

**SENAO NETWORKS INC. AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT
AUDITORS' REVIEW REPORT**

MARCH 31, 2024 AND 2023

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

INDEPENDENT AUDITORS' REVIEW REPORT
(24) PWCR 24000092

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Senao Networks Inc. and subsidiaries (the "Group") as at March 31, 2024 and 2023, and the related consolidated statements of comprehensive income well as of changes in equity and cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. It is the management team's responsibility to prepare the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports" by Securities Issuers and the International Accounting Standards 34 "Interim Financial Reporting", which has been endorsed and issued into effect by the Financial Supervisory Commission (FSC) of Republic of China, to present the consolidated financial position of the Group fairly, while our responsibility is to express a conclusion on the consolidated financial statements based on our review results.

Scope

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

Basis for Qualified Conclusion

As stated in Note 4(3) to the consolidated financial statements, the partial non-significant subsidiaries' financial statements for the same period included in the above consolidated financial statements have not been reviewed by us. As of March 31, 2024 and 2023, their total assets were NT\$1,463,533 thousand and NT\$694,012 thousand, respectively, accounting for 14% and 6% of the total consolidated assets, respectively; the total liabilities were NT\$331,543 thousand and NT\$287,409 thousand, accounting for 6% and

4% of the total consolidated liabilities, respectively. For the three months ended March 31, 2024 and 2023, the total comprehensive income was NT\$60,510 thousand and NT\$10,961 thousand, respectively, accounting for 40% and 4% of the total consolidated comprehensive income, respectively.

Qualified Conclusion

According to our review results, except that the financial statements of partial non-significant subsidiaries described in the Basis for Qualified Conclusion paragraph may result in adjustment to and disclosure of the consolidated financial statements if reviewed by us, we have determined that the foregoing consolidated financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC, with a fair presentation of the Group’s consolidated financial position as of March 31, 2024 and 2023 as well as consolidated financial performance and consolidated cash flows for the three months ended March 31, 2024 and 2023.

Pei-Chuan Huang

Yung-Chih, Lin

For and on behalf of PricewaterhouseCoopers, Taiwan

May 10, 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
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	March 31, 2024		December 31, 2023		March 31, 2023		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 2,684,481	25	\$ 2,957,907	25	\$ 3,079,427	25
1150	Notes receivable, net	6(2)	110	-	-	-	-	-
1170	Accounts receivable, net	6(2)	1,456,143	13	1,812,098	15	2,475,225	20
1180	Accounts receivable -related parties, net	7	41	-	-	-	1,048	-
1200	Other receivables	6(3)	167,628	2	244,136	2	231,325	2
1210	Other receivables - related parties	7	609	-	930	-	682	-
1220	Current income tax assets		3,593	-	3,516	-	82	-
130X	Inventory	6(4)	2,392,879	22	2,995,089	25	3,286,577	26
1410	Prepayments		45,728	-	39,914	1	26,313	-
1470	Other current assets		11,177	-	-	-	-	-
11XX	Total current assets		<u>6,762,389</u>	<u>62</u>	<u>8,053,590</u>	<u>68</u>	<u>9,100,679</u>	<u>73</u>
Non-current assets								
1600	Property, plant and equipment	6(5) and 8	3,271,230	31	3,258,455	27	2,701,728	22
1755	Right-of-use assets	6(6)	557,108	5	522,686	4	378,761	3
1780	Intangible assets	6(7)	44,278	-	45,594	-	8,209	-
1840	Deferred income tax assets		153,824	2	143,952	1	118,090	1
1900	Other non-current assets	6(8)	34,324	-	28,506	-	117,341	1
15XX	Total non-current assets		<u>4,060,764</u>	<u>38</u>	<u>3,999,193</u>	<u>32</u>	<u>3,324,129</u>	<u>27</u>
1XXX	Total assets		<u>\$ 10,823,153</u>	<u>100</u>	<u>\$ 12,052,783</u>	<u>100</u>	<u>\$ 12,424,808</u>	<u>100</u>

(Continued)

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	March 31, 2024		December 31, 2023		March 31, 2023		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(9)	\$ 1,219,680	11	\$ 1,598,581	13	\$ 24,360	-
2120	Financial liabilities at fair value through profit or loss – current	6(10)	1,212	-	-	-	-	-
2130	Current contract liabilities	6(18)	217,397	2	199,376	2	392,278	3
2150	Notes payable		817	-	2,681	-	1,363	-
2170	Accounts payable		2,487,206	23	3,082,714	26	5,231,664	42
2200	Other payables	6(11)(27)	1,105,672	11	1,484,052	12	1,123,414	9
2220	Other payables - related parties	7	-	-	126	-	-	-
2230	Current income tax liabilities		148,365	1	126,446	1	304,581	2
2250	Current provisions	6(13)	32,427	-	28,151	-	67,537	1
2280	Current lease liabilities	7	98,559	1	100,663	1	123,219	1
2300	Other current liabilities	6(14)	319,763	3	331,121	3	313,001	3
21XX	Total current liabilities		<u>5,631,098</u>	<u>52</u>	<u>6,953,911</u>	<u>58</u>	<u>7,581,417</u>	<u>61</u>
Non-current liabilities								
2527	Non-current contract liabilities	6(18)	16,750	-	17,081	-	13,465	-
2570	Deferred income tax liabilities		3,187	-	-	-	2,872	-
2580	Non-current lease liabilities	7	230,891	2	211,743	2	261,749	2
2600	Other non-current liabilities		5,846	-	4,753	-	3,920	-
25XX	Total non-current liabilities		<u>256,674</u>	<u>2</u>	<u>233,577</u>	<u>2</u>	<u>282,006</u>	<u>2</u>
2XXX	Total liabilities		<u>5,887,772</u>	<u>54</u>	<u>7,187,488</u>	<u>60</u>	<u>7,863,423</u>	<u>63</u>
Equity								
Equity attributable to owners of the parent								
	Share capital	6(15)						
3110	Share capital - common stock		490,609	5	490,609	4	490,609	4
	Capital surplus	6(16)						
3200	Capital surplus		703,127	6	703,127	6	703,127	6
	Retained earnings	6(17)						
3310	Legal reserve		660,541	6	660,541	5	553,614	4
3320	Special reserve		5,152	-	5,152	-	24,848	-
3350	Unappropriated retained earnings		2,909,811	27	2,858,395	24	2,615,871	22
	Other equity interest							
3400	Other equity interest		(9,374)	-	(88,694)	(1)	(7,246)	-
31XX	Equity attributable to owners of the parent		<u>4,759,866</u>	<u>44</u>	<u>4,629,130</u>	<u>38</u>	<u>4,380,823</u>	<u>36</u>
36XX	Non-controlling interest	4(3)	<u>175,515</u>	<u>2</u>	<u>236,165</u>	<u>2</u>	<u>180,562</u>	<u>1</u>
3XXX	Total equity		<u>4,935,381</u>	<u>46</u>	<u>4,865,295</u>	<u>40</u>	<u>4,561,385</u>	<u>37</u>
3X2X	Total liabilities and equity		<u>\$ 10,823,153</u>	<u>100</u>	<u>\$ 12,052,783</u>	<u>100</u>	<u>\$ 12,424,808</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
THREE MONTHS ENDED MARCH 31, 2024 AND 2023

