

Stock Code : 3558

Senao Networks Inc. 2023 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

2023 Annual Report is available at: <http://mops.twse.com.tw> & www.senaonetworks.com/en/
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I. Letter to Shareholders

As the anti-pandemic measures are lifted in various countries, the electronics industry has witnessed a rare boom thanks to the surge of market demand and continuous low inventories. However, with slowing consumer demand and orders placed by the businesses in the supply chain repeatedly, the consumer electronics market began to go downward starting from the second half of 2022. As the Company's main clients were mainly enterprises and small- and medium-sized enterprises, and our efforts in vertical integration began to pay off, the adverse impact was relatively delayed. However, our operations still began to slow down in the second quarter of 2023 and entered recession in the second half of the year. The Company already anticipated this situation at the beginning of 2023, so we have actively developed new product markets, such as AIoT monitoring and access control, while actively exploring new markets, including Europe and Japan. As such, we successfully registered positive business growth in 2023, with the revenue 1.8% slightly higher than that in 2022. However, in terms of profits, due to factors of product mix, sufficient materials and those in short supply, and inventories, the gross margin was not as high as expected, resulting in a 22.2% decrease in profits after tax attributable to owners of the parent company compared to 2022. The 2023 business results and 2024 outlook are specified below.

1. Overview of Business 2023

(1) Business plan implementation result

The consolidated revenue in 2023 was NT\$16,609,171 thousand with an after-tax net profit attributable to the parent company of NT\$828,373 thousand, and a basic EPS of NT\$16.88.

(2) Budget implementation

No financial forecast released in 2023, there is no budget attainment.

(3) Analysis of financial receipts, expenditures, and profitability (consolidated financial statements)

Title		2023	2022
Financial Structure (%)	Liabilities to assets	59.63	67.90
	Long-term fund to property, plant and equipment	149.23	160.24
Solvency (%)	Current ratio	115.81	117.73
	Quick ratio	72.17	83.46
	Interest coverage fold	59.28	240.52
Profitability (%)	ROA	6.51	9.91
	ROE	18.91	29.10
	Income before tax to paid-in capital	215.21	300.30
	Net profit margin	4.99	6.52
	EPS (NT\$)	16.88	21.70

(4) Research & Development

The following is the products and technologies successfully developed by the Company in 2023.

- A. Developed Enterprise tri-band Wi-Fi 7 cloud-managed wireless base station, offering a low-latency, high-density coverage solution. This product is worldwide available.
- B. Developed Wi-Fi 6/6E outdoor point-to-point CPE (Customer Premise equipment) for long-distance wireless communication, significantly reducing infrastructure costs.
- C. Developed cloud-managed power distribution system to provide new energy-efficient and power control solutions.
- D. Developed desktop and rackmount SD-WAN cloud-managed firewall gateways for 5G network, suitable for enterprise and carrier requirement.
- E. Developed a lightweight operating system suitable for mass deployment managed PoE switches, providing economical and flexible cloud-managed solutions for SMB customers.
- F. Developed Managed Service Provider (MSP) cloud management system with flexible authorization management functions.
- G. Developed Matter gateway for environment remote monitoring through cloud platforms, optimizing life quality for enterprises and building residents and ensure personnel safety.
- H. Developed intelligent access control device offering comprehensive security surveillance.
- I. Developed x86 based SmartNIC to increase transmission rate and significantly boost functionality of existing data centers servers.

2. Outline of Business Plan 2024

In 2024, the market remains uncertain, with expectations that customer destocking may persist until the end of the second quarter, followed by potential opportunities of recovery in the second half of the year. The overall business environment is much more challenging than last year. Facing such challenge, the Company continues to control internal operations to improve overall efficiency and committed to the following aspects.

(1) Enhancement of manufacturing capability

To manage operational risks and improve order fulfillment, we actively enhance production quality and yield rate. We aim to promptly respond to inventories and execute advanced planning and scheduling (APS) while optimizing production lines to increase units per hour per person (UPPH) benchmark. In addition, with

the completion of the new plant, we will comprehensively raise manufacturing skills and automation.

(2) Introduction of new technologies and products

To increase product unit prices and profitability, we will focus on core technologies, develop L3 high-end enterprise switches and x86 servers compliant with OCP specifications, and establish x86 SmartNIC and Top of Rack (TOR) Ethernet switches product lines. Moreover, for mature products such as AP and switches, we will introduce network security to improve product added values.

(3) Development of new strategic customers

To increase operations scale, particularly in ODM business, we will expand Japanese customer base and actively develop and assist customers entering the Indian market. In terms of branded business, we will enter the new supply chain with complete product series, while developing clients in Japan and the United States with our cloud technology (cloud eco-system).

In response to the increase in demand for network broadband and transmission speed, the Company will continue to expand the application in the network communications industry to ensure the production and marketing strategies are implemented, and it is expected that the sale volume will continue to grow throughout the year.

3. Future Development Strategy

With leaping advancements in semiconductor processes and rapid breakthroughs in artificial intelligence (AI) technology, AI has gradually formed an industry ecosystem, penetrating both software and hardware among industries. Among them, Edge AI (AI deployed at the edge or device side), with AI algorithms achieve more real-time, reliable, and privacy-protected functions, expected to be the next direction of AI deployment. Furthermore, as digital transformation, cloud computing, and big data facilitating the construction of data centers, they further drive the demand for AI. In the past two years, our company formed two major business units: the Computing Network and the Infrastructural & Connectivity business units, entering edge computing and data center markets respectively. In the future, we will also leverage our advantages in well-established software development to respond to the AI trends.

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

Based on a report released by the International Monetary Fund (IMF) in January 2024, as the United States, some large emerging markets, and developing economies demonstrated stronger-than-expected resilience, and China provided financial support, the economic growth rate in 2024 was slightly adjusted upward to 3.1%, similar to the estimate made in 2023. The report also pointed out that the likelihood of a hard landing has been reduced and the risks to global growth are roughly balanced due to slowing inflation and stable growth, indicating that there are

still many uncertainties in the global economy, and that the overall environment poses enormous challenges to our business operations. The Company will actively implement development strategies formulated and prudently adjust our business operation direction in a timely manner in response to changes in the environment.

With our best wishes for your perfect health and happiness

Thank You

II. Company Profile

2.1 Date of Incorporation: October 12, 2006

2.2 Company History

2006

October Senao International Co., Ltd. Radio Products Group spun off to become the Company on October 1, 2006. The Company, with the capital of NT\$175,000 thousand, was primarily engaged in production, marketing and trading of wireless communication network products.

October Completed the registration of incorporation with Ministry of Economic Affairs on October 12.

2007

January Capital increase in cash resulting in the paid-in capital increased until NT\$308,820 thousand.

April Approved by FSC to trade as a public company on April 10.

May Approved to trade emerging stock by TPEX on May 17 and started to trade on May 31.

2008

April Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$312,970 thousand.

October Recapitalization of earnings and employee stock warrants resulting in the paid-in capital increased until NT\$336,612 thousand.

December Passed the ISO 9001 Quality Management System certification.

2009

January Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$339,787 thousand.

August Recapitalization of earnings and employee stock warrants resulting in the paid-in capital increased until NT\$344,135 thousand.

September Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$363,735 thousand.

2010

January Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$373,035 thousand.

January Obtained the written opinion of Industrial Development Bureau, Ministry of Economic Affairs, showing that the Company should be identified as a technology enterprise and the Company developed products or technologies successfully and the products or technologies were marketable.

March Passed the ISO 14001 Environmental Management System certification.

- August Recapitalization of earnings resulting in the paid-in capital increased until NT\$410,339 thousand.
- 2011
- June Passed the OHSAS 18001 Occupational Safety and Health Management System certification.
- August The Company's private brand, EnGenius, Wireless 802.11b/g/n indoor Client Bridge (ECB9500) was adopted by True Wifi of Communications Authority of Thailand.
- December The Company's "Long Range Ceiling Mount Gigabit AP (EAP350) and "Digital Long Range Industrial Cordless Phone (EP800H)" won the "Taiwan Excellence Award" in 2012.
- 2012
- January The Company's "Long Range Ceiling Mount Gigabit AP(EAP600)" won the (Red Dot) Product Design in Germany in 2012.
- March Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$412,499 thousand.
- April The Company's "Wireless Home Router(ESR300H)" and "Wireless Access Point(ENH700EXT)" won the COMPUTEX d&i awards 2012.
- June The Company's private brand, EnGenius, "Wireless Home Router (ESR300H)" was adopted by Axtel of Telefonos de Mexico SAB.
- July Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$414,359 thousand.
- September Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$415,539 thousand.
- December The Company's "Long Range Ceiling Mount Gigabit AP(EAP600)", "EnGenius ESR750H Long Range 300+450Mbps Dual-Band Wireless-N Router (ESR750H)" and "EnGenius ERB300H Wireless N Media Bridge & Universal Repeater (ERB300H)" won the Taiwan Excellence Award in 2013.
- 2013
- January Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$416,459 thousand.
- April The Company's "Long Range Ceiling Mount Gigabit AP(EAP600)" won the Taiwan Excellence Silver Award in 2013.
- April Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$418,199 thousand.
- May The Company's "Wireless Base Station (ENH900EXT)" and "Wireless Repeater (ERB600)" won the COMPUTEX d&i awards 2013.
- June Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$420,359 thousand.
- September Recapitalization of employee stock warrants resulting in the paid-in

capital increased until NT\$422,649 thousand.

- November Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$422,979 thousand.
- December The Company's "Enterprise Outdoor AC1750 Wireless Dual Band Concurrent AP (ENH1750EXT)", EnGenius SOHO Routers (ESR300/ESR350/ESR600/ESR900/ESR1200/ESR1750), Camera IP EnGenius EDS6110 1Megapixel Day & Night DOME Network Camera (EDS6110), and 1-Megapixel Wireless IoT HD Day/Night IP Network Camera (EDS1130)" won the Taiwan Excellence Award in 2014.
- December Nominated for the Second Taiwan MITTELSTAND Award and Counseling Targets of Ministry of Economic Affairs.
- December Capital increase in cash by NT\$5,771 thousand to be in line with the public underwriting before the IPO resulting in the paid-in capital increased until NT\$480,689 thousand.
- December Listed on TPEX on December 30.
- 2014
- January The Company's private brand, EnGenius wireless switch (EWS) was elected by the US IT prestige magazine, PCMag, as one of Top 10 Small Biz Innovation Award of CES in 2014.
- March The Company's "EnGenius ENH Dual-band Outdoor Access Point" won the Red Dot Award: Product Design 2014.
- March Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$483,279 thousand.
- May The Company's "Access Point (Nertron Managed AP)" won the COMPUTEX d&i awards 2014.
- May Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$484,839 thousand.
- August Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$485,489 thousand.
- November Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$486,539 thousand.
- December The Company's "EWS series" and "Engenius IoT Intelligent Cloud Gateway Wireless Router Port Switch (EPG5000)" won the Taiwan Excellence Award in 2015.
- 2015
- March Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$488,959 thousand.
- April The Company's "EWS series" won the Taiwan Excellence Silver Award in 2015.
- April The Company's private brand, EnGenius *ezMaster* network management software was nominated for the final name list of the Best

of Interop (Mobility) of the U.S.A. in 2015.

May Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$489,319 thousand.

May The Company's private brand, EnGenius "EnStation Long-Distance Wireless Outdoor AP/Client Bridge" won the COMPUTEX d&i awards 2015.

August Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$489,739 thousand.

November Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$490,359 thousand.

December The Company's private brand, EnGenius "EnStation Long-Distance Wireless Outdoor AP/Client Bridge (EnStationAC / EnStation5 / EnStation2) and EnGenius Neutron Wireless Wall Plate Access Point (EWS510AP/EWS500AP)" won the Taiwan Excellence Award in 2016.

2016

January Recapitalization of employee stock warrants resulting in the paid-in capital increased until NT\$490,609 thousand.

July EnRack Technology Inc. was founded with the paid-in capital of NT\$30,000 thousand.

December Acquired a majority of the equity of Emplus Technologies, Inc.

2017

June The Company's private brand, EnGenius "AP Mesh Cam" won the Commercial Integrator 2017 Best.

September The Company's private brand, EnGenius "EnMesh Whole-Home Wi-Fi System" won the CEDIA 2017 Best of Show.

September Established Taoyuan Plant.

2018

January The Company's foreign subsidiary acquired 100% equity of EnGenius Technologies Canada Inc.

September Granted a "2017 certification mark for exporters/importers for excellent trade performance" from the Bureau of Foreign Trade, Ministry of Economic Affairs, ranking it among the top 500 companies in term of export/import performance.

September Granted the 2017 Enterprise Green Procurement Performance Award by the Environmental Protection Administration, Executive Yuan.

September The Company's private brand, EnGenius "ezWiFi Planner" won the CE Pro "Tools, Testing and Calibration" 2018 Best Award.

October The Company's subsidiary, EnGenius Networks Inc., has reduced its capital to NT\$ 20,000 thousand.

November Verified by onsite survey from Customs Administration, Ministry of Finance, The Company granted a permanent AEO(Authorized Economic

Operator) certificate.

2019

- April Ranked 6%~20 of all listed companies with “The Fifth Corporate Governance Evaluation award” from TPEX.
- May Granted a “2017 & 2018 certification mark for exporters/importers for excellent trade performance” from the New Taipei Importers & Exporters Chamber of Commerce.
- July The Company started building for its new plant in Hwa Ya Technology Park.
- September The Company’s private brand, EnGenius “ESR580” won the CE Pro “2018 Best Award for Home Networking”.
- September The Company’s private brand, EnGenius “EWS357AP” won the WinMag Pro “2019 Editor's Choice 8.4”.
- September The Company’s private brand, EnGenius “SkyKey” won the WinMag Pro “2019 Editor's Choice 9.1”.
- October The Company’s subsidiary, EnRack Technology Inc., its new plant in Shulin was completed.
- October Granted the 2018 Enterprise Green Procurement Performance Award by the Environmental Protection Administration, Executive Yuan.
- October The Company’s private brand, EnGenius “SkyKey” won the Redes Zone “2019 Media Review 9/10”.
- December Granted the 2018 Outstanding Green Purchasing Enterprise by the Department of Environmental Protection, Taoyuan.

2020

- January The Company’s subsidiary, EnGenius Networks Inc., has increased its paid-in capital until NT\$ 50,000 thousand.
- April Ranked 6%~20 of all listed companies with “The Sixth Corporate Governance Evaluation award” from TPEX.
- May The Company’s private brand, EnGenius “Cloud” won the WinMag Pro “2020 Editor's Choice 9.1”.
- July Passed the ISO 45001 Occupational Health and Safety Management Systems certification.
- September Granted a “2019 certification mark for exporters/importers for excellent trade performance” from the Bureau of Foreign Trade, Ministry of Economic Affairs, ranking it among the top 500 companies in term of export/import performance.
- October Granted a “2019 certification mark for exporters/importers for excellent trade performance” from the New Taipei Importers & Exporters Chamber of Commerce.
- November The Company’s private brand, EnGenius “ECW260” won the Redes Zone “2020 Media Review 10/10”.
- November Granted the 2019 Outstanding Green Purchasing Enterprise by the Department of Environmental Protection, Taoyuan.

2021

- January The Company’s private brand, EnGenius “Cloud” won the WinMag Pro “2020 MKB Best Choice”.
- January The Company’s private brand, EnGenius “EWS377AP” won the Network

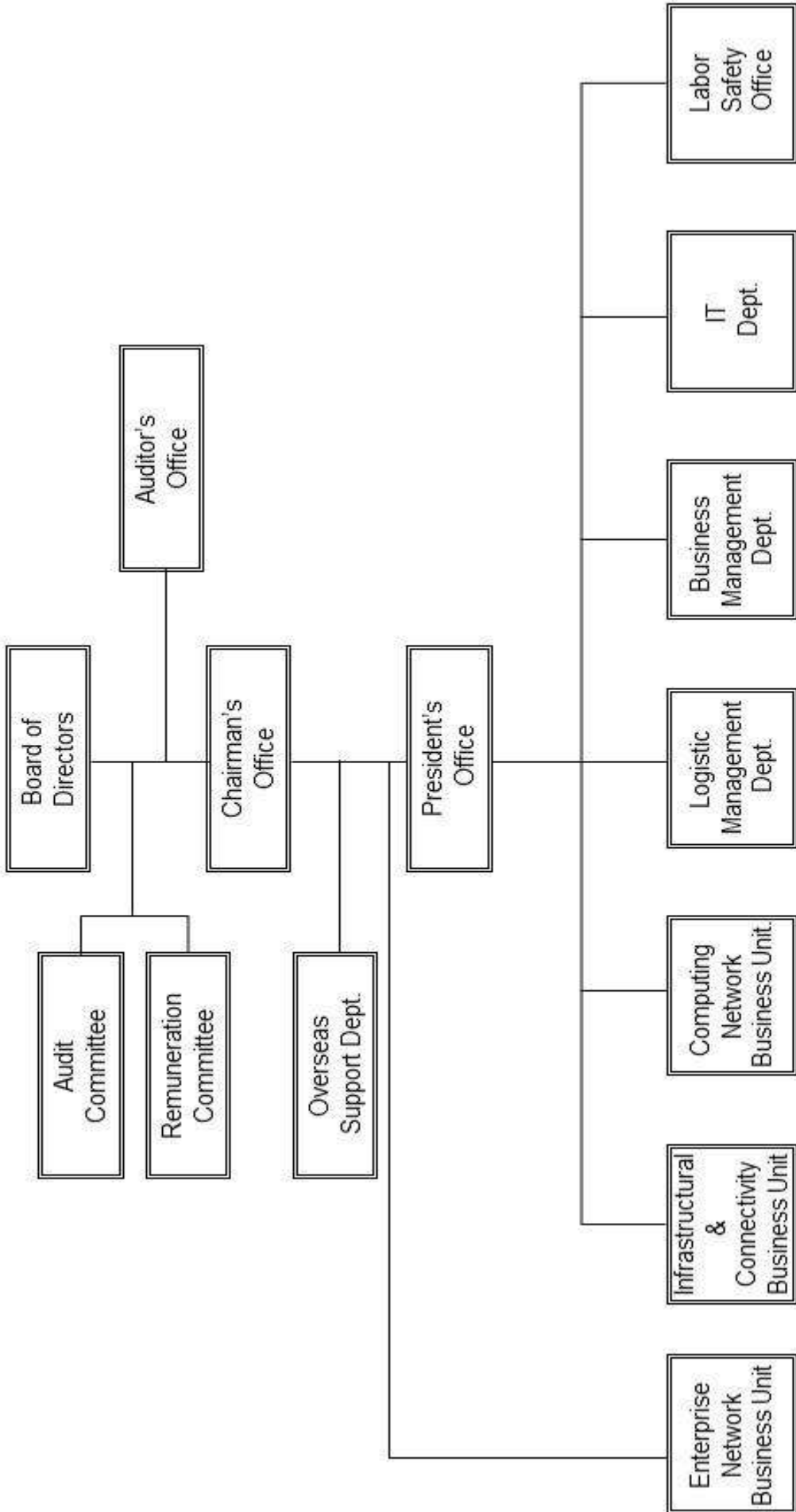
- World “ 2021 Wi-Fi 6 router test Second-best”.
- April Ranked top 5% of all listed companies with “The Seventh Corporate Governance Evaluation award” from TPEX.
- August The Company’s private brand, EnGenius “ECS2512FP+ECW230” won the Redes Zone “ 2021 Product Review 10/10 Score”.
- September Won the “2021 New Star Awards of Medium-sized Enterprises for Excellence in Corporate Social Responsibility ” from Commonwealth Magazine.
- November Passed the ISO 27001 Information Security Management System certification.
- November Granted the 2020 Enterprise Green Procurement Performance Award by the Environmental Protection Administration, Executive Yuan.
- November Granted a “2019 certification mark for exporters/importers for excellent trade performance” from the Bureau of Foreign Trade, Ministry of Economic Affairs, ranking it among the top 500 companies in term of export/import performance.
- December Granted the 2020 Outstanding Green Purchasing Enterprise by the Department of Environmental Protection, Taoyuan.
- December The Company’s private brand, EnGenius “ECS2512FP” won the Guru 3D “ 2021 Product Review Recommended Award”.
- December Verified by onsite survey from Keelung Customs, Customs Administration, Ministry of Finance, The Company granted the AEO(Authorized Economic Operator) certificate.
- December The Company’s private brand, EnGenius “ECS2512FP” won the Mighty Gadget “ 2021 Product Review 85% Overall Score”.
- December Passed the Badge of Accredited Healthy Workplace certification.
- 2022
- April Ranked top 5% of all listed companies with “The Seventh Corporate Governance Evaluation award” from TPEX.
- October EnGenius Technology Inc. was founded with the paid-in capital of NT\$500 thousand.
- November EnGenius Networks Japan was founded with the paid-in capital of JPY\$30,000 thousand.
- November Granted the 2022 certification mark of Promise Enterprises for Corporate Health Responsibility by the Commonwealth Magazine.
- November Granted the 2022 Golden Awards of Happy Enterprises by the 1111 Job Bank.
- December The Company’s subsidiary, EnRack Technology Inc., its new plant in Nankan was completed.
- December Granted the 2021 Outstanding Green Purchasing Enterprise by the Department of Environmental Protection, Taoyuan.
- December Granted the 2021 Enterprise Green Procurement Performance Award by the Environmental Protection Administration, Executive Yuan.
- 2023
- April The Company’s private brand, EnGenius “ECW230S / ECW336 Cloud Access Point” won the Redes Zone “ 2023 Media Review 9/10”.
- April Ranked 6%~20 of all listed companies with “The Ninth Corporate Governance Evaluation award” from TPEX

- June The Company's private brand, EnGenius "ESG510 Cloud Gateway" won the Mighty Gadget " 2023 Product Review 90% Overall Score".
- July Granted a "2022 certification mark for exporters/importers for excellent trade performance" from the New Taipei Importers & Exporters Chamber of Commerce.
- August Senao Networks PrivateLtd. was founded with the paid-in capital of INR \$ 16,400 thousand.
- September Senao Networks Vietnam Co., Ltd. was founded with the paid-in capital of VND \$ 469,100,000 thousand.
- October Granted the 2023 certification mark of Green Enterprises by the Organic Association.
- October Granted a "2022 certification mark for exporters/importers for excellent trade performance" from the Bureau of Foreign Trade, Ministry of Economic Affairs, ranking it among the top 500 companies in term of export/import performance.
- October Verified by document review from Customs Administration, Ministry of Finance, The Company granted the AEO(Authorized Economic Operator) certificate.
- October Recognized with the 2023 RBA (Responsible Business Alliance) VAP (Validated Assessment Program) Silver Level.
- October Passed the TL 9000 Quality Management System certification.
- November Granted the 2023 certification mark of Promise Enterprises for Corporate Health Responsibility by the Commonhealth Magazine.
- December Granted the 2022 Outstanding Green Purchasing Enterprise by the Department of Environmental Protection, Taoyuan.
- December Awarded the 2023 Badge of Accredited Healthy Workplace – Smokefree & Health Promotion by the Health Promotion Administration of the Ministry of Health and Welfare.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

Dept./Office	Functions
Auditor's Office	<ol style="list-style-type: none"> 1. Plan and execute the internal audit plan and provide advice. 2. Conduct the audit on internal procedures and order the project improvement plan. 3. Investigate and evaluate soundness, reasonableness, validity and status of various departments' internal control systems.
President's Office	<ol style="list-style-type: none"> 1. Coordinate the President to manage the Company's business. 2. Set and boost the business objectives. 3. Integrate the execution, coordination and planning organizational structure of various units' business. 4. Supervise the preparation and execution of the annual business plan and budget.
Overseas Support Dept.	Responsible for promoting and carrying out business overseas and achieving the sales target.
Enterprise Network Business Unit	Responsible for operations of R&D, marketing and customer service of Enterprise and SMB Network product.
Infrastructural and Connectivity Business Unit	Responsible for operations of R&D, marketing and customer service of Wireless Network product and Enterprise Switch.
Computing Network Business Unit	Responsible for operations of R&D, marketing and customer service of Data Center Switch and Network Computing product.
Logistic Management Dept.	<ol style="list-style-type: none"> 1. Develop the Company's quality policy and continue to boost the quality improvement. 2. Implement quality systems and process customers' complaints. 3. Execute quality control: Incoming quality control, in-process inspection and outgoing quality control. 4. Responsible for management of production, output and abnormality of products, use of raw materials and supplies, and scrapping. 5. Responsible for maintenance of the worksite and execution of labor safety work, and training, performance evaluation and training, permission of leave for workers. 6. Arrange and execute annual/monthly production plan.
Business Management Dept.	<ol style="list-style-type: none"> 1. Plan, manage and execute the financial management, financial project assessment, customers' credit investigation and accounts receivable. 2. Prepare financial and tax accounting, management accounting, various financial statements and budgets, and provide management information. 3. Plan and execute the establishment of, amendment to and promotion of human resource and regulatory systems.

	<ol style="list-style-type: none"> 4. Procure and manage various equipment and general supplies. 5. Maintain and manage the Company's environment. 6. Process affairs related to board of directors' meetings and shareholders' meetings and maintain relations with investors. 7. Coordinate the Company's sustainable development affairs and manage the results thereof. 8. Control legal risk over operation, and process litigious and non-litigious matters and maintain intellectual property rights.
IT Dept.	Responsible for overall planning, construction, maintenance and integration of the Company's IT-based operations.
Labor Safety Office	Responsible for planning, supervising and promoting the Company's SHE affairs.

3.2 Information on the company's Directors, President, Vice President, Assistant Vice President

3.2.1 Directors

3.2.1.1 Profile of Directors

As of Feb. 29, 2024

Title (Note 1)	Nationality/ Country of Origin	Name	Gender Age (Note 2)	Date Elected	Term (Years)	Date First Elected (Note 3)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Principal work experience and academic qualifications (Note 4)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		Note 5
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Relation	
Chairman	ROC	Wen- Ho Tsai	M 61-70	6/17/2022	3	5/13/2010	1,463,308	2.98 %	1,463,308	2.98 %	757,428	1.54 %	0	-	Master of Business Administration, National Taiwan University; Delta networks' CEO	Note 7	NA	NA	NA
Director (Note 6)	ROC	Zhi-Ch eng Jian	M 61-70	6/17/2022	3	6/17/2022	16,579,033	33.79 %	16,579,033	33.79 %	0	-	0	-	PHD of Electrical Engineering, National Taiwan University of Science and Technology; CHT's VP	Note 8	NA	NA	NA
Director (Note 6)	ROC	Tian- Tsai Su	M 61-70	6/17/2022	3	6/17/2022	16,579,033	33.79 %	16,579,033	33.79 %	0	-	0	-	Master of Electrical Engineering, National Cheng Kung University; CHT's VP	Note 9	NA	NA	NA
Director	ROC	Pao- Yun Lin	M 71-80	6/17/2022	3	10/1/2006	0	-	0	-	0	-	0	-	Don-Shih Junior high school; Senao's Chairman	Note 10	NA	NA	NA
Independent Director	ROC	Kuang- Hsun Shih	M 51-60	6/17/2022	3	5/5/2010	0	-	0	-	0	-	0	-	Doctor of Finance, Nova Southeastern University, USA; PCCU's professor	Note 11	NA	NA	NA
Independent Director	ROC	Yi-Min Chang	M 51-60	6/17/2022	3	4/24/2007	0	-	0	-	0	-	0	-	Master of Business Administration, National Chiao Tung University; Han-Yu investment's manager	Ho-Ton investment's AVP	NA	NA	NA
Independent Director	ROC	Huei- You Chen	M 51-60	6/17/2022	3	6/14/2016	0	-	0	-	0	-	0	-	Bachelor of Animal Husbandry, National Taiwan University; Concord Asset Management's Chairman	Note 12	NA	NA	NA

Note 1: For a corporate shareholder, the name of the corporate shareholder and its representative shall be listed separately (when listing the representative of a corporate shareholder, the name of the corporate shareholder shall also be noted), and Form 1 below shall also be completed.

Note 2: Please state the actual age, or, alternatively, state the age interval into which the actual age falls, e.g., 41-50 years, 51-60 years.

- Note 3: Specify the time the person first began to serve as a director or supervisor of the Company. If there has been any break within a term or between terms, add a note specifying the circumstances.
- Note 4: Specify experience and qualifications related to the current position. If during a period specified above the person has served in a position at a CPA firm that serves as external auditor/attestor, specify the position held and the duties for which the person was responsible.
- Note 5: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g., increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer).
- Note 6: The representative of Senao International Co., Ltd.
- Note 7: Also the Company's investee: the Chairman of Emplus Technologies, Inc., Chairman of EnRack Technology Inc., Chairman of EnGenius Technology Inc., Director & President of EnGenius Technologies, Inc., Director of EnGenius International (Samoa) Ltd., Director of EnGenius Networks Singapore PTE. Ltd., Director of EnGenius Networks Europe B.V. , Director of EnGenius Technologies Canada Inc., and Director of Senao Networks Vietnam Co., Ltd., and the post held in another company: Representative Chairman of AVAL Technologies Co., Ltd and WIIN Technologies Co., Ltd., Representative Director of Shenyang Insurance Agency Co., Ltd.
- Note 8: Also the CHT's COO & VP, Representative Chairman of Taiwan International Standard Electronics Ltd., Representative Chairman of International Telecommunication Development Corp. Ltd..
- Note 9: Also the Dean of CHT's Telecom Laboratories, Representative Chairman of Spring House Entertainment Tech. Inc.
- Note 10: Also the Director of EnGenius Networks Singapore Pte. Ltd., the Company's investee, and the post held in other companies: Director & President of Senao International Co., Ltd., Chairman of Kung-Chue Co., Ltd., Chairman of Jheng-Fong Investment Co., Ltd.
- Note 11: Also Independent Director, Audit Committee member and Remuneration Committee Member of PCL Technologies Co., Ltd., Independent Director, Audit Committee member and Remuneration Committee Member of Samebest Co., Ltd., Representative Director of China Trust Commercial Bank.
- Note 12: Also Chairman of Choice Printing Group; Independent Director, Audit Committee member and Remuneration Committee Member of Maywufa Company Ltd., Independent Director, Audit Committee member and Remuneration Committee Member of TCM Biotech International Corp., Representative Director of TransGlobe Life Insurance Inc., Representative Director of Herderchung Co., Ltd., Director of Microloops Co., Ltd., Chairman of Yi-Yu Co., Ltd., Representative Supervisor of De-Yu Co., Ltd.

3.2.1.2 Directors acting as the representatives of institutional shareholders

Major shareholders of the institutional shareholders

As of Feb. 29, 2024

Name of Institutional Shareholders	Major Shareholders (Shareholding %)
Senao International Co., Ltd (Note1)	CHT Co., Ltd (27.8); Hua-Shun Investment Co., Ltd (7.9); Kung-Chue Co., Ltd (7.6); Yu-You Investment Co., Ltd (7.4); Jheng-Fong Investment Co., Ltd (7.4); Jheng-Kung Investment Co., Ltd (5.7); Chuan-Fang-Wei Investment Co., Ltd (4.2); Pao-Yun Lin (3.2); Jheng-Han Investment Co., Ltd (2.7); Yung-Ming Liu (2.2)
Jheng-Fong Investment Co., Ltd	Pao-Yun Lin (57.8); Yung-Ming Liu(33.6); Pao-Yun Lin (4.2); Jing-Lang Chang(4.2); Jheng-Fong Lin(0.1); Jheng-Kung Lin(0.1)

Major shareholders of the Company's major institutional shareholders

As of Feb. 29, 2024

Name of Institutional Shareholders	Major Shareholders (Shareholding %)
CHT Co., Ltd (Note2)	MOTC (35.3); Shin Kong Life Insurance Co., Ltd.(5.0); CHT's Employee Stock Ownership Trust account (4.0); Cathay life Insurance Co., Ltd.(2.6); CHT's depository receipt account(2.5); Chunghwa Post Co., Ltd.(2.1); Fund of Labor Retirement of the New Labor Pension System, (2.0); Fund of Labor Insurance(1.3); China Life Insurance Co., Ltd.(1.0); Fund of Labor Retirement of the Old Labor Pension System, (0.8)
Hua-Shun Investment Co., Ltd	Oceanstar Malaysia Co., Ltd.(47); Pao-Yun Lin (24); Yung-Ming Liu (11); Pao-Yon Lin (18)
Kung-Chue Co., Ltd	Chuan-Fang-Wei Investment Co., Ltd (48.5); Oceanstar Malaysia Co., Ltd. (40); Pao-Yun Lin (11.5)
Yu-You Investment Co., Ltd	Hua-Shun Investment Co., Ltd (33.33); Jheng-Fong Investment Co., Ltd (33.33); Chuan-Fang-Wei Investment Co., Ltd (33.33)
Jheng-Fong Investment Co., Ltd	Pao-Yun Lin (57.8); Yung-Ming Liu(33.6); Pao-Yun Lin (4.2); Jing-Lang Chang(4.2); Jheng-Fong Lin(0.1); Jheng-Kung Lin(0.1)
Jheng-Kung Investment Co., Ltd	Global solution Malaysia Co., Ltd. (84); Jheng-Fong Investment Co., Ltd (14); Jheng-Fong Lin (2)
Chuan-Fang-Wei Investment Co., Ltd	Hua-Shun Investment Co., Ltd (50.3); Jheng-Fong Investment Co., Ltd (27.2); Pao-Yun Lin (22.5)
Pao-Yun Lin	NA
Jheng-Han Investment Co., Ltd	Hong-Ling Lin (85); Yu-Ling Lin (15)
Yung-Ming Liu	NA

Note1: Based on their rosters of shareholders dated June 26, 2023.

Note2: Major shareholders and shareholding % information refer to announcement from MOPS in 2023.

