422)	(3)	(530,944)	(3)
6300 Research and development expenses		(817,271)	(4)	(753,806)	(5)
6000 Total operating expenses		<u>(1,830,454)</u>	<u>(10)</u>	<u>(1,707,264)</u>	<u>(11)</u>
6500 Net other income (expenses)	6(18)	<u>72,381</u>	-	<u>48,799</u>	-
6900 Operating profit		<u>944,366</u>	<u>6</u>	<u>1,353,999</u>	<u>7</u>
Non-operating income and expenses					
7100 Interest income	6(19)	76,270	-	23,765	-
7010 Other income	6(20)	19,574	-	19,749	-
7020 Other gains and losses	6(21)	34,987	-	83,715	1
7050 Finance costs	6(22) and 7	(19,339)	-	(7,953)	-
7000 Total non-operating income and expenses		<u>111,492</u>	-	<u>119,276</u>	<u>1</u>
7900 Profit before income tax		<u>1,055,858</u>	<u>6</u>	<u>1,473,275</u>	<u>8</u>
7950 Income tax expense	6(24)	(124,092)	(1)	(225,156)	(1)
8200 Profit for the period		<u>\$ 931,766</u>	<u>5</u>	<u>\$ 1,248,119</u>	<u>7</u>
Other comprehensive income, net					
Items not reclassified to profit or loss					
8311 Remeasurement of defined benefit plans	6(11)	(\$ 1,299)	-	\$ 5,525	-
8349 Income tax related to items not reclassified	6(24)	<u>260</u>	-	<u>(1,105)</u>	-
8310 Total amount of items not reclassified to profit or loss		<u>(1,039)</u>	-	<u>4,420</u>	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		<u>(83,542)</u>	<u>(1)</u>	<u>19,696</u>	-
8300 Other comprehensive income, net		<u>(\$ 84,581)</u>	<u>(1)</u>	<u>\$ 24,116</u>	-
8500 Total comprehensive income for the period		<u>\$ 847,185</u>	<u>4</u>	<u>\$ 1,272,235</u>	<u>7</u>
Profit attributable to:					
8610 Owners of the parent		<u>\$ 828,373</u>	<u>4</u>	<u>\$ 1,064,850</u>	<u>6</u>
8620 Non-controlling interest		<u>\$ 103,393</u>	<u>1</u>	<u>\$ 183,269</u>	<u>1</u>
Comprehensive income attributable to:					
8710 Owners of the parent		<u>\$ 743,792</u>	<u>3</u>	<u>\$ 1,088,966</u>	<u>6</u>
8720 Non-controlling interest	4(3)	<u>\$ 103,393</u>	<u>1</u>	<u>\$ 183,269</u>	<u>1</u>
Earnings per share	6(25)				
9750 Basic earnings per share		<u>\$</u>	<u>16.88</u>	<u>\$</u>	<u>21.70</u>
Diluted earnings per share	6(25)				
9850 Diluted earnings per share		<u>\$</u>	<u>16.75</u>	<u>\$</u>	<u>21.44</u>

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

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
		Capital surplus			Retained earnings						
		Share capital -	Additional paid-			Unappropriated	Financial statements		Non-controlling		
Notes	common stock	in capital	Others	Legal reserve	Special reserve	retained	translation differences	Total	interest	Total equity	
						earnings	of foreign operations				
<u>2022</u>											
	Balance at January 1, 2022	\$ 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	-	-	-	-	1,064,850	-	1,064,850	183,269	1,248,119	
	Other comprehensive income, net	-	-	-	-	4,420	19,696	24,116	-	24,116	
	Total comprehensive income for the period	-	-	-	-	1,069,270	19,696	1,088,966	183,269	1,272,235	
	Appropriations of 2021 earnings	6(16)									
	Legal reserve	-	-	-	45,482	(45,482)	-	-	-	-	
	Special reserve	-	-	-	-	(4,119)	-	-	-	-	
	Cash dividends	-	-	-	-	(147,182)	-	(147,182)	-	(147,182)	
	Change in non-controlling interest	-	-	-	-	-	-	-	(62,380)	(62,380)	
	Balance at December 31, 2022	<u>\$ 490,609</u>	<u>\$ 702,817</u>	<u>\$ 310</u>	<u>\$ 553,614</u>	<u>\$ 24,848</u>	<u>\$ 2,363,596</u>	<u>(\$ 5,152)</u>	<u>\$ 4,130,642</u>	<u>\$ 313,674</u>	<u>\$ 4,444,316</u>
<u>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	-	-	-	-	828,373	-	828,373	103,393	931,766	
	Other comprehensive income, net	-	-	-	-	(1,039)	(83,542)	(84,581)	-	(84,581)	
	Total comprehensive income for the period	-	-	-	-	827,334	(83,542)	743,792	103,393	847,185	
	Appropriations of 2022 earnings	6(16)									
	Legal reserve	-	-	-	106,927	(106,927)	-	-	-	-	
	Special reserve reversed	-	-	-	-	19,696	-	-	-	-	
	Cash dividends	-	-	-	-	(245,304)	-	(245,304)	-	(245,304)	
	Change in non-controlling interest	-	-	-	-	-	-	-	(180,902)	(180,902)	
	Balance at December 31, 2023	<u>\$ 490,609</u>	<u>\$ 702,817</u>	<u>\$ 310</u>	<u>\$ 660,541</u>	<u>\$ 5,152</u>	<u>\$ 2,858,395</u>	<u>(\$ 88,694)</u>	<u>\$ 4,629,130</u>	<u>\$ 236,165</u>	<u>\$ 4,865,295</u>

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

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,055,858	\$ 1,473,275
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(23)	284,028	233,457
Amortization	6(23)	8,747	10,847
Expected credit impairment loss	12(2)	107	111
Interest income	6(19)	(76,270)	(23,765)
Interest expense	6(22)	18,116	6,151
Losses on disposal of property, plant and equipment	6(21)	167	54
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		1,146,597	(1,539,974)
Accounts receivable -related parties, net		1,150	(1,150)
Other receivables		(31,089)	(83,342)
Other receivables - related parties		389	(644)
Inventory		108,389	(956,515)
Prepayments		(24,399)	(3,372)
Changes in operating liabilities			
Contract liabilities		(169,871)	71,188
Notes payable		(208)	(599)
Accounts payable		(2,308,723)	2,643,407
Other payables		57,740	578,609
Other payables - related parties		126	-
Current provisions		(36,926)	18,221
Other current liabilities		23,362	136,059
Other non-current liabilities		(743)	(659)
Cash inflow generated from operations		56,547	2,561,359
Interest received		76,709	22,807
Interest paid		(17,630)	(4,720)
Income tax paid		(280,570)	(119,875)
Net cash flow generated from (used in) operating activities		(164,944)	2,459,571

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SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment (including capitalized interest)	6(26)	(\$ 806,151)	(\$ 671,694)
Proceeds from disposal of property, plant and equipment		414	-
Acquisition of right-of-use assets	6(26)	(227,712)	-
Acquisition of intangible assets	6(7)	(45,278)	(2,604)
Increase in guarantee deposits paid		(3,180)	(5,071)
Net cash flows used in investing activities		(1,081,907)	(679,369)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(27)	398,291	1,177,986
Increase (decrease) in other non-current liabilities	6(27)	94	(658)
Lease payments	6(6)(27)	(127,367)	(108,641)
Payment of cash dividends	6(16)	(245,304)	(147,182)
Change in non-controlling interest	4(3)	(180,902)	(62,380)
Net cash generated (used in) from financing activities		(155,188)	859,125
Effect on foreign exchange difference		(62,171)	23,052
Increase (decrease) in cash and cash equivalents		(1,464,210)	2,662,379
Cash and cash equivalents at beginning of period		4,422,117	1,759,738
Cash and cash equivalents at end of period		\$ 2,957,907	\$ 4,422,117

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

SENAO NETWORKS INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. HISTORY AND ORGANIZATION

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

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

The consolidated financial statements were approved for release by the Board of Directors on February 27, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of adopting new or amended International Financial Reporting Standards (“IFRS”) and the International Accounting Standards (“IAS”) as endorsed and issued into effect by the Financial Supervisory Commission (“FSC”)