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

Items	Notes	Three months ended March 31			
		2024		2023	
		AMOUNT	%	AMOUNT	%
4000 Operating revenues	6(18) and 7	\$ 2,857,209	100	\$ 4,507,937	100
5000 Operating costs	6(4)(24)	(2,489,994)	(87)	(3,774,019)	(84)
5900 Net operating margin		<u>367,215</u>	<u>13</u>	<u>733,918</u>	<u>16</u>
Operating expenses	6(24)				
6100 Selling expenses		(120,783)	(4)	(113,319)	(2)
6200 General and administrative expenses		(117,867)	(4)	(116,887)	(3)
6300 Research and development expenses		(178,926)	(6)	(176,279)	(4)
6000 Total operating expenses		<u>(417,576)</u>	<u>(14)</u>	<u>(406,485)</u>	<u>(9)</u>
6500 Net other income (expenses)	6(19)	<u>71,140</u>	<u>2</u>	<u>6,075</u>	<u>-</u>
6900 Operating profit		<u>20,779</u>	<u>1</u>	<u>333,508</u>	<u>7</u>
Non-operating income and expenses					
7100 Interest income	6(20)	8,316	-	20,754	-
7010 Other income	6(21)	14,250	-	3,313	-
7020 Other gains and losses	6(22)	52,311	2	2,559	-
7050 Finance costs	6(23) and 7	(7,178)	-	(3,958)	-
7000 Total non-operating income and expenses		<u>67,699</u>	<u>2</u>	<u>22,668</u>	<u>-</u>
7900 Profit before income tax		<u>88,478</u>	<u>3</u>	<u>356,176</u>	<u>7</u>
7950 Income tax expense	6(25)	(16,617)	(1)	(56,111)	(1)
8200 Profit for the period		<u>\$ 71,861</u>	<u>2</u>	<u>\$ 300,065</u>	<u>6</u>
Other comprehensive income, net					
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		\$ 79,320	3	(\$ 2,094)	-
8300 Other comprehensive income, net		<u>\$ 79,320</u>	<u>3</u>	<u>(\$ 2,094)</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 151,181</u>	<u>5</u>	<u>\$ 297,971</u>	<u>6</u>
Profit attributable to:					
8610 Owners of the parent		<u>\$ 51,416</u>	<u>1</u>	<u>\$ 252,275</u>	<u>5</u>
8620 Non-controlling interest		<u>\$ 20,445</u>	<u>1</u>	<u>\$ 47,790</u>	<u>1</u>
Comprehensive income attributable to:					
8710 Owners of the parent		<u>\$ 130,736</u>	<u>4</u>	<u>\$ 250,181</u>	<u>5</u>
8720 Non-controlling interest	4(3)	<u>\$ 20,445</u>	<u>1</u>	<u>\$ 47,790</u>	<u>1</u>
Earnings per share	6(26)				
9750 Basic earnings per share		<u>\$</u>	<u>1.05</u>	<u>\$</u>	<u>5.14</u>
Diluted earnings per share	6(26)				
9850 Diluted earnings per share		<u>\$</u>	<u>1.04</u>	<u>\$</u>	<u>5.11</u>

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

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent							Financial statements translation differences of foreign operations	Total	Non-controlling interest	Total equity
	Share capital - common stock	Capital surplus		Retained earnings			Unappropriated retained earnings				
		Additional paid-in capital	Others	Legal reserve	Special reserve						
<u>Three months ended March 31, 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	-	-	-	-	-	252,275	-	252,275	47,790	300,065	
Other comprehensive income, net	-	-	-	-	-	-	(2,094)	(2,094)	-	(2,094)	
Total comprehensive income for the period	-	-	-	-	-	252,275	(2,094)	250,181	47,790	297,971	
Change in non-controlling interest	-	-	-	-	-	-	-	-	(180,902)	(180,902)	
Balance at March 31, 2023	\$ 490,609	\$ 702,817	\$ 310	\$ 553,614	\$ 24,848	\$ 2,615,871	(\$ 7,246)	\$ 4,380,823	\$ 180,562	\$ 4,561,385	
<u>Three months ended March 31, 2024</u>											
Balance at January 1, 2024	\$ 490,609	\$ 702,817	\$ 310	\$ 660,541	\$ 5,152	\$ 2,858,395	(\$ 88,694)	\$ 4,629,130	\$ 236,165	\$ 4,865,295	
Profit for the period	-	-	-	-	-	51,416	-	51,416	20,445	71,861	
Other comprehensive income, net	-	-	-	-	-	-	79,320	79,320	-	79,320	
Total comprehensive income for the period	-	-	-	-	-	51,416	79,320	130,736	20,445	151,181	
Change in non-controlling interest	-	-	-	-	-	-	-	-	(81,095)	(81,095)	
Balance at March 31, 2024	\$ 490,609	\$ 702,817	\$ 310	\$ 660,541	\$ 5,152	\$ 2,909,811	(\$ 9,374)	\$ 4,759,866	\$ 175,515	\$ 4,935,381	

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

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Three months ended March 31	
		2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 88,478	\$ 356,176
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(24)	82,456	64,859
Amortization	6(24)	3,479	2,155
Expected credit impairment (gain) loss	12(2)	(154)	78
Net loss on financial liabilities at fair value through profit or loss	6(22)	1,212	-
Interest income	6(20)	(8,316)	(20,754)
Interest expense	6(23)	7,052	3,718
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(110)	-
Accounts receivable		356,102	483,509
Accounts receivable -related parties, net		(41)	102
Other receivables		76,574	(17,627)
Other receivables - related parties		321	637
Inventory		602,210	(183,099)
Prepayments		(5,814)	(10,798)
Changes in operating liabilities			
Contract liabilities		17,690	19,415
Notes payable		(1,864)	(1,526)
Accounts payable		(595,508)	(159,773)
Other payables		(363,526)	(313,756)
Other payables - related parties		(126)	-
Current provisions		3,309	4,534
Other current liabilities		(11,358)	5,242
Other non-current liabilities		(186)	(183)
Cash inflow generated from operations		251,880	232,909
Interest received		8,250	20,542
Interest paid		(6,759)	(3,718)
Income tax paid		(1,390)	(1,554)
Net cash flows from operating activities		<u>251,981</u>	<u>248,179</u>

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SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Three months ended March 31	
		2024	2023
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment (including capitalized interest)	6(27)	(\$ 76,135)	(\$ 200,293)
Acquisition of intangible assets	6(7)	(2,155)	(1,314)
Increase in other current assets		(11,177)	-
Decrease (increase) in guarantee deposits paid		(3,323)	720
Increase in other non-current assets		(2)	-
Net cash flows used in investing activities		(92,792)	(200,887)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(28)	(379,597)	(1,175,557)
Lease payments	6(6)(28)	(36,045)	(30,979)
Increase in guarantee deposits received	6(28)	1,373	-
Change in non-controlling interest	4(3)	(81,095)	(180,902)
Net cash flows used in financing activities		(495,364)	(1,387,438)
Effect on foreign exchange difference		62,749	(2,544)
Decrease in cash and cash equivalents		(273,426)	(1,342,690)
Cash and cash equivalents at beginning of period		2,957,907	4,422,117
Cash and cash equivalents at end of period		\$ 2,684,481	\$ 3,079,427

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

SENAO NETWORKS INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

(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 May 10, 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 2024, 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 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.