3.2.1.3 Professional expertise of Directors and the diversity policy and status of Independence of the Board of Directors

1. Disclosure of professional qualification of Directors and independence of Independent Directors

Name	Condition	professional qualification and experience	independence situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Wen-Ho Tsai	I. More than five years of work experience related by the Company's business. II. Don't have any of the circumstances in the subparagraphs of Article 30 of the Company Act.	I. There are no spouses or relatives within the second degree of kinship among Directors.	0	
Zhi-Cheng Jian (Note 1)	I. More than five years of work experience required by the Company's business. II. Don't have any of the circumstances in the subparagraphs of Article 30 of the Company Act.	I. There are no spouses or relatives within the second degree of kinship among Directors.	0	
Tian- Tsai Su (Note 1)	I. More than five years of working experience in finance and accounting. II. Don't have any of the circumstances in the subparagraphs of Article 30 of the Company Act.	I. There are no spouses or relatives within the second degree of kinship among Directors.	0	
Pao-Yun Lin	I. More than five years of working experience in commerce. II. Don't have any of the circumstances in the subparagraphs of Article 30 of the Company Act.	I. There are no spouses or relatives within the second degree of kinship among Directors.	0	

Condition	professional qualification and experience	independence situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Name	<p>I. More than five years of working experience of an Instructor or Higher Position with finance-related disciplines in a Public or Private Junior College, College or University.</p> <p>II. Don't have any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p>	<p>The person, spouse, relatives within the second degree of relatives do not have the following circumstances:</p> <p>I. Serving as a Director or Supervisor of the Company or any of its affiliates.</p> <p>II. Holding the Company shares.</p> <p>III. Serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company.</p> <p>IV. Providing commerce, law, finance, accounting and other services for the company or its affiliates in the past 2 years.</p>	2
Yi-Min Chang	<p>I. More than five years of working experience in commerce and finance.</p> <p>II. Don't have any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p>	<p>The person, spouse, relatives within the second degree of relatives do not have the following circumstances:</p> <p>I. Serving as a Director or Supervisor of the Company or any of its affiliates.</p> <p>II. Holding the Company shares.</p> <p>III. Serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company.</p> <p>IV. Providing commerce, law, finance, accounting and other services for the company or its affiliates in the past 2 years.</p>	0
Huei-You Chen	<p>I. More than five years of working experience in commerce.</p> <p>II. Don't have any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p>	<p>The person, spouse, relatives within the second degree of relatives do not have the following circumstances:</p> <p>I. Serving as a Director or Supervisor of the Company or any of its affiliates.</p> <p>II. Holding the Company shares.</p> <p>III. Serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company.</p> <p>IV. Providing commerce, law, finance, accounting and other services for the company or its affiliates in the past 2 years.</p>	2

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates? ; specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)?; specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

2. Diversity of Board of Directors

- (1) The company has established the "Corporate Governance Code", which underlines a diversified policy specified in Chapter 3: "Strengthening the Functions of the Board". Based on the two main criteria related to basic conditions and values, professional knowledge and competencies, regardless of gender, age, nationality and culture, it is important to consider knowledge, skills and character to enable directors to fulfill their duties. Lastly, individuals who are versatile directors and competent in performing their duties are selected.
- (2) Besides operational judgement, business management, crisis management, industrial knowledge, international market outlook, leadership, and decision-making ability requirements for all directors, specific management objectives related to diversification should also include:
 - A. More than one-third of directors have "accounting and financial analysis capabilities".
 - B. Directors who concurrently serve as managers do not exceed one third of the total number of directors.
- (3) The Company has implemented the aforementioned diversified management objectives, including three directors with "accounting and financial analysis capabilities"; no manager is concurrently serving as a director of the company. The diversification situation is shown in the table below.

Core item	Diversification implementation										
	Accounting and financial analysis ability	Independent Director	Non-Company's manager	Operation judgment ability	Operation management ability	Crisis handling ability	Industrial knowledge	International market view	Leadership	Decision-making ability	
Name of director											
Wen-Ho Tsai	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Zhi-Cheng Jian			✓	✓	✓	✓	✓	✓	✓	✓	✓
Tian-Tsai Su			✓	✓	✓	✓	✓	✓	✓	✓	✓
Pao-Yun Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓
Kuang-Hsun Shih	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Yi-Min Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Huei-You Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

3. Independence of Board of Directors

At present, there are three independent directors in the Company, accounting for 3/7 of all directors. There is no relationship between directors and there are no other directors who have a relationship of spouse or within the second degree of kinship. For details, please refer to the information of directors on pages 15. The Company's Board of Directors is independent because there are no conditions stipulated in paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

3.2.2 Profiles of President, Vice President, Assistant Vice President

As of Feb. 29, 2024

Title (Note 1)	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Principal work experience and academic qualifications (Note 2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		Note 3
					Shares	%	Shares	%	Shares	%			Title	Name	
President	ROC	Po-Chang Lin	M	12/29/2015	0	-	0	-	0	-	Doctor of Electrical Engineering, North Carolina State University; President of Marvell Taiwan; CTO of Delta Electronics, Inc./Delta Networks Inc.	Note 4	NA	NA	NA
Business Unit President	ROC	Yi-Ching Chang	M	9/6/2021	0	-	0	-	0	-	Master of Communication Studies, National Chiao Tung University; President, AMIGO Technology Inc.; Marketing Manager, LITE-ON Technology Corporation	Note 5	NA	NA	NA
Business Unit President	ROC	Pei-Chuan Liou	M	10/1/2015	2,000	0.00%	0	-	0	-	Master of Computer Science, National Cheng Kung University; R&D Director, Cameo Communications, Inc.; Software R&D Manager, ION Global	Note 6	NA	NA	NA
VP	ROC	Feng-Hsiao Yu	F	10/1/2006	26,290	0.05%	0	-	0	-	Master of Business Administration, National Taipei University; Section Manager, Delta Electronics, Inc.; Manager, Business Administration Dept., Senao International Co., Ltd.	Note 7	NA	NA	NA
VP	ROC	Yi-Shu Lu	M	3/2/2012	0	-	0	-	0	-	Master of Industrial Management, National Taiwan University of Science and Technology; Senior Sales Manager, LITE-ON Technology Inc.	-	NA	NA	NA
VP	ROC	Hon-Chu Lai	M	11/9/2015	0	-	0	-	0	-	Master of Electrical Engineering, University of Colorado; Vice President, D-Link Corporation; Vice President, Cisco, Taiwan Branch; President, Enterasys Networks Inc.	-	NA	NA	NA
VP	ROC	Hsiu-Ying Liu	F	6/21/2021	0	-	0	-	0	-	Bachelor, Steven Institute of Technology Environmental Engineering; Product Manager, LITE-ON Technology Corporation; Sales Manager, Broadweb Corp.	-	NA	NA	NA
VP	ROC	Chih-Hua Tseng	F	4/14/2023	0	-	0	-	0	-	Bachelor, Lee-Ming Institute of Technology; VP, Emplus Technologies, Inc.	-	NA	NA	NA

Title (Note 1)	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Principal work experience and academic qualifications (Note 2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		Note 3
					Shares	%	Shares	%	Shares	%			Title	Name	
AVP	ROC	Yu-Mei Chao	F	6/7/2011	0	-	0	-	0	-	Bachelor of Economics, Chinese Culture University; Product and Sales Manager, Huanxin Technologies, Inc.; Sales Manager, CIS Technology Inc.	-	NA	NA	
AVP	ROC	Chun-Lung Lin	M	6/7/2011	2,673	0.00%	0	-	0	-	Master of Automatic Control Engineering, Feng Chia University; Assistant Manager, Computer & Communications Research Laboratories; Manager, Comflux Technology Inc.	-	NA	NA	
AVP	ROC	Jheng-Da Lee	M	12/9/2016	309	0.00%	0	-	0	-	Master of Electrical Engineering, National Cheng Kung University; R&D Section Manager, Senao Networks, Inc.; R&D Director, Senao Networks Inc.	-	NA	NA	
AVP	ROC	Jheng- Syun Lee	M	8/13/2018	0	-	0	-	0	-	Master of Business Administration, University of Warwick, UK; Master of Computer Science, University of East Anglia, UK; Manager, Zyxel Communications Inc.	-	NA	NA	
AVP	ROC	Jian-Sheng Gao	M	5/16/2022	1,000	0.00%	0	-	0	-	Bachelor of Electrical Engineering, University of Bath; R&D Director, Senao Networks Inc.	-	NA	NA	

Note 1: The information in this table should be disclosed for the general manager, assistant general managers, deputy assistant general managers, and the chiefs of all the company's divisions and branch units, including all persons in positions equivalent to general manager, assistant general manager, or deputy assistant general manager, regardless of job title.

Note 2: Specify experience and qualifications related to the current position. If during a period specified above, the person has served in a position at a CPA firm that serves as external auditor/attestor, specify the position held and the duties for which the person was responsible.

Note 3: If the general manager or person of an equivalent post (the highest level manager) and the chairperson of the board of directors of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer).

Note 4: Also the Company's investee: Director of Emplus Technologies, Inc.; Director of EnRack Technology Inc.

Note 5: Also the Company's investee: Director of Senao Networks Private Ltd.; Director of EnGenius Networks Private Ltd.

Note 6: Also the Company's investee: Director of Senao Networks Private Ltd.; Director of EnGenius Networks Private Ltd.

Note 7: Also the Company's investee: Director of EnGenius Networks Singapore PTE. Ltd.; Director of EnRack Technology Inc.; Director of EnGenius Technologies Canada Inc.; Director of EnGenius Japan Inc.; Supervisor of Emplus Technologies, Inc.

3.2.3 Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto. (NA)

3.3 Remuneration paid during the most recent fiscal year to Directors, Supervisors, President and Vice President

3.3.1 Remuneration of Directors

Unit: NT\$ Thousand

Title	Name	Remuneration					Total Compensation (A+B+C+D) and Ratio of Compensation to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees				Total Compensation (A+B+C+D+E+F) and Ratio of Compensation to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary	
		Base Compensation (A)	Severance Pay (B)	Bonus to Directors (C)	Allowances (D)		The company	The company	The company	The company	The company	The company	The company	The company		The company
					Companies in the consolidated financial statements	Companies in the consolidated financial statements										
Chairman	Wen-Ho Tsai	23,998	-	6,153	60	85	30,211	3.65%	-	-	-	-	30,211	3.65%	NA	
Director (Note 1)	Zhi-Cheng Jian	-	-	3,076	60	60	3,136	0.38%	-	-	-	-	3,136	0.38%	NA	
Director (Note 1)	Tian-Tsai Su	-	-	3,076	60	60	3,136	0.38%	-	-	-	-	3,136	0.38%	NA	
Director	Pao-Yun Lin	-	-	3,076	60	60	3,136	0.38%	-	-	-	-	3,136	0.38%	NA	
Independent Director	Kuang-Hsun Shih	720	-	-	90	90	810	0.10%	-	-	-	-	810	0.10%	NA	
Independent Director	Yi-Min Chang	720	-	-	90	90	810	0.10%	-	-	-	-	810	0.10%	NA	
Independent Director	Huei-You Chen	720	-	-	90	90	810	0.10%	-	-	-	-	810	0.10%	NA	

1. Please describe the policy, system, standards and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid. :
According to the Company Act, Independent Directors and Directors have equal duties, contributions and operation risk. For the purpose of risk control, the Company has purchased Directors' and Supervisors' Insurance. However, Independent Directors should be free of financial concern relating to the profits or losses of the company, to ensure impartial corporate governance. The Company only paid all Independent Directors a fixed amount remuneration to comply with the Company Act.

2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises) : NA

Note 1: The representative of Senao International Co., Ltd.

3.3.2 Remuneration of Supervisors (NA)

3.3.3 Remuneration of President and Vice President

Unit: NT\$ Thousand

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)			Total Compensation (A+B+C+D) and Ratio of Compensation to Net Income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary	
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	Cash	Stock	The company		Companies in the consolidated financial statements
President	Po-Chang Lin													
Business Unit President	Yi-Ching Chang													
Business Unit President	Pei-Chuan Liou													
VP	Feng-Hsiao Yu	22,666	22,666	868	868	17,050	18,145	7,100	-	7,100	-	47,684 5.76%	48,779 5.89%	NA
VP	Yi-Shu Lu													
VP	Hon-Chu Lai													
VP	Hsiu-Ying Liu													
VP	Chih-Hua Tseng													

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	-	-
NT\$1,000,001 ~ NT\$2,000,000	Chih-Hua Tseng	Chih-Hua Tseng
NT\$2,000,001 ~ NT\$3,500,000	-	-
NT\$3,500,001 ~ NT\$5,000,000	Hon-Chu Lai; Hsiu-Ying Liu	Hon-Chu Lai; Hsiu-Ying Liu
NT\$5,000,001 ~ NT\$10,000,000	Po-Chang Lin ; Yi-Ching Chang; Pei-Chuan Liou; Feng-Hsiao Yu; Yi-Shu Lu	Po-Chang Lin ; Yi-Ching Chang; Pei-Chuan Liou; Feng-Hsiao Yu; Yi-Shu Lu
NT\$10,000,001 ~ NT\$15,000,000	-	-
NT\$15,000,001 ~ NT\$30,000,000	-	-
NT\$30,000,001~ NT\$50,000,000	-	-
NT\$50,000,001 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	8	8

3.3.4 The distribution of employees' compensation of President, Vice President and Assistant Vice President

As of Feb. 29, 2024; Unit: NT\$ Thousand

	Title	Name	Employee Bonus- in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Po-Chang Lin				
	Business Unit President	Yi-Ching Chang				
	Business Unit President	Pei-Chuan Liou				
	VP	Feng-Hsiao Yu				
	VP	Hon-Chu Lai				
	VP	Yi-Shu Lu				
	VP	Hsiu-Ying Liu				
	VP	Chih-Hua Tseng	-	8,953	8,953	1.08%
	AVP	Yu-Mei Chao				
	AVP	Chun-Lung Lin				
	AVP	Jheng-Da Lee				
	AVP	Jheng-Syun Lee				
	AVP	Jian-Sheng Gao				

Note 1: Names and job titles should be disclosed individually, but profit distributions received may be disclosed in aggregate.

Note 2: Fill in the amount of employee profit-sharing compensation (including stocks and cash) received by the managerial officers as approved or expected to be approved by the board of directors for the most recent fiscal year. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. If the Company has already adopted the IFRS, net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 3: The applicable scope of "managerial officers" is defined under the 27 March 2003 FSC Order No. Tai-Cai-Zheng-III-0920001301 as persons in the following positions:

- (1) General manager(s) and equivalent level positions
- (2) Assistant general manager(s) and equivalent level positions
- (3) Deputy assistant general manager(s) and equivalent level positions
- (4) Chief officer of the finance division
- (5) Chief officer of the accounting division
- (6) Other persons who have the power to manage affairs and sign for the Company

3.3.5 If any of the following applies to the company, it shall disclose the individual remuneration paid to each of its top five management personnel

1. A company that has posted after-tax deficits in the parent company only financial reports or individual financial reports within the three most recent fiscal years shall disclose the remuneration paid to individual directors and

supervisors. This requirement, however, shall not apply if the company has posted net income after tax in the parent company only financial report or individual financial report for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits. (NA)

2. A company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEX) is ranked in the lowest tier in the corporate governance evaluation for the most recent fiscal year, or in the most recent fiscal year or up to the date of publication of the annual report for that year, the company's securities have been placed under an altered trading method, suspended from trading, delisted from the TWSE or the TPEX, or the Corporate Governance Evaluation Committee has resolved that the company shall be excluded from evaluation. (NA)

3.3.6 Compare and state the ratio of total remuneration paid to the Company's Directors, Supervisors, President, and V.P. by the Company and the companies in the consolidated financial statements to net income in the last two years; also, describe the policy, standard, and combination of remuneration paid; moreover, the procedure of defining remuneration and its relation to business performance and future risks

1. Analyze the ratio of the total remuneration paid to the Company's directors, supervisors, presidents and vice presidents in the last two years to net income after tax

Item	the Company		the companies in the consolidated financial statements	
	2022	2023	2022	2023
the ratio of total remuneration paid to the Company's Directors, Supervisors, President, and V.P. by the Company and the companies in the consolidated financial statements to net income	7.41%	10.83%	7.61%	10.97%
The total remuneration ratio of 2023 increase from 2022 primarily as a result of the decreased in net income after tax of 2023.				

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

(1) Remuneration of the directors

The independent directors receive fixed monthly remuneration and do not participate in the distribution of director remuneration; in addition, according to the resolution of the Board of Directors, independent directors receive the travel allowances for each meeting of the Board of Directors, and no other variable remuneration is paid.

The remuneration of the remaining directors, in addition to receiving the travel allowances for each meeting of the Board of Directors, shall be determined by the Board of Directors in accordance with Article 22 of the Articles of Association: The Board of Directors is authorized to determine the remuneration of the directors based on their levels of participation in the Company's operations and the value of their contributions. In addition, in accordance with Article 28 of the Articles of Association: the distribution of the director's remuneration shall not exceed 3% of the Company's annual profit with consideration in the Company's operating performance, financial position and director's responsibilities, and their contribution to the operating performance and profit, and it is submitted to the Board of Directors for resolution after reviewed by the Remuneration Committee.

(2) Remuneration of the executive officers

The remuneration of executive officers is divided into fixed salary and variable salary. The fixed salary is handled in accordance with the "Remuneration and Benefit Management Regulations" and is determined based on the job description and professional proficiency of the position; the variable salary includes bonuses and employee remuneration.

The bonus is based on the Company's profit, and the achievement of the executive officers' KPI (revenue achievement rate, profit achievement rate, budget control, leadership ability, employee training, etc.), and it is calculated according to the performance evaluation results; employee remuneration is in accordance with Article 28 of the Articles of Association: no less than 3% of the Company's annual profit shall be distributed for employee remuneration based on the performance evaluation results where the limit of employee remuneration is determined by the Board of Directors and submitted to the Board of Directors for resolution after reviewed by the Remuneration Committee.

3.4 The state of the company's Implementation of Corporate Governance

3.4.1 The operations of the board of directors

1. The state of operations of the Board of Directors

The recent (2023) total of 6 (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate [B / A]	Remarks
Chairman	Wen-Ho Tsai	6	-	100%	
Director (Note1)	Zhi-Cheng Jian	6	-	100%	
Director (Note1)	Tian-Tsai Su	6	-	100%	
Director	Pao-Yun Lin	6	-	100%	
Independent director	Kuang-Hsun Shih	6	-	100%	
Independent director	Yi-Min Chang	6	-	100%	
Independent director	Huei-You Chen	6	-	100%	

Other mentionable items:

1. If there are circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) The circumstances referred to in Article 14-3 of the Securities and Exchange Act.

Date of Meeting/Term of Board of Directors	Contents of Motion	Independent Director's Opinion	The Company's Response to Independent Director's Opinion
6 th meeting, 7 th term, April 11, 2023	I. approved the capital injection in subsidiary II. approved the issuance of common shares via a private placement	None	None

Date of Meeting/Term of Board of Directors	Contents of Motion	Independent Director's Opinion	The Company's Response to Independent Director's Opinion
8 th meeting, 7 th term, August 2, 2023	I. approved the capital raising plan through issuance of common shares II. approved the acquisitions of land-use rights of Vietnam III. 2023 professional fees of CPAs	None	None
9 th meeting, 7 th term, November 7, 2023	I. Amend the Internal Control Systems	None	None

(2) In addition to said circumstances, any other resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing. (NA)

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and the voting status.

Directors' names	Contents of Motion	Causes for Avoidance	Voting Status
Wen-Ho Tsai	Proposal for 2022 annual compensation for Director and bonus distribution for managerial officers of the Company.	The recused directors were beneficiaries of the bonus allocation	Excluded from the deliberation during the discussion and voting

3. The evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors: The table as below.

4. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.

(1) In 2023, all directors have enrolled in professional courses of 6 hours (or more) in accordance with regulations to optimize the management functions of the Board of Directors.

(2) In 2023, more than half of the directors (including the convener of the Audit Committee) attended the regular shareholders' meeting and improved the Company's information transparency.

Note 1 : The representative of Senao International Co., Ltd.

2. The state of evaluation of the Board of Directors

Evaluation Tern	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Once a year	2023.1.1~ 2023.12.31	1. The Board 2. The Directors 3. The Remuneration Committee and Audit Committee	Self-assessment	<p>1. The Board Participation in Company operations, improving the quality of decisions made by the Board, composition and structure of the Board, appointment and continuing education of directors and internal control.</p> <p>2. The Directors Knowledge of corporate goals and missions, knowledge of directors' responsibilities, participation in Company operations, internal relationship management and communication, expertise and continuing education of directors and internal control.</p> <p>3. The Remuneration Committee and Audit Committee Participation in Company operations, knowledge of the functional committees' responsibilities, improving the quality of decisions made by functional committees, composition of functional committees and appointment of committee members and internal control.</p>

3.4.2 The state of operations of the Audit Committee or the state of participation in Board meetings by the Supervisors

1. The state of operations of the Audit Committee

The recent (2023) total of 5 (A) meetings of the Audit Committee were held in the previous period. The attendance of Independent directors were as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate [B / A]	Remarks
Independent director	Kuang-Hsun Shih	5	-	100%	
Independent director	Yi-Min Chang	5	-	100%	
Independent director	Huei-You Chen	5	-	100%	

Other mentionable items:

1. If there are circumstances referred to in Article 14-5 of the Securities and Exchange Act and resolutions of the Audit Committee's meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, independent director's opinions and the company's response should be specified.

(1) The circumstances referred to in Article 14-5 of the Securities and Exchange Act.

Date of Meeting/Term of Audit Committee	Contents of Motion	Dissenting opinions, reservations or major recommendations of independent directors	Resolution	The Company's Response to Audit Committee's Opinion
3 rd meeting, 1 th term, February 24, 2023	I. the 2022 financial report II. the Proposal for Distribution of 2022 Earnings III. the Company's "Statement of Declaration for Internal Control System" of 2022	None	Approved	None
4 th meeting, 1 th term, April 11, 2023	I. the capital injection in subsidiary II. the issuance of common shares via a private placement	None	Approved	None
5 th meeting, 1 th term, May 2, 2023	I. the 2023 Q1 financial report	None	Approved	None

Date of Meeting/Term of Audit Committee	Contents of Motion	Dissenting opinions, reservations or major recommendations of independent directors	Resolution	The Company's Response to Audit Committee's Opinion
6 th meeting, 1 th term, August 2, 2023	I. the 2023 Q2 financial report II. the capital raising plan through issuance of common shares III. the acquisitions of land-use rights of Vietnam IV. 2023 professional fees of CPAs	None	Approved	None
7 th meeting, 1 th term, November 7, 2023	I. 2023 Q3 financial report II. Amend the Internal Control Systems	None	Approved	None

(2) In addition to said circumstances, any other matters that were not approved by the Audit Committee but were approved by more than two thirds of all directors. (NA)

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified. (NA)

3. The communications between the independent directors, and the independent auditors: (that shall include material matters, methods and results regarding the Company's financial status or business development).

Date	Participants	Communication matters	Methods	Results
November 7, 2023	Independent director : Kuang-Hsun Shih Yi-Min Chang Huei-You Chen Audit Supervisor : Li-Hua Lin CPA : Pei- Juan Huang	CPA : 1. Communication on the review results of the 2023 Q3 financial report 2. 2023 annual financial report review plan Audit Supervisor : 1. Implementation progress of the 2023 annual audit plan 2. Audit results and review of internal control deficiencies 3. Explanation of 2024 annual audit plan 4. Other matters	Forum	No opinion

2. The state of participation in Board meetings by the Supervisors (NA)

3.4.3 The state of the company's implementation of corporate governance, any deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such deviation

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" ?	✓		No material deviations.
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?		✓	No material deviations.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		No material deviations.
(3) Does the company establish and execute	✓		No material deviations.

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
the risk management and firewall system within its conglomerate structure?			
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		No material deviations.
3. Composition and Responsibilities of the Board of Directors			
(1) Does the Board formulate a diversity policy, specific management objectives and implemented them?	✓		(1) The company has formulated a Board diversity policy and specific management objectives and has implemented them. For details, please refer on page 20 herein.
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		(2) The Company’s Board of Directors has retained 3 independent directors, who may provide effective suggestions about the Company’s operation. The Company is operating well for the time being, and will establish any functional committee, if necessary.

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
(3) Does the Company establish a methodology for evaluating the performance of its Board of Directors on an annual basis and reported the performance evaluation results to the Board as reference for remuneration paid to directors and their nomination for succession?	✓	(3) The Company has established the “Board Performance Evaluation Regulations”, so as to conduct self-evaluation periodically after the end of the year. The evaluation results will be reported and will serve as reference to the Board when evaluating the remuneration of directors and proposing the nomination for reelection.	No material deviations.
(4) Does the company regularly evaluate the independence of CPAs?	✓	(4) The Company evaluates the independence and suitability of the CPA at least once a year. In addition to requiring CPA to provide "CPA's Independence Declaration" and "Audit Quality Indicators (AQIs)", it evaluates according to 13 AQI indicators. (see following table)	No material deviations.

5 Dimensions	13 AQI Indicators
Profession	<ul style="list-style-type: none"> ● Audit Experience ● Training Hours ● Attrition Rate ● Professional ● Support
Quality Control	<ul style="list-style-type: none"> ● Workload ● Involvement ● EQCR

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons								
	Yes	No									
	Abstract Illustration										
		<table border="1"> <tr> <td></td> <td> <ul style="list-style-type: none"> ● Quality Supporting Capacity ● Non Audit Service (NAS) Fees ● Familiarity </td> </tr> <tr> <td>Independence</td> <td> <ul style="list-style-type: none"> ● External Inspection Results & Enforcement ● Improvements to the deficiencies Issued by Authority </td> </tr> <tr> <td>Monitoring</td> <td> <ul style="list-style-type: none"> ● Innovative Planning and Execution </td> </tr> <tr> <td>Innovation</td> <td></td> </tr> </table> <p>It is confirmed that the CPA has no other financial interests or business relationship with the Company except for the financial certification and taxation businesses, and its family members do not violate the independence requirements. With reference to the AQI, it is confirmed that the CPA and the Company are superior to the industry average in terms of audit experience and external inspection results & enforcement. In addition, digital audit tools have been introduced in the last three years to</p>		<ul style="list-style-type: none"> ● Quality Supporting Capacity ● Non Audit Service (NAS) Fees ● Familiarity 	Independence	<ul style="list-style-type: none"> ● External Inspection Results & Enforcement ● Improvements to the deficiencies Issued by Authority 	Monitoring	<ul style="list-style-type: none"> ● Innovative Planning and Execution 	Innovation		
	<ul style="list-style-type: none"> ● Quality Supporting Capacity ● Non Audit Service (NAS) Fees ● Familiarity 										
Independence	<ul style="list-style-type: none"> ● External Inspection Results & Enforcement ● Improvements to the deficiencies Issued by Authority 										
Monitoring	<ul style="list-style-type: none"> ● Innovative Planning and Execution 										
Innovation											

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	✓		No material deviations.
		<p>improve audit quality. The evaluation results of the latest year have been reported to the Audit Committee and the Board of Directors on February 27, 2024 and the CPA independence and suitability evaluation is approved</p> <p>The Company passed the resolution during the board meeting held November 1, 2018 to appoint VP Feng-Hsiao Yu of Business Management Department as the corporate governance personnel responsible for guaranteeing the rights and interests of shareholders and strengthening the functions of the Board. VP Feng-Hsiao Yu has more than three years of management experience in financial affairs, stock affairs or meeting affairs, who is quite familiar with related affairs. The responsibilities of the corporate governance personnel include providing the directors and supervisors with the data required to perform the business, assisting the directors and supervisors in law compliance, and handling matters related to the board meetings. The detail is as below: (1) Assist all directors in performing their duties and providing the required data. (2) Assist in the operation of procedural</p>	

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
			<p>rules for the board meeting and the shareholder's meeting.</p> <p>(3) Confirm whether the Company holds the shareholder's meeting and director meeting under the relevant laws and Corporate Governance Code.</p> <p>(4) Check the release of major information on important resolutions after the board meeting, and guarantee the law compliance and correctness of the key information, so as to ensure the equivalence of investor's transaction information.</p> <p>(5) Maintain investor relations and communicate with institutional investors or general shareholders upon demands, so as to ensure the shareholders' benefits.</p> <p>(6) Prepare the agenda of the board meeting, notify the directors 7 days earlier, convene the meeting and provide the meeting data. If the interests avoidance is required for the discussion issues, it should remind in advance and complete the board meeting minutes within 20 days after the meeting.</p>
5. Does the company establish a communication channel and build a designated section on its	✓		No material deviations.

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?			may communicate with the Company via the departments trading with them and, therefore, all issues concerned by them may be responded effectively. Such communication channel operates successfully.
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed Fubon Securities as the Company’s shareholder service agency to deal with shareholder affairs. No deviations.
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓ ✓		(1) The Company has set up a Chinese website (www.senaonetworks.com) to disclose the Company’s financial, business and corporate governance information. (2) The Company has set up an English website (www.senaonetworks.com/en/) and also the spokesperson and deputy spokesperson system and has appointed dedicated personnel from the Business Management Department to collect and disclose the Company’s information provided to the spokesperson and related personnel to reply the inquiries made by stakeholders and the competent authority. No material deviations. No material deviations.

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
(3) Does the company announce and file its annual financial reports within 2 months from the end of the fiscal year? Did the company announce and file the financial reports for Q1, Q2 and Q3, as well as the operating status for each month before the due date?	✓		(3) The 2023 annual financial report was announced on February 27, 2024. The financial reports for Q1, Q2 and Q3 of 2023 were announced on May 2, August 2, and November 7, respectively. Moreover, the monthly operating report was announced before the 10th day of the following month.
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		(1) Employee rights and employee wellness: The Company spares no effort to take care of employees. For the relevant policies, please see the relationship between employer and labors stated on page 110 herein. (2) Investor relations, supplier relations, rights of stakeholders: The Company upholds the corporate governance spirit and maintains successful communications and fair relationship. (3) Continuing education and liability insurance for directors and supervisors: The Company’s directors and supervisors perform their duty professionally and attend various seminars and read professional books from time to time. Notwithstanding, for the sake of risk control, the Company
			No material deviations.

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
		<p>has purchased liability insurance for directors and supervisors.</p> <p>(4) For risk management policies and risk evaluation measures: Please see the risk analysis and evaluation stated on page 129 herein.</p> <p>(5) Customer relations policies: The Company upholds the management philosophy, “Customer satisfaction, Quality, Innovation and Team service”, and applies the same to each customer.</p>	
<p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>Priority issues and measures for improvement this year:</p> <p>(1) Establish a non-statutory Functional Committee.</p> <p>(2) The ESG report shall submit to the board of directors for approval.</p>			

3.4.4 Composition and Operations of the Remuneration Committee

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

As of Feb. 29, 2024

Criteria		Professional Qualification and Work Experiences	Criteria for Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Title	Name			
Independent Director (Chairman)	Kuang -Hsun Shih	<p>Professional Qualification: More than five years of working experience of an instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university.</p> <p>Work Experiences: Please refer to Director information on page 15 herein.</p>	<p>The person, spouse, relatives within the second degree of relatives do not have the following circumstances:</p> <p>I. Serving as a Director or Supervisor of the Company or any of its affiliates.</p> <p>II. Holding the Company shares.</p> <p>III. Serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company.</p> <p>IV. Providing commerce, law, finance, accounting and other services for the company or its affiliates in the past 2 years.</p>	2
Independent Director	Yi-Min Chang	<p>Professional Qualification: More than five years of working experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Work Experiences: Please refer to Director information on page 15 herein.</p>	<p>The person, spouse, relatives within the second degree of relatives do not have the following circumstances:</p> <p>I. Serving as a Director or Supervisor of the Company or any of its affiliates.</p> <p>II. Holding the Company shares.</p> <p>III. Serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company.</p> <p>IV. Providing commerce, law, finance, accounting and other services for the company or its affiliates in the past 2 years.</p>	0
Independent Director	Huei-You Chen	<p>Professional Qualification: More than five years of working experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Work Experiences: Please refer to Director information on page 15 herein.</p>	<p>The person, spouse, relatives within the second degree of relatives do not have the following circumstances:</p> <p>I. Serving as a Director or Supervisor of the Company or any of its affiliates.</p> <p>II. Holding the Company shares.</p> <p>III. Serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company.</p> <p>IV. Providing commerce, law, finance, accounting and other services for the company or its affiliates in the past 2 years.</p>	2

2. The duty of Remuneration Committee Members

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation.

3. The Operation of Remuneration Committee Members

- (1) The number of Remuneration Committee Members : 3 Members
- (2) The term of Remuneration Committee Members : 2022.6.17~2025.6.16
- (3) Total of 3 (A) meetings of the Remuneration Committee were held in 2022. The attendance of Members were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate[B / A]	Remarks
Chairman	Kuang-Hsun Shih	3	-	100%	
member	Yi-Min Chang	3	-	100%	
member	Huei-You Chen	3	-	100%	

Other mentionable items:

- (1) If the Board did not adopt or amend the recommendations of the Remuneration Committee, the date of the board meeting, term, proposal content, result of board resolution, and how the Company handled the proposal (If the remuneration approved by the board is higher than the proposal of the Remuneration Committee, the difference and reason should be specified.) should be specified. (NA)
- (2) If members of the Remuneration Committee expressed opposition or qualified opinions that were recorded or declared in writing, the date of the remuneration committee meeting, term, proposal content, opinions of all members and the Company's handling of those opinions should be specified. (NA)

3.4.5 Composition and Operations of the Nomination Committee (NA)

3.4.6 The state of the company's promotion of sustainable development, any deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such deviation

Promoted Item	Implementation Status		Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
1. Does the Company develop guidelines for sustainability and establish a sustain ability unit which is delegated to management by the Board of Directors and subject to supervision by the board ?	✓	<p>1. Under the Company's corporate governance structure, the Board of Directors shall act as the supreme body dedicated to promoting and supervising the corporate governance. The President shall be ordered to establish the CSR Committee and act as the Committee chairman. In the future, to strengthen the Company's management system, and committed to environmental conservation practices and fulfilling corporate social responsibilities, a functional committee will be established under the Board of Directors, and in line with international trends, this functional committee is named "Sustainable Development Committee".</p> <p>2. The Committee governs 4 major sub-committees dedicated to the corporate governance committee, the staff care and social participation committee, the environmental protection and energy conservation committee & the external communications committee. The supervisor in charge of related business shall act as the sub-committee chairmen respectively. The sub-committees shall hold work meetings quarterly and conduct self-assessment on progress and performance for promotion of action plans. The Committee shall report to the Board of Directors on a yearly basis.</p> <p>3. The Sustainable Development Committee reports to the Board of Directors on the implementation progress and performance each year. In addition to reviewing its implementation, the Board of</p>	No material deviations.