The table below lists the new, revised, and amended standards and interpretations of the IFRS and the IAS, which apply to the reporting period for 2023, as endorsed and issued into effect by the FSC:

<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 the IFRSs and the IAS as endorsed by the FSC but not yet adopted by the Company

The table below lists the new, revised, and amended standards and interpretations of the IFRS and the IAS, which apply to the reporting period for 2024, as endorsed by the FSC:

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 and IAS issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS and the IAS 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 main accounting policies used in the preparation of the consolidated financial statements are described below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of the consolidated financial statements in conformity with the IFRSs as endorsed and issued into effect by the FSC 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:

- (a) The Group includes all subsidiaries as entities in the preparation of the consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed or entitled to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the day when the Group obtains control over them.
- (b) Inter-company transactions, balances, and unrealized gains and losses within the Group have been eliminated.
- (c) The various components of profit or loss and other comprehensive income are attributable to the owners of the parent company and non-controlling interests; the total comprehensive income is also attributable to the owners of the parent company and non-controlling interests, even if the resulting loss of non-controlling interests occurs.
- (d) If the change in the ownership of a subsidiary does not result in the loss of control (transaction with non-controlling interests), it is treated as an equity transaction, that is, as a transaction with owners. The difference between the adjusted amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity.

B. Subsidiaries included in the consolidated financial statements:

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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
Senao Networks Inc.	EnGenius Networks Inc.	Sales of communication products	100	100	
Senao Networks Inc.	EnGenius Networks Japan	Sales of communication products	100	100	
Senao Networks Inc.	Senao Networks Private Ltd.	Sales of communication products	100	-	Note
Senao Networks Inc.	Senao Networks Vietnam Co., Ltd.	Manufacture and sales of communication products	100	-	Note
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Sales of communication products	100	100	
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Sales of communication products	100	100	
EnGenius Networks Inc.	EnGenius Networks Private Ltd.	Sales of communication products	100	-	Note

Note: It is a newly established subsidiary and the outward remittance was made by the Group for the subsidiary's registered capital in the fourth quarter of 2023.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2023 and 2022, the non-controlling interests amounted to \$236,165, and \$313,674, respectively. The information on material non-controlling interests and respective subsidiary is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest		Non-controlling interest	
		December 31, 2023		December 31, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)
Emplus Technologies, Inc.	Taiwan	\$ 236,165	49.01%	\$ 313,674	49.01%

Summarised financial information of Emplus Technologies, Inc.:

Balance sheet

	December 31, 2023	December 31, 2022
Current assets	\$ 1,121,080	\$ 1,746,373
Non-current assets	277,718	314,275
Current liabilities	(819,322)	(1,284,333)
Non-current liabilities	(97,563)	(136,243)
Total net assets	\$ 481,913	\$ 640,072

Statement of comprehensive income

	Year ended December 31	
	2023	2022
Revenue	\$ 1,940,957	\$ 2,513,390
Profit before income tax	245,336	451,463
Income tax expense	(34,359)	(77,498)
Profit for the period from continuing operations	210,977	373,965
Other comprehensive income, net of tax	-	-
Total comprehensive income for the period	\$ 210,977	\$ 373,965
Comprehensive income attributable to non-controlling interest	\$ 103,393	\$ 183,269
Dividends paid to non-controlling interest	\$ 180,902	\$ 62,380

Statement of cash flows

	Year ended December 31	
	2023	2022
Net cash generated flows from operating activities	\$ 154,107	\$ 623,711
Net cash flows used in investing activities	(35,274)	(40,569)
Net cash flows used in financing activities	(406,879)	(155,412)
Increase in cash and cash equivalents during this period	(288,046)	427,730
Cash and cash equivalents at beginning of period	1,016,414	588,684
Cash and cash equivalents at end of period	\$ 728,368	\$ 1,016,414

(4) Foreign currency exchange

The items listed in the financial statements of each entity in the Group are measured in the currency (i.e. functional currency) of the main economic environment in which the entity operates. The consolidated financial statements are presented in the Company's functional currency, the NTD.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency at the rates prevailing of exchange at the transaction date or measurement date, and the exchange difference arising from the translation of such transactions are recognized as the current profit or loss.
- (b) The balance of foreign currency monetary assets and liabilities shall be and adjusted as per the rates of exchange prevailing at the balance sheet date, and the exchange difference arising from the adjustment is recognized as the current profit or loss.
- (c) The balance of foreign currency non-monetary assets and liabilities is measured at fair value through profit and loss, and is adjusted based on the spot exchange rate at the balance sheet date. The translation difference arising from the adjustment is recognized in current profit and loss. For measurement at fair value through other comprehensive income, it is adjusted based on the spot exchange rate at the balance sheet date, and the translation difference arising from the adjustment is recognized in other comprehensive income. If it is not measured by fair value, it is measured at the historical exchange rate at the initial transaction date.

- (d) All exchange gains and losses are presented in the “Other gains and losses” in the statement of comprehensive income.
- B. Translation of foreign operations
For all the Group’s entities whose functional currencies are different from the expression one, their business results and financial position are translated into the expression currency in the following methods:
 - (a) The assets and liabilities presented at each balance sheet are translated at the closing exchange rate at the balance sheet date;
 - (b) The income and expenses presented in each statement of comprehensive income are translated at the average exchange rate of the current period; and
 - (c) All exchange differences arising from translation are recognized in other comprehensive income.

(5) Criteria for classification of current and non-current assets and liabilities

- A. Assets that meet one of the following criteria are classified as current assets:
 - (a) Assets expected to be realized in the ordinary course of business, or intended to be sold or consumed.
 - (b) Assets held primarily for the purpose of trading.
 - (c) Assets expected to be realized within 12 months after the balance sheet date.
 - (d) Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

The Group classifies all assets that do not meet the conditions above as non-current.

- B. Liabilities that meet one of the following criteria are classified as current liabilities:
 - (a) Liabilities expected to be settled in the ordinary course of business.
 - (b) Liabilities held primarily for the purpose of trading.
 - (c) Liabilities expected to be settled within 12 months after the balance sheet date.
 - (d) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

The Group classifies all liabilities that do not meet the conditions above as non-current.

(6) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments in alignment with the following criteria:

- A. It can be converted into a certain amount of cash at any time.
- B. The risk of value changes is very small.

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

(7) Accounts and notes receivable

- A. It refers to the receivables that have been unconditionally received in exchange for the right to the amount of consideration for the delivery of goods or services as agreed in the contract. A receivable is recognized when the goods are delivered because only the passage of time is required before the payment is due.

- B. The non-interest-bearing short-term accounts and notes receivable is barely affected by discounting, so the Group measures them based on the original invoice amount.

(8) Impairment of financial assets

The Group, at each balance sheet date, considers all reasonable and corroborative information (including forward-looking one) based on the financial assets at amortized cost and accounts receivable that contain significant financial components. For those with no significant increase in credit risk since initial recognition, the loss allowance is measured at 12-month expected credit losses; for those with a significant increase in credit risk since initial recognition, the loss allowance is measured at the lifetime expected credit losses. For accounts receivable that do not contain significant financial components, the loss allowance is measured at the lifetime expected credit losses.

(9) Derecognition of financial assets

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

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

(10) Inventory

Inventories are measured at the lower of cost and net realizable value, and cost is determined by the weighted average method. The cost of finished goods and work-in-progress includes raw materials, direct labor, other direct costs, and production overhead (amortized based on normal production capacity) without including borrowing costs. When cost and the net realizable value are compared to see which is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the ordinary course of business, less the estimated cost and the cost necessary to make the sale.