(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 Group

None.

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
Amendments to IAS 21, “Lack of exchangeability”	January 1, 2025

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2023, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Statements by Securities Issuers” and IAS 34, “Interim Financial Reporting” as endorsed and issued into effect by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2023.

(2) Basis of preparation

- A. Except for the defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where

assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial reports:

The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2023.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2024	December 31, 2023	March 31, 2023	
Senao Networks Inc.	EnGenius Technologies, Inc.	Sales of communication products	100	100	100	Note 1
Senao Networks Inc.	EnRack Technology Inc.	Sales of communication products and Sales of manufactured stamping component	100	100	100	Note 1
Senao Networks Inc.	Emplus Technologies, Inc.	Research and development, manufacture and sales of communication products	50.99	50.99	50.99	
Senao Networks Inc.	EnGenius International (Samoa) Ltd.	Investment holdings	100	100	100	Note 1
Senao Networks Inc.	EnGenius Technologies Canada Inc.	Sales of communication products	100	100	100	Note 1
Senao Networks Inc.	EnGenius Networks Inc.	Sales of communication products	100	100	100	Note 1
Senao Networks Inc.	EnGenius Networks Japan	Sales of communication products	100	100	100	Note 1
Senao Networks Inc.	Senao Networks Private Ltd.	Sales of communication products	100	100	-	Note 2
Senao Networks Inc.	Senao Networks Vietnam Co., Ltd.	Manufacture and sales of communication products	100	100	-	Note 2

EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Sales of communication products	100	100	100	Note 1
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Sales of communication products	100	100	100	Note 1
EnGenius Networks Inc.	EnGenius Networks Private Ltd.	Sales of communication products	100	100	-	Note 2
Emplus Technologies, Inc.	Emplus Technologies India Private Ltd.	Sales of communication products	100	-	-	Note 3

Note 1: The financial statements as at and for the three months ended March 31, 2024 and 2023 were not reviewed by independent auditors as the entity did not meet the definition of significant subsidiary.

Note 2: It is a new subsidiary established in 2023 and the outward remittance was made by the Group for the subsidiary's registered capital in the fourth quarter of 2023. The financial statements as at and for the three months ended March 31, 2024 were not reviewed by independent auditors as the entity did not meet the definition of significant subsidiary.

Note 3: It is a new subsidiary established in 2023 and the outward remittance was made by the Group for the subsidiary's registered capital in the first quarter of 2024. The financial statements as at and for the three months ended March 31, 2024 were not reviewed by independent auditors as the entity did not meet the definition of significant subsidiary.

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

As of March 31, 2024, December 31, 2023, and March 31, 2023, the non-controlling interests amounted to \$175,515, \$236,165, and \$180,562, respectively. The information on non-controlling interests and respective subsidiary is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest		Non-controlling interest	
		March 31, 2024		December 31, 2023	
		AMOUNT	Ownership (%)	AMOUNT	Ownership (%)
Emplus Technologies, Inc. and subsidiaries	Taiwan	\$ 175,515	49.01%	\$ 236,165	49.01%

Name of subsidiary	Principal place of business	Non-controlling interest	
		March 31, 2023	
		AMOUNT	Ownership (%)
Emplus Technologies, Inc. and subsidiaries	Taiwan	\$ 180,562	49.01%

Aggregated financial information on subsidiaries:

Balance sheet

	March 31, 2024	December 31, 2023	March 31, 2023
Current assets	\$ 1,072,470	\$ 1,121,080	\$ 1,316,380
Non-current assets	277,505	277,718	314,782
Current liabilities	(903,437)	(819,322)	(1,135,396)
Non-current liabilities	(88,386)	(97,563)	(127,312)
Total net assets	<u>\$ 358,152</u>	<u>\$ 481,913</u>	<u>\$ 368,454</u>

Statement of comprehensive income

	Three months ended March 31	
	2024	2023
Revenue	\$ 389,379	\$ 677,896
Profit before income tax	50,869	118,010
Income tax expense	(9,150)	(20,492)
Profit for the period from continuing operations	41,719	97,518
Other comprehensive income, net of tax	-	-
Total comprehensive income for the period	<u>\$ 41,719</u>	<u>\$ 97,518</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 20,445</u>	<u>\$ 47,790</u>
Dividends paid to non-controlling interest	<u>\$ 81,095</u>	<u>\$ 180,902</u>

Statement of cash flows

	Three months ended March 31	
	2024	2023
Net cash generated flows from operating activities	\$ 33,574	\$ 53,384
Net cash flows used in investing activities	(7,743)	(25,391)
Net cash flows used in financing activities	(175,031)	(378,437)
Effect on foreign exchange difference	(7)	-
Decrease in cash and cash equivalents	(149,207)	(350,444)

Cash and cash equivalents at beginning of period	<u>728,368</u>	<u>1,016,414</u>
Cash and cash equivalents at end of period	<u>\$ 579,161</u>	<u>\$ 665,970</u>

(4) Financial liabilities at fair value through profit or loss

- A. It refers to the financial liabilities held for trading as derivatives which are not designated as hedging instruments in line with hedge accounting.
- B. Upon the initial recognition, the Group measures relevant transaction costs at fair value and recognizes them in profit or loss, while measuring them at fair value and recognizing gain or loss thereon in profit or loss.

(5) Employee benefits

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

(6) Income tax

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies but no critical judgements were made. The management team has made critical estimates and assumptions concerning future events based on the situation at the balance sheet date. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. Critical accounting estimates are mainly made for inventory valuation. The details are addressed below:

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 March 31, 2024, the carrying amount of inventories was \$2,392,879.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand and revolving funds	\$ 358	\$ 361	\$ 679
Checking accounts and demand deposits	1,619,303	1,087,938	462,563
Time deposits	1,064,820	1,869,608	2,616,185
	<u>\$ 2,684,481</u>	<u>\$ 2,957,907</u>	<u>\$ 3,079,427</u>

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

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

(2) Notes receivable and accounts receivable, net

	March 31, 2024	December 31, 2023	March 31, 2023
Notes receivable	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ -</u>
Accounts receivable	\$ 1,456,265	\$ 1,812,367	\$ 2,475,455
Less: Allowance for bad debts	(122)	(269)	(230)
	<u>\$ 1,456,143</u>	<u>\$ 1,812,098</u>	<u>\$ 2,475,225</u>

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

	March 31, 2024		December 31, 2023		March 31, 2023
	Accounts receivable	Notes receivable	Accounts receivable	Accounts receivable	
Not past due	\$ 1,415,468	\$ 110	\$ 1,776,909	\$ 2,453,337	\$ 2,453,337
Up to 30 days	40,265	-	33,285	20,621	20,621
31 to 60 days	449	-	2,089	1,346	1,346
61 to 90 days	-	-	5	54	54
91 to 180 days	-	-	-	17	17
Over 180 days	83	-	79	80	80
	<u>\$ 1,456,265</u>	<u>\$ 110</u>	<u>\$ 1,812,367</u>	<u>\$ 2,475,455</u>	

The above ageing analysis was based on past due date.