Promoted Item	Implementation Status		Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons				
	Yes	No					
		Directors also oversees the formulation of overall management policies, strategies, and objectives.					
2. Does the Company conduct risk evaluation for environmental, social and corporate governance issues related to Company operations based on the materiality principle, and formulated related risk management policies or strategies? (Note 1)	✓	<p>1. The risk assessment has been carried out on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality. The affiliated company has relatively little impact on the overall operation of the Company due to its small operating scale. Therefore, in addition to the financial information of the affiliated company's relationship with the Company, other sustainable development performance is not included.</p> <p>2. The management team conducts the risk assessment based on the materiality principle of " Negative Impact Extent on Economy, Environment, and People" and " Negative Impact Extent on SNI Operations", and selects 12 major themes, and incorporate them into the Company's management policies and policies to formulate operational optimization action plans. For details, please refer to the Company's 2022 sustainability report and its website. A brief description is available as follows.</p> <table border="1" data-bbox="1114 488 1417 1393"> <thead> <tr> <th>Major Themes</th> <th>Explanations</th> </tr> </thead> <tbody> <tr> <td>Economic Performance</td> <td>SNI's commitment to its operations is expected to drive economic growth, safeguard the rights and interests of shareholders and relevant stakeholders, and allocate operational profits appropriately towards sustainable development measures.</td> </tr> </tbody> </table>	Major Themes	Explanations	Economic Performance	SNI's commitment to its operations is expected to drive economic growth, safeguard the rights and interests of shareholders and relevant stakeholders, and allocate operational profits appropriately towards sustainable development measures.	No material deviations.
Major Themes	Explanations						
Economic Performance	SNI's commitment to its operations is expected to drive economic growth, safeguard the rights and interests of shareholders and relevant stakeholders, and allocate operational profits appropriately towards sustainable development measures.						

Promoted Item	Implementation Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons								
	Yes	No									
	Abstract Illustration										
		<table border="1"> <thead> <tr> <th>Major Themes</th> <th>Explanations</th> </tr> </thead> <tbody> <tr> <td>Occupational Health and Safety</td> <td>SNI has implemented and maintains an operational Occupational Health and Safety Management System, ISO 45001. Through a PDCA approach, the company has established a continuously improving management framework, ensuring workplace safety and safeguarding employee health.</td> </tr> <tr> <td>Corporate Governance</td> <td>SNI has established several corporate governance policies and regulations to enhance the efficiency of the board of directors and operations. These measures ensure the company's compliance with regulations across all aspects and safeguard the rights of relevant stakeholders.</td> </tr> <tr> <td>Regulatory Compliance</td> <td></td> </tr> </tbody> </table>	Major Themes	Explanations	Occupational Health and Safety	SNI has implemented and maintains an operational Occupational Health and Safety Management System, ISO 45001. Through a PDCA approach, the company has established a continuously improving management framework, ensuring workplace safety and safeguarding employee health.	Corporate Governance	SNI has established several corporate governance policies and regulations to enhance the efficiency of the board of directors and operations. These measures ensure the company's compliance with regulations across all aspects and safeguard the rights of relevant stakeholders.	Regulatory Compliance		
Major Themes	Explanations										
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Regulatory Compliance											
3. Environmental issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓	<ol style="list-style-type: none"> 1. The Company's environmental management takes the application of management system as the main structure, introduces ISO 14001 management system for management, and operates in PDCA cycle. Risks are measured and quantified based on environmental considerations, and are systematically summarized and counted. 2. The Company has passed ISO 14001 environmental management system certification. All of the Company's factories follow ISO 	No deviations.								

Promoted Item	Implementation Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
		Abstract Illustration	
		14001 to establish an environmental management system and continue to pass third-party verification, and conduct annual greenhouse gas inventory in accordance with ISO14064-1 specifications to track emission reduction results. For detailed information, please refer to the Company's 2021 sustainability report and the Company's website.	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓	<p>1. To successfully integrate with the world and contribute to the environmental protection of the earth, the company is committed to producing environmentally friendly products. Without affecting product performance and under the principle of reliability and reliability, reduce the amount of raw materials used in products, and select raw materials that meet the requirements of green environmental protection standards (RoHS, REACH-SVHC, WEEE, etc.) and conflict-free minerals for production. And introduces the GPMS (Green Product Management System) green product management system, integrate customer parts recognition and green product requirements, and provide a platform for suppliers to simply and quickly reply to green-related documents and information so as to meet the requirements of relevant environmental protection regulations in countries around the world.</p> <p>2. And committed to minimizing the impact of climate change caused by the greenhouse gas effect. In the early stage of product design, energy-saving benefits are considered, and components with low energy consumption mode are used. To promote energy saving within each plant and enhance the performance of equipment to</p>	No deviations.

Promoted Item	Implementation Status		Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
		<p>Abstract Illustration</p> <p>reduce carbon emissions in the product life cycle, improve the efficiency of energy and resources used in products, and reduce pollutant emissions. The Company has set a power saving target of more than 1%.</p> <p>3. A total of 736 LED lamps have been replaced in 2023, saving 74,131 kWh/year, equivalent to an annual reduction of 36.70 tons of CO2e. In addition to providing customers with product safety protection, product packaging also considers the green design concept of packaging materials reduction, recycling, recycling and regeneration, and the green logistics concept of reducing the volume of product packaging materials and transportation to reduce energy and resource use is a priority consideration. The mission is to strive to produce environmentally friendly products that meet various environmental protection standards. It is hoped that by promoting packaging reduction work to achieve win-win benefits for customers, the environment and the company. Of packaging weight statistics in 2023 the weight of renewable packaging materials accounted for about 99%.</p>	
(3) Does the Company evaluate current and future potential risks and opportunities brought by climate change, and take action to respond to climate-related issues?	✓	<p>1. Taking the Sustainable Development Committee as the highest organization for climate change management, the Company reviews its climate change strategy and goals every year, and manages climate change risks and opportunities. Without increasing business risk, the Company introduces the green thinking into its operation strategy and turns it into action, and promotes the "Green Unlimited Plan" to meet the business opportunities created by the green development trend.</p>	No deviations.

Promoted Item	Implementation Status		Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
			<p>Abstract Illustration</p> <p>2. After evaluating and analyzing the risks and opportunities of climate change, the Sustainable Development Committee will gradually establish a strategy for the risks and challenges that may be faced in the future, study the mechanism of carbon issue management, and set greenhouse gas reduction goals and plans.</p> <p>3. The Company has continued to evaluate the potential impact and financial impact that may cause the company, took relevant countermeasures to strengthen the Company's ability to adapt to climate change, actively implemented the goal of continuous improvement of environmental performance, and did a good job in carbon risk management. It is also expected to establish a complete green supply chain system with upstream suppliers so as to do its best to mitigate the impact of climate change.</p>
(4) Does the company calculate greenhouse gas (GHG) emissions, water consumption and total weight of waste for the past two years, and formulate strategies for energy conservation, carbon reduction, GHG emission reduction, water conservation and management of other waste?	✓		<p>1. The climate change affects the world's regional economy, countries, industries, and even individuals, and its impact is getting deeper and more serious. In order to protect the environment, the Company voluntarily conducts annual greenhouse gas organizational category 1 and 2 inspections in accordance with the ISO14064-1 greenhouse gas management system and obtains an external verification statement beginning in 2016. Greenhouse gas emissions in the past two years:</p> <p>No deviations.</p>

Promoted Item	Implementation Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons																
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			<p style="text-align: center;">Abstract Illustration</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="4" style="text-align: center;">Unit : Tons CO2e</th> </tr> <tr> <th>Year</th> <th>Category 1</th> <th>Category 2</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>310.403</td> <td>4,036.374</td> <td>4,346.777</td> </tr> <tr> <td>2023</td> <td>339.294</td> <td>3775.699</td> <td>4,114.993</td> </tr> </tbody> </table> <p>In analysis of the Company's major greenhouse gas emissions, the outsourced electricity is the main source of emissions. Goals of the carbon reduction and power saving of major emission sources are incorporated into the company's business policy and strategic goals. The achievement of all energy-saving and carbon-reduction plans is also promoted and reviewed by the Company's sustainable development Committee. As the Company introduced a new calculation method from ISO14064-1:2018 in 2022, it redefines the base year as 2022, but still maintains a 5% reduction policy.</p> <p>2. As the world is under the influence of climate change, water resources will be one of the major problems that human beings need to face. The occurrence of natural disasters frequently causes the destruction of the original nature. In particular, the Taiwan region is often faced with drought or torrential rain, and water resource management is even more important. The demand for water in the manufacturing process of communication products is low. However, the domestic water use of employees will still be affected by water shortages. Therefore, the Company will use innovative and sustainable ways to protect water resources, reduce employees' domestic water use and water resource</p>	Unit : Tons CO2e				Year	Category 1	Category 2	Total	2022	310.403	4,036.374	4,346.777	2023	339.294	3775.699	4,114.993
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		<p>Abstract Illustration</p> <p>recycling, so as to reduce the risk of water shortages. Water consumption in the last 2 years:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2023</th> <th>2022</th> <th>Unit: Tons</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>37,463</td> <td>37,454</td> <td></td> </tr> </tbody> </table> <p>The Company continues the promotion of water conservation measures, improves the efficiency of water equipment and the efficiency of water resource recovery within the factory area. It improves the water use efficiency through various water-saving measures. Follow-ups will continue to promote the use of water-saving label certification equipment to reduce water consumption, and introduce rainwater recycling facilities to improve water recycling, so as to reduce the Company's overall water consumption and operating costs.</p> <p>3. The Company complies with the provisions of the Basel Convention and environmental protection laws, and produces no Basel Convention regulated wastes. For waste disposal, the order of consideration is source reduction, classification, reuse, and resource reuse. If the above-mentioned treatment methods are not</p>	Year	2023	2022	Unit: Tons	Total	37,463	37,454		
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Promoted Item	Implementation Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons									
	Yes	No										
			<p>available for the waste at this stage, the incineration method is selected. There are as many as ten to twenty kinds of waste classification methods. After proper recycling, they are mainly divided into wastes that need to be treated, recyclable, and resource wastes. All wastes are disposed of according to law. Waste output in the last two years:</p> <p style="text-align: right;">Unit: KG</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Hazardous waste</th> <th>Non-hazardous waste</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>60,370</td> <td>153,930</td> </tr> <tr> <td>2023</td> <td>48,350</td> <td>208,867</td> </tr> </tbody> </table> <p>Waste is divided into solid and liquid wastes. The liquid wastes are mainly non-hazardous waste solvents produced by cleaning the reflow furnace, which have been collected and stored independently during cleaning. In solid waste, it is mainly composed of domestic waste, resource waste, recyclable mixed hardware waste (hazardous waste) and waste plastic packaging materials and cartons. Garbage classification and resource recycling and reuse are entrusted to qualified cleaning and disposal agencies for cleaning and disposal. The total amount of waste was about 257.2 metric tons in 2023, of which non-hazardous waste is 208.867 metric tons, accounting for about 81.2% of the whole, and the hazardous waste is 48.35 metric tons, accounting for only about 18.8%. The target of recycling and reuse of waste is set at more than 70%. In 2023, the proportion of waste recycling and reuse was 81.2%, and is expected to strive towards the goal.</p>	Year	Hazardous waste	Non-hazardous waste	2022	60,370	153,930	2023	48,350	208,867
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	Yes	No	
<p>4. Social issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		No material deviations.
			<p>Senao is committed to protecting and respecting the basic human rights of our employees and value chain partners, which include our customers, suppliers/contractors, agents, joint venture enterprises, alliance partners, and local communities. Our aim is to promote sustainable development across environmental, social, and economic aspects. Senao firmly supports and respects internationally recognized human rights principles and standards, including the Universal Declaration of Human Rights, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the International Labor Organization's Declaration of Fundamental Principles and Rights at Work. Senao complies with local laws and regulations where the company is located. As a member of RBA (Responsible Business Alliance), Senao executes the internal audit regularly and adopts the Code of Conduct of RBA (Responsible Business Alliance) as management framework to ensure human rights are implemented. To protect and respect human rights, Senao is committed to the following measures to prevent any actions that could potentially result in human rights violations or negative impacts.</p> <ol style="list-style-type: none"> 1. We prohibit human trafficking, forced labor, and child labor in all our business operations and supply chain. 2. All work must be voluntary and workers shall be free to leave work at any time or terminate their employment. 3. Suppliers or intermediaries are prohibited from withholding, damaging, concealing, confiscating, or refusing workers' access to identification documents, such as government-issued

Promoted Item	Implementation Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
			<p>identification, passports, or work permits, except as otherwise required by law.</p> <p>4. We prohibit the employment of individuals under the age of 16 or who have not completed compulsory education or the minimum employment age in the respective country/region.</p> <p>5. Respecting Freedom of Association and Collective Bargaining rights.</p> <p>6. Embracing diversity and opposing discrimination.</p> <p>7. Zero tolerance for harassment.</p> <p>8. Complying with hour and wage regulations.</p> <p>9. Ensuring a safe and healthy work environment.</p> <p>10. Protecting personal data and information security.</p> <p>11. Procurement activities will follow the principle of fair trade, strictly adhere to business ethics, and respect intellectual property and privacy rights.</p> <p>12. Complying with laws and regulations, reduction of resource consumption, development of environmentally friendly raw materials and products.</p> <p>13. Local procurement shall reduce packaging, transportation carbon emissions, refrain from using conflict minerals, and promote a green and sustainable value chain.</p> <p>14. Senao remains dedicated to protecting the human rights of our employees and value chain partners, which include our customers, suppliers/contractors, agents, joint venture enterprises, alliance partners, and local communities, ensuring these principles are integrated into all aspects of our business operations and external collaborations.</p>

Promoted Item	Implementation Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
(2) Does the Company formulate and implement reasonable policies concerning staff welfare (including compensation, vacation and other benefits), and ensure that employee compensation reflects its operating performance or achievement?	✓		No material deviations

Promoted Item	Implementation Status		Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons							
	Yes	No								
		<p>Abstract Illustration</p> <p>List of salaries and benefits of company employees</p> <table border="1"> <thead> <tr> <th>Items</th> <th>Contents</th> </tr> </thead> <tbody> <tr> <td>Salary and bonus</td> <td>To improve salary structure (monthly salary and year-end bonus), performance bonus, employee dividend and shareholding, patent bonus, job competition bonus.</td> </tr> <tr> <td>Medical insurance and health care</td> <td>Labor insurance, health insurance, employee group insurance, travel insurance, employee health check.</td> </tr> <tr> <td>Considerate welfare system</td> <td>Special purchase of group products, birthday/festival coupons and gifts, marriage/birth/injury/illness/hospitalization/emergency/funeral allowance, annual travel gift allowance, engagement leave/maternity leave/paternity leave, flexible working hours system, meal allowance, transportation vehicles, snack area, use annual paid leaves in advance, free in-plant service for visually impaired masseurs, childbirth encouragement, and childcare subsidies.</td> </tr> </tbody> </table> <p>2. The Company complies with the "Performance Appraisal Management Regulations" to conduct employee performance appraisals, and evaluate and compare to colleagues based on employee goal completion, project execution, four work behavior management and contribution, and work behavior development</p>	Items	Contents	Salary and bonus	To improve salary structure (monthly salary and year-end bonus), performance bonus, employee dividend and shareholding, patent bonus, job competition bonus.	Medical insurance and health care	Labor insurance, health insurance, employee group insurance, travel insurance, employee health check.	Considerate welfare system	Special purchase of group products, birthday/festival coupons and gifts, marriage/birth/injury/illness/hospitalization/emergency/funeral allowance, annual travel gift allowance, engagement leave/maternity leave/paternity leave, flexible working hours system, meal allowance, transportation vehicles, snack area, use annual paid leaves in advance, free in-plant service for visually impaired masseurs, childbirth encouragement, and childcare subsidies.
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	Yes	No	
		<p>Abstract Illustration</p> <p>plans, etc. According to the "Remuneration and Welfare Management Regulations", considering the Company's annual business performance and personal work performance, it provides year-end bonuses, performance bonuses and salary adjustments, and clearly stipulates in Article 28 of the Company's Articles of Association, the profit allocation for the current year is not less than 3% as the remuneration of employees.</p>	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓	<p>1. The Company follows the ISO 45001 management system, through daily inspections and unimpeded safety, health and hygiene notification mechanism, immediate response and resolution of problems, to improve the working environment in the workplace, to eliminate unsafe risk factors, and to provide employees with a safe and healthy working environment. There is a labor safety office, which is responsible for the promotion and implementation of employee safety and healthy working environment. For specific measures, please refer to employer and labors stated on page 110. In order to reduce the occurrence of occupational accidents, all new employees and suppliers will be required to receive general safety and health education and training to understand and obey the Company's occupational safety and health regulations, and additional relevant training is required to engage in statutory special work projects. According to laws, the on-the-job education and training is conducted regularly, especially on emergency response drills such as first aid, firefighting, and the hazards that may occur in the workplace.</p> <p>2. The Company has passed ISO 45001 occupational safety and</p>	No material deviations

Promoted Item	Implementation Status		Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
		<p>Abstract Illustration</p> <p>health management system certification. All factories of the Company follow the ISO 45001 occupational safety and health management system, and continue to pass third-party verification.</p> <p>3. The Company pays attention to the safety and health of the working environment. In addition to routine inspections and audits in the factory areas, the safety culture is promoted continually. A total of 1 occupational disasters resulted in 1 injuries in 2023, the main type was fall injury. As the majority and related incident investigations and improvement on preventive measures have been conducted. In the future, it will continue to strengthen the publicity and management of safe operations in the Company's factories to reduce the occurrence of occupational disasters.</p> <p>4. The Company has not had any fire incidents in 2023 and as of the date of publication of the prospectus.</p>	
(4) Does the company provide its employees with career development and training sessions?	✓	<p>1. The Company conducts strategic planning meetings to produce its corporate strategies every year, then formulate annual learning and development strategies based on needs of each unit, and formulate company-wide "annual training plans" to assist the Company achieving its strategic goals.</p> <p>2. In order to ensure the development of employees' talents and achieve the Company's common goals, it provides employees with an open and diverse learning environment. In line with the annual strategy and competence of colleagues, the training system is divided into newcomer training, professional function training, and core function training. In 2023, the average training hours of all</p>	No material deviations

Promoted Item	Implementation Status		Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
		Abstract Illustration	
		employees reached 7.76 hours.	No material deviations
(5) Does the Company follow regulations and international standards for customer health, safety, customer privacy, marketing and labeling of products and services, and set policies and appeal procedures to protect consumer rights and interests?	✓	<p>1. The Company emphasizes on the importance of personal information management. It has established "Personal Information Protection Management Regulations" to protect the privacy of customers. To this end, all departments identify their confidential documents according to practical needs, and formulate confidentiality policies and guidelines that meet the needs of each department.</p> <p>2. The Company is committed to listening to customers' opinions and requirements, and has established "Customer Complaint Handling Regulations", timely adjustment and cooperation to provide professional services, and immediate and rapid handling of customer problems. It also establishes "Customer Satisfaction Operation Management Regulations" to conduct regular customer satisfaction surveys to gain customer support and affirmation.</p> <p>3. In view of the health and safety of customers, the Company has established the "Regulations on the Management of Toxic Substances in Environmentally Friendly Products", which stipulates that all kinds of products must pass the inspection of relevant safety standards so that the products can achieve certain safety characteristics. After passing the safety certification, use safety labels on products to achieve product safety goals. The word RoHS is marked on the shipping carton after the product meets the requirements of international regulations such as RoHS, REACH, SVHC and ELV. The Company clearly indicates the use, applicable area, relevant inspection marks, and basic setting</p>	

Promoted Item	Implementation Status		Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
		<p>Abstract Illustration</p> <p>default values on the product packaging, so that users can quickly set up, and have a general understanding of the certification and characteristics of the product, and the consumer confidence in products is enhanced. There is a perfect after-sales service system to provide customers with the guarantee of purchasing products.</p> <p>4. The Company has operated its own brand for many years, and is quite familiar with and abides by relevant regulations and international standards. There are standard operating procedures for handling customer complaints, which are handled by special personnel to transparently and effectively handle customer complaints.</p>	
(6) Does the Company formulate supplier management policies and require suppliers to follow relevant norms on environmental protection, occupational safety and health, or labor rights, and disclose its implementation process?	✓	<p>1. The Company pays attention to the requirements related to human rights, environment, safety and health, and ethical management. It introduced the RBA Code of Conduct in 2020 and established an RBA management system to promote the RBA code of conduct, extend the concept of the RBA code of conduct to suppliers, encourage suppliers to agree to abide by the RBA code of conduct, fill in the supplier's corporate social responsibility self-assessment form, promote the RBA supply chain system, and demonstrate the determination to fulfill a good corporate social responsibility.</p> <p>2. There are "Supplier Management and Development Operation Regulations" to evaluate and require suppliers to ban substances that are harmful to the environment. Once the Company finds that the supplier is involved in violation of its corporate social</p>	No material deviations.

Promoted Item	Implementation Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
		Abstract Illustration	
		responsibility policy and has a significant impact on the environment and society, it will take the initiative to stop trading with it.	
5. Does the Company prepare and publish its reports such as corporate social responsibility report to disclose non-financial information in accordance with internationally recognized guidelines? Does the Company obtain third-party verification or assurance for such reports?	✓	The Company has prepared a sustainability report in accordance with the latest version of the GRI Standards (GRI Standards 2021 edition) issued by the Global Sustainability Reporting Initiative (GRI), which has been verified and obtained External Assurance Statement by SGS based on the AA1000 standard and published in the report.	No deviations.
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation : The Company strictly complies with the corporate social responsibility best-practice principles established by it, and no material discrepancy in such principles from the “Corporate Social Responsibility Best-Practice for TWSE/TPEX Listed Companies” .			
7. Other important information to facilitate better understanding of the company’s corporate social responsibility practices : (1) In order to fulfill the social responsibility, the Company has insisted on “Keeping Core Technology in Taiwan”, since it was incorporated, in order to protect the local workers’ employment market effectively. Meanwhile, the Company is dedicated to develop high value-added products and new markets to provide multiple high-quality employment opportunities. (2) In addition to legally-required labor insurance and health insurance, the company has created a comprehensive benefits and responsibility dual-track compensation system to safeguard employee rights and fulfill its obligations as an employer. There is also a group insurance for employees and their dependents which they can purchase to protect their families.			

Promoted Item	Implementation Status		Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
<p>(3) The company has disclosed the CSR (corporate social responsibility) information on the MOPS, annual reports, prospectus, and sustainability report, meanwhile, the Company has set up "Investor Relations", "Human Resource" and "CSR" on the company's website to disclose relevant information.</p> <p>(4) In order to make the stakeholders understand the company's activities to promote CSR conveniently, the company made a video which was available on the company's website. This video is presented in a dynamic and lively manner, showing the company's efforts to promote CSR.</p>		Abstract Illustration	

Note 1: The materiality principle refers to the relative importance of environmental, social and corporate governance issues on the Company's investors and other interested parties.

3.4.7 Climate-related information

1. Implementation of Climate-Related Information

Title	Implementation Status
<p>1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</p>	<p>To manage climate risk issues, Senao has adopted a sustainable model and a climate-related financial disclosure framework to identify the risks and opportunities of climate change and propose relevant response plans. The ESG Committee is chaired by the President which holds regular meetings every quarter to review the implementation results of the carbon management strategy and action plans, and reports regularly to the Board of Directors.</p>
<p>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</p>	<p>For environmental issues such as global warming and climate change, we have always adhered to the sustainable goal of "Having Happy Customers, a Safe Planet and a Secure Business." We continue to exert our corporate influence and introduce the green thinking of sustainable development to operation strategy and actively carry out specific actions related to carbon reduction. Evaluate and analyze risks and opportunities related to climate change based on different time periods, and formulate short-term (2030), mid-term (2040), and long-term (2050) strategies and plans.</p>
<p>3. Describe the financial impact of extreme weather events and transformative actions.</p>	<p>The Sustainable Development Committee will propose response strategies and action plans to achieve the strategic goal of low-carbon transformation through projects such as circular economy, process improvement, and energy conversion. We continue to pay attention to the trend of sustainable development and establish a carbon management blueprint with a sustainable mindset, hoping to seize green opportunities and create new business opportunities in the low-carbon era.</p>
<p>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</p>	<p>In accordance with the Company's "Risk Management Measures" and other regulations, each department should identify the priority of major risks and the Sustainability Committee will conduct systematic assessment and analysis of risks on climate-related issues and propose relevant countermeasures. The highest responsible unit for risk management is the Board of Directors. The Sustainable Development Committee regularly reports the implementation and results of risk management to the Board of Directors every year, which supervises the operation and overall implementation of the risk management mechanism. For climate issue management, the Board of Directors is the highest governance unit, coordinating the overall climate strategy and supervising the implementation</p>

	of climate-related risk management and key performance of the Sustainable Development Committee.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	The TCFD scenario analysis has not yet been performed, and a "TCFD Summary Report" is expected to be established in 2024.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	The relevant transformation plan risk assessment has not yet been performed, and a "TCFD Summary Report" is expected to be established in 2024.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	It has not yet been implemented, and a "TCFD Summary Report" is expected to be established in 2024.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	<p>Planning horizon:</p> <p>(1) Short-term goal: reduce greenhouse gas emission intensity by 10% in 2030 compared with 2025 where circular economy is planned to focus on resource adjustment such as green raw material procurement and improved waste reuse.</p> <p>(2) Mid-term goal: reduce greenhouse gas emission intensity by 50% in 2040 compared with 2025. Senao is focusing on improving the manufacturing process and achieve its goals through equipment updates, elimination of fluorine-containing equipment, and introduction of smart energy-saving equipment and technologies.</p> <p>(3) Long-term goals: Focus on energy conversion and use alternative energy sources such as green electricity and hydrogen energy to achieve net-zero emissions in 2050.</p>
9. Greenhouse Gas Inventory and Assurance Status (fill out in points 1-1 separately).	Details are in the table below.

2. Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

(1) Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO₂e), intensity (metric tons CO₂e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years. Greenhouse gas inventory declaration.
Data coverage scope: For companies with a capital of less than NT\$5 billion, the inventory covers the Asia-Pacific area (individual inventory of the parent company).

Title	2021	2022	2023
Category 1 (metric tons CO ₂ e)	294.60	310.40	339.294
Category 2 (metric tons CO ₂ e)	3,782.92	4,036.37	3775.699
Total emissions (metric tons CO ₂ e)	4,077.52	4,346.77	4114.993
Total individual operating income (NT\$ million)	7,358	13,493	14,394
Intensity (metric tons CO ₂ e/NT\$ million)	0.55	0.32	0.29

Note: Senao has voluntarily conducted greenhouse gas inventory in accordance with ISO 14064-1 since 2016, covering the Hwa-Ya Plant. According to the assurance process and procedures conducted by TÜV Rheinland Taiwan Ltd., there is sufficient evidence that the greenhouse gas statement is a substantive and accurate presentation of greenhouse gas data and related information. The current 2023 data is an inventory estimate, and a third-party verification has been arranged in April 2024 (TÜV Rheinland Taiwan Ltd.) to ensure data integrity and accuracy.

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations.

Note 2: The base year shall be the fiscal year in which the greenhouse gas inventory is completed based on the consolidated financial reporting boundary. For example, under the order issued under Article 10, paragraph 2 of the Regulations, a company with capital of NT\$10 billion shall complete the inventory for its fiscal 2024 annual consolidated financial report in 2025, so the base year will be 2024. If a company has disclosed its inventory in its consolidated financial report in an earlier year, it may take the earlier fiscal year as its base year. Also, the data for the base year may be calculated based on a single fiscal year or the average of multiple fiscal years.

Note 3: When preparing the disclosure content, the Company may refer to the best practice reference examples on the TWSE Corporate Governance Center website

(2) Greenhouse Gas Assurance Information (NA)

The Company's paid-in capital is less than NTD 5 billion. Inventory information disclosure shall be completed starting in 2026 and the assurance information disclosure shall be complete starting in 2028 according to Financial Supervisory Commission Letter with No. 1040013376.

3. Greenhouse gas reduction goals, strategies and specific action plans

The Company's paid-in capital is less than NTD 5 billion. Inventory information disclosure shall be completed starting in 2026 and the assurance information disclosure shall be complete starting in 2028 according to Financial Supervisory Commission Letter with No. 1040013376. As the result, there is no relevant plan for this year.

3.4.8 The state of the company’s performance in the area of ethical corporate management, any deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such deviation

Evaluation Item	Implementation Status		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company have regulations and publicly available documents that adhere to its ethical principles and programs, as well as commitment to the implementation of such programs approved by the Board of Directors and the management team?</p>	✓		<p>(1) The Company’s Board of Directors has established its own “Ethical Corporate Management Best-Practice Principles” to expressly state that directors, supervisors, managers and employees shall carry out business in accordance with laws and regulations. Meanwhile, the Company also established the “Code of Ethical Conduct for Directors, Supervisors and Managers”.</p>
<p>(2) Does the company establish appropriate preventive measures for business activities specified in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” or any other activity with a high risk of unethical conduct?</p>		✓	<p>(2) So far, the Company hasn’t established any evaluation mechanism, prevention schemes and measures against risks of unethical conduct. However, it has listed business activities considered as high-risk unethical conduct based on Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and provisions stipulated in the “Code of Ethical Conduct”. Through internal</p>

Evaluation Item	Implementation Status		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
	Abstract Illustration		
(3) Does the Company formulate operating procedures, guidelines, as well as disciplinary and appeal system against unethical conduct? Does the Company implement and conduct regular reviews to make appropriate revisions?	✓	<p>education and training, managers conduct legal and internal audits randomly, so as to prevent unethical conduct.</p> <p>(3) The Company’s new employees shall sign the <u>business ethics statement</u> which expressly states the punishment to be imposed on those engaged in unethical conduct and violating the rules and also demands that the employees should report any unethical conduct to their supervisors, the legal affairs division or President immediately upon awareness of the same. Specific reward and disciplinary system is also provided in the “Regulations Governing Reward and Misconduct”.</p>	No material deviations.
2. Fulfill operations integrity policy (1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓	(1) The Company has established the internal rules, “Operating Procedure for Suppliers’ Development”, to integrate the suppliers’ management philosophy into the rating standards. Meanwhile, the Company will investigate into the suppliers’ goodwill on the market to decide whether to trade with them. The Company is also considering the feasibility for inclusion of the	No material deviations.

Evaluation Item	Implementation Status		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
	Abstract Illustration		
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity, and regularly (at least once a year) report to the board of directors for establishing and supervising the implementation of the ethical corporate management policies and prevention programs?	✓	<p>ethics-related clauses into contracts.</p> <p>(2) A. The Company has established the Sustainable Development Committee, of which the chairman is acted by the President. The Sustainable Development Committee shall be responsible for reporting to the Board of Directors. The corporate governance committee of the 4 major functional committees governed by the Sustainable Development Committee is dedicated to promoting the ethical corporate management.</p> <p>B. The Sustainable Development Committee shall report to the Board of Directors on progress and performance of the promotion on a yearly basis.</p>	No material deviations.
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓	(3) The Company will propagate the ethical management to employees and vendors from time to time and provide them with the safe channel to help them report any abuses and corruptions. Also, the Company will conduct an audit under the fair internal control/internal audit system from time to time.	No material deviations.
(4) Does the company establish effective	✓	(4) The Company's accounting system has	No material deviations.

Evaluation Item	Implementation Status		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
	Abstract Illustration		
<p>systems for both accounting and internal control to facilitate ethical corporate management, and the internal audit unit shall, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans or engage a certified public accountant to carry out the audit?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	✓	<p>been established in accordance with the related government laws and regulations, and subject to the Company’s overview of business. The Company’s regular financial statements will be audited or reviewed by the CPA in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Statement of Generally Accepted Audit Standards. The Company’s internal control system is established in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, and subject to the Company’s overview of business. The Company will report to the Board of Directors on the system periodically, and the system is operating fairly.</p> <p>(5) The Company has regularly held internal and external education and training courses related to ethical management issues. In 2023, such as “RBA Code of Conduct_2023”, “Introduction of Trade Secrets” and “Anti-corruption Training and Trade Secret Promotion”.</p>	No material deviations.

Evaluation Item	Implementation Status		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons	
	Yes	No		
	Abstract Illustration			
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases, the follow-up measures to be taken after the investigation, and related confidential methods?</p> <p>(3) Does the company provide proper</p>	✓		<p>No material deviations.</p> <p>No material deviations.</p> <p>No material deviations.</p>	
				<p>(1) The Company has established the “Regulations Governing Reward and Misconduct” and “Appeals, Reports and Suggestions Management Procedures”, demanding that the employees should report any unethical conduct to their supervisors, the legal affairs division or President immediately upon awareness of the same. The Company also has set up the employee mailbox managed by dedicated personnel, which is available to accept any complaints at any time.</p> <p>(2) The Company has established the internal rules, “Regulations Governing Personal Information Protection”, to provide the non-disclosure mechanism. Though the Company has not yet expressly established the standard operating procedure for investigation on complaints as accepted, it designated dedicated personnel to handle the relevant matters and, therefore, the relevant standard operating procedure had be held established.</p> <p>(3) The Company has appointed dedicated</p>
	✓			

Evaluation Item	Implementation Status		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
whistleblower protection?			personnel to deal with the complaints, who will strictly comply with the non-disclosure requirement to protect complainants from any inappropriate treatment effectively.
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The Company has disclosed its own ethical corporate management best-practice principles on its website.
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. The Company has established its own ethical corporate management best-practice principles, and no material discrepancy in such principles from the “Ethical Corporate Management Best-Practice for TWSE/TPEX Listed Companies” .			No material deviations.
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies.(e.g., review and amend its policies) : NA			

3.4.9 Corporate Governance Guidelines and Regulations

Please access the MOPS and the Company's website for the corporate governance guidelines and regulations established by the Company.

3.4.10 Other Important Information Regarding Corporate Governance

1. Corporate governance guidelines and regulations already established by the Company

The Company has established the Code of Ethical Conduct for Directors, Supervisors and Managers, Ethical Corporate Management Principles and Corporate Social Responsibility (Sustainable Development) Principles. For the relevant information, please access the MOPS/corporate governance/establishment of corporate governance guidelines.