(11) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Subsequent costs are included in the carrying amount of the assets or recognized as a separate asset only when the future economic benefits related to an item are likely to flow into the Group and the cost of the item can be reliably measured. All other maintenance costs are recognized in current profit or loss when incurred.
- B. The subsequent measurement of property, plant, and other fixed assets is based on a cost model. Except for land that is not depreciated, other assets in this regard are depreciated on a straight-line basis based on the estimated useful lives. If the components of property, plant, and other fixed assets are significant, they shall be separately depreciated.
- C. The Group conducts annual review at the end of each year to assess the residual value, estimated useful lives, and depreciation methods. If the expected residual value and useful lives are different from the prior estimates, or the expected consumption pattern of future economic benefits contained in an asset has changed significantly, the Group shall adjust it in accordance with the provisions of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” regarding changes in accounting estimates. The useful life of each asset is as follows:

Buildings	5-50 years
Machinery and equipment	5-15 years
Molding equipment	2 years
Transportation equipment	4 years
Office equipment	5 years
Other equipment	5 years
Leasehold improvements	2-5 years

(12) Lessee's lease transactions - right-of-use assets/ lease liabilities

- A. Leased assets are recognized in right-of-use assets and lease liabilities on the date they are available for use by the Group. When a lease contract is a short-term lease or lease of a low-value asset, the lease payment is recognized as an expense during the lease term using the straight-line method.
- B. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the commencement date of a lease at the discounted interest rate of the Group's incremental borrowings. The lease payments include:
- (a) Fixed payments, less any rental incentives that can be collected; and
 - (b) Variable lease payments subject to an index or rate.

Subsequently, the interest approach is adopted to measure said payments at amortized cost, and interest expenses are recognized during the lease term. When changes in the lease term or lease payment due to non-contract modification, the lease liabilities will be reassessed and the right-of-use assets will be adjusted in the remeasurement.

- C. The right-of-use asset is recognized at cost at the commencement date of a lease, and the cost includes
- (a) Lease liabilities initially measured;
 - (b) Any lease payments paid on or before the commencement date; and
 - (c) Any original direct costs incurred.

Subsequently, the measurement is based on the cost model, and the depreciation expense is recognized when the useful life of the right-of-use asset expires or the lease term expires, whichever is earlier. When the lease liability is reassessed, the remeasurement of the lease liability will be adjusted for the right-of-use asset.

(13) Intangible assets

- A. Computer software
Recognized at acquisition cost and amortized over the estimated useful lives of 2-5 years using the straight-line method.
- B. Goodwill
Goodwill arises in a business combination accounted for by applying the acquisition method. Each business merger and acquisition is recognized in goodwill at the fair value of the acquisition price, less identified net assets recognized.

(14) Impairment of non-financial assets

- A. The Group estimates the recoverable amount of assets with signs of impairment at the balance sheet date. When the recoverable amount is lower than its carrying amount, it is recognized in impairment loss. The recoverable amount refers to the fair value of an asset less the cost of disposal or its value in use, whichever is higher. When there is no impairment or reduced impairment in an asset recognized in prior years, the impairment loss shall be reversed, but the increased portion of the carrying amount of the asset due to the reversal of the impairment loss shall not exceed the carrying amount of the asset less depreciation or amortization without impairment loss recognized.
- B. The recoverable amount of goodwill is evaluated periodically. When the recoverable amount is lower than its carrying amount, it is recognized in impairment loss. Impairment loss of goodwill is not reversed in the following years.
- C. For the purpose of impairment testing, goodwill is apportioned to each of the cash-generating units. Each unit or group of units, to which the goodwill is allocated, within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(15) Borrowings

It refers to the short-term borrowings from banks. The Group measures borrowings at fair value less transaction costs upon initial recognition and subsequently recognizes interest expenses in profit or loss based on any difference between the monetary amount and the redemption value, less transaction costs, using the effective interest method during the outstanding period according to the amortization procedure.

(16) Accounts and notes payable

- A. It refers to the accounts and notes payable arising from the purchase of raw materials, merchandize, or services on credit, and notes payable arising from business and non-business.
- B. The non-interest-bearing short-term accounts and notes payable is barely affected by discounting, so the Group measures them based on the original invoice amount.

(17) Derecognition of the financial liabilities

The Group derecognizes their financial liabilities when the obligations specified in a contract are fulfilled, canceled, or expired.

(18) Provisions

It refers to a provision for warranty, and it is recognized when there is a present legal or constructive obligation due to past events with a high likelihood that an outflow of economically beneficial resources will be required to settle the obligation and that the amount of the obligation can be reliably estimated. A provision is measured based on the best estimated present value of the expenditure required to settle the obligation on the balance sheet date.

(19) Employee benefits

- A. Short-term employee benefits

Short-term employee benefits are measured by the expected non-discounted amount of cash paid, and are recognized as expenses when the relevant services are provided.

B. Pensions

(a) Defined contribution plan

Regarding the defined contribution plan, the amount of the pension fund that shall be contributed is recognized as current pension cost on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. The net obligation under the defined benefit plan is calculated by discounting the amount of future benefits earned by employees in the current or past service period, with the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The net obligation under the defined benefit plan is calculated annually by actuaries using the projected unit benefit method. The discount rate is the market yield rate of government bonds at the balance sheet date.

ii. The remeasurement from the defined benefit plan is recognized in other comprehensive income in the period, in which it occurs, and presented in retained earnings.

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities when there are legal or constructive obligations and the amount can be reasonably estimated. If there is a difference between the amount actually distributed as resolved by the Company and the estimated amount, it shall be treated as a change in accounting estimates. In addition, the basis for calculating the number of shares is the closing price prevailing on the day before the resolution by the Board of Directors in the year following the financial reporting year.

(20) Income tax

A. The tax expense for the period comprises current and deferred tax. Except for income tax related to items included in other comprehensive income or directly included in equity recognized in comprehensive income or in equity directly, income tax is recognized in profit and/or loss.

B. The Group calculates current income tax based on the tax rates that have been enacted or substantively enacted at the balance sheet date in the country where the taxable income is generated and the business is operated. The management regularly evaluates the status of income tax filings with respect to applicable income tax regulations and, where applicable, estimates the income tax liabilities based on the expected taxes to be paid to the taxation authority. A surtax is imposed on the undistributed earnings in accordance with the Income Tax Act. In the year following the year in which the earnings are generated, after the shareholders' meeting has passed the earnings distribution proposal, the income tax expense on the undistributed earnings will be recognized based on the earnings actually distributed.

C. Deferred tax is recognized, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. With temporary differences caused by the investment in a subsidiary, if the Group can control the timing of the reversal of the temporary differences, and it is probable that temporary differences will not be reversed in the foreseeable future,

the liabilities will not be recognized. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the relevant deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

(21) Recognition of revenue

A. Sales of goods

- (a) The Group manufactures and sells networking and communications products. Sales revenue represents the fair value of the consideration received or receivable from the sales of goods to clients outside the Group in the normal course of business, presented in a net amount after business tax, sales returns, quantity discounts, and discounts are deducted. Sales revenue is recognized when the control of products is transferred to customers, that is, when products are delivered to the buyer and the buyer has discretion over the distribution channels and price of products sold, and the Group has no outstanding performance obligations that may affect the wholesaler's acceptance of the products. When a product is delivered to the designated location, the risk of obsolescence and loss has been transferred to a wholesaler, and the wholesaler accepts the product as per the sales contract, or when objective evidence show that all criteria for acceptance have been met, the product has been delivered.
- (b) The Group provides standard warranties for the products sold and recognizes an amount in provisions when goods are sold.
- (c) The Group provides a discount for the products sold and estimates the possible product discounts based on historical experience and the sales of such products and recognizes an amount in sales refund liabilities when goods are sold.
- (d) If a consideration has been received (or can be received) from a customer but the goods have not been transferred, the consideration is recognized in contract liabilities.

B. Sales of service

The Group provides services related to communications product processing, repair, and maintenance, and cloud management, and sales of service is recognized in revenue during the financial reporting period when such services are provided to customers. Customers pays the contract prices as per the agreed payment schedule. When the services provided by the Group exceeds the amount payable by a customer, it is recognized in contract assets. If a consideration has been received (or can be collected) from a customer but the service has not been transferred, it is recognized in contract liabilities.