B. As of March 31, 2024, December 31, 2023, March 31, 2023 and January 1, 2023, the balances of receivables from contracts with customers amounted to \$1,456,375, \$1,812,367, \$2,475,455, and \$2,958,964, respectively.

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

D. As at March 31, 2024, December 31, 2023, and March 31, 2023, without taking into account any collateral held or other credit enhancements, the maximum exposures to credit

risk in respect of the amounts that best represented the Group’s notes receivable were \$110, \$0, and \$0, respectively; the maximum exposures to credit risk in respect of the amounts that best represented the Group’s accounts receivable were \$1,456,253, \$1,812,098, and \$2,475,225.

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 March 31, 2024, December 31, 2023 and March 31, 2023, the transferred accounts receivable are as follows:

March 31, 2024					
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognized	Facilities (thousand)	Amount advanced	Interest rate of amount advanced
CTBC Bank	\$ 11,549	\$ 11,549	USD 1,200	\$ -	-

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	\$ -	-

March 31, 2023					
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognized	Facilities (thousand)	Amount advanced	Interest rate of amount advanced
CTBC Bank	\$ 19,591	\$ 19,591	USD 1,550	\$ -	-
Taishin International Bank	4,836	4,836	USD 1,925	-	-
Total	\$ 24,427	\$ 24,427		\$ -	

Note: Recorded as “other receivables”.

B. The Group paid factoring expenses of \$126 and \$240 upon transfer of the derecognized accounts receivable for the three months ended March 31, 2024 and 2023, respectively, which was recorded as “finance costs”.

(4) Inventory

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Raw materials	\$ 1,344,463	\$ 1,699,813	\$ 1,751,991
Work in progress	488,906	588,028	948,727
Finished goods	<u>559,510</u>	<u>707,248</u>	<u>585,859</u>
	<u>\$ 2,392,879</u>	<u>\$ 2,995,089</u>	<u>\$ 3,286,577</u>

The cost of inventories recognized as expense for the three months ended March 31, 2024 and 2023 were \$2,486,075 and \$3,771,468, including \$44,873 and \$36,679, respectively, that the Group wrote down from cost to net realizable value which was accounted for as cost of goods sold during the three months ended March 31, 2024 and 2023.

(5) Property, plant and equipment

2024

	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	\$ 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>
At January 1	\$ 950,749	\$ 59,806	\$ 804,770	\$ 13,511	\$ -	\$ 79,880	\$ 51,996	\$ 21,892	\$ 1,275,851	\$ 3,258,455
Additions	-	4,632	22,877	3,145	-	5,339	7,095	1,568	12,874	57,530
Transfer	-	2,805	51,664	-	-	600	1,000	-	(56,069)	-
Other non-current assets-transferred in	-	-	-	-	-	871	-	-	-	871
Depreciation	-	(1,654)	(31,038)	(2,630)	-	(4,781)	(2,756)	(2,798)	-	(45,657)
Net exchange differences	-	-	-	-	-	30	-	1	-	31
At March 31	<u>\$ 950,749</u>	<u>\$ 65,589</u>	<u>\$ 848,273</u>	<u>\$ 14,026</u>	<u>\$ -</u>	<u>\$ 81,939</u>	<u>\$ 57,335</u>	<u>\$ 20,663</u>	<u>\$ 1,232,656</u>	<u>\$ 3,271,230</u>
At March 31										
Cost	\$ 950,749	\$ 68,248	\$ 1,573,667	\$ 168,948	\$ 3,369	\$ 151,798	\$ 84,329	\$ 111,798	\$ 1,232,656	\$ 4,345,562
Accumulated depreciation and impairment	-	(2,659)	(725,394)	(154,922)	(3,369)	(69,859)	(26,994)	(91,135)	-	(1,074,332)
	<u>\$ 950,749</u>	<u>\$ 65,589</u>	<u>\$ 848,273</u>	<u>\$ 14,026</u>	<u>\$ -</u>	<u>\$ 81,939</u>	<u>\$ 57,335</u>	<u>\$ 20,663</u>	<u>\$ 1,232,656</u>	<u>\$ 3,271,230</u>

2023

	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	\$ 1,157,088	\$ 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>
At January 1	\$ 950,749	\$ 531,564	\$ 10,733	\$ -	\$ 41,763	\$ 15,696	\$ 14,849	\$ 1,012,359	\$ 2,577,713
Additions	-	42,357	1,413	-	9,358	4,360	5,392	84,102	146,982
Other non-current assets-transferred in	-	9,679	-	-	-	-	-	-	9,679
Depreciation	-	(23,964)	(2,464)	-	(2,884)	(1,010)	(2,315)	-	(32,637)
Net exchange differences	-	-	-	-	(6)	-	(3)	-	(9)
At March 31	<u>\$ 950,749</u>	<u>\$ 559,636</u>	<u>\$ 9,682</u>	<u>\$ -</u>	<u>\$ 48,231</u>	<u>\$ 19,046</u>	<u>\$ 17,923</u>	<u>\$ 1,096,461</u>	<u>\$ 2,701,728</u>
At March 31									
Cost	\$ 950,749	\$ 1,208,634	\$ 155,314	\$ 3,205	\$ 103,478	\$ 38,635	\$ 102,524	\$ 1,096,461	\$ 3,659,000
Accumulated depreciation and impairment	-	(648,998)	(145,632)	(3,205)	(55,247)	(19,589)	(84,601)	-	(957,272)
	<u>\$ 950,749</u>	<u>\$ 559,636</u>	<u>\$ 9,682</u>	<u>\$ -</u>	<u>\$ 48,231</u>	<u>\$ 19,046</u>	<u>\$ 17,923</u>	<u>\$ 1,096,461</u>	<u>\$ 2,701,728</u>

- A. Please refer to Note 8 for more information on property, plant and equipment provided as collateral.
- B. The capitalized amounts of borrowing costs for the Group's property, plant and equipment for the three months ended March 31, 2024 and 2023, totaled \$2,272 and \$0, respectively, and the capitalized interest rates were 2.18% and 0%, respectively.

(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; and the underlying asset of the low-value lease are automated external defibrillators (AEDs).
- C. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
	Book value	Book value	Book value
Land	\$ 235,962	\$ 219,008	\$ -
Buildings	312,021	293,757	369,848
Transportation equipment	3,180	3,815	3,548
Office equipment	1,991	1,847	628
Other equipment	3,954	4,259	4,737
	<u>\$ 557,108</u>	<u>\$ 522,686</u>	<u>\$ 378,761</u>

	Three months ended March 31	
	2024	2023
	Depreciation	Depreciation
Land	\$ 1,296	\$ -
Buildings	34,411	31,287
Transportation equipment	635	518
Office equipment	152	159
Other equipment	305	258
	<u>\$ 36,799</u>	<u>\$ 32,222</u>

- D. For the three months ended March 31, 2024 and 2023, the additions to right-of-use assets were \$51,232 and \$20,759, respectively.