2. Corporate governance-related continuing education and training attended by the Company's managers

Job title	Name	Date	Organizer	Course Name	Hours
Vice President	Feng-Hsiao Yu	Nov. 24, 2023	Taiwan Investor Relations Institute	How to use Excel for business valuation and IR work management	3
		Nov. 29, 2023	Digital Governance Association	New Eastbound Trends and Strategies	3
		Dec. 21, 2022	Securities & Futures Institute	Economic Outlook and Industry Trends in 2024	3
		Dec. 27, 2022	Digital Governance Association	The international trend of net-zero carbon emissions and Taiwan's efforts to promote zero-carbon transformation	3

3. Certificate/license of the Company's personnel related to transparency of financial information

Job title	Name	Certificate/License
Chief Internal Auditor	Li-Hua Lin	CIA
Internal Auditor	Yu-Ruei Tseng	CIA

4. Internal operating procedure established by the Company to deal with important information

The Company has established such internal control systems as the “operating procedure for prevention of insider trading” upon resolution by the directors’ meeting in 2009, and also disclosed the same in the Company’s internal rules section accessible by all managers and employees, in order to prevent them from violating the rules or engaging in insider trading upon access to important information.

5. Code of employees’ conduct or ethics established by the Company

The Company has established the business ethics statement to regulate all employees’ ethical conduct. For details, please visit the Company’s website www.senaonetworks.com.

3.4.11 Internal Control Systems

1. Statement on Internal Control

(Please refer to page 95 of the Chinese annual report.)

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report. (NA)

3.4.12 For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements. (NA)

3.4.13 Major Resolutions of Shareholders' Meeting and Board Meetings

Date	Major Resolutions of Shareholders' Meeting and Result Thereof
July 17, 2022	<ol style="list-style-type: none"> 1. Ratified the business report and financial statements of 2022. 2. Ratified the allocation of earnings of 2022. 3. Approved the issuance of common shares via a private placement.
Date	Major Resolutions of Board Meetings
January 6 2023	<ol style="list-style-type: none"> 1. Approved the business plan of 2023. 2. Approved to the investment of Vietnam's factory.
February 24, 2023	<ol style="list-style-type: none"> 1. Approved the financial statements of 2022. 2. Approved the allocation of earnings of 2022. 3. Approved the allocation of remuneration to employees and directors of 2022. 4. Approved the organization of general shareholders' meeting of 2023. 5. Approved the Company's "Statement of Declaration for Internal Control System" of 2022.
April 11, 2023	<ol style="list-style-type: none"> 1. Approved the capital injection in subsidiary. 2. Approved the issuance of common shares via a private placement.
May 2, 2023	<ol style="list-style-type: none"> 1. Approved the financial statements of 2023 Q1. 2. Approved the allocation of remuneration to employees and directors of 2022.
August 2, 2023	<ol style="list-style-type: none"> 1. Approved the financial statements of 2023 Q2. 2. Approved to Increase the investment amount of Vietnam subsidiary. 3. Approved the acquisitions of land-use rights of Vietnam. 4. Approved to propose capital raising plan through issuance of common shares. 5. Approved the 2023 professional fees of CPAs.
November 7, 2023	<ol style="list-style-type: none"> 1. Approved the financial statements of 2023 Q3. 2. Approved the amendment of Internal Control Systems. 3. Approved the audit plan of 2024.
January 19, 2024	<ol style="list-style-type: none"> 1. Approved the business plan of 2022. 2. Approved to sell machinery and equipment to related parties.
February 27, 2024	<ol style="list-style-type: none"> 1. Approved the financial statements of 2023. 2. Approved the allocation of earnings of 2023. 3. Approved the allocation of remuneration to employees and directors of 2023 4. Approved the organization of general shareholders' meeting of 2024. 5. Approved the Company's "Statement of Declaration for Internal Control System" of 2023. 6. Approved (continue) to lease the company's existing factory and office building. 7. Approved the appointment of CPAs for financial report certification.

3.4.14 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors. (NA)

3.4.15 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D. (NA)

3.5 Information on the professional fees of the attesting CPAs

3.5.1 The amounts of the audit fees and non-audit fees paid to the attesting certified public accountants and to the accounting firm to which they belong and to any affiliated enterprises

Unit: NT\$ Thousand

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fees	Non-Audit Fees	Total	Remarks
Pricewaterhouse Coopers	Pei- Juan Huang	2023.1.1~2022.12.31	3,810	500	4,310	
	Hui-Ling Pan	2023.1.1~2022.12.31				

3.5.2 Specify the content of non-audit fee services

Non-audit fee of NT\$ 500,000 paid in 2023 was for auditing the Profit-seeking Enterprise Income Tax by the accounting firm.

3.5.3 When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed. (NA)

3.5.4 When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed (NA)

3.6 Information on replacement of CPAs

1. Regarding the former CPA

Replacement Date	February 27, 2024		
Replacement reasons and explanations	Due to internal job rotation at PwC, the Company CPAs were changed from Pei-Juan Huang and Hui-Ling Pan to Pei-Juan Huang and Yong-zhi Lin, from the first quarter of 2024.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	-	-
	No longer accepted (continued) appointment	-	-
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	✓	
	Remarks/specify details: None		
Other Revealed Matters	None		

2. Regarding the successor CPA

Name of accounting firm	Pricewaterhouse Coopers
Name of CPA	Pei-Juan Huang and Yong-zhi Lin
Date of appointment	February 27, 2024
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3. The company shall disclose the content of the reply letter from the former certified public accountant. (NA)

3.7 Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed. (NA)

3.8 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

3.8.1 The detail

Unit: Shares

Title	Name	2023		As of Feb. 29, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Wen-Ho Tsai	-	-	-	-
Director (NOTE 1)	Zhi-Cheng Jian	-	-	-	-
Director (NOTE 1)	Tian-Tsai Su	-	-	-	-
Director	Pao-Yun Lin	-	-	-	-
Independent Director	Kuang-Hsun Shih	-	-	-	-
Independent Director	Yi-Min Chang	-	-	-	-
Independent Director	Huei-You Chen	-	-	-	-
President	Po-Chang Lin	-	-	-	-
Business Unit President	Yi-Ching Chang	-	-	-	-
Business Unit President	Pei-Chuan Liou	-	-	-	-
VP	Feng-Hsiao Yu	-	-	-	-
VP	Hon-Chu Lai	-	-	-	-
VP	Yi-Shu Lu	-	-	-	-
VP	Hsiu-Ying Liou	-	-	-	-
VP	Chih-Hua Tseng	-	-	-	-
AVP	Yu-Mei Chao	-	-	-	-
AVP	Chun-Lung Lin	-	-	-	-
AVP	Jheng-Da Lee	-	-	-	-
AVP	Jheng-Syun Lee	(5,600)	-	-	-
AVP	Jian-Sheng Gao	(2,000)	-	-	-
AVP (NOTE 2)	Wen-Ling Peng	-	-	-	-
Shareholding than 10%	Senao International Co., Ltd	-	-	-	-

Note1 : The representative of Senao International Co., Ltd.

Note2 : Resigned on August 3, 2023.

3.8.2 Shares Trading with Related Parties. (NA)

3.9 Relationship among the Top Ten Shareholders

As of Sep. 18, 2023(Note)

Name	Current Shareholding		Spouse's/ minors' Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Senao International Co., Ltd. Representative: Chin-Lin Lai	16,579,033	33.79	-	-	-	-	Jheng-Fong Investment Co., Ltd	The president is the same person as the representative of Jheng-Fong Investment Co., Ltd.	
Jheng-Fong Investment Co., Ltd. Representative: Pao-Yun Lin	1,714,288	3.49	-	-	-	-	Senao International Co., Ltd., Hua-Shun Investment Co., Ltd., Yu-You Investment Co., Ltd., Chuan-Fang-Wei Investment Co., Ltd., Jheng-Kung Lin, Jheng-Fong Lin	The company's representative is the same person as the president of Senao International Co., Ltd. The company's representative and the representative of Hua-Shun Investment Co., Ltd., Yu-You Investment Co., Ltd., Chuan-Fang-Wei Investment Co., Ltd., and Jheng-Kung Lin, Jheng-Fong Lin are father and son.	
Hua-Shun Investment Co., Ltd. Representative: Jheng-Kung Lin	1,494,987	3.05	-	-	-	-	Jheng-Fong Investment Co., Ltd., Yu-You Investment Co., Ltd., Chuan-Fang-Wei Investment Co., Ltd., Jheng-Fong Lin	The company's representative and the representative of Jheng-Fong Investment Co., Ltd. are father and son. The company's representative and the representative of Yu-You Investment Co., Ltd., Chuan-Fang-Wei Investment Co., Ltd., and Jheng-Fong Lin are brothers.	
Wen-Ho Tsai	1,463,308	2.98	757,428	154%	-	-	Chin-Chen Huang	Spouse	
Yu-You Investment Co., Ltd. Representative: Jheng-Fong Lin	1,244,713	2.54	-	-	-	-	Jheng-Fong Investment Co., Ltd., Hua-Shun Investment Co., Ltd., Jheng-Kung Lin, Jhe	The company's representative and the representative of Jheng-Fong Investment Co., Ltd. are father and son. The company's representative and the representative of Hua-Shun Investment Co., Ltd., and Jheng-Kung Lin are brothers.	
Chuan-Fang-Wei Investment Co., Ltd. Representative: Jheng-Fong Lin	984,822	2.01	-	-	-	-	Jheng-Fong Investment Co., Ltd., Hua-Shun Investment Co., Ltd., Jheng-Kung Lin, Jhe	The company's representative and the representative of Jheng-Fong Investment Co., Ltd. are father and son. The company's representative and the representative of Hua-Shun Investment Co., Ltd., and Jheng-Kung Lin are brothers.	

Name	Current Shareholding		Spouse's/ minors' Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Chin-Chen Huang	757,428	1.54	1,463,308	2.98%	-	-	Wen-Ho Tsai	Spouse	
Jheng-Kung Lin	524,510	1.07	-	-	-	-	Jheng-Fong Investment Co., Ltd., Yu-You Investment Co., Ltd., Chuan-Fang-Wei Investment Co., Ltd. , Jheng-Fong Lin	Jheng-Kung Lin and the representative of Jheng-Fong Investment Co., Ltd. are father and son. The company's representative and the representative of Yu-You Investment Co., Ltd., Chuan-Fang-Wei Investment Co., Ltd. ,and Jheng-Fong Lin are brothers.	
Liang-ping Lee	511,000	1.04	-	-	-	-	-	-	
Jheng-Fong Lin	378,625	0.77	-	-	-	-	Jheng-Fong Investment Co., Ltd., Hua-Shun Investment Co., Ltd. , Jheng-Kung Lin, Jhe	Jheng-Fong Lin and the representative of Jheng-Fong Investment Co., Ltd. are father and son. The company's representative and the representative of Hua-Shun Investment Co., Ltd. , and Jheng-Kung Lin are brothers.	

Note : It's the target date for 2023 distribution of cash dividends

3.10 Ownership of Shares in Affiliated Enterprises

As of December 31, 2023; Unit: Thousand shares

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
EnGenius Technologies, Inc.	60,000	100.00	0	0.00	60,000	100.00
EnRack Technology Inc.	24,900,000	100.00	0	0.00	24,900,000	100.00
Emplus Technologies, Inc.	6,490,800	50.99	0	0.00	6,490,800	50.99
EnGenius International (Samoa) Ltd	1,832,289	100.00	0	0.00	1,832,289	100.00
EnGenius Technologies Canada Inc.	100	100.00	0	0.00	100	100.00
EnGenius Networks Inc.	6,000,000	100.00	0	0.00	6,000,000	100.00
EnGenius Japan	3,000	100.00	0	0.00	3,000	100.00
Senao Networks Vietnam Co.,Ltd. (註1)	-	-	-	-	-	-
Senao Networks Private Ltd.	1,640,000	100.00	0	0.00	1,640,000	100.00
EnGenius Networks Singapore Pte. Ltd.	1,792,289	100.00	0	0.00	1,792,289	100.00
EnGenius Networks Europe B.V.	210,000	100.00	0	0.00	210,000	100.00
EnGenius Networks Private Ltd.	7,400,000	100.00	0	0.00	7,400,000	100.00

Note: It is a long-term investment made by the company using the equity method.

Note 1: It is a limited company, so it has no shares.

IV. Information on Capital raising activities

4.1 Capital and Shares

4.1.1 Source of Capital

1. Issued Shares

Unit: NT\$ Thousand; Thousand shares, As of Feb. 29, 2024

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2014/02	10	120,000	1,200,000	48,069	480,689	Capital increase in cash by NT\$57,710	-	-
2014/03	10	120,000	1,200,000	48,328	483,279	Recapitalization of employee stock warrant by NT\$2,590 thousand	-	-
2014/05	10	120,000	1,200,000	48,484	484,839	Recapitalization of employee stock warrant by NT\$1,560 thousand	-	-
2014/08	10	120,000	1,200,000	48,549	485,489	Recapitalization of employee stock warrant by NT\$650 thousand	-	-
2014/11	10	120,000	1,200,000	48,654	486,539	Recapitalization of employee stock warrant by NT\$1,050 thousand	-	-
2015/03	10	120,000	1,200,000	48,896	488,959	Recapitalization of employee stock warrant by NT\$2,420 thousand	-	-
2015/05	10	120,000	1,200,000	48,932	489,319	Recapitalization of employee stock warrant by NT\$360 thousand	-	-
2015/08	10	120,000	1,200,000	48,974	489,739	Recapitalization of employee stock warrant by NT\$420 thousand	-	-
2015/11	10	120,000	1,200,000	49,036	490,359	Recapitalization of employee stock warrant by NT\$620 thousand	-	-
2016/01	10	120,000	1,200,000	49,061	490,609	Recapitalization of employee stock warrant by NT\$250 thousand	-	-

2. Type of Stock

As of Feb. 29, 2024 ; Unit: share

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock with Name	49,060,881	70,939,119	120,000,000	-

3. Information for Shelf Registration: None

4.1.2 Structure of Shareholders

As of Sep. 18, 2023 (Note)

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	13	49	10,573	38	10,673
Shareholding (shares)	0	494,260	22,962,161	25,257,110	347,350	49,060,881
Percentage	0.00%	1.01%	46.80%	51.48%	0.71%	100.00%

Note : It's the target date for 2023 distribution of cash dividends

4.1.3 Diffusion of ownership

1. Common Shares

As of Sep. 18, 2023 (Note)

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	3,292	432,657	0.88%
1,000 ~ 5,000	6,622	11,125,925	22.68%
5,001 ~ 10,000	442	3,472,450	7.08%
10,001 ~ 15,000	124	1,586,355	3.23%
15,001 ~ 20,000	56	1,044,000	2.13%
20,001 ~ 30,000	60	1,523,671	3.11%
30,001 ~ 40,000	20	702,000	1.43%
40,001 ~ 50,000	21	974,609	1.99%
50,001 ~ 100,000	19	1,370,930	2.79%
100,001 ~ 200,000	5	728,570	1.49%
200,001 ~ 400,000	3	825,625	1.68%
400,001 ~ 600,000	2	1,035,510	2.11%
600,001 ~ 800,000	1	757,428	1.54%
800,001 ~ 1,000,000	1	984,822	2.01%
1,000,001 or over	5	22,496,329	45.85%
Total	10,673	49,060,881	100.00%

Note : It's the target date for 2023 distribution of cash dividends

2. Preferred Shares: None

4.1.4 List of Major Shareholders

As of Sep. 18, 2023 (Note)

Shareholder's Name	Shareholding	
	Shares	Percentage
Senao International Co., Ltd.	16,579,033	33.79
Jheng-Fong Investment Co., Ltd.	1,714,288	3.49
Hua-Shun Investment Co., Ltd.	1,494,987	3.05
Wen-Ho Tsai	1,463,308	2.98
Yu-You Investment Co., Ltd.	1,244,713	2.54
Chuan-Fang-Wei Investment Co., Ltd.	984,822	2.01
Chin-Chen Huang	757,428	1.54
Jheng-Kung Lin	558,510	1.14
Liang-ping Lee	511,000	1.04
Jheng-Fong Lin	378,625	0.77

Note : It's the target date for 2023 distribution of cash dividends

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share for the past 2 fiscal years

Unit: NT\$

Items	2022	2023	As of Feb. 29, 2024
Market Price per Share			
Highest Market Price	254.00	379.00	257.50
Lowest Market Price	98.20	198.00	215.50
Average Market Price	198.27	291.78	242.55
Net Worth per Share			
Before Distribution	84.20	94.35	-
After Distribution	79.20	(Note 4)	-
Earnings per Share			
Weighted Average Shares (thousand shares)	49,061	49,061	-
Diluted Earnings Per Share	21.70	16.88	-
Dividends per Share			
Cash Dividends	5.0	4.0	-
Stock Dividends			
• Dividends from Retained Earnings	-	-	-
• Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			
Price / Earnings Ratio (Note 1)	8.36	16.06	NA
Price / Dividend Ratio (Note 2)	36.27	67.79	NA
Cash Dividend Yield Rate (Note 3)	2.76%	1.48%	NA

4.1.6 Dividend Policy and Implementation Status

1. Dividend Policy

When the Company has made a profit in the annual final accounts, it shall first pay all taxes and make up past losses according to law, and set aside ten percent (10%) as the statutory revenue reserve, except when the statutory revenue reserve already matches the Company's total capital. After setting aside or conversion to the statutory revenue reserve according to law, any remaining surplus shall be aggregated with retained earnings at the beginning of the period to be accumulated distributable earnings for shareholders, and the board of directors shall prepare a proposal for distribution of profits for resolution by the shareholders meeting.

As the Company is still growing, the Company shall distribute share dividends and cash dividends to shareholders based on budgeted future capital outlays

capital requirements of the Company, taking into account capital outlays, operation expansion needs, and better financial planning so as to enable perpetual development. The percentage of cash dividends shall be no less than five percent (5%) of the total amount of shareholder dividends paid.

2. Proposed Distribution of Dividend

The proposal for the distribution of 2023 profits was passed at the meeting of the Board of Directors. The proposal for a cash dividend of NT\$ 4.0 per share will be discussed at the annual shareholders' meeting.

3. If a material change in dividend policy is expected, provide an explanation (NA)

4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting (NA)

4.1.8 Compensation of Employees, Directors and Supervisors

1. The percentages or ranges with respect to employees', directors' and supervisors' compensation in the Articles of Incorporation

Where the Company has made a profit in a fiscal year, it shall appropriate the employees' compensation at least 3%, directors' remuneration, shall be excluded Independent Directors at most 3% of the profit. But, in the case that the Company still has retained losses, it should appropriate sufficient amount for making up the losses of previous year. Recipients of employees' compensation referred to above may include employees of subsidiary companies who meet certain conditions, which conditions shall be determined by the board of directors.

2. The basis for estimating the amount of employees', directors' and supervisors' compensation

The basis for calculating the compensation to Employees, Directors, and Supervisors shall be subject to the Company's Articles of Incorporation. No compensation to Employees shall be distributed in the form of stock. If there is any discrepancy between distributed amount and estimated amount, it shall be stated in the expense adjustment for the next fiscal year.

3. Approved Profit Distribution for Employees' compensation, Directors' and Supervisors' remuneration of 2022 Board of Directors Meeting

- (1) Recommended Distribution of employees' compensation, Directors' and Supervisors' remuneration:

Employees' compensation – in Cash	NT\$ 82,041,000
Directors' remuneration	NT\$ 15,382,000
(2) Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings: 0%	
Discrepancy between the actual distribution and the recognized : NT\$ 0	
Cause: NA.	
How it is treated: NA.	

4. The Actual distribution of Employees' compensation, Directors' and Supervisors' remuneration for the previous fiscal year

(1) Employees' compensation – in Cash	NT\$ 105,957,000
Directors' remuneration	NT\$ 19,867,000
(2) Discrepancy between the actual distribution and the recognized : NT\$ 0	
Cause: NA.	
How it is treated: NA.	

4.1.8 Status of a company repurchasing its own shares (NA)

4.2 Issuance of Corporate Bonds (NA)

4.3 Issuance of Preferred Shares (NA)

4.4 Issuance of Global Depository Receipts (NA)

4.5 Issuance of Employee Stock Warrants (NA)

4.6 Issuance of New Restricted Employee Shares (NA)

4.7 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies (NA)

4.8 Implementation of the company's capital allocation plans

4.8.1 Contents of the plan

For the period (Dec. 31, 2023) as of the quarter preceding the date of publication of the annual report, the Company's board of directors has approved the capital raising plan through issuance of new shares. The information is as follows.

1. Sources of capital

To repay bank borrowings and strengthen the operating capital, the Company plans to issue 10,000,000 common shares through cash capital increase, with a face value of NT\$10 per share. The issuance price per share is tentatively set at NT\$180, and the total amount of capital raised is NT\$1,800,000,000.

2. Plan items, preliminary timetable, and anticipated potential benefit

			Unit: NT\$ Thousand
Plan items	Projected completion date	Total fund required	Schedule for the use of the fund
			Q2 of 2024
Repaying bank loan	Q2 of 2024	1,000,000	1,000,000
Strengthening the operating capital	Q2 of 2024	800,000	800,000
Total		1,800,000	1,800,000
Anticipated potential benefit	<p>The Company's capital increased by NT\$1,800,000 thousand, which will be used to repay bank borrowings and strengthen the operating capital to reduce interest expenses, improve the financial structure, meet material purchase expenses and other operating capital needs, and increase capital for operation. After repaying the bank loan, based on the current interest rate of 2.1%, it is expected that the interest expense will be reduced by approximately NT\$14,000 thousand in 2024 and approximately NT\$21,000 thousand per year in the future; and after strengthening the operating capital, based on average interest rate of 2% approved by the Board of Directors in August 2023, it is expected to reduce approximately NT\$16,000 thousand in interest expenses each year in the future, which will moderately reduce the Company's financial burden and strengthen its solvency. The repayment will also reduce the dependence on borrowings from financial institutions, increase the flexibility of use of capital and be beneficial to the Company's overall operational development.</p>		

4.8.2 Implementation Status

As of the quarter before the publication of the annual report (Dec. 31, 2023), the above cash capital increase has not yet been implemented. It is not applicable.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Main areas of business operations

- ◆ Design, development, production and trade of wireless network system (Wi-Fi) products and services.
- ◆ Design, development, production and trade of wired network system products, industrial computers and L2 / L3 managed network switches (Ethernet Switch and Controller) ; production and trade of high-speed network switches for cloud computing center.
- ◆ X86 Edge SASE Appliance ; 5G High-speed Internet gateway.
- ◆ Design and development of cloud network management system solutions and sales of subscription services.
- ◆ Design, development, production and trade of Enterprise radio–system products.

2. Revenue distribution

Unit: NT\$ Thousand

Major Product Line	Total Sales in Year 2023	(%) of Total Sales
Wireless network system products	6,820,150	41.06%
Wired network system products	7,915,346	47.66%
Enterprise radio system products	151,761	0.91%
Others (Note)	1,721,914	10.37%
Total	16,609,171	100.00%

Note: Including accessories and repair income.

3. Main products

- ◆ Wireless network system products (Wi-Fi)
 - Outdoor mesh wireless AP/repeater
 - Enterprise mesh wireless AP/bridge
 - Channel scanning/Intrusion-Detection wireless AP
 - New generation WiFi 7 Enterprise mesh wireless AP
 - Smart cloud network management service platform
 - Enterprise wireless network management software
- ◆ Wired network system products (Switch)

- ⊙ High-speed network switches for data centers
- ⊙ Managed network switch
- ⊙ Smart network switch
- ⊙ PoE network cable power supply
- ⊙ Ai Electrical equipment for Smart power supply
- ◆ Ai Edge SASE Appliance
 - ⊙ X86 Ai SASE gateway
 - ⊙ X86 5G secure access network device
- ◆ Cloud security Gateway
 - ⊙ Large enterprises network security server
 - ⊙ Small and medium-sized enterprises network security server
- ◆ Cloud network management system solutions
 - ⊙ Cloud management service and cloud device management platform
 - ⊙ Cloud management service and cloud device management APP
 - ⊙ Wireless base station for cloud management service
 - ⊙ Switch for cloud management service
- ◆ Enterprise radio system product
 - ⊙ Single-wire, high-speed, frequency-hopping, digital, long-range enterprise cordless communication device
 - ⊙ Four-wire, multi-master, high-speed, frequency-hopping, digital, long-range enterprise cordless communication system
- ◆ Others
 - ⊙ Antenna
 - ⊙ PoE/ Ethernet power supply parts
 - ⊙ Power Supply module and equipment

4. New products development

- ⊙ Indoor new generation enterprise mesh wireless AP (WiFi 7)
- ⊙ Outdoor new generation enterprise mesh wireless AP (WiFi 7)
- ⊙ 6GHz outdoor long-distance point-to-point CPE
- ⊙ Data center network switches
- ⊙ All type Cloud Managed Multi-G Ethernet Switch
- ⊙ Intelligent power electrical equipment
- ⊙ IP-Base long-range cordless phone

5.1.2 Industry Overview

1. Current Status and Future Development

For the global network equipment market, the COVID-19 epidemic in 2020 has seriously impacted global production as China is the world's major supplier of electronic components. As the epidemic spread, the impact has expanded to the consumer market. However, the epidemic has popularized consumers' familiarity for working from home, e-learning, streaming and e-commerce services, and companies are actively pursuing digital transformation, which has increased end-user demands for network bandwidth, transmission speed and stability. This significant improvement has driven various countries to successively launch a number of policies related to broadband network infrastructure to expand the penetration rate of broadband networks, meet the needs of end users, and stimulate telecom operators in various countries to invest in the replacement and purchase of broadband network equipment in response to the increased demand for WiFi 6/6E wireless network solutions with high speed transmission, large bandwidth and low latency. In addition, cloud service providers such as Google and Microsoft continue to invest in large-scale data centers and accelerate equipment upgrades, driving demand for cloud infrastructure, WLAN modules, 400G switches and other products.

On the other hand, various countries have successively launched 5G services expanded their application service markets where major telecommunications companies in the United States have gradually launched 5G fixed wireless access (FWA) services to replace optical fiber. Fixed broadband networks are particularly valued in markets where fiber optic broadband access services are unavailable or underserved in specific buildings and remote residences. They provide network coverage in suburban or remote areas, attracting governments of various countries to introduce subsidy policies to attract telecom operators to expand the deployment of FWA. Telecom operators will continue to strive for more consumers' subscription for home network services, driving a significant increase in demand for 5G customer premises equipment (CPE). As 5G services become more popular, China and Japan are actively promoting 5G industry applications and promote the establishment of 5G enterprise private networks, driving up demand for related private network equipment. As 5G infrastructure has been gradually established in various countries, users have already exceeded 1 billion by the end of 2022. There are already 235 telecom operators around the world providing commercial 5G services and the continued increase in users will drive the revenue growth of telecom operators and push for the next gen 5G technology and market development. On the other hand, to improve and maximize the performance of 5G, telecom operators have simultaneously invested in standalone (SA) network to provide users with greater upload bandwidth and network speed to support high-definition video transmission and lower latency to ensure image interruptions are undetectable with real time remote control, support uninterrupted data transmission, ensure optimal network quality and

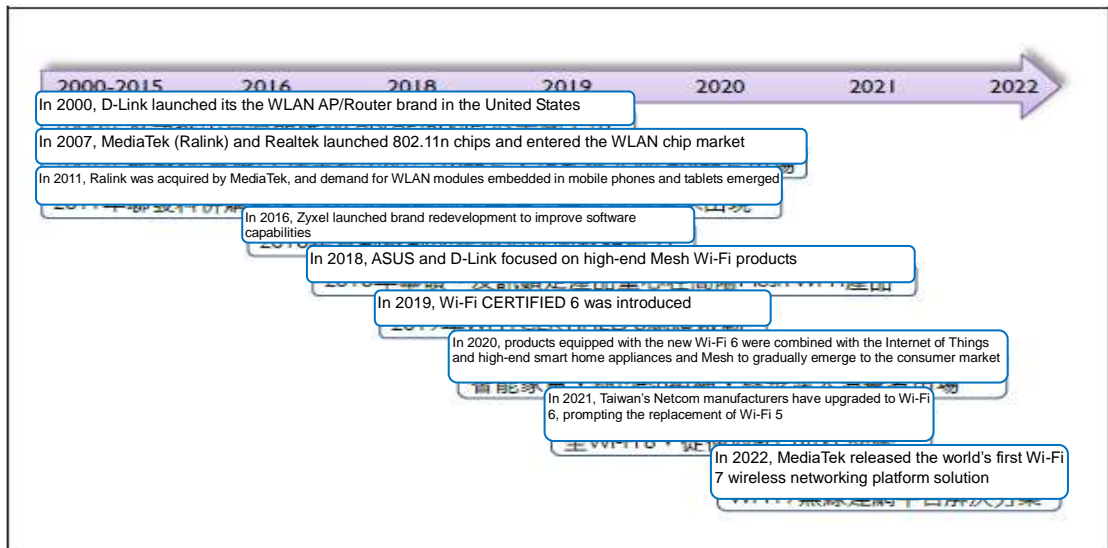
support data isolation needs, and make up for the shortcomings of previous non-standalone networking. 40 telecom operators around the world have established 5G SA network and entered the commercial stage where the network slicing technology required, and the application of enterprise and government private networks will become the focus of 5G development for the next stage. As the economy applications for working remotely such as working from home, e-learning, online streaming, and e-commerce services gradually become the norm, and companies actively invest in digital transformation, the demand for broadband networks continues to increase. Telecom operators and major cloud service companies in various countries have continued to invest in the construction and equipment upgrade of 5G FWA, enterprise private network applications, broadband networks and data centers to meet the needs of end users, effectively catalyzing the demand growth for various network communication equipment.

The expansion of the 5G mobile network market has greatly increased demand for low latency, high-speed transmission, and large bandwidth. As 5G mobile network applications become more popular, in addition to building more base stations, technology support for data exchange to the cloud data center, and the gigantic computing load also need to be appropriately allocated, which in turn creates the demand for high-speed switches (100GbE) and edge computing servers. The Market Intelligence & Consulting Institute (MIC) 2023 Smart Communications Industry Forecast stated that Wi-Fi 6/6E standard has become the leading products in shipments in 2022. With the development of 8K videos, virtual reality (VR), and augmented reality, gaming, remote office, and cloud computing increases, the transmission speed and performance of WiFi 6/6E will not be sufficient. Netcom operators have invested in the protocol standards and product development of WiFi 7, which will be able to provide a transmission rate of up to 30Gbps with a maximum network speed reaching 46.4Gbps, which is 4.8 times the maximum network speed of WiFi 6 of 9.6Gbps. Under the multi-band and high-bandwidth characteristics, the Wi-Fi 7 technology is expected to additionally strengthen multiple connections, higher bandwidth, and maintain sufficient bandwidth connections in the presence of external interference. It will be able to achieve a network connection mode with lower latency and high transmission bandwidth, and cooperate with the current 4G and 5G network or the 6G network that will be launched in the future to form a higher transmission bandwidth and lower latency wireless connection effect to make more popular of the cloud streaming games, online real-time interaction, including the virtual vision of Metaverse applications. In addition, Wi-Fi 7 technology can be used as one of the best solutions for smart networking and outdoor transmission for the Internet of Things, digital homes, urban infrastructure, operator endpoint transmission, and mobile devices and wearable devices, etc., providing extremely flexible network services. In 2023, companies such as MediaTek, Qualcomm and Broadcom have invested in the

development and started to launch related business opportunities. It is expected that more leading manufacturers will launch corresponding products in 2024 with substantial increase in shipments.

Title	Wi-Fi6	Wi-Fi6E	Wi-Fi7(e)
IEEE Standards	802.11ax		802.11be
Publish date	2019	2021	2024
Maximum transfer rate	9.6Gbps		46Gbps
Encryption protocol	WPA3		WPA3

Source: IEEE, MIC

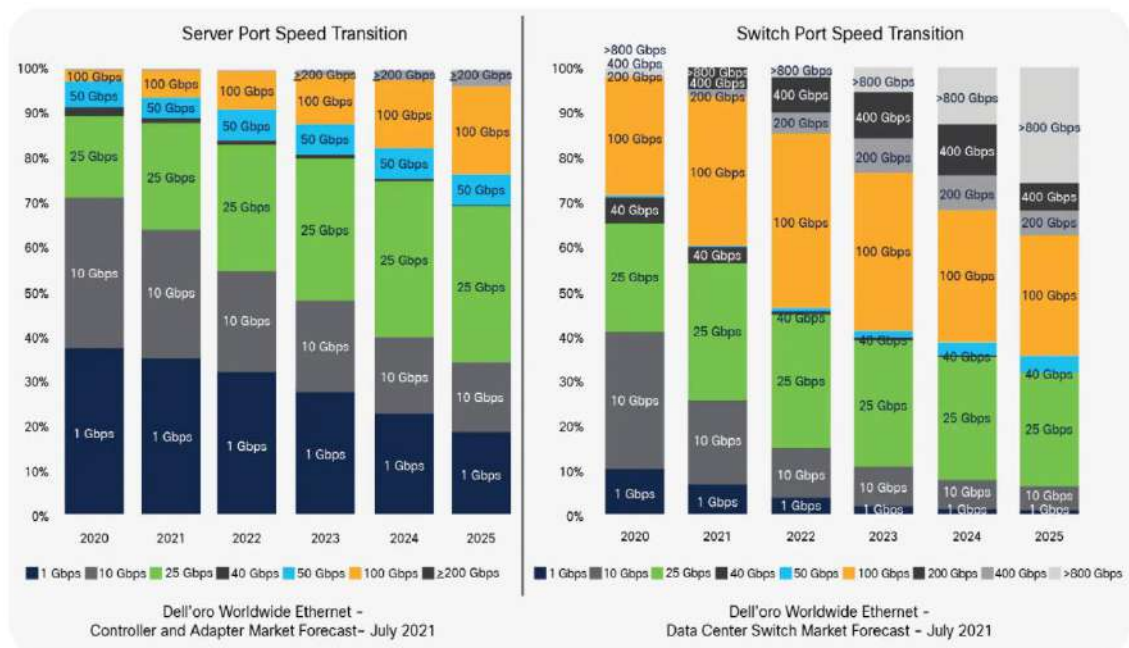


Source: Industry, Science and Technology International Strategy Center (ISTI), ITRI (2023/05)

Based on applications such as the Internet of Things, digital homes, urban infrastructure solutions, and operator endpoint transmission, network management systems, endpoint security encryption, hotspot applications, integrated network portals, and intelligent mesh connections are must-have technology and solution for global network deployment and solutions. The network management system has evolved from an On-Premises Solution to a Cloud Management Solution. This trend helps users manage their transnational network links more effectively and reduce operating cost. However, as global users gradually prioritize value and security of user data, there is still a market demand for solutions based on local architecture. In addition, intelligent mesh solutions have become one of the solutions for enterprises and countries lacking fixed network infrastructure which can be used in large public places with hotspots and integrated network portal functions for IT or users to effectively separate internal network from external/public use to achieve security protection and provide different network speed and bandwidth settings according to different network user applications. The number of connected devices is expected to grow rapidly in the next few years, and more of the various products we experience will be closely connected to the Internet, gradually becoming a world within the Internet of Things where everything is connected. As per the estimation of IDC, in 2023, the global internet devices will reach 48.9 billion, while the average data usage of each personal computer on

the internet will be around 60GB. According to the IP analysis, 51% of network connectivity is expected to come from WiFi connection covering management control, surveillance, and consumer / industrial sensors can be aggregated and transferred to the cloud through WiFi connection for in-depth computation and effective analysis and provide a basis for other applications. For example, in a product shelf system with online uploading, sales and stock status can be sent to the sales system in real time for analysis and decision, while a logistics system can store the exact amount of products based on the system's recommendations to avoid direct and indirect costs from out-of-stock and manual counting. Human information collected by an electrocardiographic monitoring device can also be uploaded to the cloud system for analysis to predict the probability of cardiovascular disease and provide appropriate health advice. Based on the above factors, there will be huge demand for WiFi 6 / WiFi 7 wireless base stations, wireless network receivers, Ethernet switches, network security gateways and cloud management systems in the information and communications industry.