(22) Operation segments

The Group's information on operating segments is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources to the operating segments and assessing their performance, which has been identified as the board of directors that makes decisions about the Group's major operating decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies but no critical judgements were made. 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 information is addressed below:

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

As of December 31, 2023, the carrying amount of inventories was \$2,995,089.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	\$ 361	\$ 680
Checking accounts and demand deposits	1,087,938	476,400
Time deposits	1,869,608	3,945,037
	<u>\$ 2,957,907</u>	<u>\$ 4,422,117</u>

A. The financial institutions the Group deals with have high credit quality. The Group also deals with various financial institutions at the same time to diversify credit risks. Therefore, the expected risk of default is rather low.

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

(2) Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 1,812,367	\$ 2,958,964
Less: Allowance for bad debts	(269)	(153)
	<u>\$ 1,812,098</u>	<u>\$ 2,958,811</u>

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

	December 31, 2023	December 31, 2022
Not past due	\$ 1,776,909	\$ 2,923,854
Up to 30 days	33,285	34,707
31 to 60 days	2,089	12
61 to 90 days	5	137
91 to 180 days		170
Over 180 days	79	84
	<u>\$ 1,812,367</u>	<u>\$ 2,958,964</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2023, December 31, 2022 and January 1, 2022, the balances of receivables from contracts with customers amounted to \$1,812,367, \$2,958,964, and \$1,418,990, respectively.
- C. The Group does not hold any collateral as security.
- D. As at December 31, 2023 and 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 \$1,812,098 and \$2,958,811, respectively.
- E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(3) Transfer of financial assets

- A. The Group entered into a factoring agreement with certain banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognized the transferred accounts receivable. As of December 31, 2023 and 2022, the factored accounts receivable that have not yet been settled are as follows:

December 31, 2023					
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognized	Facilities (thousand)	Amount advanced	Interest rate of amount advanced
CTBC Bank	\$ 8,908	\$ 8,908	USD 1,550	\$ -	-
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	\$ 15,070	\$ 15,070		\$ -	

Note: Recorded as "other receivables".

- B. The Group paid factoring expenses of \$1,223 and \$1,802 upon transfer of the derecognized accounts receivable for the years ended December 31, 2023 and 2022, respectively, which was recorded as "finance costs".

(4) Inventory

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$ 1,699,813	\$ 1,747,375
Work in progress	588,028	872,469
Finished goods	<u>707,248</u>	<u>483,634</u>
	<u>\$ 2,995,089</u>	<u>\$ 3,103,478</u>

The cost of inventories recognized as expense for the years ended December 31, 2023 and 2022 were \$13,877,587 and \$13,278,868, including \$74,192 and \$116,416, respectively, that the Group wrote down from cost to net realizable value which was accounted for as cost of goods sold during 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	-	7,271	373,844	12,738	-	51,443	37,912	16,600	323,397	823,205
Disposals	-	-	(423)	-	-	(25)	(133)	-	-	(581)
Transfer		53,539	-	-	-	1,649	4,717	-	(59,905)	-
Other non-current assets-transferred in	-	-	9,679	-	-	-	-	-	-	9,679
Depreciation	-	(1,004)	(109,894)	(9,960)	-	(14,954)	(6,196)	(9,558)	-	(151,566)
Net exchange differences	-	-	-	-	-	4	-	1	-	5
At December 31	<u>\$ 950,749</u>	<u>\$ 59,806</u>	<u>\$ 804,770</u>	<u>\$ 13,511</u>	<u>\$ -</u>	<u>\$ 79,880</u>	<u>\$ 51,996</u>	<u>\$ 21,892</u>	<u>\$ 1,275,851</u>	<u>\$ 3,258,455</u>
At December 31										
Cost	\$ 950,749	\$ 60,810	\$ 1,512,785	\$ 166,639	\$ 3,232	\$ 145,254	\$ 76,221	\$ 110,026	\$ 1,275,851	\$ 4,301,567
Accumulated depreciation and impairment	-	(1,004)	(708,015)	(153,128)	(3,232)	(65,374)	(24,225)	(88,134)	-	(1,043,112)
	<u>\$ 950,749</u>	<u>\$ 59,806</u>	<u>\$ 804,770</u>	<u>\$ 13,511</u>	<u>\$ -</u>	<u>\$ 79,880</u>	<u>\$ 51,996</u>	<u>\$ 21,892</u>	<u>\$ 1,275,851</u>	<u>\$ 3,258,455</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	-	157,923	10,299	-	25,905	7,036	8,673	529,264	739,100
Disposals	- (32)	-	-	(1)	(21)	-	-	(54)	
Depreciation	- (84,273)	(9,897)	-	(8,795)	(3,104)	(12,275)	-	(118,344)	
Net exchange differences	-	-	-	-	98	1	65	-	164
At December 31	<u>\$ 950,749</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 December 31									
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>\$ 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>

The capitalized amount of the borrowing costs for the Group's property, plant and equipment in 2023 was \$8,123, and the capitalization interest rate ranged from 2.48% to 3.61%.

(6) Lease transactions - lessee

- A. The Group leased various assets including land use rights, plants, offices, business vehicles, parking lot and multifunction printers. The terms of the rental contracts ranged from one to seven years, except for the land use right for 46 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:

	December 31, 2023	December 31, 2022
	Book value	Book value
Land	\$ 219,008	\$ -
Buildings	293,757	380,441
Transportation equipment	3,815	4,066
Office equipment	1,847	788
Other equipment	4,259	4,995
	<u>\$ 522,686</u>	<u>\$ 390,290</u>

	Year ended December 31	
	2023	2022
	Depreciation	Depreciation
Land	\$ 1,297	\$ -
Buildings	127,293	111,190
Transportation equipment	2,307	2,514
Office equipment	453	634
Other equipment	1,112	775
	<u>\$ 132,462</u>	<u>\$ 115,113</u>

- D. The additions to the Group's right-of-use assets during 2023 and 2022 were \$283,389 and \$274,120, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 5,564	\$ 3,722
Expense on short-term lease contracts	6,266	5,518
Expense on variable lease payments	8,195	5,238
Gain on sublease of right-of-use assets (Note)	4,758	3,558

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

- F. The Group's total cash outflow from lease contracts for 2023 and 2022 was \$147,392 and \$123,119, of which \$127,367 and \$108,641 were the principal of lease liabilities.

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	45,278	-	45,278
Amortization	(8,747)	-	(8,747)
Net exchange differences	7	-	7
At December 31	<u>\$ 45,114</u>	<u>\$ 480</u>	<u>\$ 45,594</u>
At December 31			
Cost	\$ 138,740	\$ 480	\$ 139,220
Accumulated amortization and impairment	(93,626)	-	(93,626)
	<u>\$ 45,114</u>	<u>\$ 480</u>	<u>\$ 45,594</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	2,604	-	2,604
Amortization	(10,847)	-	(10,847)
At December 31	<u>\$ 8,576</u>	<u>\$ 480</u>	<u>\$ 9,056</u>
At December 31			
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>

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

	Year ended December 31	
	2023	2022
Manufacturing expenses	\$ 811	\$ 206
Selling expenses	-	2,325
General and administrative expenses	2,962	2,426
Research and development expenses	4,974	5,890
	<u>\$ 8,747</u>	<u>\$ 10,847</u>

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

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

(8) Other non-current assets

	December 31, 2023	December 31, 2022
Prepayment for equipment	\$ 7,152	\$ 22,716
Refundable deposits	21,354	18,174
	<u>\$ 28,506</u>	<u>\$ 40,890</u>

(9) Short-term borrowings

	December 31, 2023	December 31, 2022
Unsecured bank borrowings	<u>\$ 1,598,581</u>	<u>\$ 1,200,119</u>
Interest rate	<u>1.91%~6.47%</u>	<u>1.73%~5.09%</u>

(10) Other payables

	December 31, 2023	December 31, 2022
Accrued salary expenses and bonus	\$ 870,333	\$ 802,181
Accrued employees' compensation and directors' and supervisors' remuneration	142,009	172,506
Construction retainage received	109,241	95,418
Accrued equipment	48,854	51,508
Others	313,615	282,018
	<u>\$ 1,484,052</u>	<u>\$ 1,403,631</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) Amounts recognized in balance sheet are as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 43,564	\$ 41,422
Fair value of plan assets	(38,995)	(37,410)
Net liabilities recognized in the balance sheet (in other non-current liabilities)	<u>\$ 4,569</u>	<u>\$ 4,012</u>