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

	Three months ended March 31	
	2024	2023
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,512	\$ 1,394
Expense on short-term lease contracts	3,797	1,699
Expense on low-value asset lease	40	-
Expense on variable lease payments	879	1,872
Gain on sublease of right-of-use assets (Note)	1,346	916

Note: Recorded as “other income”, please refer to Note 6(21).

F. For the three months ended March 31, 2024 and 2023, the Group’s total cash outflow relating to lease contracts was \$42,273 and \$35,944, of which \$36,045 and \$30,979 were lease payments, respectively.

G. Variable lease payments

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

H. Extension and termination options

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

(7) Intangible assets

A. Changes to intangible assets are as follows:

	2024		
	Computer software	Goodwill	Total
At January 1			
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>
At January 1	\$ 45,114	\$ 480	\$ 45,594
Additions	2,155	-	2,155
Amortization	(3,479)	-	(3,479)
Net exchange differences	8	-	8
At March 31	<u>\$ 43,798</u>	<u>\$ 480</u>	<u>\$ 44,278</u>

(8) Other non-current assets

	March 31, 2024	December 31, 2023	March 31, 2023
Prepayment for equipment	\$ 9,645	\$ 7,152	\$ 99,887
Refundable deposits	24,677	21,354	17,454
Others	2	-	-
	<u>\$ 34,324</u>	<u>\$ 28,506</u>	<u>\$ 117,341</u>

(9) Short-term borrowings

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured bank borrowings	<u>\$ 1,219,680</u>	<u>\$ 1,598,581</u>	<u>\$ 24,360</u>
Interest rate	<u>1.91%~6.21%</u>	<u>1.91%~6.47%</u>	<u>5.69%</u>

(10) Financial liabilities at fair value through profit or loss

	March 31, 2024	December 31, 2023	March 31, 2023
Current items:			
Financial liability derivatives held for trading	<u>\$ 1,212</u>	<u>\$ -</u>	<u>\$ -</u>

- A. The losses on financial liabilities measured at fair value through profit or loss recognized by the Group for 2024 and 2023 were \$452 and \$0, respectively.
- B. The Group's derivative financial liabilities, for which hedge accounting is not adopted and which have not yet matured on the balance sheet date, are as follows:

	Currency	Contract period	Contract amount
<u>March 31, 2024</u>			
Forward exchange agreements sold	USD : NTD	March 19, 2024 - April 17, 2024	USD4,000/NTD126,520
Forward exchange agreements sold	USD : NTD	March 27, 2024 - April 24, 2024	USD4,000/NTD127,608

December 31, 2023 and March 31, 2023: None.

- C. The Group engages in the trading of forward exchange agreements to hedge the risks arising from exchange rate changes in foreign-currency assets and liabilities without adopting hedging accounting.

(11) Other payables

	March 31, 2024	December 31, 2023	March 31, 2023
Accrued salary expenses and bonus	\$ 554,653	\$ 870,333	\$ 461,425
Accrued employees' compensation and directors' and supervisors' remuneration	130,231	142,009	210,578
Construction retainage received	109,706	109,241	102,460
Accrued equipment	33,148	48,854	78,005
Others	277,934	313,615	270,946
	<u>\$ 1,105,672</u>	<u>\$ 1,484,052</u>	<u>\$ 1,123,414</u>

(12) Pensions

A. Defined benefit plan

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account at the end of each year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.
- (b) For the aforementioned benefit plan the Group recognized pension costs of \$13 and \$12 for the three months ended March 31, 2024 and 2023, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$804.

B. Defined contribution plan

- (a) The Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company

contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company and its domestic subsidiaries for the three months ended March 31, 2024 and 2023 amounted to \$22,885 and \$17,533, 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., EnGenius Networks Private Ltd., and Emplus Technologies India 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 three months ended March 31, 2024 and 2023 were \$782 and \$714, respectively.

(13) Provisions

	2024	2023
At January 1	\$ 28,151	\$ 62,699
Additional provisions (including those reversed) during this period	8,336	8,757
Used during this period	(5,027)	(4,223)
Effect of exchange rate changes	967	304
At March 31	<u>\$ 32,427</u>	<u>\$ 67,537</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.

(14) Other current liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
Collection of project development on behalf of others	\$ 303,708	\$ 314,430	\$ 298,942
Sales refund liabilities	9,975	10,423	7,809
Others	6,080	6,268	6,250
	<u>\$ 319,763</u>	<u>\$ 331,121</u>	<u>\$ 313,001</u>

(15) Share capital

- A. As of March 31, 2024, the Company's authorized capital was \$1.2 million, consisting of 49,061 thousand shares of common stock outstanding, with a par value of \$10 in dollars

per share. There was no change in the number of the Company's ordinary shares outstanding for the three months ended March 31, 2024 and 2023.

- 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 comprehensively assessed the changes in the capital market and the Company's overall business environment and took into account shareholder equity, the Board of Directors approved, by resolution, the cancellation of this cash capital increase through issuance of new shares on April 11, 2024. The above letter Jin-Guan-Zheng-Fa was approved to be revoked pas per the letter Jin-Guan-Zheng-Fa No. 1130340184.

(16) 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.

(17) 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 2023 and 2022 earnings distribution proposals, which were approved by the resolution of the Board of Directors and the shareholders' meetings on February 27, 2024 and May 31, 2023, respectively, are detailed below:

	Year ended December 31			
	2023		2022	
	AMOUNT	Dividends per share (in dollars)	AMOUNT	Dividends per share (in dollars)
Legal reserve	\$ 82,733	\$ -	\$ 106,927	\$ -
Special reserve	83,542	- (19,696)	-
Cash dividends	196,244	4.0	245,304	5.0
	<u>\$ 362,519</u>	<u>\$ 4.0</u>	<u>\$ 332,535</u>	<u>\$ 5.0</u>

As of May 10, 2024, the above 2023 earnings distribution proposal is still pending the resolution by the shareholders' meeting.

(18) Operating revenues

	Three months ended March 31	
	2024	2023
Revenue from contracts with customers	<u>\$ 2,857,209</u>	<u>\$ 4,507,937</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:

	March 31, 2024	December 31, 2023
Current contract liabilities:		
Contract liabilities- sales of goods	\$ 193,593	\$ 182,305
Contract liabilities- providing services	23,804	17,071
Sub-total	217,397	199,376
Non-current contract liabilities:		
Contract liabilities- providing services	16,750	17,081
Total	<u>\$ 234,147</u>	<u>\$ 216,457</u>

	March 31, 2023	January 1, 2023
Current contract liabilities:		
Contract liabilities- sales of goods	\$ 373,068	\$ 360,823
Contract liabilities- providing services	19,210	11,577
Sub-total	392,278	372,400
Non-current contract liabilities:		
Contract liabilities- providing services	13,465	13,928
Total	<u>\$ 405,743</u>	<u>\$ 386,328</u>

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

	Three months ended March 31	
	2024	2023
Revenue from contracts with customers	<u>\$ 71,291</u>	<u>\$ 103,100</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.