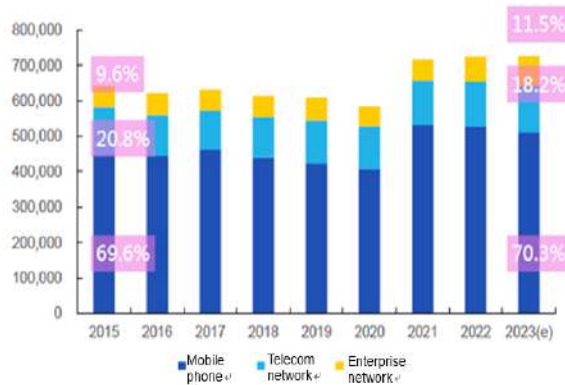
According to a Dell'oro research report, in response to applications such as AI, Machine Learning, high-resolution (4K/8K) streaming, online games, virtual reality and augmented reality, enterprise-level wired networks and servers, the demand for 10 GbE~100 Gb interfaces in communication networks has significantly increased. It is estimated that by 2025, more than 60% of server networks will reach 100 GbE or higher speeds. Server connection speeds are also converted from 1/10 GbE to 25 GbE and up.



資料來源: Dell'oro Worldwide Ethernet

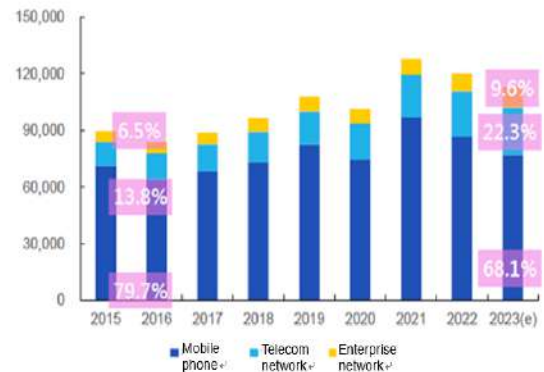
Changes in output value of global communications industry, 2015~2023

Unit: million US dollars Annual growth rate



Changes in output value of Taiwan's communications industry, 2015~2023

Unit: million US dollars Annual growth rate



Source: Gartner, MIC (The global mobile communication devices and the estimates in Taiwan from MIC), May 2023.

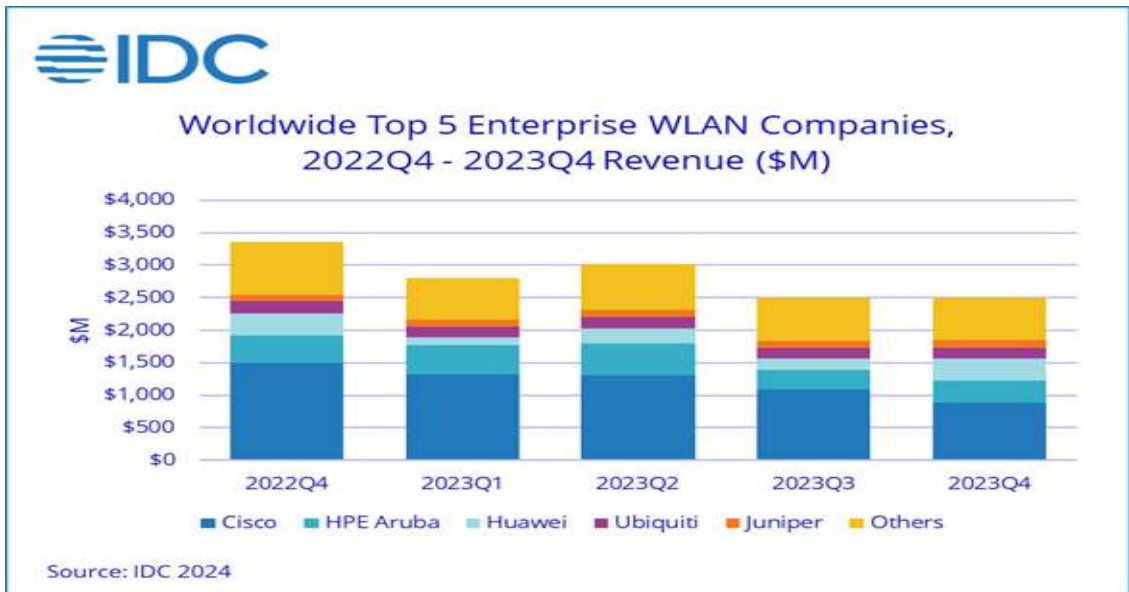
Note 1: The total value of 2023(f) in the right figure is US\$112.95 billion (approximately NT\$3.45 trillion), which does not include Taiwan's communications upstream industry (chips/components) of NT\$8,457. The figures above do not include upstream output value.

Note 2: The global communications industry estimate is based on the total value-added activities in the industry, and the Taiwan communications industry estimate is based on the production output value.

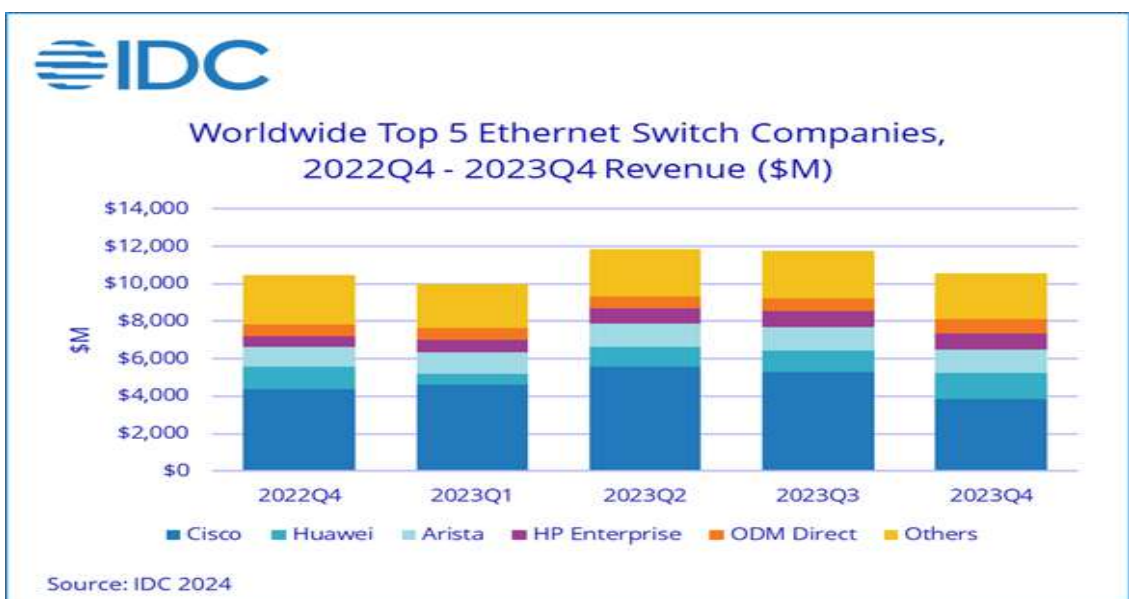
According to 2024 Smart Communications Industry Forecast released by MIC, AI trend drives the growth of global information system products, which will create an urgent demand for network bandwidth upgrades, thereby driving market growth. The global communications equipment output is estimated to be \$2.49 trillion US dollars, an increase of 7.2% compared with 2023. The output of Taiwan's communication equipment industry is expected to grow by 2.4% in 2024, to NT\$ 1.3009 trillion.

According to an IDC research report, global enterprise wireless network products (WLAN) revenue increased 7.6% in 2023, reached US\$10.8 billion. However, in the fourth quarter of 2023, there was a 25.5% decline compared to the same period in 2022. According to IDC, as of the first half of 2023, the top 5 global enterprise wireless brands, Cisco, HP, Huawei, Ubiquiti and CommScope, have benefited from the market growth, with sales increasing each quarter in 2022, reaching a sales peak in the fourth quarter. However, the growth rate in the first and second quarters of 2023 has slowed down. However, the demand for high-end products in the 6GHz band still has a compound annual growth rate of 6.7%. Overall, the US market grew by 20.6% but declined by 25.9% in the fourth quarter, the Canadian market grew by 14.5% but declined by 23.2% in the fourth quarter, the China market declined by 18%, the European and EMEA market grew by 1.6% but declined by 32.1% in the fourth quarter, and the market growth in the Asia-Pacific region (excluding Japan and China) was 6.2%, showing that the global market generally performed well. According to Market Insight Reports, the global enterprise wireless network market is likely to be valued at more than US\$35 billion by 2027. With the growing demand for short-range wireless network communication infrastructure and enterprise

wireless network solutions can enhance existing wireless network solutions in indoor environments, the size of the global enterprise wireless network market is looking forward to a boom in the coming years



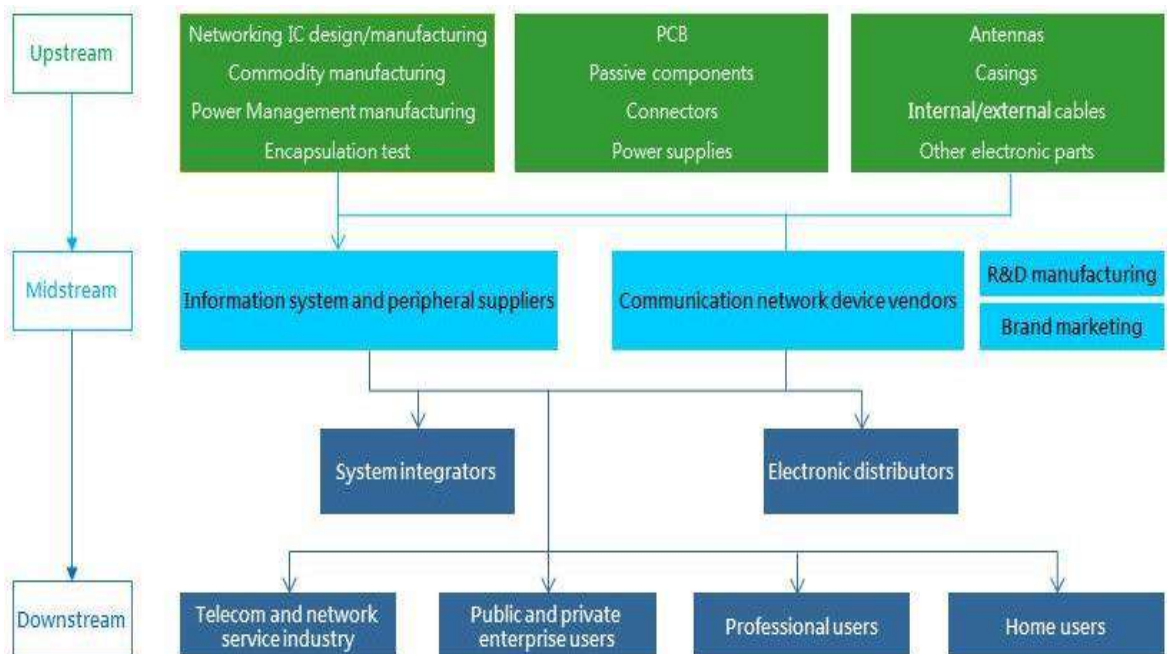
The total revenue of global Layer 2/3 enterprise Ethernet switches in 2023 is US\$44.2 billion, with a compound annual growth rate of 20.1%. This is mainly driven by enterprises targeting campuses and data centers and the growth of cloud service providers, thereby meeting the continuous demand for cloud services from enterprise users and end consumers. According to IDC, as of the first half of 2023, the top 4 brands in the global enterprise Ethernet switch market, Cisco, Arista, Huawei and HPE, have benefited from the continued market growth with sales volume growing each quarter. The Ethernet switch market has grown in most geological regions in the world, with revenue in the Americas growing at an annual rate of 28.8%, and 88.3% in Latin America; revenue in the European market growing at an annual rate of 19.3%, including 20.7% in Central and Eastern Europe, and 44.0% in Western Europe; revenue in the Middle East and Africa grew by 62.4%; revenue in the Asia-Pacific region grew by 15%.



2. Relationship with Up-, Middle- and Downstream Companies

The Company's primary products include wireless network system (Wi-Fi), wired network system (Switch) and enterprise wireless communication system (long-distance telephone communication systems) which belongs to the midstream industry where the upstream industries include the semiconductor, electronic components, printed circuit board, machinery, metal components and plastics. The downstream industries include the dealers, system integrators, telecommunications operators, Internet phone operators, telecommunications equipment manufacturers, switch system manufacturers, wireless switch equipment manufacturers and wireless terminal equipment manufacturers, etc. The Company maintains stable collaboration with its upstream manufacturers.

In addition, the Company's products are marketed to system integrators and distribution agents. We have maintained long-term relationships with various distribution and system integration companies, and do not directly face end-users such as manufacturing and service industries. The following is an illustration of the upper, middle, and lower correlations among the industries to which our Company belongs.



3. Development trends for the products

- (1) The payment revolution created by the digital population drives the development of B2C industry : The epidemic has changed the public consumption patterns, shopping habits, lifestyles and payment methods where credit cards and mobile payments have received more attention. Enterprises will be more capable of developing Data as a Service (DaaS) applications, further driving the development of the B2C industry, and creating new business models.

- (2) Combined application of Wi-Fi 6/6E/7 and 5G : Unlike previous generations of wireless technology, Wi-Fi 6/6E/7 and 5G are designed to work together, and the wireless industry is moving toward devices that can roam securely and seamlessly across all types of wireless networks. Various associations and standards organizations in the industry are collaborating to develop future networking standards that blend mobile and non-mobile technologies with 6/6E/7 and core 5G network integration. The expected benefits from architecture integration include improved traffic control between factory or work sites and uninterrupted services for smart city and edge applications.
- (3) Wi-Fi 6 popularity and the introduction of Wi-Fi 7 will drive demand for 2.5 GbE and 5 GbE, and even 10 GbE switch ports. Multi-G switches (2.5/5/10 Gbps) are expected to account for 25% of total sales in 2026.
- (4) With the rapid development of global cloud computing applications, in order to meet the demand for massive data and the rapid increase in network traffic, and to make the transmission of big data signals faster and more immediate, the existing wired network system market includes servers, switches, firewalls, and gateways equipment must be upgraded to a certain extent. This has led to a huge increase in the demand for network products with Multi-G rate grades such as 2.5GbE / 10GbE.
- (5) With the digital transformation and the impact of epidemic, enterprises are turning to the Hybrid Cloud model as their preferred IT infrastructure model. The Hybrid Cloud management combines the hardware resources of multiple public clouds with a private cloud in an on-premises data center.

With the popularity of mobile devices and the development of wireless network technology, the BYOD (Bring Your Own Device) trend among enterprises or the high-density and high-bandwidth divergence demands in the M2M (Machine to Machine, machine-to-machine) application connection environment, and the desire for high-speed data streaming in connected home devices have increased competition among chip developers of wireless technology specifications to meet various applications with high transmission speed, large bandwidth, and low latency signals. As WiFi 6/6E gradually enters the mid-level market and becomes mainstream in the terminal devices market, various wireless access points with corresponding high-speed Ethernet switches shipped in large quantities. In response to the communication needs generated by the Metaverse vision, major manufacturers have targeted the development of the next generation of faster and more stable Wi-Fi 7 technology. According to IDC, the development of fast broadband networking, high-resolution streaming and VR games is driving market demand for Wi-Fi 6/6E and the newer generation Wi-Fi 7. New features such as Wi-Fi 7's enhanced bandwidth and multi-connection mode are expected to be applied to products such as flagship mobile phones and PCs with future breakthroughs in the industrial and enterprise application markets.

Standard		WiFi 5	WiFi 6	WiFi 6E	WiFi 7
Frequency Band		5 GHz* ¹	2.4 GHz & 5 GHz* ¹	6GHz* ¹	6GHz* ¹
Maximum Channel bandwidth		80 MHz	160 MHz	160 MHz	320MHz
Maximum Modulation		256-QAM	1024-QAM	1024-QAM	4096-QAM
Data Speed	80MHz	433 Mbps (1 SS)	600.4 Mbps (1 SS)	600.4 Mbps (1 SS)	-
	160MHz	-	9607.8 Mbps (8 SS)	9607.8 Mbps (8 SS)	30,000 – 46,100 Mbps
OFDM		Support	-	-	-
OFDMA		-	Support	Support	Support
Modulation		256-QAM	1024-QAM	1024-QAM	4096-QAM
MU-MIMO		Downlink/Uplink* ²	Downlink/Uplink	Downlink/Uplink	Downlink/Uplink
Beamforming		Support	Support	Support	-
<p>*1: Supportable frequency bands are mainly based on the available ranges of telecommunication regulations announced by countries</p> <p>*2: Uplink only support in WiFi 5 Wave2 (11ac Wave2)</p>					

4. Competition for the products

Faced with continuous technological innovation, strategic brand marketing and positioning, and price competition from global competitors, Taiwan brands and manufacturers find it more difficult to expand sales and make stable profit. Given the trend of continuous technological innovation, it is possible that new enterprises or competitors with long-term plans would surpass or replace manufacturers that delay R&D projects and terminate expansion of suitable sales channels. Therefore, to remain globally competitive, Taiwan network communication manufacturers should conduct statistical analysis of big data using correct strategic thinking supplemented by more intensive data collection. They should also formulate effective implementation methods / strategies and develop innovative solutions, products, technologies and services. Compared with other competitors, Senao is geared towards high-end wireless and wired network communication products and cloud network management systems in addition to acquisition of key technologies at an early stage. It is focused on the improvement of essential technologies and product differentiation, adding new value to network communication products by developing diversified application services in order to create and seize business opportunities in the next generation.

Senao has been dedicated to the enterprise WALN equipment permanently, including Cloud Management Platform, On-Premises Management Platform, Wireless Management Switch, Enterprise Outdoor and Indoor Wireless AP, Customer Premise Equipment, Network Security Server, IPC, Enterprise Management Ethernet switch, IP Cam (Surveillance system), long-range cordless phones, Mesh Router/AP and Intelligent power management system. Senao provides the complete product lines across image, voice and data transmission, and utilizes the matured network management system to integrate a

comprehensive and safe data communication, voice and safe surveillance network application program.

Senao has been working hard to keep its strategies away from price competitions, in order to deal with the transformation in the industry actively and honestly. Meanwhile, Senao also controls the key technology as its R&D orientation, practices the technology into the design, verification and manufacturing of products, and makes every endeavor to meet the best quality requirements to provide customers with complete and excellent enterprise solutions. Senao not only provides the complete hardware equipment solution but also invests considerable R&D resources in development of software. The Mesh Algorithm researched and developed by our own is applied to WiFi home routers, enterprise WiFi AP and, therefore, forms the wireless system working all the angles. This solution has been recognized by major global sales channels, and Obtain sales orders from developing countries, assist them to jump from wired network to high-speed wireless network, and help more people enter the networked life.

5.1.3 Research and Development

1. Research and Development Expenses

The Company's R&D expenditure was NT\$ 817,271 thousand in 2023.

2. Overview of Research Achievement

The following is the products and technologies successfully developed by the Company in 2023.

- (1) Developed Enterprise tri-band Wi-Fi 7 cloud-managed wireless base station, offering a low-latency, high-density coverage solution. This product is worldwide available.
- (2) Developed Wi-Fi 6/6E outdoor point-to-point CPE (Customer Premise equipment) for long-distance wireless communication, significantly reducing infrastructure costs.
- (3) Developed cloud-managed power distribution system to provide new energy-efficient and power control solutions.
- (4) Developed desktop and rackmount SD-WAN cloud-managed firewall gateways for 5G network, suitable for enterprise and carrier requirement.
- (5) Developed a lightweight operating system suitable for mass deployment managed PoE switches, providing economical and flexible cloud-managed solutions for SMB customers.
- (6) Developed Managed Service Provider (MSP) cloud management system with flexible authorization management functions.
- (7) Developed Matter gateway for environment remote monitoring through cloud platforms, optimizing life quality for enterprises and building residents and ensure personnel safety.
- (8) Developed intelligent access control device offering comprehensive

security surveillance.

- (9) Developed x86 based SmartNIC to increase transmission rate and significantly boost functionality of existing data centers servers.

5.1.4 Long-term and Short-term Development

1. Short-term Development

- (1) Build more partnership for market strategies
Includes value-added distributors (VAD), system integrators (System Integrator), Wireless Internet Service Provider (WISP), Internet Service Provider (ISP), etc.
- (2) Strengthen collection of market information and understand customers' needs
Based on the proposed requirements of general end users and pro-users, the customer's network construction application is determined; the user is notified at the front line and the direction of product development is accurately identified.
- (3) Strengthen the ability to sell and provide service for the system and equipment
Upgrade the sale engineers', application engineers' and customer service department's competency for technology and service.

2. Long-term Development

- (1) Strengthen construction of partnership for technology strategies
Include key component manufacturers and Third-Party equipment, software suppliers; seek the possibility for cooperation of key technology to shorten the development time schedule and cut time & cost.
- (2) Develop the cloud technology to offer customers the convenience brought out by the cloud service
This covers stand-alone management system, small area management, large enterprise-level management, and even cloud management. The network management platform (Fitcon) is an easy-to-operate and multi-functional network management system with high security, reliability and stability.
- (3) Product differentiation
 - A. Listen to users/consumers as a pioneer meeting the market demand.
 - B. Keep innovating products and technologies to enable consumers to apply the same in different environments and different ways.
 - C. Aim at high-quality and high-performance products and provide customers with the most competitive price.
 - D. Accelerate the product development process and shorten the product R&D cycles based on flexible and efficient project management system.
- (4) Keep improving hardware R&D design, build the most excellent schematic design in the world tied with the improving stable software, and achieve optimization of operation and use; re-build the new generation industry/enterprise brand identity.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Sales (Service) Region

Unit: NT\$ Thousand

AREA \ YEAR	2022		2023	
	Sales Amount	%	Sales Amount	%
America	14,378,289	88.09%	15,366,576	92.52%
Europe	909,704	5.57%	469,022	2.82%
Taiwan	368,181	2.26%	243,875	1.47%
Others	666,108	4.08%	529,698	3.19%
Sum	16,322,282	100.00%	16,609,171	100.00%

2. Market Share

The Company is primarily engaged in the research, development, design, manufacturing and sales of wireless communication products, including wireless network products and services (Wi-Fi), wired network system products, industrial computers and L2/L3 managed network switches (Ethernet Switch & Controller), high-speed network switches for cloud computing centers. We also cover the design, development, manufacturing and sales of enterprise wireless communication system products, and cloud network management system solutions including the design and development and sales of subscription or service. Our products are mainly exported to the Americas. According to Gartner and MIC's estimation, the global output value for communication industry is approximately US\$ 1,130 billion. Based on the Company's 2023 consolidated revenue of NT\$16,609,171 thousand (approximately US\$ 5.35 billion), Senao's market share is approximately 0.5%..

3. The future supply and demand situation and growth of the market

Products with outdated specifications are subject to price decrease, inventory risks, and threats of counterfeit. With the evolution of wireless network technology, Wi-Fi 6/6E can promote smart home networking, cloud services, fast data transmission, software-defined networks, and Internet of things/Industrial Internet of things. It is a key factor driving the growth of the next wave of communications industry. In addition to having a complete Wi-Fi 5 product line, the Company has lead the industry with a complete Wi-Fi 6/6E enterprise-level indoor wireless network equipment, and strives for replacement business opportunities for old wireless network equipment in the global market. At the same time, the R&D products of Wi-Fi 7 have been mass-produced in the end of 2023 to meet the demand for high network speeds and the communication needs of industry leaders such as the Metaverse.

As the penetration rate and popularization rate of smart mobile devices (mobile phones, tablets, wearables) gradually increased, and wireless network

communication technology developed faster transmission speed and more stable information transmission for IoT and IIoT applications, the Company integrates network communication equipment and independent R&D capabilities to launch an intelligent mesh connection integration solution (Mesh Wireless). Through self-developed Mesh technology, it can extend the coverage area of wireless network signals and security monitoring at home and simplify the installation, setting and management where the wireless security monitoring equipment can automatically find the best transmission path, making home monitoring more comprehensive.

In response to the rapid growth of cloud business opportunities at present, the Company actively develops a professional and intuitive cloud network management platform to provide enterprises and generic users with a secure and easy-to-manage cloud service. Enterprise users and system operators can also manage all network equipment over the Internet more easily, making deployment and usage more convenient.

4. Competitive niche, positive factors for future development

(1) Professional and stable management team

The Company's management team consists of experienced workers in the industry, who have accumulated the competency and experience for many years and, therefore, may control the information about related technologies and industrial development, and deal with the market transformation from time to time and maintain fair competitiveness.

(2) Excellent ability to research and develop independently

A. Ability to design RF and antenna.

B. There are only a few companies globally that are capable of releasing 4x4ax (WiFi 7) enterprise-grade indoor wireless network base stations.

C. There are only a few companies globally that are capable of designing intelligent networks (Mesh Wireless). Such technology has been applied to outdoor wireless network base stations and outdoor wireless network receivers.

D. Smart power supply management system, integrated with network connection function, can intelligently allocate the power output and adjust the power of the switchboard.

(3) Competency for ODM

Unlike the other companies which are only engaged in selling standardized products, Senao is very experienced in ODM for international leading companies and able to provide customized services and commodities and to design the waterproof, dustproof, anti-static/lightening and shatterproof

hardware and mechanism for IP-68 industry-level (temperature: - 40°C~+ 80°C) product.

(4) Private brand

The benefit from Private-brand products cannot be achieved in a moment. Senao has invested in the private brand, EnGenius, for many years, and engaged in sale of different product lines under the brand. Given this, the brand achieves considerable brand identity in various areas and markets, and thereby helps sale and added value of the products a lot.

(5) Complete and fast global service

Senao has constructed its global marketing system since 1992. So far, there are 6 subsidiaries and sale locations engaged in providing fair marketing channels and providing customers with faster and timely local services.

5. Negative factors for future development and countermeasure

(1) A large number of competitors and price competition in the market

Responsive strategy:

Senao will continuously expand new customers, optimize factory production efficiency and performance, and increase proportion of general materials, so as to reduce product cost. It will also pay attention to market demand and focus on main products with high market demand. Moreover, it will intensively develop high value-added niche products and strengthen brand competitiveness, in order to increase market share and profitability.

(2) Insufficient R&D personnel

Responsive strategy:

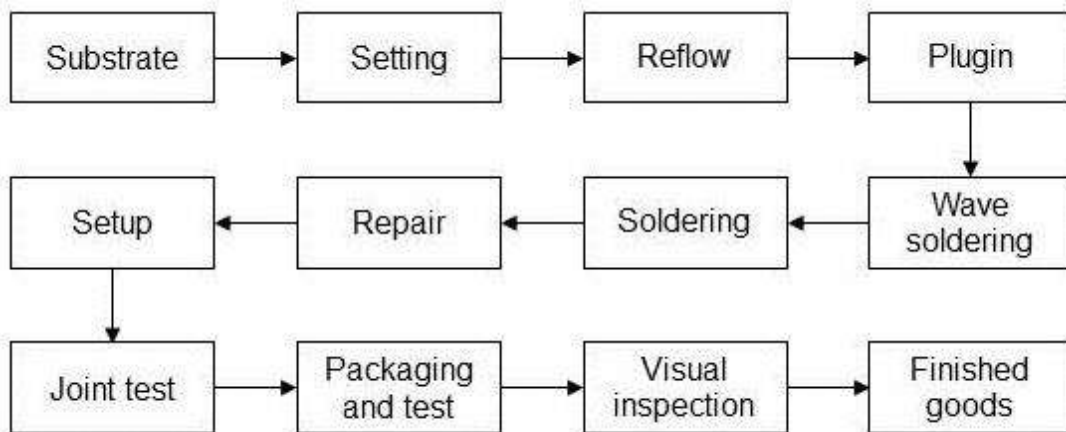
Value independent R&D ability very much and need more and more diversified talents to deal with the ever-changing technology trend. Therefore, Senao continues to solicit for experienced R&D personnel and also raises employees' benefit to attract excellent R&D personnel to join the company.

5.2.2 Production Procedures of Main Products

1. Major Products and Their Main Uses

Product Line Name	Key Purpose
Wireless network system products	WLAN system
Wired network system products	WLAN system, provide enterprise network information security protection
Enterprise radio system products	Provide the enterprise's internal employees with the ability to move long-range voice mails and data communications

2. Major Products and Their Production Processes



5.2.3 Supply Status of Main Materials

The major raw materials are basically categorized into electronic materials, mechanism materials and packing materials. Except such special components as IC semi-conductor, RF module, and special quartz crystal unit, most of the electronic materials are purchased from domestic electronic components suppliers, in consideration of the requirement for high-quality products and other special requirements. The mechanism and packing materials are mostly procured from domestic suppliers but produced based on the Company's own design and mold. Meanwhile, for the sake of environmental protection awareness, the procured parts all comply with the RoHS. For the time being, the supply of raw materials is stable and on time.

5.2.4 Major Suppliers and Clients

1. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ Thousand

Item	2022				2023			
	Name	Amount	Percent %	Relation With Issuer	Name	Amount	Percent %	Relation with Issuer
1	HONGTECH	1,686,316	13.64	NA	Avnet	1,708,056	13.98	NA
2					HONGTECH	1,356,699	11.10	NA
	Others	10,678,181	86.36	NA	Others	8,943,502	74.92	NA
	Net purchases	12,364,497	100.00	-	Net purchases	12,008,257	100.00	-

Note : Primarily due to the supply chain shortage has alleviated and an increase in purchase amount.

2. Major Clients in the Last Two Calendar Years

Unit: NT\$ Thousand

Item	2022				2023			
	Name	Amount	Percent %	Relation with Issuer	Name	Amount	Percent %	Relation with Issuer
1	A	4,312,340	26.42	NA	B	6,917,847	41.65	NA
2	B	3,449,007	21.13	NA	A	2,938,058	17.69	NA
	Others	8,560,935	52.45	NA	Others	6,753,266	40.66	NA
	Net sales	16,322,282	100.00	-	Net sales	16,609,171	100.00	-

Note : Primarily due to the difference in the demand of customers orders.

5.2.5 Production in the Last Two Years

Unit: Set ; NT\$ Thousand

Output	Year	2022			2023			
		Capacity	Quantity	Amount	Capacity	Quantity	Amount	
Major Products								
Wireless network system products	(Note)		2,498,370	7,045,774	(Note)	2,234,771	7,335,538	
Wired network system products			1,267,832	6,809,223			1,136,597	7,952,035
Enterprise radio system products			22,960	149,077			14,076	101,655
Others			25,963,754	1,643,432			25,050,959	1,502,866
Total		36,284,000	29,752,916	15,647,506	36,284,000	28,436,403	16,892,094	

Note : The Capacity refers to an estimate at the end of the year. The Capacity of various products is alternative.

5.2.6 Shipments and Sales in the Last Two Years

Unit: Set ; NT\$ Thousand

Shipments & Sales Major Products	Year		2022				2023			
			Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount		
Wireless network system products	159,512	249,529	2,466,944	6,935,299	70,752	138,302	2,008,716	6,681,848		
Wired network system products	21,677	31,616	1,377,790	7,259,045	26,605	48,263	1,091,722	7,867,083		
Enterprise radio system products	0	0	22,874	230,214	0	0	14,455	151,761		
Others	2,001,089	87,036	3,033,683	1,529,543	1,231,737	57,310	1,467,607	1,664,604		
SUM	2,182,278	368,181	6,901,291	15,954,101	1,329,094	243,875	4,582,500	16,365,296		

5.3 Human Resources

Year		2021	2022	Data as of Feb. 29, 2024
Number of Employees	Manager	13	14	14
	Staff	1,115	1,432	1,419
	Operating Labor	861	1,183	1,138
	Total	1,989	2,629	2,571
Average Age		37.69	37.46	37.71
Average Years of Service		4.17	3.17	3.90
Education	Ph.D.	0.05%	0.11%	0.12%
	Masters	16.04%	15.60%	16.10%
	Bachelor's Degree	50.33%	51.96%	52.47%
	Senior High School	29.31%	27.27%	26.53%
	Below Senior High School	4.27%	5.06%	4.78%

5.4 Environmental Protection Expenditure

5.4.1 Total Losses and Penalties (NA)

5.4.2 Countermeasures (NA)

5.5 Labor Relations

5.5.1 List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Employee benefit plans, continuing education and training

- (1) In order to upgrade the employee benefit plans, the Company contributes workers' benefits, organize the worker benefit committee, plan, supervise and boost employee benefits to favor employees in work, life, safety and health.
- (2) According to the Labor Insurance Act, the Company's employees shall be enrolled into the labor insurance program, and also the group insurance program at the Company's expenses. The employees' dependents are allowed to be enrolled into the group insurance at their own expenses. The Company will provide the periodic health examination without charge to help the employees with self-health care and ensure the soundness of the Company's talent assets to provide the employees and their dependents with perfect care and protection.
- (3) In order to ensure the employees' competence and competency development to achieve the Company's common target, the Company provides employees with an open and diversified learning environment. The colleagues may upgrade their competency through complete new employee orientation, professional internal and external educational training, on-the-job training(OJT), online learning resources and management training program and maintain the competitiveness for the Company.
- (4) According to the TTQS, the Company establishes the "Training Quality Management Rules" and "Rules for Identification of Specific Workers' Qualifications" and organizes various seminars and training programs to upgrade employees' competency and knowledge, strengthen their work attitude and upgrade the business performance.