(c) Movements in the present value of defined benefit obligations are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2023			
Balance at January 1	\$ 41,422	(\$ 37,410)	\$ 4,012
Service cost in this period	-	-	-
Interest expense (income)	526	(479)	47
	<u>41,948</u>	<u>(37,889)</u>	<u>4,059</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(317)	(317)
Effect of change in demographic assumptions	42	-	42
Effect of change in financial assumptions	225	-	225
Experience adjustments	1,349	-	1,349
	<u>1,616</u>	<u>(317)</u>	<u>1,299</u>
Contribution to pension fund	-	(789)	(789)
Balance at December 31	<u>\$ 43,564</u>	<u>(\$ 38,995)</u>	<u>\$ 4,569</u>
2022			
Balance at January 1	\$ 44,004	(\$ 33,809)	\$ 10,195
Service cost in this period	33	-	33
Interest expense (income)	327	(254)	73
	<u>44,364</u>	<u>(34,063)</u>	<u>10,301</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(2,583)	(2,583)
Effect of change in demographic assumptions	77	-	77
Effect of change in financial assumptions	(2,635)	-	(2,635)
Experience adjustments	(384)	-	(384)
	<u>(2,942)</u>	<u>(2,583)</u>	<u>(5,525)</u>
Contribution to pension fund	-	(764)	(764)
Balance at December 31	<u>\$ 41,422</u>	<u>(\$ 37,410)</u>	<u>\$ 4,012</u>

- (d) The Bank of Taiwan is commissioned to manage the fund of the Company's defined benefit pension plan assets in accordance with the percentages and amount of items as stipulated in the fund's annual investment and utilization plan and Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (i.e. deposits in domestic and overseas financial institutions, investment in domestic and overseas listed equity securities or equity securities through private placement, or investment in domestic and overseas securitization products backed by real estate assets). The relevant utilization status is supervised by the Labor Funds Supervisory Committee. With regard to the utilization of the fund, its minimum earnings in the annual distributions of the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, the government shall offset the deficit after being authorized by competent authorities. The Company has no right to participate in the management and operation of said fund, so the Company is unable to disclose the classification of the fair value of plan assets in accordance with paragraph 142 of IAS 19. The fair values of the plan assets as of December 31, 2023 and 2022 are available in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (e) The actuarial assumptions related to pension are as follows:

	Year ended December 31	
	2023	2022
Discount rate	1.25%	1.30%
Future salary increases	3.00%	3.00%

The assumptions for the future mortality rate for 2023 and 2022 are based on the Taiwan Standard Ordinary Experience Mortality Table No. 6.

The analysis of the present values of defined benefit obligations affected by changes in the main actuarial assumptions adopted is as follows:

	Discount rate		Future salary increases	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2023				
Effect on the present value of defined benefit obligations	(\$ 1,111)	\$ 1,152	\$ 1,129	(\$ 1,095)
December 31, 2022				
Effect on the present value of defined benefit obligations	(\$ 1,129)	\$ 1,173	\$ 1,151	(\$ 1,113)

The sensitivity analysis above is based on the impact of a single assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change at the same time. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$804.
- (g) As of December 31, 2023, the weighted average duration of the pension plan is 10 years. An analysis of the maturity of pension payments is as follows:

Within 1 year	\$	1,949
1-2 years		1,180
2-5 years		5,048
Over 5 years		41,493
	\$	<u>49,670</u>

B. Defined contribution plan

- (a) The Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs recognized by the Company and its domestic subsidiaries in accordance with the above pension plan for 2023 and 2022 were \$83,098 and \$54,862, 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., EnGenius Networks Japan, Senao Networks Private Ltd., Senao Networks Vietnam Co., Ltd., and EnGenius Networks Private Ltd. follow the established pension regulations of their respective local governments. These subsidiaries pay monthly pension contributions and have no further obligations. The pension costs under the defined contribution pension plans of the above companies for the years ended December 31, 2023 and 2022 were \$3,000 and \$2,552, respectively.

(12) Provisions

	2023		2022	
At January 1	\$	62,699	\$	42,186
Additional provisions (including those reversed) during this period		20,619		37,020
Used during this period	(57,545)	(18,799)
Effect of exchange rate changes		2,378		2,292
At December 31	\$	<u>28,151</u>	\$	<u>62,699</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

	December 31, 2023	December 31, 2022
Collection of project development on behalf of others	\$ 314,430	\$ 290,679
Sales refund liabilities	10,423	12,896
Others	6,268	4,184
	<u>\$ 331,121</u>	<u>\$ 307,759</u>

(14) Share capital

- A. As of December 31, 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 movement in the number of the Company's ordinary shares outstanding during 2023 and 2022.
- B. The application to the FSC for the issuance of 10,000 thousand ordinary shares filed by the Company to increase the capital in cash was effective upon the letter Jin-Guan-Zheng-Fa No. 1120365438 from the FSC dated January 3, 2024. However, the Company has not yet issued such shares as of February 27, 2024.

(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>

- F. The 2023 earnings distribution proposal made by the Board of Directors on February 27, 2024 is detailed below:

	Year ended December 31	
	2023	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 82,733	\$ -
Special reserve	83,542	-
Cash dividends	196,244	4.0
	<u>\$ 362,519</u>	<u>\$ 4.0</u>

As of February 27, 2024, the above 2023 earnings distribution proposal is still pending the resolution by the shareholders' meeting.

(17) Operating revenues

	Year ended December 31	
	2023	2022
Revenue from contracts with customers	<u>\$ 16,609,171</u>	<u>\$ 16,322,282</u>

- 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:

	December 31, 2023	December 31, 2022	January 1, 2022
Current contract liabilities:			
Contract liabilities- sales of goods	\$ 182,305	\$ 360,823	\$ 300,564
Contract liabilities- providing services	<u>17,071</u>	<u>11,577</u>	<u>4,979</u>
Sub-total	199,376	372,400	305,543
Non-current contract liabilities:			
Contract liabilities- providing services	<u>17,081</u>	<u>13,928</u>	<u>9,597</u>
Total	<u>\$ 216,457</u>	<u>\$ 386,328</u>	<u>\$ 315,140</u>

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

	Year ended December 31	
	2023	2022
Revenue from contracts with customers	<u>\$ 296,297</u>	<u>\$ 230,501</u>

C. Financing components

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

(18) Net other income (expenses)

	Year ended December 31	
	2023	2022
Other income		
Project development income	<u>\$ 72,381</u>	<u>\$ 48,799</u>

(19) Interest income

	Year ended December 31	
	2023	2022
Interest income	\$ 76,102	\$ 23,691
Other interest income	<u>168</u>	<u>74</u>
	<u>\$ 76,270</u>	<u>\$ 23,765</u>

(20) Other income

	Year ended December 31	
	2023	2022
Rent income	\$ 4,758	\$ 3,558
Other income	<u>14,816</u>	<u>16,191</u>
	<u>\$ 19,574</u>	<u>\$ 19,749</u>

(21) Other gains and losses

	Year ended December 31	
	2023	2022
Foreign exchange gains	\$ 35,812	\$ 83,770
Losses on disposal of property, plant and equipment	(167)	(54)
Others	(658)	(1)
	<u>\$ 34,987</u>	<u>\$ 83,715</u>

(22) Finance costs

	Year ended December 31	
	2023	2022
Interest expense	\$ 18,116	\$ 6,151
Other financial expense	1,223	1,802
	<u>\$ 19,339</u>	<u>\$ 7,953</u>

(23) Expenses by nature

	Year ended December 31	
	2023	2022
Wages and salaries	\$ 2,745,994	\$ 2,380,072
Labor and health insurance fees	199,434	134,965
Pension costs	86,145	57,520
Other personnel expenses	107,023	79,336
Employee benefit expense	<u>\$ 3,138,596</u>	<u>\$ 2,651,893</u>
Depreciation	<u>\$ 284,028</u>	<u>\$ 233,457</u>
Amortization	<u>\$ 8,747</u>	<u>\$ 10,847</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. The Group's estimated amounts of employees' compensation for 2023 and 2022 were \$104,605 and \$147,672, respectively; the estimated amounts of directors' and supervisors' remuneration for 2023 and 2022 were \$17,779 and \$24,313, respectively, and the foregoing amounts were accounted for under wages and salaries. Such amounts were estimated based on the profitability for 2023.