(19) Net other income (expenses)

	Three months ended March 31	
	2024	2023
Other income		
Project development income	<u>\$ 71,140</u>	<u>\$ 6,075</u>

(20) Interest income

	Three months ended March 31	
	2024	2023
Interest income	\$ 8,250	\$ 20,693
Other interest income	66	61
	<u>\$ 8,316</u>	<u>\$ 20,754</u>

(21) Other income

	Three months ended March 31	
	2024	2023
Rent income	\$ 1,346	\$ 916
Other income	12,904	2,397
	<u>\$ 14,250</u>	<u>\$ 3,313</u>

(22) Other gains and losses

	Three months ended March 31	
	2024	2023
Foreign exchange gains	\$ 52,763	\$ 2,964
Financial liabilities or losses at fair value through profit or loss	(452)	-
Others	-	(405)
	<u>\$ 52,311</u>	<u>\$ 2,559</u>

(23) Finance costs

	Three months ended March 31	
	2024	2023
Interest expense	\$ 7,052	\$ 3,718
Other financial expense	126	240
	<u>\$ 7,178</u>	<u>\$ 3,958</u>

(24) Expenses by nature

	Three months ended March 31	
	2024	2023
Wages and salaries	\$ 476,861	\$ 684,327
Labor and health insurance fees	56,796	46,750
Pension costs	23,680	18,259
Other personnel expenses	24,614	24,590
Employee benefit expense	<u>\$ 581,951</u>	<u>\$ 773,926</u>
Depreciation	<u>\$ 82,456</u>	<u>\$ 64,859</u>
Amortization	<u>\$ 3,479</u>	<u>\$ 2,155</u>

- A. According to the Articles of Incorporation of the Company and its domestic subsidiaries, where the Company or its domestic subsidiaries make a profit for a fiscal year, they shall provide no lower than 3% of the balance for employees' compensation and no higher than 3% for directors' and supervisors' remuneration. However, if the Company has accumulated deficit, the Company should cover accumulated losses first. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned employees'

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

- B. For the three months ended March 31, 2024 and 2023, employees' compensation was accrued at \$8,619 and \$35,916, respectively; while directors' and supervisors' remuneration was accrued at \$1,236 and \$5,852, respectively. The aforementioned amounts were recognized in salary expenses. The expenses recognized were accrued based on the earnings as of the end of this period.

On February 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. 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 17, 2024, employees' compensation and directors' and supervisors' remuneration of the subsidiary, Emplus Technologies, Inc., for 2023 amounting to \$20,489 and \$2,008, 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 26, 2024, employees' compensation and directors' and supervisors' remuneration of the subsidiary, EnRack Technology Inc., for 2023 amounting to \$1,210 and \$227, 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 26, 2024, both employees' compensation and directors' and supervisors' remuneration of the subsidiary, EnGenius Technology Inc., for 2023, amounted to \$0, as resolved at the meeting of the Board of Directors; the differences from the amounts recognized in the financial statements are planned to be adjusted in profit or loss of the fiscal year 2024.

(25) Income tax

A. Income tax expense

	Three months ended March 31	
	2024	2023
Current tax:		
Current tax on profit for the period	\$ 23,440	\$ 62,139
Prior year income tax underestimation	(138)	(57)
Total current tax	23,302	62,082
Deferred tax:		
Origination and reversal of temporary differences	(6,685)	(5,971)
Income tax expense	<u>\$ 16,617</u>	<u>\$ 56,111</u>

- B. The profit-seeking enterprise income tax returns filed by the Company and subsidiary, EnRack Technology Inc., up to 2022 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.

(26) Earnings per share

	Three months ended March 31, 2024		
	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	\$ 51,416	49,061	<u>\$ 1.05</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	237	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 51,416</u>	<u>49,298</u>	<u>\$ 1.04</u>

	Three months ended March 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	\$ 252,275	49,061	<u>\$ 5.14</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	<u>293</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 252,275</u>	<u>49,354</u>	<u>\$ 5.11</u>

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	Three months ended March 31	
	2024	2023
Purchase of property, plant and equipment and other non-current assets-transferred in property, plant and equipment	\$ 58,401	\$ 156,661
Less: Ending balance of payable on equipment	(33,148)	(78,005)
Ending balance of construction retainage received (Note)	(109,706)	(102,460)
Opening balance of prepayments for equipment	(7,152)	(22,716)
Add: Opening balance of payable on equipment	48,854	51,508
Opening balance of construction retainage received (Note)	109,241	95,418
Ending balance of prepayments for equipment	<u>9,645</u>	<u>99,887</u>
Cash paid during the period for purchase of property, plant and equipment	<u>\$ 76,135</u>	<u>\$ 200,293</u>

Note: Recorded as "other payables".

(28) Changes in liabilities from financing activities

Under the amendments to IAS 7, "Disclosure initiative", changes during the three months ended March 31, 2024 and 2023 are disclosed as follows:

	2024			
	Short-term borrowings	Lease liabilities	Other non-current liabilities	Liabilities from financing gross
At January 1	\$ 1,598,581	\$ 312,406	\$ 184	\$ 1,911,171
Changes in cash flow from financing activities	(379,597)	(36,045)	1,373	(414,269)
Impact of changes in foreign exchange rate	696	1,857	-	2,553
Changes in other non-cash items	-	51,232	(94)	51,138
At March 31	<u>\$ 1,219,680</u>	<u>\$ 329,450</u>	<u>\$ 1,463</u>	<u>\$ 1,550,593</u>

	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	(1,175,557)	(30,979)	-	(1,206,536)
Impact of changes in foreign exchange rate	(202)	(81)	-	(283)
Changes in other non-cash items	-	20,759	-	20,759
At March 31	<u>\$ 24,360</u>	<u>\$ 384,968</u>	<u>\$ 90</u>	<u>\$ 409,418</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

As of March 31, 2024, December 31, 2023, and March 31, 2023, 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

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

(3) Significant related party transactions

A. Operating revenues

	Three months ended March 31	
	2024	2023
Merchandise sales:		
Entities with joint control or significant influence over the Group	<u>\$ 175</u>	<u>\$ 2,200</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>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Accounts receivable:			
Entities with joint control or significant influence over the Group	<u>\$ 41</u>	<u>\$ -</u>	<u>\$ 1,048</u>
Other receivables- payment on behalf of others:			
Entities with joint control or significant influence over the Group	<u>\$ 609</u>	<u>\$ 930</u>	<u>\$ 682</u>

C. Payables to related parties

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Other payables			
Entities with joint control or significant influence over the Group	<u>\$ -</u>	<u>\$ 126</u>	<u>\$ -</u>

D. Lease transactions- lessee

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

(b) Lease liabilities

i. Ending balance:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Entities with joint control or significant influence over the Group			
Current	\$ -	\$ 11,378	\$ 41,517
Non-current	-	-	3,800
	<u>\$ -</u>	<u>\$ 11,378</u>	<u>\$ 45,317</u>

ii. Interest expense

	Three months ended March 31	
	2024	2023
Entities with joint control or significant influence over the Group	\$ 22	\$ 152

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

	Three months ended March 31	
	2024	2023
Salaries and other short-term employee benefits	\$ 14,598	\$ 23,582
Post-employment benefits	308	280
	<u>\$ 14,906</u>	<u>\$ 23,862</u>

8. PLEDGED ASSETS

The details of the assets provided as collateral by the Group are as follows:

Assets	Book value			Purpose
	March 31, 2024	December 31, 2023	March 31, 2023	
Property (under property, plant and equipment)	<u>\$ 2,243,388</u>	<u>\$ -</u>	<u>\$ -</u>	Medium- and long-term borrowing facility

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of March 31, 2024, the Company had capital expenditures contracted for but not yet incurred in the amount of \$41,345.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6 (15) 2. for details.