2. Retirement system and status of implementation thereof

In order to stabilize employees' life after retirement and raise their on-the-job awareness about service, the Company establishes its employee retirement management regulations in accordance with the Labor Standards Act, which expressly state the Company's retirement conditions, payment rate and application procedure. Meanwhile, the Company founds the employee pension reserve supervisory committee pursuant to laws and contributes the pension fund and deposit the same at Central Trust of China in the name of the employee pension reserve supervisory committee on a monthly basis and

contributes 6% of the employee salary to the employee's personal pension account maintained at Bureau of Labor Insurance on a monthly basis.

3. Status of labor-management agreement

The Company follows all labor laws and related requirements and holds Management and Labor Council periodically. The labor and management both comply with the employment agreement, work rules and other management regulations. The Company also installs the employee mailbox to provide the employees with more communication channels with the Company.

4. Measures for preserving employees' rights and interests

The Company establishes the sound human resource management regulations which expressly state the employees' right and obligation and benefits to preserve the employees' rights and interest.

5. Protection measures against work environment and employees' personal safety

In consideration of the importance of protection measures against work environment and employees' personal safety, the Company has passed ISO 14001 environmental management system and ISO 45001 occupational safety and health management system certification and, therefore, may protect employees' work environment effectively. Meanwhile, the Company also provides the following specific measures.

Item	Contents
Access control	<ol style="list-style-type: none"> 1. The Company is equipped with the access control system and surveillance system. 2. The Company hires security personnel to preserve the safety at the factory premises.
Maintenance and check of equipment	<ol style="list-style-type: none"> 1. According to the Regulations for Inspecting and Reporting Buildings Public Security, the Company contracts some professional company to conduct the public security once per two years. 2. According to the Fire Services Act, the Company contracts the fire protection inspection to external suppliers each year. 3. The Company maintains and checks high-voltage and low-voltage electric equipment, lifts and fire protection gears periodically.
Accident prevention	<ol style="list-style-type: none"> 1. The Company has established chemical management regulations for chemical operations, and also provided appropriate safety equipment (Such as earplugs, protective masks, protective gloves, etc.). 2. The Company has established contractor's operation

	management regulations for elevated operation or other hazardous operation, and also provided appropriate safety equipment (Such as Safety helmet, seat belt, safety shoes, etc.).
Preparedness measures and responsive action	<ol style="list-style-type: none"> 1. The Company formulated “The Regulations of Environmental, Health and Safety Emergency Procedure”, “The Regulations of Business Continuity Plan” along with other methods, and task force and exercise are executed accordingly. 2. The Company sets up the Labor Safety Office dedicated to promoting and executing labor safety work.
Physical hygiene	<ol style="list-style-type: none"> 1. The Company will provide the periodic health examination without charge to help the employees with self-health care. 2. The Company prohibits smoking in all workplaces and organizes health seminars and various first-aid training programs from time to time each year.
Advice on hazard factors in contractor’s operation	The Company expressly advises the hazard factors in operation in the “Contractor’s Written Letter of Undertaking for Environmental Protection and Safety & Health Management”.
Insurance and medical assistance	The Company’s employees shall be enrolled into the labor insurance program pursuant to the relevant requirements, and also the group insurance program at the Company’s expenses. The employees’ dependents are allowed to be enrolled into the group insurance at their own expenses.

5.5.2 List any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of publication of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken. If the loss cannot be reasonably estimated, make a statement to that effect.

The violations and relevant information in 2023 and up to the publication date of the annual report are shown below.

Disposition date: November 15, 2023

Disposition reference number: Fu-Lao-Chien-Tzu No. 1120318517 in 2023

Articles of law violated: Paragraph 3, Article 32 of Labor Standards Act

Substance of the legal violations: When an employer having more than thirty employees needs to have his/her employee to perform work referred to in the preceding paragraph, he/she failed to report it to the local competent authority for record.

Content of the dispositions: Fines of NT\$50,000.
Possible expenses that could be incurred currently and in the future: None.
Measures being or to be taken: It has been reported to the local competent authority for record.

Disposition date: August 9, 2023

Disposition reference number: Fu-Lao-Chien-Tzu No. 1120219982 in 2023

Articles of law violated: Paragraph 2, Article 32 of Labor Standards Act

Substance of the legal violations: overtime working hours beyond what is in the regulation

Content of the dispositions: Fines of NT\$50,000.

Possible expenses that could be incurred currently and in the future: None.

Response measures: The Company has strengthened the promotion and established a task force to assist the heads of each unit to understand and solve the manpower recruitment and overtime issue with regular review on the implementation status.

Disposition date: January 10, 2023

Disposition reference number: Fu-Lao-Chien-Tzu No. 1120004823

Substance of the legal violations: Subparagraph 6, Article 159 of the Occupational Safety and Health Equipments and Measures and Paragraph 1, Article 6 of the Occupational Safety and Health Act

Articles of law violated: The Company should comply with the following regulations when stacking materials: I... VI. The emergency use of fire fighting equipment shall not be obstructed. The employers shall have the necessary safety and health equipment and measures that comply with regulations for the following items: I... XI. To prevent the risks of injuries posed by flood and fire.

Content of the dispositions: Fines of NT\$100,000.

Possible expenses that could be incurred currently and in the future: None.

Measures being or to be taken: The Company has removed equipment that hinders the use of fire-fighting equipment with posted warnings. It will continue to strengthen inspections in the future.

5.6 Cyber security management

5.6.1 Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management

1. cyber security risk management framework

The Information Security Committee is established to supervise the implementation of the Company's information security management system, technical standards and maintenance operations. The President serves as the director of information security to demonstrate our commitment to promote

information security. The Company's information security unit is the Information Department, which has an Information Director serving as the Executive Secretary. The Information Security Department is established under the IT Department with one person in charge to serve as the Information Security Director to coordinate information security matters.

2. Cyber security policies

In order to achieve the company's mission goals and the top management's expectations and requirements for information security, and to ensure the security of the company's information assets, the information security policy is formulated as :

- (1) Ensure the confidentiality of the company's relevant business information and prevent the leakage and loss of the company's sensitive information and personal data.
- (2) Ensure the integrity and availability of the company's relevant business information to correctly execute the company's operations and various businesses.

Adhering to the information security policy of "Information security must be done well, risk assessment is indispensable for sound information security", the Company defines the following information security events and implements various risk prevention and management measures. ent operation, equipment failure and other events.

- (1) Internal security incidents: It is found (or suspected) that the system or equipment has been maliciously damaged and damaged, inadvertent operation, equipment failure and other events.
- (2) Internal intrusion events: such as virus, worm, malicious program infection events, or illegal intrusion (hacking) events.
- (3) Natural disasters or major emergencies: such as typhoons, floods, earthquakes; fires, explosions or terrorist attacks.

3. Concrete management programs

- (1) Set up an account according to the needs of personal work authority and access rights are handled exclusively by system administrators.
- (2) Colleagues need to use SSLVPN to connect when they go out, and the login password is changed regularly.
- (3) Only compliant computers are allowed to access company resources.
- (4) Wireless network requires 802.1X authentication.
- (5) Windows operating system updates are distributed regularly.
- (6) All company computers need to be added to a domain, installed with antivirus software, and managed assets.
- (7) File server enabled audit records
- (8) Regularly perform system backup, backup off-site storage and system restore drills.

- (9) Join the information security information sharing platform to update information security information in a timely manner.
- (10) All partners are required to sign a confidentiality agreement.

4. Investments in resources for cyber security management

- (1) Certified on ISO27001 2013 Information Security Management System.
- (2) To set up network firewalls, cloud management switches and wireless network base stations, corporate network access control, email antivirus, spam filtering, antivirus software installation, employee VPN Multi-factor authentication, and SSL encryption.
- (3) Regularly use vulnerability scanning tools to detect systems and network devices, identify all known risks and vulnerabilities, and carry out patches and vulnerability corrections to reduce the attack surface of the system and network and avoid malicious intrusions and vulnerabilities. Conduct source code review and establish local and remote backup mechanisms for important systems or services.
- (4) Appoint third-party professional units to conduct penetration tests every year to reduce the impact of human or natural factors on the Company's operations. It is to understand and evaluate the organization's network environment and system security, verify the security level and effectiveness of the current information security protection, and use it as a method to reinforce loopholes, improve methods, and enhance system security.
- (5) In 2023, the "ISMS, Information Security Concepts and Trending Technologies" course was held with a total of 860 participants and 626 hours of training to strengthen employees' awareness and understanding of information security risk management.
- (6) Regular social engineering drills are conducted to simulate phishing emails from hackers to review employees' awareness of security risks, supplemented by information security promotion and education training.
- (7) Regularly announce information security via e-newsletters, including the latest information security trends and recent major domestic and international information security incidents, to enhance employees' awareness towards information security.
- (8) Conduct annual ISO 27001 ISMS internal and external audits, risk assessments and operational impact analysis.
- (9) Conduct annual information system disaster recovery drills.

5.6.2 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided. (NA)

5.7 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Lease	Senao International Co., Ltd.	2019/5/1~2024/4/30	Hwa-Ya Technology Park, factory building	NA
Lease	Lien Hwa Property Development Corp.	2022/6/1~2027/5/31	Office in Nangang District, Taipei	NA

VI. Financial Information

6.1 Condensed Balance Sheets and Statements of comprehensive income for the past five fiscal years

6.1.1 Condensed Balance Sheet (Consolidated) from 2019 to 2023 (Based on IFRSs)

Unit: NT\$ Thousand

Item		Year	Financial Information for the past five years				
			2019	2020	2021	2022	2023
Current assets			4,226,847	4,743,503	5,467,673	10,715,882	8,053,590
Property, Plant and Equipment			1,438,242	1,676,542	1,956,847	2,577,713	3,258,455
Intangible assets			38,568	28,810	17,299	9,056	45,594
Other assets			409,770	286,292	296,604	540,427	695,144
Total assets			6,113,427	6,735,147	7,738,423	13,843,078	12,052,783
Current liabilities	Before distribution		2,881,743	3,440,923	4,141,725	9,102,441	6,953,911
	After distribution		3,136,860	3,637,167	3,994,543	9,347,745	(Note)
Non-current liabilities			260,907	191,794	215,055	296,321	233,577
Total liabilities	Before distribution		3,142,650	3,632,717	4,356,780	9,398,762	7,187,488
	After distribution		3,397,767	3,828,961	4,209,598	9,644,066	(Note)
Equity attributable to shareholders of the parent			2,822,154	2,934,386	3,188,858	4,130,642	4,629,130
Capital stock			490,609	490,609	490,609	490,609	490,609
Capital surplus			703,127	703,127	703,127	703,127	703,127
Retained earnings	Before distribution		1,642,752	1,761,379	2,019,970	2,942,058	3,524,088
	After distribution		1,387,635	1,565,135	1,872,788	2,696,754	(Note)
Other equity interest			(14,334)	(20,729)	(24,848)	(5,152)	(88,694)
Treasury stock			-	-	-	-	-
Non-controlling interest			148,623	168,044	192,785	313,674	236,165
Total equity	Before distribution		2,970,777	3,102,430	3,381,643	4,444,316	4,865,295
	After distribution		2,715,660	2,906,186	3,234,461	4,199,012	(Note)

Note: The earning distribution has not been approved by the shareholders' meeting, therefore the figure after distribution are not listed.

6.1.2 Condensed Statement of Comprehensive Income (Consolidated) from 2019 to 2023 (Based on IFRSs)

Unit: NT\$ Thousand

Item \ Year	Financial Information for the past five years				
	2019	2020	2021	2022	2023
Operating revenue	7,939,870	7,766,451	9,179,791	16,322,282	16,609,171
Gross profit	1,727,828	1,673,409	1,718,962	3,012,464	2,702,439
Income from operations	478,558	552,468	524,617	1,353,999	944,366
Non-operating income & expenses	96,802	(27,566)	82,115	119,276	111,492
Income before tax	575,360	524,902	606,732	1,473,275	1,055,858
Income (Loss) from Continuing Operation before Income Tax	479,654	445,690	530,156	1,248,119	931,766
Loss from Discontinued Operation	-	-	-	-	-
Net income (Loss)	479,654	445,690	530,156	1,248,119	931,766
Other comprehensive income(Loss) (income after tax)	(5,432)	(9,018)	1,446	24,116	(84,581)
Total comprehensive income	474,222	436,672	531,602	1,272,235	847,185
Net income attributable to shareholders of the parent	424,479	376,365	449,270	1,064,850	828,373
Net income attributable to non-controlling interest	55,175	69,325	80,886	183,269	103,393
Comprehensive income attributable to Shareholders of the parent	419,047	367,347	450,716	1,088,966	743,792
Comprehensive income attributable to non-controlling interest	55,175	69,325	80,886	183,269	103,393
Earnings per share (Unit: NT\$)	8.65	7.67	9.16	21.70	16.88

6.1.3 Condensed Balance Sheet (parent company only) from 2019 to 2023 (Based on IFRSs)

Unit: NT\$ Thousand

Item	Year	Financial Information for the past five years				
		2019	2020	2021	2022	2023
Current assets		3,327,577	3,647,298	4,107,054	8,613,014	6,073,495
Property, Plant and Equipment		1,336,942	1,550,160	1,828,040	2,439,196	3,075,727
Intangible assets		29,788	22,692	13,288	6,642	43,833
Other assets		588,633	580,955	574,590	946,908	1,562,789
Total assets		5,282,940	5,801,105	6,522,972	12,005,760	10,755,844
Current liabilities	Before distribution	2,242,000	2,703,790	3,215,129	7,721,166	6,017,492
	After distribution	2,497,117	2,900,034	3,362,311	7,966,470	(Note)
Non-current liabilities		218,786	162,929	118,985	153,952	109,222
Total liabilities	Before distribution	2,460,786	2,866,719	3,334,114	7,875,118	6,126,714
	After distribution	2,715,903	3,062,963	3,481,296	8,120,422	(Note)
Equity attributable to shareholders of the parent		2,822,154	2,934,386	3,188,858	4,130,642	4,629,130
Capital stock		490,609	490,609	490,609	490,609	490,609
Capital surplus		703,127	703,127	703,127	703,127	703,127
Retained earnings	Before distribution	1,642,752	1,761,379	2,019,970	2,942,058	3,524,088
	After distribution	1,387,635	1,565,135	1,872,788	2,696,754	(Note)
Other equity interest		(14,334)	(20,729)	(24,848)	(5,152)	(88,694)
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	2,822,154	2,934,386	3,188,858	4,130,642	4,629,130
	After distribution	2,567,037	2,738,142	3,041,676	3,885,338	(Note)

Note: The earning distribution has not been approved by the shareholders' meeting, therefore the figure after distribution are not listed.

6.1.4 Condensed Statement of Comprehensive Income (parent company only) from 2019 to 2023 (Based on IFRSs)

Unit: NT\$ Thousand

Item	Year	Financial Information for the past five years				
		2019	2020	2021	2022	2023
Operating revenue		6,683,363	6,270,995	7,357,530	13,493,307	14,393,754
Net operating margin		1,234,134	1,124,928	1,076,322	2,000,175	1,916,290
Income from operations		390,723	360,895	271,108	809,600	729,131
Non-operating income & expenses		106,213	65,250	219,273	386,807	197,230
Income before tax		496,936	426,145	490,381	1,196,407	926,361
Income (Loss) from Continuing Operation before Income Tax		424,479	376,365	449,270	1,064,850	828,373
Loss from Discontinued Operation		-	-	-	-	-
Net income (Loss)		424,479	376,365	449,270	1,064,850	828,373
Other comprehensive income (Loss) (income after tax)		(5,432)	(9,018)	1,446	24,116	(84,581)
Total comprehensive income		419,047	367,347	450,716	1,088,966	743,792
Net income attributable to shareholders of the parent		424,479	376,365	449,270	1,064,850	828,373
Net income attributable to non-controlling interest		-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent		419,047	367,347	450,716	1,088,966	743,792
Comprehensive income attributable to non-controlling interest		-	-	-	-	-
Earnings per share (Unit: NT\$)		8.65	7.67	9.16	21.70	16.88

6.1.5 Auditors' Opinions from 2019 to 2023

Year	CPA	Accounting Firm	Audit Opinion
2019	Hui-Ling Pan and Shu-Chiung Chang	PwC	Unqualified opinion
2020	Pei- Juan Huang and Hui-Ling Pan	PwC	Unqualified opinion
2021	Pei- Juan Huang and Hui-Ling Pan	PwC	Unqualified opinion
2022	Pei- Juan Huang and Hui-Ling Pan	PwC	Unqualified opinion
2023	Pei- Juan Huang and Hui-Ling Pan	PwC	Unqualified opinion

6.2 Financial Analysis for the past five fiscal years

6.2.1 Consolidated Financial Analysis from 2019 to 2023- Based on IFRSs

Item (Note 2)	Year (Note 1)	Financial analysis for the past five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	51.41	53.94	56.30	67.9	59.63
	Ratio of long-term capital to property, plant and equipment	196.22	175.03	162.96	160.24	149.23
Solvency (%)	Current ratio	146.68	137.86	132.01	117.73	115.81
	Quick ratio	118.96	107.8	79.88	83.46	72.17
	Interest earned ratio (times)	85.54	133.52	213.74	240.52	59.28
Operating performance	Accounts receivable turnover (times)	10.00	8.46	7.26	7.46	6.96
	Average collection period	36	43	50	49	52
	Inventory turnover (times)	8.14	6.53	4.52	4.8	4.26
	Accounts payable turnover (times)	3.72	2.99	3.00	3.27	3.28
	Average days in sales	45	56	81	76	86
	Property, plant and equipment turnover (times)	5.58	4.99	5.05	7.2	5.69
	Total assets turnover (times)	1.39	1.21	1.27	1.51	1.28
Profitability	Return on total assets (%)	7.54	5.91	6.24	9.91	6.51
	Return on stockholders' equity (%)	15.31	13.08	14.67	29.10	18.91
	Pre-tax income to paid-in capital (%)	117.27	106.99	123.67	300.30	215.21
	Profit ratio (%)	5.35	4.85	4.89	6.52	4.99
	Earnings per share (NT\$)	8.65	7.67	9.16	21.70	16.88
Cash flow	Cash flow ratio (%)	38.62	16.08	0.89	27.02	-
	Cash flow adequacy ratio (%)	99.53	85.96	51.35	83.59	68.4
	Cash reinvestment ratio (%)	20.44	7.42	-	41.61	-
Leverage	Operating leverage	3.02	2.64	2.93	2.03	2.5
	Financial leverage	1.01	1.01	1.01	1.00	1.02

Analysis of financial ratio differences exceed 20% for the last two years.

(1) Interest earned ratio (times) :

The decrease in 2023 compared with 2022 was resulted by the increase in borrowings from banks and interest expenses in response to the capital needed for plant construction and payment of goods.

(2) Property, plant and equipment turnover (times) :

The decrease in 2023 compared with 2022 was resulted by the increase in plant buildings and machinery and equipment in 2023.

(3) Return on total assets(%); Return on stockholders' equity(%); Pre-tax income to paid-in capital (%); Profit ratio(%);Earnings per share(NT\$) :

The decrease in 2023 compared with 2022 was resulted by the decrease in profits in 2023.

(4) Cash flow ratio (%); Cash reinvestment ratio (%) :

Resulted by net cash outflow from operating activities in 2023.

(5) Operating leverage :

The increase in 2023 compared with 2022 was resulted by the decrease in operating profit in 2023.

Note 1: All financial data from 2019 to 2023 are audited by the CPA.

Note 2: The calculation formulas of the analysis items are referred to page123.

6.2.2 Financial Analysis from 2019 to 2023 (parent company only) - Based on IFRSs

Item (Note 2)		Year (Note 1)	Financial analysis for the past five years				
			2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio		46.58	49.42	51.11	65.59	56.96
	Ratio of long-term capital to property, plant and equipment		211.09	189.3	174.44	169.34	154.06
Solvency (%)	Current ratio		148.42	134.9	127.74	111.55	100.93
	Quick ratio		121.89	103.95	71.65	77.12	55.3
	Interest earned ratio (times)		174	157	271	250	66
Operating performance	Accounts receivable turnover (times)		10.08	7.97	6.54	6.85	6.69
	Average collection period		36	46	56	53	55
	Inventory turnover (times)		9.5	7.14	4.60	4.89	4.35
	Accounts payable turnover (times)		3.9	3.02	3.04	3.26	3.34
	Average days in sales		38	51	79	75	84
	Property, plant and equipment turnover (times)		5.03	4.34	4.36	6.32	5.22
	Total assets turnover (times)		1.35	1.13	1.19	1.46	1.26
Profitability	Return on total assets (%)		8.61	6.83	7.31	11.54	7.38
	Return on stockholders' equity (%)		15.31	13.08	14.67	29.10	18.91
	Pre-tax income to paid-in capital (%)		101.29	86.86	99.95	243.86	188.82
	Profit ratio (%)		6.35	6.00	6.11	7.89	5.76
	Earnings per share (NT\$)		8.65	7.67	9.16	21.70	16.88
Cash flow	Cash flow ratio (%)		43.71	8.64	4.59	23.29	-
	Cash flow adequacy ratio (%)		97.76	71.24	44.10	64.24	52.4
	Cash reinvestment ratio (%)		18.56	-	-	33.43	-
Leverage	Operating leverage		2.94	2.95	3.85	2.36	2.46
	Financial leverage		1.01	1.01	1.01	1.01	1.02

Analysis of financial ratio differences exceed 20% for the last two years.

(1) Interest earned ratio (times) :

The decrease in 2023 compared with 2022 was resulted by the increase in borrowings from banks and interest expenses in response to the capital needed for plant construction and payment of goods.

(2) Property, plant and equipment turnover (times) :

The decrease in 2023 compared with 2022 was resulted by the increase in plant buildings and machinery and equipment in 2023.

(3) Return on total assets(%); Return on stockholders' equity(%); Pre-tax income to paid-in capital (%); Profit ratio(%);Earnings per share(NT\$) :

The decrease in 2023 compared with 2022 was resulted by the decrease in profits in 2023.

(4) Cash flow ratio (%); Cash reinvestment ratio (%) :

Resulted by net cash outflow from operating activities in 2023.

Note 1: All financial data from 2019 to 2023 are audited by the CPA.

Note 2: The calculation formulas of the analysis items are referred to page123.

Calculation formulas :

1. Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets.
- (2) Long-term capital to property, plant & equipment ratio = (Total equity + non-current liabilities) / net property, plant & equipment.

2. Debt servicing capability

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.

3. Operating efficiency

- (1) Receivables (including account receivables and note receivables from operating activities) turnover ratio = net sales / average receivables (including account receivables and note receivables from operating activities) balance.
- (2) Average collection days = 365 / receivables turnover ratio.
- (3) Inventory turnover ratio = cost of sales / average inventory.
- (4) Payables (including account payables and note payables from operating activities) turnover ratio = cost of sales / average payables (including account payables and note payables from operating activities) balance.
- (5) Days sales outstanding = 365 / Inventory turnover ratio.
- (6) Property, plant and equipment turnover ratio = net sales / average net property, plant and equipment.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on total assets = (net Income + interest x expenses * (1 - effective tax rate)) / average total assets.
- (2) Return on equity = net income / average equity.
- (3) Net margin = net Income / net Sales.
- (4) Earnings per share = (net income attributable to shareholders of the parent - preferred stock dividend) / weighted average number of shares outstanding.

5. Cash flow

- (1) Cash flow ratio = net cash provided by operating activities / current liabilities.
- (2) Cash flow adequacy ratio = five-year sum of cash from operations / five-year sum of capital expenditures, inventory additions, and cash dividend.
- (3) Cash flow reinvestment ratio = (cash provided by operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Leverage

- (1) Operating leverage = (net sales - variable cost) / income from operations.
- (2) Financial leverage = income from operations / (income from operations - interest expenses).

- 6.3 Audit Committee's Report for the most recent year
(Please refer to page 96 of the Chinese annual report.)**
- 6.4 Financial statement for the most recent fiscal year
(Please refer to page 142 to 204.)**
- 6.5 A parent company only financial statement for the most recent fiscal year
(Please refer to page 205 to 278.)**
- 6.6 If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation. (NA)**

VII. Review of Financial Position, Financial Performance, and Risk Management

7.1 Financial Position Comparison for the past two fiscal years

Unit: NT\$ Thousand

Item \ Year	2022	2023	Difference		Comments
			Amount	%	
Current Assets	10,715,882	8,053,590	(2,662,292)	(24.84)%	1
Fixed Assets	2,577,713	3,258,455	680,742	26.41%	2
Intangible Assets	9,056	45,594	36,538	403.47%	3
Other Assets	540,427	695,144	154,717	28.63%	4
Total Assets	13,843,078	12,052,783	(1,790,295)	(12.93)%	
Current Liabilities	9,102,441	6,953,911	(2,148,530)	(23.60)%	5
Long-term Liabilities	-	-	-	-	
Other Liabilities	296,321	233,577	(62,744)	(21.17)%	6
Total Liabilities	9,398,762	7,187,488	(2,211,274)	(23.53)%	5
Capital stock	490,609	490,609	0	0.00%	
Capital surplus	703,127	703,127	0	0.00%	
Retained Earnings	2,942,058	3,524,088	582,030	19.78%	
Other Adjustments	(5,152)	(88,694)	(83,542)	1,621.55%	7
Total Stockholders' Equity	4,444,316	4,865,295	420,979	9.47%	

Analysis of differences in the rate of variance exceeding 20% or the indicated amount over NT\$ 20 million :

1. Resulted by the decrease in cash and cash equivalents, due to the capital requirements for plant construction and payment for goods in 2023.
2. Resulted by the increase in plant buildings and machinery and equipment in 2023.
3. Resulted by the increase in computer software in 2023.
4. Resulted by the increase in right-of-use assets in 2023.
5. Resulted by the decrease in accounts payable in 2023.
6. Resulted by the decrease in unearned sales revenue in 2023.
7. Resulted by the changes in exchange differences on translation of foreign financial statements due to exchange rate changes in 2023.

7.2 Financial Performance

7.2.1 Analysis of the past two fiscal years

Unit: NT\$ Thousand

Item \ Year	2022	2023	Difference		Comments
			Amount	%	
Operating revenue	16,322,282	16,609,171	286,889	1.76%	
Gross Profit	3,012,464	2,702,439	(310,025)	(10.29)%	
Income from operations	1,353,999	944,366	(409,633)	(30.25)%	1
Non-operating income & expenses	119,276	111,492	(7,784)	(6.53)%	
Income Before Tax	1,473,275	1,055,858	(417,417)	(28.33)%	1
Net income (Loss)	1,248,119	931,766	(316,353)	(25.35)%	1
Other comprehensive income (income after tax)	-	-	-	-	
Total comprehensive income	1,248,119	931,766	(316,353)	(25.35)%	1
Other comprehensive loss for the year	24,116	(84,581)	(108,697)	(450.73)%	2
Total comprehensive income for the year	1,272,235	847,185	(425,050)	(33.41)%	1
<p>Analysis of differences in the rate of variance exceeding 20% or the indicated amount over NT\$ 20 million :</p> <ol style="list-style-type: none"> 1. Resulted by the decrease in operating gross profit in 2023. 2. Resulted by the changes in exchange differences on translation of foreign financial statements due to exchange rate changes in 2023. 					

7.2.2 Sales volume forecast and the basis therefor, and describe the effect upon the company's financial operations as well as measures to be taken in response. (NA)

7.3 Cash Flow

7.3.1 Cash flow analysis for the current year

Unit: NT\$ Thousand

Cash and cash equivalents, beginning balance (1)	Net cash flow from operating activities (2)	Net cash flow from investing and financing activities (3)	Cash surplus (deficit) (1)+(2)-(3)	Leverage of cash deficit	
				Investment plans	Financing plans
4,422,117	(164,944)	(1,299,266)	2,957,907	-	-

Analysis of change in cash flow in the current year :

1. Operating activities : The net cash outflow from operating activities was resulted by the shortened period of accounts payable for material preparation.
2. Investment and financing activities : The cash outflow from investing and financing activities were resulted by the purchase of equipment, payment for plant construction and land in Vietnam, and the payment of cash dividends.

7.3.2 Corrective measures to be taken in response to illiquidity (NA)

7.3.3 Cash flow and liquidity analysis for the coming year

Unit: NT\$ Thousand

Estimated cash and cash equivalents, beginning balance (1)	Estimated net cash flow from operating activities (2)	Estimated net cash flow from investing and financing activities (3)	Cash surplus (deficit) (1)+(2)-(3)	Leverage of cash surplus (deficit)	
				Investment plans	Financing plans
2,957,907	1,625,026	(885,723)	3,697,210	-	-

Analysis of change in cash flow in the coming year :

1. Operating activities : Primarily due to an increase in net profit, and net cash inflow generated from operation for the period.
2. Investment and financing activities : The cash outflow from investing and financing activities will be resulted by the purchase of equipment, payment for plant construction and land in Vietnam, repay bank loan, and the payment of cash dividends.

7.4 The effect upon financial operations of any major capital expenditures during the most recent fiscal year

7.4.1 The plan of major capital expenditures and source of funds

Unit: NT\$ Thousand

Item	Expected sources of funds	Expected capital expenditure
		2024
Office building	Working Capital and Bank credit	168,684
Investment of Vietnam's factory	Working Capital and Bank credit	472,915

7.4.2 Expected benefits and effects of corporate finance and sales

For operational needs, investing in building a plant and purchasing production equipment can expand the company's business operation scale and raise profits, and bring a positive effect on finance and sales.

7.5 Reinvestment policy for the most recent fiscal year

7.5.1 Reinvestment Policy in the last year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability

Unit: NT\$ thousands

Item	Remarks	Original investment amount (Note)	Shareholding proportion	Investment profits or losses	The main reason of profits or losses	Improving plan
EnGenius Technologies, Inc.		61,410	100%	(28,625)	The reduced revenue and operating losses were resulted by the decrease in demand for customer orders.	The Company is expected to adjust the operating strategy and mitigate the loss.
EnGenius International (Samoa)Ltd.		183,923	100%	1,566	Due to have profitable performance.	-
EnRack Technology Inc.		194,000	100%	10,549	Due to have profitable performance.	-
Emplus Technologies, Inc.		84,249	50.99%	108,183	Due to have profitable performance.	-

Note : The original investment amount is translated into the original foreign currency using the exchange rates at the end dates of the period. Only the subsidiaries whose original investment amount exceeds 5% of the Company's capital are disclosed.

7.5.2 Investment plans for the coming year

The Company has established a Vietnamese subsidiary as part of its operational strategy for overseas production and supply chain. The incorporation registration was completed in September 2023 and the land using right certificate is currently in the transfer process. The Company aims to invest NT\$162,749 thousand in 2024 to build plants for production and manufacturing of network communication products while it can also provide scheduling support based on production capacity with the Company.

7.6 Risks during the most recent fiscal year and as they stood on the date of publication of the annual report

7.6.1 The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

1. Interest rate

The Company's Interest expense in 2023 was NT\$ 19,339 thousand, accounting for 0.12% of the net sales revenue in 2023. The Company's interest expenses are mainly due to bank loan and amortization of right-of-use assets. The Company applies the conservative and stable policy to its fund planning and takes safe management as the first priority when allocating funds. Meanwhile, the Company evaluates the currency market interest rate and financial information periodically to help it take appropriate responsive actions in a timely manner. The Company utilizes its fund in the most favorable manner, subject to the funding cost and potential reward and risk, in order to mitigate the effect produced by the interest rate to the Company's income.

2. Foreign exchange rates

The Company's foreign exchange gain in 2023 was NT\$ 35,812 thousand, accounting for 0.22% of the net sales revenue in 2023. The main reason was due to the impact of exchange rate fluctuations.

The Company applies USD as its currency unit and pays raw materials and supplies in USD gradually. In consideration of the significant fluctuation in foreign exchange rate in the recent years, the Company has turned to make the payment of raw materials and supplies in USD instead successively in these years, and regularly inspect the hedging position and timely perform hedging operations to mitigate the effect produced by the fluctuation in foreign exchange rate.

3. Inflation

The impact of inflation does not currently have a significant impact on the Company's profits and business operations.

7.6.2 The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

The Company focuses on R&D, manufacturing and sales and does not engage in high-risk or high-leverage investments. The Company has established regulations such as "Processing Procedures for Acquiring or Disposing of Assets", "Procedures for Loaning Funds to Others", "Procedures for Endorsement

Guarantee Operations", as the basis for the Company's relevant actions to be followed. The Company manages its finance in a conservative and stable manner and avoids engaging in high-risk and high-leverage investment. In 2023 and as up to the date of publication of the annual report, the Company has not made endorsements/guarantees for others or loaned to others. The Company only engages in trading of financial derivatives for hedging and will continue to uphold the conservative and stable policy when trading financial derivatives in the future, primarily in order to evade the risk over fluctuation in foreign exchange rate.

7.6.3 Research and development work to be carried out in the future, and further expenditures expected for research and development work

The Company's R&D plan for the next five years will focus on self-developed software and technology, and will commit to the development of network security server market focusing on software management through its own brand. In addition, the Company has concentrated at the specialization of IOT/Camera product line to develop technologies in the areas of optoelectronic, sound, air detection, and access control management to combine with the edge computing products already developed. About 4~8% of sales revenue is expected to be allocated as the R&D expenses.

7.6.4 Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response

The Company carries out its routine business in accordance with domestic/foreign laws and regulations, and also pays attention to the development of policies and changes in laws and regulations domestically and overseas, in order to control and deal with the changes in the market. Therefore, the Company's finance and business has no critical impact on the changes in domestic or foreign policies and laws & regulations in the recent years.

7.6.5 Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response.