On February 27, 2024, employees' compensation and directors' remuneration for 2023 amounting to \$82,041 and \$15,382, respectively, as resolved at the meeting of the Board

of Directors were in agreement with those amounts recognized in the 2023 financial statements.

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

	Year ended December 31	
	2023	2022
Current tax:		
Current tax on profit for the period	\$ 154,943	\$ 277,598
Tax on undistributed surplus earnings	-	305
Prior year income tax underestimation	<u>3,594</u>	<u>3,436</u>
Total current tax	158,537	281,339
Deferred tax:		
Origination and reversal of temporary differences	<u>(34,445)</u>	<u>(56,183)</u>
Income tax expense	<u>\$ 124,092</u>	<u>\$ 225,156</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2023	2022
Income tax calculated based on net income before tax at the statutory tax rate	\$ 228,389	\$ 346,543
Expenses that should be excluded according to the tax law	2,976	2,452
Unrecognized deferred tax	3,656	(11,397)
Unrealized investment income from domestic companies recognized using the equity method	(24,546)	(46,048)
Dividends obtained from domestic investees	37,647	12,982
Income exempted from taxation according to the tax law	(37,647)	(13,148)
Tax on undistributed surplus earnings	-	305
Prior year income tax underestimation	3,594	3,436
Effect of income tax with investment tax credit	(65,182)	(69,969)
Realized investment losses by subsidiaries	(25,636)	-
Effect of minimum tax of income tax	867	-
Others	(26)	-
Income tax expense	<u>\$ 124,092</u>	<u>\$ 225,156</u>

C. The amounts of deferred tax assets or liabilities arising from temporary differences or tax loss are as follows:

	2023				
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	At December 31
- Temporary differences:					
- Deferred income tax assets:					
Unrealized gross margin between affiliates	\$ 16,496	(\$ 366)	\$ -	\$ -	\$ 16,130
Provisions for warranties	12,513	(6,791)	-	-	5,722
Compensation for unused annual leave	8,717	777	-	-	9,494
Unrealized gross margin with customs declaration filed	7,807	(3,378)	-	-	4,429
Allowance for inventory valuation and obsolescence losses	39,892	4,232	-	-	44,124
Unrealized exchange losses	6,374	(3,388)	-	-	2,986
Unpaid accrued expenses	10,137	33,508	-	-	43,645
Pension payable	802	(148)	260	-	914
Others	6,509	1,688	-	-	8,197
- Tax loss	-	8,311	-	-	8,311
Sub-total	<u>\$ 109,247</u>	<u>\$ 34,445</u>	<u>\$ 260</u>	<u>\$ -</u>	<u>\$ 143,952</u>

2022

	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	At December 31
- Temporary differences:					
- Deferred income tax assets:					
Unrealized gross margin between affiliates	\$ 9,189	\$ 7,307	\$ -	\$ -	\$ 16,496
Provisions for warranties	7,971	4,542	-	-	12,513
Compensation for unused annual leave	7,604	1,113	-	-	8,717
Unrealized gross margin with customs declaration filed	1,142	6,665	-	-	7,807
Allowance for inventory valuation and obsolescence losses	17,823	22,069	-	-	39,892
Unrealized exchange losses	-	6,374	-	-	6,374
Unpaid accrued expenses	5,581	4,286	-	-	9,867
Pension payable	2,039	(132)	(1,105)	-	802
Others	3,807	2,972	-	-	6,779
Sub-total	<u>\$ 55,156</u>	<u>\$ 55,196</u>	<u>(\$ 1,105)</u>	<u>\$ -</u>	<u>\$ 109,247</u>
- Deferred income tax liabilities:					
Unrealized exchange gains	<u>\$ 987</u>	<u>(\$ 987)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

D. The Company did not recognize taxable temporary differences related to investments in subsidiaries in deferred tax liabilities. The temporary differences not recognized in deferred tax liabilities as of December 31, 2023 and 2022, amounted to \$16,166 and \$22,213, respectively.

E. The unused losses and unrecognized deferred tax assets EnGenius Networks Singapore Pte. Ltd. and EnGenius Technologies, Inc., the subsidiaries of the Company, due to settlement and reporting are as follows:

December 31, 2023						
Year	Amount reported/approved	Balance to be credited	The amount of losses not recognized in deferred tax assets	Last valid year		
2023	\$ 27,852	\$ 27,852	\$ -	Note 1		
2020	4,403	4,403	4,403	Note 2		
2019	11,900	11,900	11,900	"		
2017	6,053	6,053	6,053	"		
2016	16,078	2,706	2,706	"		

December 31, 2022

Year	Amount reported/approved	Balance to be credited	The amount of losses not recognized in deferred tax assets	Last valid year
2020	\$ 4,403	\$ 4,403	\$ 4,403	Note 2
2019	11,900	11,900	11,900	"
2017	6,053	6,053	6,053	"
2016	16,078	16,078	16,078	"
2015	2,855	1,560	1,560	"

Note 1: According to the regulations of the U.S. Federal Tax, there is no deadline for tax credit for losses incurred since 2018, and the upper limit is 80% of the taxable income in the year where a profit is made.

Note 2: There is no last valid year in accordance with the local tax laws of Singapore.

- F. 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. The subsidiary, EnGenius Networks Inc., was established in 2022. So far, it has not had a profit-seeking enterprise income tax return approved by the Tax Authority.

(25) Earnings per share

	Year ended December 31, 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	\$ 828,373	49,061	<u>\$ 16.88</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	389	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 828,373</u>	<u>49,450</u>	<u>\$ 16.75</u>

	Year ended December 31, 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	\$ 1,064,850	49,061	<u>\$ 21.70</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	607	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,064,850</u>	<u>49,668</u>	<u>\$ 21.44</u>

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31	
	2023	2022
Purchase of property, plant and equipment and other non-current assets-transferred in property, plant and equipment	\$ 832,884	\$ 739,100
Less: Ending balance of payable on equipment	(48,854)	(51,508)
Ending balance of construction retainage received (Note)	(109,241)	(95,418)
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>7,152</u>	<u>22,716</u>
Cash paid during the period for purchase of property, plant and equipment	<u>\$ 806,151</u>	<u>\$ 671,694</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.

	Year ended December 31	
	2023	2022
Acquisition of right-of-use assets	\$ 238,738	\$ -
Less: Ending balances of other payables	(11,026)	-
Amount of cash paid in this period to acquire the right-of-use assets	<u>\$ 227,712</u>	<u>\$ -</u>

(27) Changes in liabilities from financing activities

Under the amendments to IAS 7, “Disclosure initiative”, the changes during the years ended December 31, 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	398,291	(127,367)	94	271,018
Impact of changes in foreign exchange rate	171	(147)	-	24
Changes in other non-cash items	-	44,651	-	44,651
At December 31	<u>\$ 1,598,581</u>	<u>\$ 312,406</u>	<u>\$ 184</u>	<u>\$ 1,911,171</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	1,177,986	(108,641)	(658)	1,068,687
Impact of changes in foreign exchange rate	1,373	3,056	9	4,438
Changes in other non-cash items	-	274,120	-	274,120
At December 31	<u>\$ 1,200,119</u>	<u>\$ 395,269</u>	<u>\$ 90</u>	<u>\$ 1,595,478</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

As of December 31, 2023 and 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>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Merchandise sales:		
Entities with joint control or significant influence over the Group	\$ <u>2,083</u>	\$ <u>1,211</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>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
Entities with joint control or significant influence over the Group	\$ <u>-</u>	\$ <u>1,150</u>
Other receivables - payment on behalf of others		
Entities with joint control or significant influence over the Group	\$ <u>930</u>	\$ <u>1,319</u>

C. Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other payables:		
Entities with joint control or significant influence over the Group	\$ <u>126</u>	\$ <u>-</u>

D. Property transactions

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

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Entities with joint control or significant influence over the Group		
Current	\$ 11,378	\$ 41,387
Non-current	<u>-</u>	<u>15,178</u>
	<u>\$ 11,378</u>	<u>\$ 56,565</u>

ii. Interest expense

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Entities with joint control or significant influence over the Group		
	<u>\$ 399</u>	<u>\$ 931</u>

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

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 96,449	\$ 104,036
Post-employment benefits	<u>1,150</u>	<u>1,054</u>
	<u>\$ 97,599</u>	<u>\$ 105,090</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2023, the Company had capital expenditures contracted for but not yet incurred in the amount of \$51,257.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) The Company received an approval letter from the FSC on January 3, 2024 for a cash capital increase by issuing new shares. Please refer to Note 6 (14) B. for details.
- (2) The proposals approved by the Board of Directors on February 27, 2024 are detailed below:
 - A. Please refer to Note 6(16) F. for the 2023 earnings distribution proposal.