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, notes receivable, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid (under other non-current assets), short-term borrowings, financial liabilities at fair value through profit or loss, 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:

March 31, 2024				
Foreign currency				
		amount	Exchange	Book value
		(in thousands)	rate	(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	64,616	32.000	\$ 2,067,719
JPY:NTD	JPY	595,802	0.212	126,012
USD : VND (Note)	USD	12,700	24,615	406,400
<u>Non-monetary items</u>				
USD:NTD	USD	4,256	32.000	136,190
CAD:NTD	CAD	582	23.620	13,745
JPY:NTD	JPY	28,925	0.212	6,118
VND : NTD	VND	488,789,472	0.001	635,426
INR : NTD	INR	86,083	0.384	33,056
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	45,665	32.000	\$ 1,461,285

December 31, 2023				
Foreign currency				
		amount	Exchange	Book value
		(in thousands)	rate	(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

March 31, 2023					
Foreign currency					
		amount	Exchange	Book value	
		(in thousands)	rate	(NTD)	
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	USD	141,184	30.450	\$	4,299,047
JPY:NTD	JPY	147,300	0.229		33,702
<u>Non-monetary items</u>					
USD:NTD	USD	5,915	30.450		180,126
CAD:NTD	CAD	631	22.470		14,174
JPY:NTD	JPY	29,696	0.229		6,794
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	USD	100,295	30.450	\$	3,053,986

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.

Three months ended March 31, 2024					
Exchange gain (loss)					
Foreign currency					
		amount	Exchange	Book value	
		(in thousands)	rate	(NTD)	
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD		-	32.000	\$	41,095
JPY:NTD		-	0.212	(202)
USD : VND (Note)		5,168,900	24,615		6,720
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD		-	32.000	(\$	25,021)

Three months ended March 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	-	30.450	(\$ 6,541)
JPY:NTD	-	0.229	2,047
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	-	30.450	\$ 18,861

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:

Three months ended March 31, 2024				
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%	\$ 20,677	\$	-
JPY:NTD	1%	1,260		-
USD : VND (Note)	1%	4,064		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 14,613	\$	-

Three months ended March 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%	\$ 42,990	\$		-
JPY:NTD	1%	337			-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1%	\$ 30,540	\$		-

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 historical and timely information to assess the default possibility of receivables (including related parties) as of March 31, 2024, December 31, 2023, and March 31, 2023.

	Not past due	30 days	31-60 days	61-90 days	91-180 days	Over 181 days	Total
<u>March 31, 2024</u>							
Expected loss rate	0.03%	0.03%	10%	30%	50%	100%	
Total book value	\$ 1,415,619	\$ 40,265	\$ 449	\$ -	\$ -	\$ 83	\$ 1,456,416
Loss allowance	\$ -	\$ -	\$ 39	\$ -	\$ -	\$ 83	\$ 122
<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
<u>March 31, 2023</u>							
Expected loss rate	0.03%	0.03%	10%	30%	50%	100%	
Total book value	\$ 2,454,385	\$ 20,621	\$ 1,346	\$ 54	\$ 17	\$ 80	\$ 2,476,503
Loss allowance	\$ -	\$ -	\$ 134	\$ 16	\$ -	\$ 80	\$ 230

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

	2024	2023
	Accounts receivable	Accounts receivable
At January 1	\$ 269	\$ 153
Provision for impairment loss	-	78
Reversal of impairment loss	(154)	-
Effect of exchange rate changes	7	(1)
At March 31	\$ 122	\$ 230

(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 shows the Group's non-derivative financial liabilities and derivative financial liabilities settled on a net basis. They were grouped as per the relevant maturity dates. Non-derivative financial liabilities were analyzed based on the remaining period from the balance sheet date to the contract maturity date. Derivative financial liabilities were analyzed based on the remaining period from the balance sheet date to the expected 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
March 31, 2024				
Short-term borrowings	\$ 1,225,789	\$ -	\$ -	\$ -
Notes payable	817	-	-	-
Accounts payable	2,487,206	-	-	-
Other payables (including related parties)	1,105,672	-	-	-
Lease liabilities	99,576	100,289	137,292	-
Other non-current liabilities	1,373	90	-	-

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
March 31, 2023				
Short-term borrowings	\$ 24,474	\$ -	\$ -	\$ -
Notes payable	1,363	-	-	-
Accounts payable	5,231,664	-	-	-
Other payables	1,123,414	-	-	-
Lease liabilities	127,559	89,615	176,684	-
Other non-current liabilities	-	90	-	-

Derivative financial liabilities:

On March 31, 2024, the derivative financial liabilities traded by the Group will all mature within one year; there were no derivative financial liabilities in place on December 31, 2023 and March 31, 2023.

(3) Fair value estimation

A. The fair value levels of the financial instruments and non-financial instruments measured using the valuation technique are defined as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date. An active market refers to a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable inputs, other than quoted market prices within level 1 that are observable, either directly or indirectly for assets or liabilities.

Level 3: Unobservable inputs of assets or liabilities.

B. The carrying amounts of the Group's financial instruments that are not measured at fair value (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables, refundable deposits (under other non-current assets), short-term borrowings, notes payable, accounts payable, other payables, and guarantee deposits received (under other current liabilities and other non-current liabilities) are reasonable approximations of their fair values.

C. Financial and non-financial instruments at fair value are classified by the Group as per the nature, characteristics, risks, and the fair value level of assets and liabilities. The details are as follows:

March 31, 2024	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
<u>Fair value on a recurring basis</u>				
Financial liabilities at fair value through profit or loss				
Derivatives	<u>\$ -</u>	<u>\$ 1,212</u>	<u>\$ -</u>	<u>\$ 1,212</u>

December 31, 2023 and March 31: None.

D. The Group's derivative financial instruments are forward exchange agreements, and the method used to measure their fair values is usually based on the present forward exchange rates.

E. There was no transfer between level 1 and level 2 fair values during the three months ended March 31, 2024; There was no such a transfer during the three months ended March 31, 2023.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information:

- A. Loan to others: None.
- B. Provisions of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 1.
- 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: None.
- 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 2.

(2) Information on investments

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 3.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Please refer to table 4.

14. SEGMENT INFORMATION

(1) General information

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

therefore, the reportable segments are Taiwan, America and Others.