Considering that the WLAN equipment involves the high-tech communication industry and the industry is growing rapidly, multiple WLAN commodities and improvements thereon are emerging constantly. Therefore, the Company needs to control the changes in technology and industry, and then may maintain the Company's strength in keeping its business scale growth. The Company engages in R&D as its core business and the private brand marketing. When operating as the Senao International Co. Radio Products Group, the Company has developed the WLAN industry for many years and, therefore, is able to precisely control the

production equipment, R&D personnel and latest technology. In recent years, in addition to keep innovating and researching & developing various WLAN products, the Company is also engaged to the development of network security servers. The changes in technology (including cyber security risks) and industry actually helps the Company's business development. Furthermore, in order to expand business extensively, the Company will need the fair management system and cost control, and then the Company's business may grow stably. Therefore, the Company will continue to invest in R&D of equipment and technology and will also allocate personnel and resources more effectively based on its internal control and allocation of funds.

The company has formulated relevant regulations on the impact of various major information security incidents and corresponding handling measures to provide employees with a reference basis for handling information security incidents, and promotes information security as a key project to enhance employees' understanding of information security incidents. Conduct regular information security risk audits to ensure that the information security risk management mechanism is functioning effectively. In 2023 and as up to the date of publication of the annual report, there have been no technological changes (including information security risks) or industrial changes that would affect the financial business.

7.6.6 Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response

The Company adheres to the operating principles of integrity and the spirit of down-to-earth. Since its establishment, it has actively strengthened internal management to improve quality and efficiency. The Company has continuously introduced more outstanding talents to serve the company, strengthened the management team, and then returned the operating results to shareholders and the society, fulfill social responsibilities. The Company also complies with the requirements of the competent authorities and promptly announce and disclose important information. In order to effectively control the quality of communication with the media and avoid improper crisis handling that affects the corporate image, the Company has implemented a spokesperson mechanism. In addition, a dedicated unit is set up to handle customer opinions and shareholder suggestions to effectively maintain the company's reputation and image. In 2023 and as up to the date of publication of the annual report, there has been no change in corporate image that caused a corporate crisis.

7.6.7 Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken

The Company has no merger and acquisition plan in In 2023 and as up to the date of publication of the annual report. If there is any merger and acquisition plan in the future, it will be handled in accordance with relevant laws and regulations and the company's internal management regulations. The Company will also use a

prudent attitude to consider whether the merger can bring specific synergies to the company to truly protect the rights and interests of the company's original shareholders.

7.6.8 Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken

In 2019, the Company's board of directors approved the construction of the Huaya II Factory on its own land. The maximum production capacity is estimated to be approximately 1 times the existing production capacity. The Company can gradually transfer the original outsourced production capacity back to Huaya II Factory for operations. The total project cost will be fully financed with its own funds. The production equipment will be flexibly adjusted according to the product development plan and customer demand. After acceptance, it will gradually enter the mass production stage, so the possible risks are limited.

In 2023, the Company's board of directors approved the investment and establishment of a subsidiary in Vietnam and the acquisition of land use rights by the Vietnamese subsidiary. This was mainly an operational strategic plan to layout overseas production capacity and supply chain, and to meet customer production needs, disperse production bases and consider Vietnam's lower labor costs. The Company plans to build its own factory in Vietnam to engage in the production and manufacturing of network communication products. We can provide scheduling support with the company based on production capacity needs.

7.6.9 Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken

The Company's main raw material procurement has more than two suppliers to spread the purchase risk. In 2023 and as up to the date of publication of the annual report, no single supplier accounted for more than 30% of the purchase, so there is no risk of concentration of purchase.

In 2023 and as up to the date of publication of the annual report, the Company had a single customer whose sales accounted for more than 30% of the revenue. This was resulted by the customer's business growth and increased demand. As the Company and customers have maintained a long-term relationship lasting over 10 years, and there was no single customer with consolidation of sales and changes in the largest customer in 2022 and 2023, the Company has demonstrated that it is not dependent on a single customer, and there was no risk of consolidation of sales.

7.6.10 Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the

company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken (NA)

7.6.11 Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken (NA)

7.6.12 Litigious and non-litigious matters (NA)

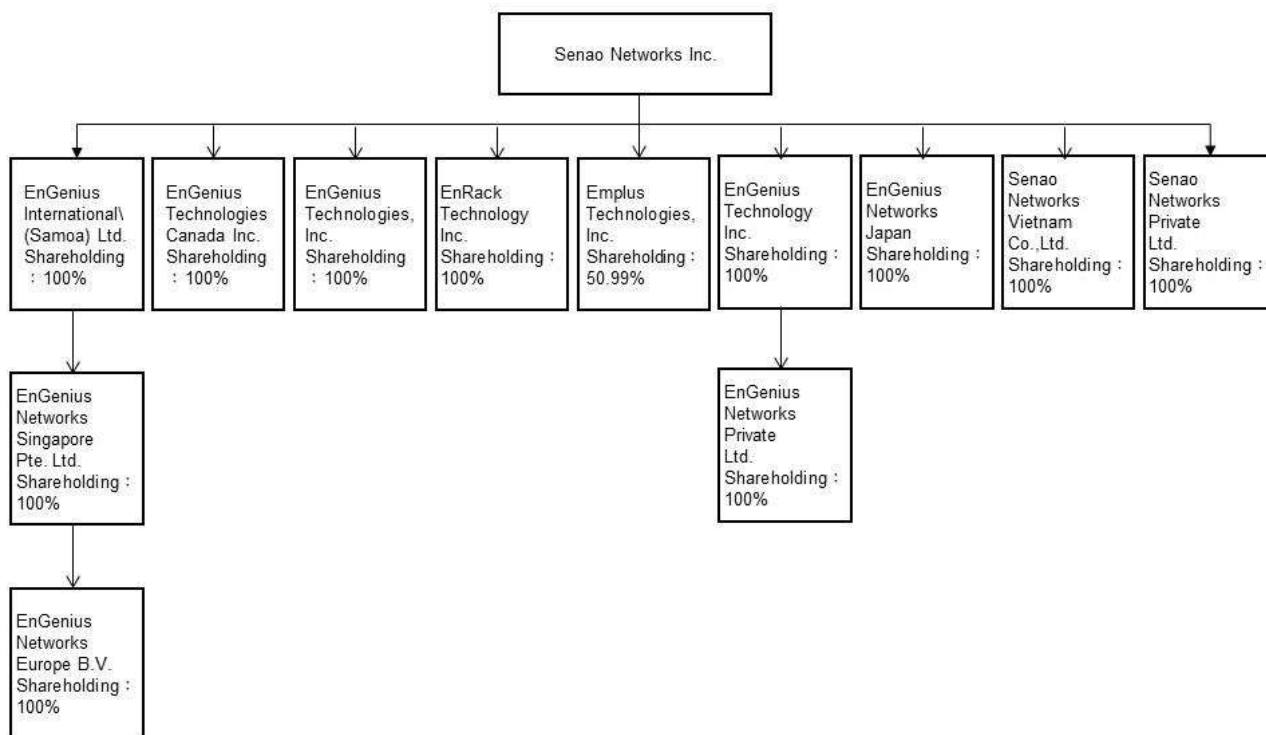
7.6.13 Other important risks, and mitigation measures being or to be taken (NA)

7.7 Other important matters (NA)

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Organization of Affiliated Companies



8.1.2 Basic information of Affiliated Companies

As of December 31, 2023; Unit : NT\$ NT Thousand

Company Name	Date of Incorporation	Location	Paid-in Capital	Business or Product Lines
EnGenius Technologies, Inc.	February 1999	USA	1,842	Trading of communication products
EnGenius International (Samoa) Ltd.	December 2002	Samoa	56,491	Investment in relevant business
EnGenius Networks Singapore Pte. Ltd.	May 2003	Singapore	55,032	Trading of communication products
EnGenius Networks Europe B.V.	March 2011	Netherlands	6,997	Trading of communication products
EnRack Technology Inc.	July 2016	Taiwan	249,000	Sales of communication products and manufacture and sales of stamping component

Company Name	Date of Incorporation	Location	Paid-in Capital	Business or Product Lines
Emplus Technologies, Inc.	October 2012	Taiwan	127,288	Manufacture, sales and R&D of communication products
EnGenius Technologies Canada Inc.	January 2018 (Note 1)	Canada	0.232	Trading of communication products
EnGenius Technology Inc.	October 2022	Taiwan	60,000	Trading of communication products
EnGenius Networks Japan	November 2022	Japan	6,516	Trading of communication products
Senao Networks Vietnam Co.,Ltd.	September 2023	Vietnam	560,829	Trading of communication products
Senao Networks Private Ltd.	August 2023	India	6,005	Trading of communication products
EnGenius Networks Private Ltd.	September 2023	India	27,094	Trading of communication products

Note 1: It is the date of incorporation as Senao Networks' affiliated company.

8.1.3 Information about the same shareholders of companies presumed to have a relationship of control or subordination. (N/A)

8.1.4 Industry covered by the business lines carried out by all affiliates
Manufacture and sale of electronic communication products.

8.1.5 Directors, Supervisors and President of Affiliated Companies

As of December 31, 2023

Company Name	Title	Name or Representative	Shareholdings	
			Shares	%
EnGenius Technologies, Inc.	Director & President	Wen-Ho Tsai The representative of Senao Network Inc.	60,000	100
EnGenius International (Samoa) Ltd.	Director	Wen-Ho Tsai The representative of Senao Network Inc.	1,832,289	100
EnGenius Networks Singapore Pte. Ltd.	Director	Pao-Yun Lin The representative of EnGenius International (Samoa) Ltd.	1,792,289	100
	Director	Chee-Kiong Lim The representative of EnGenius International (Samoa) Ltd.		
	Director	Wen-Ho Tsai The representative of EnGenius International (Samoa) Ltd.		
	Director	Feng-Hsiao Yu The representative of EnGenius International (Samoa) Ltd.		
EnGenius Networks Europe B.V.	Director	Wen-Ho Tsai The representative of EnGenius Networks Singapore Pte. Ltd.	210,000	100
EnRack Technology Inc.	Director	Wen-Ho Tsai The representative of Senao Network Inc.	24,900,000	100
	Director	Po-Chang Lin The representative of Senao Network Inc.		
	Director	Feng-Hsiao Yu The representative of Senao Network Inc.		
	Supervisor	Shih-Huei Pang The representative of Senao Network Inc.		
Emplus Technologies, Inc.	Director	Wen-Ho Tsai The representative of Senao Network Inc.	6,490,800	50.99
	Director	Po-Chang Lin The representative of Senao Network Inc.		
	Director	Wei-Shiou Jian	772,879	6.07
	Supervisor	Feng-Hsiao Yu	0	-
EnGenius Technologies Canada Inc.	Director	Wen-Ho Tsai The representative of Senao Network Inc.	100	100
	Director	Feng-Hsiao Yu The representative of Senao Network Inc.		
	Director	Chiao-Ling Ou The representative of Senao Network Inc.		
EnGenius Technology Inc.	Chairman	Wen-Ho Tsai The representative of Senao Network Inc.	6,000,000	100
EnGenius Networks Japan	Director	Feng-Hsiao Yu The representative of Senao Network Inc.	3,000	100

Senao Networks Vietnam Co.,Ltd. (Note)	Chairman	Wen-Ho Tsai The representative of Senao Network Inc.	-	-
Senao Networks Private Ltd.	Director	Pei-Chuan Liou he representative of Senao Network Inc.	1,640,000	100
	Director	Wei-Xiu Jian The representative of Senao Network Inc.		
	Director	Yi-Ching Chang The representative of Senao Network Inc.		
	Director	Venkata Kishore Gandham The representative of Senao Network Inc.		
	Director	Venkata Phani Kumar Darla The representative of Senao Network Inc.		
EnGenius Networks Private Ltd.	Director	Pei-Chuan Liou he representative of Senao Network Inc.	7,400,000	100
	Director	Wei-Xiu Jian The representative of Senao Network Inc.		
	Director	Yi-Ching Chang The representative of Senao Network Inc.		
	Director	Venkata Kishore Gandham The representative of Senao Network Inc.		
	Director	Venkata Phani Kumar Darla The representative of Senao Network Inc.		

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

8.1.6 Operating information of Affiliated Companies

Unit: NT\$ Thousand except EPS; As of December 31, 2023

Company Name	Paid in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Net Income (after tax)	EPS (after tax) (NT\$)
EnGenius Technologies, Inc.	1,842	258,860	119,495	139,365	556,394	(43,619)	(28,925)	(482)
EnGenius International (Samoa) Ltd.	56,491	55,550	0	55,550	0	(118)	1,295	1
EnGenius Networks Singapore Pte. Ltd.	55,032	90,110	34,891	55,219	199,904	3,354	1,409	1
EnGenius Networks Europe B.V.	6,997	58,398	45,504	12,894	138,292	(1,062)	(3,031)	(14)
EnRack Technology Inc.	249,000	378,577	111,874	266,703	196,409	7,824	11,308	0
Emplus Technologies, Inc.	127,288	1,398,318	916,884	481,434	1,940,957	223,514	210,977	17
EnGenius Technologies Canada Inc.	0.232	19,600	6,047	13,553	34,113	(1,786)	(1,311)	(13,110)
EnGenius Technology Inc.	60,000	80,400	15,684	64,716	79,152	7,985	6,761	1
EnGenius Networks Japan	6,516	6,355	15	6,340	0	(165)	(180)	(60)
Senao Networks Vietnam Co.,Ltd.	560,829	570,320	11,026	559,294	0	(1,664)	(1,664)	0
Senao Networks Private Ltd.	6,005	6,000	0	6,000	0	(4)	(4)	0
EnGenius Networks Private Ltd.	27,094	27,087	0	27,087	0	(4)	(4)	0

8.1.7 Affiliation Report

(Please refer to page 97 of the Chinese annual report.)

8.2 Where the company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose the detail. (NA)

8.3 Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report. (NA)

8.4 Other matters that require additional description

The implantation of commitments made by the Company after its listing and trading on TPEX on December 30, 2013.

Commitment upon Listing on TPEX	Status
Promise that you may ask the Company to appoint the CPA or organization designated by you to conduct the external professional inspection within the scope identified by you, whenever it is necessary, and the inspection report shall be submitted to you at the Company's own expenses.	(1) The Company has submitted the written letter of undertaking to <u>TPEX</u> on November 18, 2013. (2) Not applicable, before the date of publication of the annual report, and so on.
Promise to add into the "Operating Procedure for Acquisition or Disposition of Assets" the provision requiring that "The Company shall not waive capital increase in EnGenius Technologies Inc. ("ETI"), Senao International (Samoa) Ltd. ("SISL (Samoa)"), and EnGenius Networks Malaysia SDN. BHD in next years; ETI shall not waive the capital increase in EnGenius Technologies Miami, inc. and Supertel Technologies Inc. in next years; SISL (Samoa) shall not waive the capital increase in EnGenius International (Samoa) Ltd. ("EISL (Samoa)") in next years; EISL (Samoa) shall not waive the	(1) The Company has submitted the written letter of undertaking to <u>TPEX</u> on November 18, 2013. (2) The Company has amended the "Operating Procedure for Acquisition or Disposition of Assets" at the general shareholders' meeting held on June 25, 2014. (3) The motion for dissolution of Supertel Technologies Inc. has been approved by <u>TPEX</u> via its approval letter with No. 1040013376. The Company completed the liquidation thereof in June 2016 and reported the same

Commitment upon Listing on TPEX	Status
<p>capital increase in EnGenius Networks Singapore Pte Ltd. (“ENSPL”) in the coming years; ENSPL shall not waive the capital increase in EnGenius Networks Europe B.V. in the coming years. If any of said companies has to waive the capital increase in said companies in consideration of strategic alliance or upon approval of the TPEX, it may do so upon special resolution by the Company’s Board of Directors.”. Meanwhile, the amendments to said Operating Procedure, if any, shall be disclosed on the MOPS and reported to you in writing.</p>	<p>to the <u>TPEX</u> in writing on July 20, 2016.</p> <p>(4) The motion for dissolution of EnGenius Technologies Miami, Inc. has been approved by <u>TPEX</u> via its approval letter with No. 1050023141. The Company completed the liquidation thereof in October 2016 and reported the same to the <u>TPEX</u> in writing on November 7, 2016.</p> <p>(5) The motion for dissolution of EnGenius Networks Malaysia SDN. BHD. has been approved by <u>TPEX</u> via its approval letter with No. 1030032322. The Company completed the liquidation thereof in December 2016 and reported the same to the <u>TPEX</u> in writing on December 23, 2016.</p> <p>(6) The motion for dissolution of Senao International(Samoa) Ltd. has been approved by TPEX via its approval letter with No. 1090004603. The Company completed the liquidation thereof in August 2020 and reported the same to the TPEX in writing on August 12, 2020.</p> <p>(7) According to the instruction of TPEX’s approval letter with No. 1090004603, the Company is already approved by the special resolution of the Board of Directors to amend the article content in “Procedures for Acquisition or Disposal of Assets”, and received the approval of shareholders on June 16, 2021.</p> <p>(8) The Company has submitted an application to the TPEX on July 6, 2023 for lifting the undertaking of</p>

Commitment upon Listing on TPEX	Status
	listing, and has been approved by TPEX via its approval letter with No. 1120064437.

8.5 If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one. (NA)

Independent Auditors' Report

(24) PWCR 23003540

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Inventory valuation

Description

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

The Group mainly engages in the R&D, design, manufacturing, and sales of wireless communication products. Due to the rapid changes in technology, the short life cycle of electronic products, and outdated products, the risk of inventory backlog is relatively high. The Group's inventories are measured at the lower of cost or the net realizable value. As for excess and individually recognized as obsolete inventories, the net realizable value is determined based on the historical data of the inventory clearance individually identified by the management. As the Group's inventory amounts are material, inventory items are voluminous, and the accounting estimates are subject to the management's judgment, we listed this as one of the key audit matters.

How our audit addressed the matter

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

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

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

Authenticity of sales of goods

Description

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

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

How our audit addressed the matter

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

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

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

Other matters: Parent company only financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Pei-Chuan Huang

Pan, Hui-Lin

For and on behalf of PricewaterhouseCoopers, Taiwan

February 27, 2024

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

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

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

(Continued)

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

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

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

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

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

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

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

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

	Equity attributable to owners of the parent										
	Notes	Capital surplus			Retained earnings		Financial statements translation differences of foreign operations	Total	Non-controlling interest	Total equity	
		Share capital - common stock	Additional paid-in capital	Others	Legal reserve	Special reserve					Unappropriated retained earnings
<u>2022</u>											
Balance at January 1, 2022		\$ 490,609	\$ 702,817	\$ 310	\$ 508,132	\$ 20,729	\$ 1,491,109	(\$ 24,848)	\$ 3,188,858	\$ 192,785	\$ 3,381,643
Profit for the period		-	-	-	-	-	1,064,850	-	1,064,850	183,269	1,248,119
Other comprehensive income, net		-	-	-	-	-	4,420	19,696	24,116	-	24,116
Total comprehensive income for the period		-	-	-	-	-	1,069,270	19,696	1,088,966	183,269	1,272,235
Appropriations of 2021 earnings	6(16)										
Legal reserve		-	-	-	45,482	-	(45,482)	-	-	-	-
Special reserve		-	-	-	-	4,119	(4,119)	-	-	-	-
Cash dividends		-	-	-	-	-	(147,182)	-	(147,182)	-	(147,182)
Change in non-controlling interest		-	-	-	-	-	-	-	-	(62,380)	(62,380)
Balance at December 31, 2022		\$ 490,609	\$ 702,817	\$ 310	\$ 553,614	\$ 24,848	\$ 2,363,596	(\$ 5,152)	\$ 4,130,642	\$ 313,674	\$ 4,444,316
<u>2023</u>											
Balance at January 1, 2023		\$ 490,609	\$ 702,817	\$ 310	\$ 553,614	\$ 24,848	\$ 2,363,596	(\$ 5,152)	\$ 4,130,642	\$ 313,674	\$ 4,444,316
Profit for the period		-	-	-	-	-	828,373	-	828,373	103,393	931,766
Other comprehensive income, net		-	-	-	-	-	(1,039)	(83,542)	(84,581)	-	(84,581)
Total comprehensive income for the period		-	-	-	-	-	827,334	(83,542)	743,792	103,393	847,185
Appropriations of 2022 earnings	6(16)										
Legal reserve		-	-	-	106,927	-	(106,927)	-	-	-	-
Special reserve reversed		-	-	-	-	(19,696)	19,696	-	-	-	-
Cash dividends		-	-	-	-	-	(245,304)	-	(245,304)	-	(245,304)
Change in non-controlling interest		-	-	-	-	-	-	-	-	(180,902)	(180,902)
Balance at December 31, 2023		\$ 490,609	\$ 702,817	\$ 310	\$ 660,541	\$ 5,152	\$ 2,858,395	(\$ 88,694)	\$ 4,629,130	\$ 236,165	\$ 4,865,295

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

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

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

(Continued)

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

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

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

SENAO NETWORKS INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, “Disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendments to IAS 12, “Deferred tax related to assets and liabilities arising from a single transaction”	January 1, 2023
Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”	May 23, 2023

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by International Accounting Standards Board
IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Initial application of IFRS 17 and IFRS 9 - comparative information”	January 1, 2023
Amendments to IAS 21, “Lack of exchangeability”	January 1, 2025

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies used in the preparation of the consolidated financial statements are described below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of the consolidated financial statements in conformity with the IFRSs as endorsed and issued into effect by the FSC requires the use of certain critical accounting

estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial reports:

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

B. Subsidiaries included in the consolidated financial statements:

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

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

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

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

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

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

Summarised financial information of Emplus Technologies, Inc.:

Balance sheet

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

Statement of comprehensive income

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

Statement of cash flows

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

(4) Foreign currency exchange

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

A. Foreign currency transactions and balances

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

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

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

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

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

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

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

(6) Cash equivalents

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

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

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

(7) Accounts and notes receivable

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

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

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

(10) Inventory

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

(11) Property, plant and equipment

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

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

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

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

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

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

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

(13) Intangible assets

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

(14) Impairment of non-financial assets

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

(15) Borrowings

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

(16) Accounts and notes payable

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

(17) Derecognition of the financial liabilities

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

(18) Provisions

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

(19) Employee benefits

- A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

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

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

(20) Income tax

- A. The tax expense for the period comprises current and deferred tax. Except for income tax related to items included in other comprehensive income or directly included in equity recognized in comprehensive income or in equity directly, income tax is recognized in profit and/or loss.
- B. The Group calculates current income tax based on the tax rates that have been enacted or substantively enacted at the balance sheet date in the country where the taxable income is generated and the business is operated. The management regularly evaluates the status of income tax filings with respect to applicable income tax regulations and, where applicable, estimates the income tax liabilities based on the expected taxes to be paid to the taxation authority. A surtax is imposed on the undistributed earnings in accordance with the Income Tax Act. In the year following the year in which the earnings are generated, after the shareholders' meeting has passed the earnings distribution proposal, the income tax expense on the undistributed earnings will be recognized based on the earnings actually distributed.
- C. Deferred tax is recognized, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. With temporary differences caused by the investment in a subsidiary, if the Group can control the timing of the reversal of the temporary differences, and it is probable that temporary differences will not be reversed in the foreseeable future,

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

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

(21) Recognition of revenue

A. Sales of goods

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

B. Sales of service

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

(22) Operation segments

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

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

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

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

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

(2) Accounts receivable

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

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

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

The above ageing analysis was based on past due date.

- B. As of December 31, 2023, December 31, 2022 and January 1, 2022, the balances of receivables from contracts with customers amounted to \$1,812,367, \$2,958,964, and \$1,418,990, respectively.
- C. The Group does not hold any collateral as security.
- D. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$1,812,098 and \$2,958,811, respectively.
- E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(3) Transfer of financial assets

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

December 31, 2023					
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognized	Facilities (thousand)	Amount advanced	Interest rate of amount advanced
CTBC Bank	\$ 8,908	\$ 8,908	USD 1,550	\$ -	-
December 31, 2022					
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognized	Facilities (thousand)	Amount advanced	Interest rate of amount advanced
CTBC Bank	\$ 5,857	\$ 5,857	USD 1,050	\$ -	-
Taishin International Bank	9,213	9,213	USD 1,425	-	-
Total	\$ 15,070	\$ 15,070		\$ -	

Note: Recorded as "other receivables".

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

(4) Inventory

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

The cost of inventories recognized as expense for the years ended December 31, 2023 and 2022 were \$13,877,587 and \$13,278,868, including \$74,192 and \$116,416, respectively, that the Group wrote down from cost to net realizable value which was accounted for as cost of goods sold during 2023 and 2022.

(5) Property, plant and equipment

2023

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Other equipment	Leasehold improvements	Unfinished construction and equipment acceptance	Total
At January 1										
Cost	\$ 950,749	\$ -	\$ 1,157,088	\$ 153,901	\$ 3,233	\$ 94,224	\$ 34,275	\$ 97,328	\$ 1,012,359	\$ 3,503,157
Accumulated depreciation and impairment	-	-	(625,524)	(143,168)	(3,233)	(52,461)	(18,579)	(82,479)	-	(925,444)
	<u>\$ 950,749</u>	<u>\$ -</u>	<u>\$ 531,564</u>	<u>\$ 10,733</u>	<u>\$ -</u>	<u>\$ 41,763</u>	<u>\$ 15,696</u>	<u>\$ 14,849</u>	<u>\$ 1,012,359</u>	<u>\$ 2,577,713</u>
At January 1	\$ 950,749	\$ -	\$ 531,564	\$ 10,733	\$ -	\$ 41,763	\$ 15,696	\$ 14,849	\$ 1,012,359	\$ 2,577,713
Additions	-	7,271	373,844	12,738	-	51,443	37,912	16,600	323,397	823,205
Disposals	-	-	(423)	-	-	(25)	(133)	-	-	(581)
Transfer	-	53,539	-	-	-	1,649	4,717	-	(59,905)	-
Other non-current assets-transferred in	-	-	9,679	-	-	-	-	-	-	9,679
Depreciation	-	(1,004)	(109,894)	(9,960)	-	(14,954)	(6,196)	(9,558)	-	(151,566)
Net exchange differences	-	-	-	-	-	4	-	1	-	5
At December 31	<u>\$ 950,749</u>	<u>\$ 59,806</u>	<u>\$ 804,770</u>	<u>\$ 13,511</u>	<u>\$ -</u>	<u>\$ 79,880</u>	<u>\$ 51,996</u>	<u>\$ 21,892</u>	<u>\$ 1,275,851</u>	<u>\$ 3,258,455</u>
At December 31										
Cost	\$ 950,749	\$ 60,810	\$ 1,512,785	\$ 166,639	\$ 3,232	\$ 145,254	\$ 76,221	\$ 110,026	\$ 1,275,851	\$ 4,301,567
Accumulated depreciation and impairment	-	(1,004)	(708,015)	(153,128)	(3,232)	(65,374)	(24,225)	(88,134)	-	(1,043,112)
	<u>\$ 950,749</u>	<u>\$ 59,806</u>	<u>\$ 804,770</u>	<u>\$ 13,511</u>	<u>\$ -</u>	<u>\$ 79,880</u>	<u>\$ 51,996</u>	<u>\$ 21,892</u>	<u>\$ 1,275,851</u>	<u>\$ 3,258,455</u>

2022

	Land	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Other equipment	Leasehold improvements	Unfinished construction and equipment acceptance	Total
At January 1	\$ 950,749	\$ 1,000,975	\$ 143,735	\$ 3,514	\$ 77,100	\$ 27,273	\$ 90,667	\$ 483,095	\$ 2,777,108
Cost	-	(543,029)	(133,404)	(3,514)	(52,544)	(15,489)	(72,281)	-	(820,261)
Accumulated depreciation and impairment	\$ 950,749	\$ 457,946	\$ 10,331	\$ -	\$ 24,556	\$ 11,784	\$ 18,386	\$ 483,095	\$ 1,956,847
At January 1	\$ 950,749	\$ 457,946	\$ 10,331	\$ -	\$ 24,556	\$ 11,784	\$ 18,386	\$ 483,095	\$ 1,956,847
Additions	-	157,923	10,299	-	25,905	7,036	8,673	529,264	739,100
Disposals	-	(32)	-	-	(1)	(21)	-	-	(54)
Depreciation	-	(84,273)	(9,897)	-	(8,795)	(3,104)	(12,275)	-	(118,344)
Net exchange differences	-	-	-	-	98	1	65	-	164
At December 31	\$ 950,749	\$ 531,564	\$ 10,733	\$ -	\$ 41,763	\$ 15,696	\$ 14,849	\$ 1,012,359	\$ 2,577,713
At December 31	\$ 950,749	\$ 1,157,088	\$ 153,901	\$ 3,233	\$ 94,224	\$ 34,275	\$ 97,328	\$ 1,012,359	\$ 3,503,157
Cost	-	(625,524)	(143,168)	(3,233)	(52,461)	(18,579)	(82,479)	-	(925,444)
Accumulated depreciation and impairment	\$ 950,749	\$ 531,564	\$ 10,733	\$ -	\$ 41,763	\$ 15,696	\$ 14,849	\$ 1,012,359	\$ 2,577,713

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

(6) Lease transactions - lessee

- A. The Group leased various assets including land use rights, plants, offices, business vehicles, parking lot and multifunction printers. The terms of the rental contracts ranged from one to seven years, except for the land use right for 46 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. Short-term leases with a lease term of 12 months or less comprise certain plant and parking spaces.
- C. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

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

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

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

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

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

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

G. Variable lease payments

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

H. Extension and termination options

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

(7) Intangible assets

A. Changes to intangible assets are as follows:

	2023		
	Computer software	Goodwill	Total
At January 1			
Cost	\$ 93,922	\$ 480	\$ 94,402
Accumulated amortization and impairment	(85,346)	-	(85,346)
	<u>\$ 8,576</u>	<u>\$ 480</u>	<u>\$ 9,056</u>
At January 1	\$ 8,576	\$ 480	\$ 9,056
Additions	45,278	-	45,278
Amortization	(8,747)	-	(8,747)
Net exchange differences	7	-	7
At December 31	<u>\$ 45,114</u>	<u>\$ 480</u>	<u>\$ 45,594</u>
At December 31			
Cost	\$ 138,740	\$ 480	\$ 139,220
Accumulated amortization and impairment	(93,626)	-	(93,626)
	<u>\$ 45,114</u>	<u>\$ 480</u>	<u>\$ 45,594</u>

	2022		
	Computer software	Goodwill	Total
At January 1			
Cost	\$ 93,373	\$ 480	\$ 93,853
Accumulated amortization and impairment	(76,554)	-	(76,554)
	<u>\$ 16,819</u>	<u>\$ 480</u>	<u>\$ 17,299</u>
At January 1	\$ 16,819	\$ 480	\$ 17,299
Additions	2,604	-	2,604
Amortization	(10,847)	-	(10,847)
At December 31	<u>\$ 8,576</u>	<u>\$ 480</u>	<u>\$ 9,056</u>
At December 31			
Cost	\$ 93,922	\$ 480	\$ 94,402
Accumulated amortization and impairment	(85,346)	-	(85,346)
	<u>\$ 8,576</u>	<u>\$ 480</u>	<u>\$ 9,056</u>

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

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

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

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

(8) Other non-current assets

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

(9) Short-term borrowings

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

(10) Other payables

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

(11) Pensions

A. Defined benefit plan

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

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

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

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

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

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

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

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

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

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

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$804.

(g) As of December 31, 2023, the weighted average duration of the pension plan is 10 years. An analysis of the maturity of pension payments is as follows:

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

B. Defined contribution plan

(a) The Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs recognized by the Company and its domestic subsidiaries in accordance with the above pension plan for 2023 and 2022 were \$83,098 and \$54,862, respectively.

(b) EnGenius International (Samoa) Ltd. and EnGenius Technologies Canada Inc. have not yet established an employee pension plan. EnGenius Technologies, Inc., EnGenius Networks Singapore Pte. Ltd., EnGenius Networks Europe B.V., EnGenius Networks Japan, Senao Networks Private Ltd., Senao Networks Vietnam Co., Ltd., and EnGenius Networks Private Ltd. follow the established pension regulations of their respective local governments. These subsidiaries pay monthly pension contributions and have no further obligations. The pension costs under the defined contribution pension plans of the above companies for the years ended December 31, 2023 and 2022 were \$3,000 and \$2,552, respectively.

(12) Provisions

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

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

(13) Other current liabilities

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

(14) Share capital

- A. As of December 31, 2023, the Company's authorized capital was \$1.2 million, consisting of 49,061 thousand shares of common stock outstanding, with a par value of \$10 in dollars per share. There was no movement in the number of the Company's ordinary shares outstanding during 2023 and 2022.
- B. The application to the FSC for the issuance of 10,000 thousand ordinary shares filed by the Company to increase the capital in cash was effective upon the letter Jin-Guan-Zheng-Fa No. 1120365438 from the FSC dated January 3, 2024. However, the Company has not yet issued such shares as of February 27, 2024.

(15) Capital surplus

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

(16) Retained earnings

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

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

- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The 2022 and 2021 earnings distribution proposals, which were approved by the resolution of the shareholders' meetings on May 31, 2023 and June 17, 2022, respectively, are detailed below:

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

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

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

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

(17) Operating revenues

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

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

B. Contract liabilities

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

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

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

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

C. Financing components

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

(18) Net other income (expenses)

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

(19) Interest income

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

(20) Other income

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

(21) Other gains and losses

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

(22) Finance costs

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

(23) Expenses by nature

	Year ended December 31	
	2023	2022
Wages and salaries	\$ 2,745,994	\$ 2,380,072
Labor and health insurance fees	199,434	134,965
Pension costs	86,145	57,520
Other personnel expenses	107,023	79,336
Employee benefit expense	<u>\$ 3,138,596</u>	<u>\$ 2,651,893</u>
Depreciation	<u>\$ 284,028</u>	<u>\$ 233,457</u>
Amortization	<u>\$ 8,747</u>	<u>\$ 10,847</u>

- A. According to the Articles of Incorporation of the Company and its domestic subsidiaries, where the Company or its domestic subsidiaries make a profit for a fiscal year, they shall provide no lower than 3% of the balance for employees' compensation and no higher than 3% for directors' and supervisors' remuneration. However, if the Company has accumulated deficit, the Company should cover accumulated losses first. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned employees' compensation may be specified in the Articles of Incorporation. Qualification requirements are set by the Board of Directors. Distribution of employees' compensation and directors' and supervisors' remuneration shall be reported to the stockholders during their meeting and distributed in the form of shares or in cash as resolved by the Board of Directors.
- B. The Group's estimated amounts of employees' compensation for 2023 and 2022 were \$104,605 and \$147,672, respectively; the estimated amounts of directors' and supervisors' remuneration for 2023 and 2022 were \$17,779 and \$24,313, respectively, and the foregoing amounts were accounted for under wages and salaries. Such amounts were estimated based on the profitability for 2023.