- B. The Company renewed the lease terms of the current plant and office buildings from the related party, Senao International Co., Ltd., for another two years, starting from May 2024. The amount of the right-of-use assets estimated based on the monthly rental amount is approximately NT\$93,722 thousand.
 - C. A proposal for a private placement for a cash capital increase approved by the annual shareholders' meeting on May 31, 2023 will no longer be implemented during the remaining period because the issuance period is about to end and no qualified applicants have been selected.
- (3) The Board of Directors, on January 19, 2024, approved the leasing of a plant building by the subsidiary, EnRack Technology Inc., due to operational needs. The lease term is planned to be from February 1, 2024 through January 31, 2029. The estimated amount of the right-of-use asset based on the monthly rental is approximately NT\$50,940 thousand.

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, JPY, VND, and INR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		December 31, 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	85,833	30.705	\$ 2,635,494
JPY:NTD	JPY	595,802	0.217	129,408
USD : VND (Note)	USD	12,700	30,705	389,954
<u>Non-monetary items</u>				
USD:NTD	USD	4,969	30.705	152,578
CAD:NTD	CAD	584	23.200	13,554
JPY:NTD	JPY	29,191	0.217	6,340
VND : NTD	VND	466,078,248	0.001	559,294
INR : NTD	INR	90,369	0.366	33,087
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	54,872	30.705	\$ 1,684,831
		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

Note: As the NTD is not a functional currency adopted by some of the consolidated entities, it should also be considered when being disclosed.

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

Year ended December 31, 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	-	30.705	(\$ 76,455)
JPY:NTD	-	0.217	2,716
USD : VND (Note)	-	30,705	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	-	30.705	\$ 57,992
Year ended December 31, 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	-	30.710	(\$ 71,403)
JPY:NTD	-	0.232	2,578
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	-	30.710	\$ 35,059

Note: As the NTD is not a functional currency adopted by some of the consolidated entities, it should also be considered when being disclosed.

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

		Year ended December 31, 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%	\$ 26,355	\$ -
	JPY:NTD	1%	1,294	-
	USD : VND (Note)	1%	3,900	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 16,848	\$ -
		Year ended December 31, 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%	\$ 49,651	\$ -
	JPY:NTD	1%	342	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 33,540	\$ -

Note: As the NTD is not a functional currency adopted by some of the consolidated entities, it should also be considered when being disclosed.

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 the lost ratio based on the historical and real-time information to assess the allowance for losses on accounts receivable (including related parties) as of December 31, 2023 and 2022.

	Not past due	30 days	31-60 days	61-90 days	91-180 days	Over 181 days	Total
<u>December 31, 2023</u>							
Expected loss rate	0.03%	0.03%	10%	30%	50%	100%	
Total book value	\$ 1,776,909	\$ 33,285	\$ 2,089	\$ 5	\$ -	\$ 79	\$ 1,812,367
Loss allowance	\$ -	\$ -	\$ 190	\$ -	\$ -	\$ 79	\$ 269
	Not past due	30 days	31-60 days	61-90 days	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

- 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	107	111
Effect of exchange rate changes	9	20
At December 31	<u>\$ 269</u>	<u>\$ 153</u>

(c) Liquidity risk

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

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2023				
Short-term borrowings	\$ 1,607,075	\$ -	\$ -	\$ -
Notes payable	2,681	-	-	-
Accounts payable	3,082,714	-	-	-
Other payables (including related parties)	1,484,178	-	-	-
Lease liabilities	101,826	89,514	128,629	-
Other non-current liabilities	94	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	-	-

(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: Please refer to table 2.
- 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 3.
- 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 4.

(2) Information on investments

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Please refer to table 6.

14. SEGMENT INFORMATION

(5) 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.

(6) 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 2023 and 2022 is stated below:

	Year ended December 31, 2023				
	Taiwan	America	Others	Eliminated transactions during the consolidation	Total
Revenue from external customers	\$ 15,705,161	\$ 566,745	\$ 337,265	\$ -	\$ 16,609,171
Inter-segment revenue	905,110	23,761	932	(929,803)	-
Total segment revenue	<u>\$ 16,610,271</u>	<u>\$ 590,506</u>	<u>\$ 338,197</u>	<u>(\$ 929,803)</u>	<u>\$ 16,609,171</u>
Segment income	<u>\$ 1,372,793</u>	<u>\$ 1,410</u>	<u>\$ 29,520</u>	<u>\$ 16,065</u>	<u>\$ 1,419,788</u>
Segment income, including Depreciation and amortization	<u>\$ 259,435</u>	<u>\$ 5,825</u>	<u>\$ 1,775</u>	<u>(\$ 12,387)</u>	<u>\$ 254,648</u>

	Year ended December 31, 2022				
	Taiwan	America	Others	Eliminated transactions during the consolidation	Total
Revenue from external customers	\$ 15,182,278	\$ 676,867	\$ 463,137	\$ -	\$ 16,322,282
Inter-segment revenue	1,049,379	20,553	650	(1,070,582)	-
Total segment revenue	<u>\$ 16,231,657</u>	<u>\$ 697,420</u>	<u>\$ 463,787</u>	<u>(\$ 1,070,582)</u>	<u>\$ 16,322,282</u>
Segment income	<u>\$ 1,742,294</u>	<u>\$ 66,377</u>	<u>\$ 58,839</u>	<u>\$ 17,433</u>	<u>\$ 1,884,943</u>
Segment income, including Depreciation and amortization	<u>\$ 216,056</u>	<u>\$ 4,066</u>	<u>\$ 1,955</u>	<u>(\$ 11,694)</u>	<u>\$ 210,383</u>

(7) 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 2023 and 2022 is provided as follows:

	Year ended December 31	
	2023	2022
Reportable segments profit	\$ 1,419,788	\$ 1,884,943
Undistributed amount		
General administrative expense	(475,422)	(530,944)
Non-operating income	111,492	119,276
Income from continuing operations before income tax	<u>\$ 1,055,858</u>	<u>\$ 1,473,275</u>

(8) Revenue information by products

The Group mainly engages in the sales of wireless communication products. The details of the income balances are as follows:

	Year ended December 31	
	2023	2022
Revenue from sales of goods		
Wireless networking systems	\$ 6,820,150	\$ 7,184,828
Wired networking systems	7,915,346	7,290,661
Enterprise wireless communication systems	151,761	230,214
Others	1,721,914	1,616,579
	<u>\$ 16,609,171</u>	<u>\$ 16,322,282</u>

(9) Information by region

The Group's relevant information by region for 2023 and 2022 is shown below:

	Year ended December 31			
	2023		2022	
	Revenue	Non-current assets	Revenue	Non-current assets
America	\$ 15,366,576	\$ 29,204	\$ 14,378,289	\$ 22,267
Europe	469,022	11,762	909,704	458
Taiwan	243,875	3,618,151	368,181	2,976,500
Others	529,698	174,770	666,108	550
	<u>\$ 16,609,171</u>	<u>\$ 3,833,887</u>	<u>\$ 16,322,282</u>	<u>\$ 2,999,775</u>

(10) Information on important customers

The details of the Group's 2023 and 2022 operating revenue from a single customer accounting for 10% or more of the consolidated operating revenue are as follows:

	Year ended December 31			
	2023		2022	
	Revenue	Segment	Revenue	Segment
Company B	\$ 6,917,847	Taiwan	\$ 3,449,007	Taiwan
Company A	2,938,058	Taiwan	4,312,340	Taiwan

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

For the Year Ended December 31, 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 (Note 3)			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	\$ 154,549	-	-	-	-	24,900,000	\$ 263,357
							(Note 1)	(Note 2)						
The Company	Senao Networks Vietnam Co., Ltd.	Investment using the equity method	Senao Networks Vietnam Co., Ltd.	Subsidiary	-	-	-	559,294	-	-	-	-	-	559,294
							(Note 3)	(Note 4)					(Note 3)	

Note 1: It included a cash capital increase in EnRack Technology Inc. by purchasing 14,400,000 shares of its shares and receiving 5,500,000 new shares as stock dividends.