(2) Assessment of segment information

The operational performance evaluation of each segment is based on operating revenue and income (not including administrative expense). All the operating segments consistently apply uniform accounting policies as described in Note 4, "Summary of significant accounting policies". The interdepartmental sales are in accordance with the fair value principle. Revenues from external customers provided to the chief operating decision-maker are measured in a manner consistent with that used for the income statement. The Group's segment information for the three months ended March 31, 2024 and 2023 is provided as follows:

	Three months ended March 31, 2024				
	Taiwan	America	Others	Eliminated transactions during the consolidation	Total
Revenue from external customers	\$ 2,648,418	\$ 131,145	\$ 77,646	\$ -	\$ 2,857,209
Inter-segment revenue	214,644	4,724	262	(219,630)	-
Total segment revenue	<u>\$ 2,863,062</u>	<u>\$ 135,869</u>	<u>\$ 77,908</u>	<u>(\$ 219,630)</u>	<u>\$ 2,857,209</u>
Segment income	<u>\$ 138,397</u>	<u>(\$ 4,513)</u>	<u>(\$ 3,102)</u>	<u>\$ 7,864</u>	<u>\$ 138,646</u>
Segment income, including:					
Depreciation and amortization	<u>\$ 73,380</u>	<u>\$ 2,308</u>	<u>\$ 448</u>	<u>(\$ 3,119)</u>	<u>\$ 73,017</u>
	Three months ended March 31, 2023				
	Taiwan	America	Others	Eliminated transactions during the consolidation	Total
Revenue from external customers	\$ 4,273,002	\$ 150,845	\$ 84,090	\$ -	\$ 4,507,937
Inter-segment revenue	259,084	4,041	380	(263,505)	-
Total segment revenue	<u>\$ 4,532,086</u>	<u>\$ 154,886</u>	<u>\$ 84,470</u>	<u>(\$ 263,505)</u>	<u>\$ 4,507,937</u>
Segment income	<u>\$ 423,667</u>	<u>\$ 15,903</u>	<u>\$ 7,222</u>	<u>\$ 3,603</u>	<u>\$ 450,395</u>
Segment income, including:					
Depreciation and amortization	<u>\$ 59,437</u>	<u>\$ 995</u>	<u>\$ 433</u>	<u>(\$ 3,053)</u>	<u>\$ 57,812</u>

(3) Reconciliation for segment income (loss)

The Group's segments' operating income reported to the chief operating decision-maker is measured in a manner consistent with the revenue and expenses in the statement of comprehensive income. The Group did not provide the chief operating decision-maker with the amount of total assets and liabilities for decision-making purposes. A reconciliation of reportable segment income or loss and income from continuing operations before income tax for the three months ended March 31, 2024 and 2023 is provided as follows:

	Three months ended March 31	
	2024	2023
Reportable segments profit	\$ 138,646	\$ 450,395
Undistributed amount		
General administrative expense	(117,867)	(116,887)
Non-operating income	67,699	22,668
Income from continuing operations before income tax	<u>\$ 88,478</u>	<u>\$ 356,176</u>

SENAO NETWORKS INC. AND SUBSIDIARIES

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

Three months ended March 31, 2024

Expressed in thousands of NTD
(except as otherwise indicated)

Table 1

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

The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them.
Three months ended March 31, 2024

Table 2

Expressed in thousands of NTD
(except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount (Notes 7 and 8)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Senao Networks Inc.	EnGenius Technologies, Inc.	1	Sales of goods	\$ 81,854	Note 4	3
0	Senao Networks Inc.	EnGenius Technologies, Inc.	1	Accounts receivable	53,625	"	-
0	Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Sales of goods	24,004	"	1
0	Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Accounts receivable	15,927	"	-
0	Senao Networks Inc.	EnGenius Networks Europe B.V.	1	Sales of goods	14,544	"	1
1	EnRack Technology Inc.	Senao Networks Inc.	2	Sales of goods	48,281	Note 5	2
1	EnRack Technology Inc.	Senao Networks Inc.	2	Accounts receivable	49,954	"	-
1	EnRack Technology Inc.	Emplus Technologies, Inc.	3	Sales of goods	16,397	"	1
1	EnRack Technology Inc.	Emplus Technologies, Inc.	3	Accounts receivable	17,217	"	-
2	Emplus Technologies, Inc.	Senao Networks Inc.	2	Lease liabilities	40,354	Note 6	-
3	EnGenius Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	3	Sales of goods	10,066	Note 4	-

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

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

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

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

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

Note 4: 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 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 rental payments were determined by mutual agreements and were paid monthly. The right-of-use assets and lease liabilities were the balance recognized on March 31, 2024 in line with IFRS 16.

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

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

SENAO NETWORKS INC. AND SUBSIDIARIES

Information on investees

Three months ended March 31, 2024

Expressed in thousands of NTD
except as otherwise indicated)

Table 3

Name of investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as at March 31, 2024			Net profit (loss) of the investee for the three months ended March 31, 2024	Investment income (loss) recognized by the Company for the three months ended March 31, 2024 (Note 2)	Remarks (Note 4)
				Balance as at March 31, 2024	Balance as at December 31, 2023	Number of shares	Ownership (%)	Book value			
Senao Networks Inc.	EnGenius Technologies, Inc.	USA	Sales of communication products	\$ 64,000	\$ 64,000	60,000	100.00	\$ 83,854	(\$ 17,134)	(\$ 16,927)	
Senao Networks Inc.	EnRack Technology Inc.	Taiwan	Sales of communication products and Sales of manufactured stamping component	194,000	194,000	24,900,000	100.00	261,847	(3,982)	(1,509)	
Senao Networks Inc.	Emplus Technologies, Inc.	Taiwan	Research and development, manufacture and sales of communication products	84,249	84,249	11,196,630	50.99	184,101	41,719	21,420	
Senao Networks Inc.	EnGenius International (Samoa) Ltd.	Samoa	Investment holdings	191,680	191,680	1,832,289	100.00	42,554	(5,164)	(5,277)	
Senao Networks Inc.	EnGenius Technologies Canada Inc.	Canada	Sales of communication products	4,386	4,386	100	100.00	13,745	(51)	(51)	
Senao Networks Inc.	EnGenius Networks Inc.	Taiwan	Sales of communication products	60,000	60,000	6,000,000	100.00	62,747	(11)	(441)	
Senao Networks Inc.	EnGenius Networks Japan	Japan	Sales of communication products	6,345	6,345	3,000	100.00	6,118	(57)	(57)	
Senao Networks Inc.	Senao Networks Vietnam Co., Ltd.	Vietnam	Manufacture and sales of communication products	640,000	640,000	-	100.00	635,426	6,183	6,183	Note 3
Senao Networks Inc.	Senao Networks Private Ltd.	India	Sales of communication products	6,441	6,441	1,640,000	100.00	5,552	(727)	(727)	
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Singapore	Sales of communication products	190,400	190,400	1,792,289	100.00	52,336	(5,131)	(5,131)	
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Netherlands	Sales of communication products	64,893	64,893	210,000	100.00	12,026	(1,389)	(1,389)	
EnGenius Networks Inc.	EnGenius Networks Private Ltd.	India	Sales of communication products	28,991	28,991	7,400,000	100.00	23,755	(4,571)	(4,571)	
Emplus Technologies, Inc.	Emplus Technologies India Private Ltd.	India	Sales of communication products	3,842	-	1,000,000	100.00	3,749	(86)	(86)	

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

Note 2: Regarding "Investment income (loss) recognized by the Company for the three months ended March 31, 2024" 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

March 31, 2024

Table 4

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.