Note 2: The Company's new investment of \$154,549 in EnRack Technology Inc. included investment income recognized in this period and net unrealized gross profit on sales.

Note 3: It is a limited company, so it has no shares.

Note 4: The new investment in Senao Networks Vietnam Co., Ltd., totaling \$559,294, included the investment loss and the cumulative translation adjustment recognized for this period.

SENAO NETWORKS INC. AND SUBSIDIARIES
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
For the Year Ended December 31, 2023

Expressed in thousands of NTD
(except as otherwise indicated)

Table 2

Company acquiring real estate	Property	Date of event	Transaction amount	Payment status	Trading counterparty	Relationship with the counterparty	The information on the previous transfer if a transaction counterparty is a related party				Basis for price determination	Purpose of acquisition and use	Other agreed matters
							All entities	Relations with the issuer	Date of transfer	Amount			
Senao Networks Vietnam Co., Ltd.	Land use rights	October 5, 2023 (Note)	\$ 238,738 VND 183,503,711 thousand	As agreed in contract	Tai He Urban and Industrial Zone Development Stock Company	Non-related person	-	-	-	\$ -	Appraisal report	Business needs	None

Note: It refers to a date when a contract is signed.

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

For the Year Ended December 31, 2023

Table 3

Expressed in thousands of NTD
(except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Remarks (Note 3)
				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	\$ 364,194	3	Note 1	Note 1	Note 1	\$ 41,367	3		
EnGenius Technologies, Inc.	Senao Networks Inc.	Parent company	Purchases	364,194	100	"	"	"	(41,367)	100		
Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	Subsidiary	Sales	122,944	1	"	"	"	17,465	1		
EnGenius Networks Singapore Pte. Ltd.	Senao Networks Inc.	Parent company	Purchases	122,944	100	"	"	"	(17,465)	100		
EnRack Technology Inc.	Senao Networks Inc.	Parent company	Sales	139,531	71	Note 2	Note 2	Note 2	32,415	67		
Senao Networks Inc.	EnRack Technology Inc.	Subsidiary	Purchases	139,531	1	"	"	"	(32,415)	1		

Note 1: Sales prices are based on the sales volume. The collection term is net 60 days after the end of each month.

Note 2: Sales prices are based on the sales volume. The collection term is net 90 days after the end of each month.

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.
For the Year Ended December 31, 2023

Table 4

Expressed in thousands of NTD
(except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Notes 8 and 10)	Transaction terms	
0	Senao Networks Inc.	EnGenius Technologies, Inc.	1	Sales of goods	\$ 364,194	Note 4	2
0	Senao Networks Inc.	EnGenius Technologies, Inc.	1	Accounts receivable	41,367	"	-
0	Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Sales of goods	122,944	"	1
0	Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Accounts receivable	17,465	"	-
0	Senao Networks Inc.	EnGenius Networks Europe B.V.	1	Sales of goods	64,274	"	-
0	Senao Networks Inc.	EnGenius Networks Inc.	1	Sales of goods	10,988	"	-
0	Senao Networks Inc.	Emplus Technologies, Inc.	1	Rent income	12,180	Note 6	-
1	EnRack Technology Inc.	Senao Networks Inc.	2	Sales of goods	139,531	Note 5	1
1	EnRack Technology Inc.	Senao Networks Inc.	2	Accounts receivable	32,415	"	-
1	EnRack Technology Inc.	Emplus Technologies, Inc.	3	Sales of goods	49,314	"	-
1	EnRack Technology Inc.	Emplus Technologies, Inc.	3	Accounts receivable	15,037	"	-
2	Emplus Technologies, Inc.	Senao Networks Inc.	2	Sales of goods	17,526	Notes 4 and 9	-
2	Emplus Technologies, Inc.	Senao Networks Inc.	2	Lease liabilities	43,281	Note 7	-
2	Emplus Technologies, Inc.	EnGenius Networks Inc.	3	Sales of goods	60,693	Note 4	-
3	EnGenius Networks Inc.	EnGenius Technologies, Inc.	3	Sales of goods	33,537	"	-
3	EnGenius Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	3	Sales of goods	23,503	"	-
4	EnGenius Technologies, Inc.	EnGenius Technologies Canada Inc.	3	Sales of goods	22,124	"	-

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. Among them, the sales by the Company and Emplus Technologies, Inc. to EnGenius Technologies, Inc. and Networks Singapore Pte. Ltd. through EnGenius Networks Inc. were recorded as income on a net basis.

Note 5: The discounts on the sales were offered depending on the sales volume. The credit terms were approximately the same with third parties, which is 90 days from the first day of the month following the month of sales.

Note 6: The rent is negotiated and agreed by both parties and collected monthly.

Note 7: The rental payments were determined by mutual agreements and were paid monthly. The right-of-use assets and lease liabilities were the balance recognized on December 31, 2023 in line with IFRS 16.

Note 8: Only amounts in excess of \$10 million of related party transactions are disclosed, and the opposite side of the transaction is not disclosed.

Note 9: It included other income and net expense losses.

Note 10: The transactions were eliminated when preparing the consolidated financial statements.

SENAO NETWORKS INC. AND SUBSIDIARIES

Information on investees

For the Year Ended December 31, 2023

Table 5

Expressed in thousands of NTD
(except as otherwise indicated)

Name of investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Holding at the end of the period			Income or loss on investees for this period	Investment income or loss recognized for this period (Note 2)	Remarks (Note 4)
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
Senao Networks Inc.	EnGenius Technologies, Inc.	USA	Sales of communication products	\$ 61,410	\$ 61,410	60,000	100.00	\$ 97,359	(\$ 28,925)	(\$ 28,625)	
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	263,357	11,308	10,549	
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	247,064	210,977	108,183	
Senao Networks Inc.	EnGenius International (Samoa) Ltd.	Samoa	Investment holdings	183,923	183,923	1,832,289	100.00	43,353	1,295	1,566	
Senao Networks Inc.	EnGenius Technologies Canada Inc.	Canada	Sales of communication products	4,209	4,209	100	100.00	13,554	(1,311)	(1,311)	
Senao Networks Inc.	EnGenius Networks Inc.	Taiwan	Sales of communication products	60,000	500	6,000,000	100.00	61,949	6,761	3,993	
Senao Networks Inc.	EnGenius Networks Japan	Japan	Sales of communication products	6,516	6,516	3,000	100.00	6,340	(180)	(180)	
Senao Networks Inc.	Senao Networks Vietnam Co., Ltd.	Vietnam	Manufacture and sales of communication products	614,100	-	-	100.00	559,294	(1,664)	(1,664)	Note 3
Senao Networks Inc.	Senao Networks Private Ltd.	India	Sales of communication products	6,180	-	1,640,000	100.00	6,000	(4)	(4)	
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Singapore	Sales of communication products	182,695	182,695	1,792,289	100.00	55,219	1,409	1,409	
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Netherlands	Sales of communication products	62,266	62,266	210,000	100.00	12,893	(3,031)	(3,031)	
EnGenius Networks Inc.	EnGenius Networks Private Ltd.	India	Sales of communication products	27,818	-	7,400,000	100.00	27,087	(4)	(4)	

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 this period,” 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: It is a limited company, so it has no shares.

Note 4: The transactions were eliminated when preparing the consolidated financial statements.

SENAO NETWORKS INC. AND SUBSIDIARIES

Major shareholders information

December 31, 2023

Table 6

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.