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

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

On February 24, 2023, employees' compensation and directors' and supervisors' remuneration for 2022 amounting to \$105,957 and \$19,867, respectively, as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2022 financial statements. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

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

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

(24) Income tax

A. Income tax expense

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

B. Reconciliation between income tax expense and accounting profit

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

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

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

2022

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

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

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

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

December 31, 2022

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

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

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

- F. The profit-seeking enterprise income tax returns filed by the Company and subsidiary, EnRack Technology Inc., up to 2021 were approved by the Tax Authority. The profit-seeking enterprise income tax returns of the subsidiary, Emplus Technologies, Inc., up to 2020 was approved by the Tax Authority. The subsidiary, EnGenius Networks Inc., was established in 2022. So far, it has not had a profit-seeking enterprise income tax return approved by the Tax Authority.

(25) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 828,373	49,061	<u>\$ 16.88</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	389	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 828,373</u>	<u>49,450</u>	<u>\$ 16.75</u>

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 1,064,850	49,061	<u>\$ 21.70</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	607	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,064,850</u>	<u>49,668</u>	<u>\$ 21.44</u>

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31	
	2023	2022
Purchase of property, plant and equipment and other non-current assets-transferred in property, plant and equipment	\$ 832,884	\$ 739,100
Less: Ending balance of payable on equipment	(48,854)	(51,508)
Ending balance of construction retainage received (Note)	(109,241)	(95,418)
Opening balance of prepayments for equipment	(22,716)	-
Add: Opening balance of payable on equipment	51,508	11,484
Opening balance of construction retainage received (Note)	95,418	45,320
Ending balance of prepayments for equipment	<u>7,152</u>	<u>22,716</u>
Cash paid during the period for purchase of property, plant and equipment	<u>\$ 806,151</u>	<u>\$ 671,694</u>

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

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

(27) Changes in liabilities from financing activities

Under the amendments to IAS 7, “Disclosure initiative”, the changes during the years ended December 31, 2023 and 2022 are disclosed as follows:

	2023			
	Short-term borrowings	Lease liabilities	Other non-current liabilities	Liabilities from financing gross
At January 1	\$ 1,200,119	\$ 395,269	\$ 90	\$ 1,595,478
Changes in cash flow from financing activities	398,291	(127,367)	94	271,018
Impact of changes in foreign exchange rate	171	(147)	-	24
Changes in other non-cash items	-	44,651	-	44,651
At December 31	<u>\$ 1,598,581</u>	<u>\$ 312,406</u>	<u>\$ 184</u>	<u>\$ 1,911,171</u>

	2022			
	Short-term borrowings	Lease liabilities	Other non-current liabilities	Liabilities from financing gross
At January 1	\$ 20,760	\$ 226,734	\$ 739	\$ 248,233
Changes in cash flow from financing activities	1,177,986	(108,641)	(658)	1,068,687
Impact of changes in foreign exchange rate	1,373	3,056	9	4,438
Changes in other non-cash items	-	274,120	-	274,120
At December 31	<u>\$ 1,200,119</u>	<u>\$ 395,269</u>	<u>\$ 90</u>	<u>\$ 1,595,478</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Name of related party and relationship

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

(3) Significant related party transactions

A. Operating revenues

	Year ended December 31	
	2023	2022
Merchandise sales:		
Entities with joint control or significant influence over the Group	\$ <u>2,083</u>	\$ <u>1,211</u>

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

B. Receivables from related parties

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

C. Other payables

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

D. Property transactions

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

E. Lease transactions- lessee

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

- (b) Lease liabilities
 i. Ending balance:

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

- ii. Interest expense

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

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

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

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

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

12. OTHERS

(1) Capital risk management

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

(2) Financial instruments

A. Financial instruments by category

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions.

- ii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, CAD, JPY, VND, and INR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		December 31, 2023		
		Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	85,833	30.705	\$ 2,635,494
JPY:NTD	JPY	595,802	0.217	129,408
USD : VND (Note)	USD	12,700	30,705	389,954
<u>Non-monetary items</u>				
USD:NTD	USD	4,969	30.705	152,578
CAD:NTD	CAD	584	23.200	13,554
JPY:NTD	JPY	29,191	0.217	6,340
VND : NTD	VND	466,078,248	0.001	559,294
INR : NTD	INR	90,369	0.366	33,087
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	54,872	30.705	\$ 1,684,831
		December 31, 2022		
		Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	161,678	30.710	\$ 4,965,121
JPY:NTD	JPY	147,300	0.232	34,233
<u>Non-monetary items</u>				
USD:NTD	USD	5,928	30.710	182,052
CAD:NTD	CAD	639	22.670	14,497
JPY:NTD	JPY	29,997	0.232	6,971
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	109,215	30.710	\$ 3,353,984

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

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

Year ended December 31, 2023			
Exchange gain (loss)			
Foreign currency amount (in thousands)	Exchange rate		Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	-	30.705	(\$ 76,455)
JPY:NTD	-	0.217	2,716
USD : VND (Note)	-	30,705	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	-	30.705	\$ 57,992
Year ended December 31, 2022			
Exchange gain (loss)			
Foreign currency amount (in thousands)	Exchange rate		Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	-	30.710	(\$ 71,403)
JPY:NTD	-	0.232	2,578
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	-	30.710	\$ 35,059

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

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

		Year ended December 31, 2023		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 26,355	\$ -
	JPY:NTD	1%	1,294	-
	USD : VND (Note)	1%	3,900	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 16,848	\$ -
		Year ended December 31, 2022		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 49,651	\$ -
	JPY:NTD	1%	342	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 33,540	\$ -

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

Price risk

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

Cash flow and fair value interest rate risk

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

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. According to the Group's credit policy, the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Credit risk arises from cash and cash equivalents, derivative financial instruments, notes receivable and other receivables as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only the parties with excellent credit ratings are accepted.
- iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group classifies customer's accounts receivable in accordance with credit rating of customer and historical information of default. The Company applies loss rate methodology to estimate expected credit loss.
- vi. The Group takes into account the forecasts of the Basel Committee on Banking Supervision to adjust the lost ratio based on the historical and real-time information to assess the allowance for losses on accounts receivable (including related parties) as of December 31, 2023 and 2022.

	Not past due	30 days	31-60 days	61-90 days	91-180 days	Over 181 days	Total
<u>December 31, 2023</u>							
Expected loss rate	0.03%	0.03%	10%	30%	50%	100%	
Total book value	\$ 1,776,909	\$ 33,285	\$ 2,089	\$ 5	\$ -	\$ 79	\$ 1,812,367
Loss allowance	\$ -	\$ -	\$ 190	\$ -	\$ -	\$ 79	\$ 269
<u>December 31, 2022</u>							
Expected loss rate	0.03%	0.03%	10%	30%	50%	100%	
Total book value	\$ 2,923,899	\$ 35,812	\$ 12	\$ 137	\$ 170	\$ 84	\$ 2,960,114
Loss allowance	\$ -	\$ -	\$ -	\$ 69	\$ -	\$ 84	\$ 153

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

	2023	2022
	Accounts receivable	Accounts receivable
At January 1	\$ 153	\$ 22
Provision for impairment loss	107	111
Effect of exchange rate changes	9	20
At December 31	<u>\$ 269</u>	<u>\$ 153</u>

(c) Liquidity risk

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

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2023				
Short-term borrowings	\$ 1,607,075	\$ -	\$ -	\$ -
Notes payable	2,681	-	-	-
Accounts payable	3,082,714	-	-	-
Other payables (including related parties)	1,484,178	-	-	-
Lease liabilities	101,826	89,514	128,629	-
Other non-current liabilities	94	90	-	-

Non-derivative financial liabilities:

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

(3) Fair value estimation

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information:

- A. Loan to others: None.
- B. Provisions of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: Please refer to table 1.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 2.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: Please refer to table 4.

(2) Information on investments

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

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Please refer to table 6.

14. SEGMENT INFORMATION

(5) General information

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

(6) Assessment of segment information

The operational performance evaluation of each segment is based on operating revenue and income (not including administrative expense). All the operating segments consistently apply uniform accounting policies as described in Note 4, “Summary of significant accounting policies”. The interdepartmental sales are in accordance with the fair value principle. Revenues from external customers provided to the chief operating decision-maker are measured in a manner consistent with that used for the income statement. The Group’s segment information for 2023 and 2022 is stated below:

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

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

(7) Reconciliation for segment income (loss)

The Group’s segments’ operating income reported to the chief operating decision-maker is measured in a manner consistent with the revenue and expenses in the statement of comprehensive income. The Group did not provide the chief operating decision-maker with the amount of total assets and liabilities for decision-making purposes. A reconciliation of reportable segment income or loss and income from continuing operations before income tax for 2023 and 2022 is provided as follows:

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

(8) Revenue information by products

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

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

(9) Information by region

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

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

(10) Information on important customers

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

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

SENAO NETWORKS INC. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital
For the Year Ended December 31, 2023

Table 1

Buyer/Seller	Type and name of securities held	Account	Trading counterparty	Relationship with the counterparty	Beginning of the period		Buy		Sell (Note 3)		End of the period		
					Number of shares	Amount	Number of shares (Note 1)	Amount (Note 1)	Number of shares	Selling price	Book cost	Disposal gain or loss	Number of shares
The Company	EnRack Technology Inc.	Investment using the equity method	EnRack Technology Inc.	Subsidiary	5,000,000	\$ 108,808	19,900,000	\$ 154,549	-	-	-	24,900,000	\$ 263,357
The Company	Senao Networks Vietnam Co., Ltd.	Investment using the equity method	Senao Networks Vietnam Co., Ltd.	Subsidiary	-	-	(Note 1) -	(Note 2) 559,294	-	-	-	-	559,294
							(Note 3) -	(Note 4) -					(Note 3) -

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

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

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

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

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

Table 2

Expressed in thousands of NTD
 (except as otherwise indicated)

The information on the previous transfer if a transaction
 counterparty is a related party

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

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

SENAO NETWORKS INC. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the Year Ended December 31, 2023

Table 3

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

Note 1: Sales prices are based on the sales volume. The collection term is net 60 days after the end of each month.
 Note 2: Sales prices are based on the sales volume. The collection term is net 90 days after the end of each month.
 Note 3: The transactions were eliminated when preparing the consolidated financial statements.

SENAO NETWORKS INC. AND SUBSIDIARIES

The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them.
For the Year Ended December 31, 2023

Table 4

Expressed in thousands of NTTD
(except as otherwise indicated)

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

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

(1) Parent company is "0"

(2) The subsidiaries are numbered in order starting from "1"

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Note 4: The discounts on the sales were offered depending on the sales volume. The credit terms were approximately the same with third parties, which is 60 days from the first day of the month following the month of sales. Among them, the sales by the Company and Emplus Technologies, Inc. to EnGenius Technologies, Inc. and Networks Singapore Pte. Ltd. through EnGenius Networks Inc. were recorded as income on a net basis.

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

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

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

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

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

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

SENAO NETWORKS INC. AND SUBSIDIARIES

Information on investees

For the Year Ended December 31, 2023

Table 5

Name of investor	Investee	Location	Main business activities	Initial investment amount (Note 1)			Holding at the end of the period			Income or loss on investees for this period	Investment income or loss recognized for this period (Note 2)	Remarks (Note 4)
				December 31, 2023	December 31, 2022	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
Senao Networks Inc.	EnGenius Technologies, Inc.	USA	Sales of communication products	\$ 61,410	\$ 61,410	\$	60,000	100.00	\$ 97,359	\$ 28,925	(\$ 28,625)	
Senao Networks Inc.	EnRaack Technology Inc.	Taiwan	Sales of communication products and Sales of manufactured stamping component	194,000	50,000		24,900,000	100.00	263,357	11,308	10,549	
Senao Networks Inc.	Emplus Technologies, Inc.	Taiwan	Research and development, manufacture and sales of communication products	84,249	84,249		6,490,800	50.99	247,064	210,977	108,183	
Senao Networks Inc.	EnGenius International (Samoa) Ltd.	Samoa	Investment holdings	183,923	183,923		1,832,289	100.00	43,353	1,295	1,566	
Senao Networks Inc.	EnGenius Technologies Canada Inc.	Canada	Sales of communication products	4,209	4,209		100	100.00	13,554	(1,311)	(1,311)	
Senao Networks Inc.	EnGenius Networks Inc.	Taiwan	Sales of communication products	60,000	500		6,000,000	100.00	61,949	6,761	3,993	
Senao Networks Inc.	EnGenius Networks Japan	Japan	Sales of communication products	6,516	6,516		3,000	100.00	6,340	(180)	(180)	
Senao Networks Inc.	Senao Networks Vietnam Co., Ltd.	Vietnam	Manufacture and sales of communication products	614,100	-		-	100.00	559,294	(1,664)	(1,664)	
Senao Networks Inc.	Senao Networks Private Ltd.	India	Sales of communication products	6,180	-		1,640,000	100.00	6,000	(4)	(4)	
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Singapore	Sales of communication products	182,695	182,695		1,792,289	100.00	55,219	1,409	1,409	
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Netherlands	Sales of communication products	62,266	62,266		210,000	100.00	12,893	(3,031)	(3,031)	
EnGenius Networks Inc.	EnGenius Networks Private Ltd.	India	Sales of communication products	27,818	-		7,400,000	100.00	27,087	(4)	(4)	

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

Note 2: Regarding "Investment income (loss) recognized by the Company for this period," please only enter the income or loss on each direct subsidiary recognized by the Company and each investee valued using the equity method. Regarding the "income or loss on each direct subsidiary recognized by the Company for this period", it should be confirmed that the amount of income or loss on each direct subsidiary for this period has included its investment income or loss that should be recognized in accordance with the regulations on its investment.

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

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

SENAO NETWORKS INC. AND SUBSIDIARIES
Major shareholders information
December 31, 2023

Table 6

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

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- 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 Observers' special meeting (no need buy-to-cover short sales) to calculate the distribution of the balance of each unsecured transaction.
- 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.

INDEPENDENT AUDITORS' REPORT
(24) PWCR 23003337

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

Opinion

We have reviewed the parent company only balance sheets of Senao Networks Inc. (the "Company") for the years ended December 31, 2023 and 2022 and the relevant parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the Company's parent company only financial position as of December 31, 2023 and 2022 and for the years then ended, and its parent company only financial performance and parent company only cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

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

Key audit matters

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

The key audit matters of the Company's parent company only financial statements for the year ended December 31, 2023, are stated as follows:

Inventory valuation

Description

Refer to Note 4(9) to the parent company only financial statements for the accounting policy on inventory valuation; Note 5 to the parent company only financial statements for the significant accounting estimates and assumptions adopted for inventory valuation; Note 6(3) to the parent company only financial statements for the details of inventories.

The Company mainly engages in the R&D, design, manufacturing, and sales of wireless communication products. Due to the rapid changes in technology, the short life cycle of electronic products, and outdated products, the risk of inventory backlog is relatively high. The Company's inventories are measured at the lower of cost or the net realizable value. As for excess and individually recognized as obsolete inventories, the net realizable value is determined based on the historical data of the inventory clearance individually identified by the management. As the Company's inventory amounts are material, inventory items are voluminous, and the accounting estimates are subject to the management's judgment, we listed this as one of the key audit matters.

How our audit addressed the matter

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

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

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

Authenticity of sales of goods

Description

Please refer to Note 4(22) to the parent company only financial statements for the accounting policy on revenue recognition; please refer to Note 6(16) to the parent company only financial statements for the details of revenue.

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

How our audit addressed the matter

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

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

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

Responsibilities of the management and the governing bodies for the parent company only financial statements

The management team's responsibilities are to prepare the parent company only financial statements with fair presentation and maintain necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

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

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

Auditor's responsibilities for the audit of the parent company only financial statements

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

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

1. Identified and assessed the risks of material misstatement arising from fraud or error within the parent company only financial statements; designed and executed countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
2. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately present the relevant transactions and events.
6. Obtained sufficient and appropriate audit evidence concerning the financial information of entities within the Company, to express an opinion on the parent company only financial statements. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion about the Company.

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

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

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

Pei-Chuan Huang

Pan, Hui-Lin

For and on behalf of PricewaterhouseCoopers, Taiwan

February 27, 2024

The accompanying parent company only 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 parent company only 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.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,491,653	14	\$ 3,077,201	26
1170	Accounts receivable, net	6(2)	1,542,305	14	2,532,687	21
1180	Accounts receivable -related parties, net	7	67,463	1	161,207	1
1200	Other receivables		222,616	2	178,481	1
1210	Other receivables - related parties	7	3,565	-	4,610	-
130X	Inventory	6(3)	2,723,004	25	2,650,806	22
1410	Prepayments		22,889	-	8,022	-
11XX	Total current assets		<u>6,073,495</u>	<u>56</u>	<u>8,613,014</u>	<u>71</u>
Non-current assets						
1550	Investment using the equity method	6(4)	1,298,270	12	620,177	5
1600	Property, plant and equipment	6(5)	3,075,727	28	2,439,196	21
1755	Right-of-use assets	6(6) and 7	145,846	2	224,736	2
1780	Intangible assets		43,833	-	6,642	-
1840	Deferred income tax assets	6(23)	104,417	1	84,263	1
1900	Other non-current assets	6(7)	14,256	1	17,732	-
15XX	Total non-current assets		<u>4,682,349</u>	<u>44</u>	<u>3,392,746</u>	<u>29</u>
1XXX	Total assets		<u>\$ 10,755,844</u>	<u>100</u>	<u>\$ 12,005,760</u>	<u>100</u>

(Continued)

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

Liabilities and Equity		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(8)	\$ 1,582,000	15	\$ 1,182,000	10
2130	Current contract liabilities	6(16)	72,497	1	105,161	1
2150	Notes payable		2,084	-	2,034	-
2170	Accounts payable		2,693,942	25	4,685,938	39
2180	Accounts payable - related parties	7	38,199	-	46,889	-
2200	Other payables	6(9)	1,203,845	11	1,152,024	10
2220	Other payables - related parties	7	496	-	523	-
2230	Current income tax liabilities		88,630	1	171,679	1
2250	Current provisions	6(11)	7,596	-	37,408	-
2280	Current lease liabilities	7	49,536	-	77,000	1
2300	Other current liabilities	6(12)	278,667	3	260,510	2
21XX	Total current liabilities		<u>6,017,492</u>	<u>56</u>	<u>7,721,166</u>	<u>64</u>
Non-current liabilities						
2527	Non-current contract liabilities	6(16)	6,738	-	2,194	-
2580	Non-current lease liabilities	7	97,316	1	147,146	1
2600	Other non-current liabilities	6(10)	5,168	-	4,612	-
25XX	Total non-current liabilities		<u>109,222</u>	<u>1</u>	<u>153,952</u>	<u>1</u>
2XXX	Total liabilities		<u>6,126,714</u>	<u>57</u>	<u>7,875,118</u>	<u>65</u>
Equity						
Share capital		6(13)				
3110	Share capital - common stock		490,609	5	490,609	4
Capital surplus		6(14)				
3200	Capital surplus		703,127	7	703,127	6
Retained earnings		6(15)				
3310	Legal reserve		660,541	6	553,614	5
3320	Special reserve		5,152	-	24,848	-
3350	Unappropriated retained earnings		2,858,395	26	2,363,596	20
Other equity interest						
3400	Other equity interest		(88,694)	(1)	(5,152)	-
3XXX	Total equity		<u>4,629,130</u>	<u>43</u>	<u>4,130,642</u>	<u>35</u>
3X2X	Total liabilities and equity		<u>\$ 10,755,844</u>	<u>100</u>	<u>\$ 12,005,760</u>	<u>100</u>

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

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

Items	Notes	Year ended December 31				
		2023		2022		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenues	6(16) and 7	\$ 14,393,754	100	\$ 13,493,307	100
5000	Operating costs	6(3)(22) and 7	(12,482,153)	(87)	(11,461,976)	(85)
5900	Net operating margin		1,911,601	13	2,031,331	15
5910	Unrealized gain from sales	6(4)	(58,610)	-	(63,299)	-
5920	Realized gain from sales	6(4)	63,299	-	32,143	-
5950	Net operating margin		1,916,290	13	2,000,175	15
	Operating expenses	6(22)				
6100	Selling expenses		(260,277)	(2)	(206,826)	(2)
6200	General and administrative expenses		(322,907)	(2)	(377,098)	(3)
6300	Research and development expenses		(667,330)	(5)	(627,484)	(5)
6000	Total operating expenses		(1,250,514)	(9)	(1,211,408)	(10)
6500	Net other income (expenses)	6(17)	63,355	1	20,833	-
6900	Operating profit		729,131	5	809,600	5
	Non-operating income and expenses					
7100	Interest income	6(18)	56,236	1	16,933	-
7010	Other income	6(19) and 7	32,993	-	36,218	-
7020	Other gains and losses	6(20)	29,753	-	56,623	-
7050	Finance costs	6(21) and 7	(14,259)	-	(4,812)	-
7070	Share of profit or loss on subsidiaries, affiliates, and joint ventures accounted for using equity method	6(4)	92,507	1	281,845	2
7000	Total non-operating income and expenses		197,230	2	386,807	2
7900	Profit before income tax		926,361	7	1,196,407	7
7950	Income tax expense	6(23)	(97,988)	(1)	(131,557)	(1)
8200	Profit for the period		\$ 828,373	6	\$ 1,064,850	6
	Other comprehensive income					
	Items not reclassified to profit or loss					
8311	Remeasurement of defined benefit plans	6(10)	(\$ 1,299)	-	\$ 5,525	-
8349	Income tax related to items not reclassified	6(23)	260	-	(1,105)	-
8310	Total amount of items not reclassified to profit or loss		(1,039)	-	4,420	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(83,542)	(1)	19,696	-
8300	Other comprehensive income, net		(\$ 84,581)	(1)	\$ 24,116	-
8500	Total comprehensive income for the period		\$ 743,792	5	\$ 1,088,966	6
	Basic earnings per share	6(24)				
9750	Basic earnings per share		\$ 16.88		\$ 21.70	
	Diluted earnings per share	6(24)				
9850	Diluted earnings per share		\$ 16.75		\$ 21.44	

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

SENAO NETWORKS INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital surplus				Retained earnings			Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total
		Share capital - common stock	Additional paid-in capital	Others	Legal reserve	Special reserve					
2022											
		\$ 490,609	\$ 702,817	\$ 310	\$ 508,132	\$ 20,729	\$ 1,491,109	\$ 24,848	\$ 3,188,858		
		-	-	-	-	-	1,064,850	-	1,064,850		
		-	-	-	-	-	4,420	19,696	24,116		
		-	-	-	-	-	1,069,270	19,696	1,088,966		
		-	-	-	-	-	(45,482)	-	-		
	6(15)	-	-	-	45,482	-	(45,482)	-	-		
		-	-	-	-	4,119	(4,119)	-	-		
		-	-	-	-	-	(147,182)	-	(147,182)		
		\$ 490,609	\$ 702,817	\$ 310	\$ 553,614	\$ 24,848	\$ 2,363,596	\$ 5,152	\$ 4,130,642		
2023											
		\$ 490,609	\$ 702,817	\$ 310	\$ 553,614	\$ 24,848	\$ 2,363,596	\$ 5,152	\$ 4,130,642		
		-	-	-	-	-	828,373	-	828,373		
		-	-	-	-	-	(1,039)	(83,542)	(84,581)		
		-	-	-	-	-	827,334	(83,542)	743,792		
		-	-	-	-	-	(106,927)	-	-		
	6(15)	-	-	-	106,927	(19,696)	(106,927)	-	-		
		-	-	-	-	-	19,696	-	-		
		-	-	-	-	-	(245,304)	-	(245,304)		
		\$ 490,609	\$ 702,817	\$ 310	\$ 660,541	\$ 5,152	\$ 2,858,395	\$ 88,694	\$ 4,629,130		

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

SENAO NETWORKS INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 926,361	\$ 1,196,407
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(22)	201,456	170,670
Amortization	6(22)	6,942	9,113
Interest income	6(18)	(56,236)	(16,933)
Interest expense	6(21)	14,259	4,812
Share of profit or loss on investments accounted for using equity method	6(4)	(92,507)	(281,845)
Net unrealized gain on affiliates	6(4)	(4,689)	31,156
Losses on disposal of property, plant and equipment	6(20)	167	49
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		990,382	(1,383,983)
Accounts receivable -related parties, net		93,744	(66,113)
Other receivables		(44,784)	(78,660)
Other receivables - related parties		1,045	(2,503)
Inventory		(72,198)	(854,762)
Prepayments		(14,867)	(532)
Changes in operating liabilities			
Contract liabilities		(28,120)	(14,663)
Notes payable		50	(599)
Accounts payable		(1,991,996)	2,400,370
Accounts payable - related parties		(8,690)	22,733
Other payables		39,544	505,041
Other payables - related parties		272	(357)
Current provisions		(29,812)	15,090
Other current liabilities		18,157	133,968
Other non-current liabilities		(743)	(658)
Cash inflow (outflow) generated from operations		(52,263)	1,787,801
Interest received		56,885	16,260
Interest paid		(14,745)	(3,381)
Income tax paid		(200,931)	(67,675)
Dividend received	6(4)	188,233	64,908
Net cash flow generated from (used in) operating activities		(22,821)	1,797,913

(Continued)

SENAO NETWORKS INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments using the equity method	6(4)	(\$ 852,672)	(\$ 7,124)
Acquisition of property, plant and equipment (including capitalized interest)	6(25)	(739,836)	(626,337)
Proceeds from disposal of property, plant and equipment		414	-
Acquisition of intangible assets		(44,133)	(2,467)
Decrease (increase) in guarantee deposits paid		42	(978)
Net cash flows used in investing activities		(1,636,185)	(636,906)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(26)	400,000	1,182,000
Lease payments	6(6)(26)	(81,238)	(77,091)
Payment of cash dividends	6(15)	(245,304)	(147,182)
Net cash generated from financing activities		73,458	957,727
Increase (decrease) in cash and cash equivalents		(1,585,548)	2,118,734
Cash and cash equivalents at beginning of period		3,077,201	958,467
Cash and cash equivalents at end of period		<u>\$ 1,491,653</u>	<u>\$ 3,077,201</u>

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

SENAO NETWORKS INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, “Disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendments to IAS 12, “Deferred tax related to assets and liabilities arising from a single transaction”	January 1, 2023
Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”	May 23, 2023

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by International Accounting Standards Board
IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Initial application of IFRS 17 and IFRS 9 - comparative information”	January 1, 2023
Amendments to IAS 21, “Lack of exchangeability”	January 1, 2025

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies used in the preparation of the parent company only financial statements are described below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(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 parent company only 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 (collectively referred herein as the “IFRSs”) as endorsed and issued into effect by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.
- (3) Foreign currency exchange
- A. The items listed in the Company’s financial statements are measured in the currency used in the main economic environment in which the Company operates, New Taiwan dollar (NTD), i.e. functional currency. The parent company only financial statements are presented in the Company’s functional currency, the NTD.
- B. Foreign currency transactions and balances
- (a) Foreign currency transactions are translated into the functional currency at the rates prevailing of exchange at the transaction date or measurement date, and the exchange difference arising from the translation of such transactions are recognized as the current profit or loss.
- (b) The balance of foreign currency monetary assets and liabilities shall be and adjusted as per the rates of exchange prevailing at the balance sheet date, and the exchange difference arising from the adjustment is recognized as the current profit or loss.
- (c) The balance of foreign currency non-monetary assets and liabilities is measured at fair value through profit and loss, and is adjusted based on the spot exchange rate at the balance sheet date. The translation difference arising from the adjustment is recognized in current profit and loss. For measurement at fair value through other comprehensive income, it is adjusted based on the spot exchange rate at the balance sheet date, and the translation difference arising from the adjustment is recognized in other comprehensive income. If it is not measured by fair value, it is measured at the historical exchange rate at the initial transaction date.
- (d) All exchange gains and losses are presented in the “Other gains and losses” in the statement of comprehensive income.
- C. Translation of foreign operations
- For all entities whose functional currencies are different from the expression one, their business results and financial position are translated into the expression currency in the following methods:
- (a) The assets and liabilities presented at each balance sheet are translated at the closing exchange rate at the balance sheet date;
- (b) The income and expenses presented in each statement of comprehensive income are translated at the average exchange rate of the current period; and
- (c) All exchange differences arising from translation are recognized in other comprehensive income.
- (4) Criteria for classification of current and non-current assets and liabilities
- A. Assets that meet one of the following criteria are classified as current assets:

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

The Company classifies all assets that do not meet the criteria above as non-current.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

- (a) Liabilities expected to be settled in the ordinary course of business.
- (b) Liabilities held primarily for the purpose of trading.
- (c) Liabilities expected to be settled within 12 months after the balance sheet date.
- (d) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

The Company classifies all liabilities that do not meet the criteria above as non-current.

(5) Cash equivalents

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

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

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

(6) Accounts receivable

- A. It refers to the receivables that have been unconditionally received in exchange for the right to the amount of consideration for the delivery of goods or services as agreed in the contract. A receivable is recognized when the goods are delivered because only the passage of time is required before the payment is due.
- B. The non-interest-bearing short-term accounts and notes receivable is barely affected by discounting, so the Company measures them based on the original invoice amount.

(7) Impairment of financial assets

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

(8) Derecognition of financial assets

When the Company's contractual right to receive cash flows from financial assets has expired, said financial assets will be derecognized.

(9) Inventory

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

(10) Investment under the equity method - subsidiaries

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed or entitled to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains and losses between the Company and its subsidiaries have been eliminated. Subsidiaries' accounting policies are consistent with that adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. If the Company's share of loss on a subsidiary that is recognized equals or exceeds its equity in the subsidiary, the Company continues to recognize the loss based on its shareholding percentage.
- D. In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the current profit or loss and other comprehensive income in the parent company only financial statements shall be the same as those attributable to the owners of the parent company in the financial statements prepared on a consolidated basis. The owners' equity in the parent company only financial statements shall be the same as the equity attributable to owners of the parent company in the financial statements prepared on a consolidated basis.

(11) Property, plant and equipment

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

Buildings	5-50 years
Machinery and equipment	5-10 years
Molding equipment	2 years
Transportation equipment	4 years
Office equipment	5 years
Other equipment	5 years
Leasehold improvements	2-5 years

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

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

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

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

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

(13) Intangible assets

Computer software is recognized at acquisition cost and amortized over the estimated useful lives of 2-5 years using the straight-line method.

(14) Impairment of non-financial assets

The Company estimates the recoverable amount of assets with signs of impairment at the balance sheet date. When the recoverable amount is lower than its carrying amount, it is recognized in impairment loss. The recoverable amount refers to the fair value of an asset less the cost of disposal or its value in use, whichever is higher. When there is no impairment or reduced impairment in an asset recognized in prior years, the impairment loss shall be reversed, but the increased portion of the carrying amount of the asset due to the reversal of the

impairment loss shall not exceed the carrying amount of the asset less depreciation or amortization without impairment loss recognized.

(15) Borrowings

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

(16) Accounts and notes payable

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

(17) Derecognition of the financial liabilities

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

(18) Provisions

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

(19) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

ii. The remeasurement from the defined benefit plan is recognized in other

comprehensive income in the period, in which it occurs, and presented in retained earnings.

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

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

(20) Income tax

- A. The tax expense for the period comprises current and deferred tax. Except for income tax related to items included in other comprehensive income or directly included in equity recognized in comprehensive income or in equity directly, income tax is recognized in profit and/or loss.
- B. The Company calculates current income tax based on the tax rates that have been enacted or substantively enacted at the balance sheet date. The management regularly evaluates the status of income tax filings with respect to applicable income tax regulations and, where applicable, estimates the income tax liabilities based on the expected taxes to be paid to the taxation authority. A surtax is imposed on the undistributed earnings in accordance with the Income Tax Act. In the year following the year in which the earnings are generated, after the shareholders' meeting has passed the earnings distribution proposal, the income tax expense on the undistributed earnings will be recognized based on the earnings actually distributed.
- C. Deferred tax is recognized, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. With temporary differences caused by the investment in subsidiaries, if the Company can control the timing of the reversal of the temporary differences, and it is probable that temporary differences will not be reversed in the foreseeable future, the liabilities will not be recognized. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the relevant deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

(21) Dividend distribution

Dividends are recognized in the Company's financial statements in the period in which they are approved to be distributed as resolved by the Company's shareholders' meeting. Cash dividends are recognized as liabilities.

(22) Recognition of revenue

A. Sales of goods

- (a) The Company manufactures and sells networking and communications products. Sales revenue represents the fair value of the consideration received or receivable from the sales of goods to clients outside the Company in the normal course of

business, presented in a net amount after business tax, sales returns, quantity discounts, and discounts are deducted. Sales revenue is recognized when the control of products is transferred to customers, that is, when products are delivered to the buyer and the buyer has discretion over the distribution channels and price of products sold, and the Company has no outstanding performance obligations that may affect the wholesaler's acceptance of the products. When a product is delivered to the designated location, the risk of obsolescence and loss has been transferred to a wholesaler, and the wholesaler accepts the product as per the sales contract, or when objective evidence show that all criteria for acceptance have been met, the product has been delivered.

- (b) The Company provides standard warranties for the products sold and recognizes an amount in provisions when goods are sold.
 - (c) The Company provides a discount for the products sold and estimates the possible product discounts based on historical experience and the sales of such products and recognizes an amount in sales refund liabilities when goods are sold.
 - (d) If a consideration has been received (or can be received) from a customer but the goods have not been transferred, the consideration is recognized in contract liabilities.
- B. Sales of service

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

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

When preparing the parent company only financial statements, no critical judgment was involved when accounting policies were adopted. The management team has made critical estimates and assumptions concerning future events based on the situation at the balance sheet date. If there is any difference between any critical accounting estimates and assumption made and actual results, assessment and adjustment will be conducted continuously by taking into account the historical experience and other factors. Such assumptions and estimates have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year. Critical accounting estimates are mainly made for inventory valuation. The information is addressed below:

The Company's inventories are measured at the lower of cost or 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 Company's inventory amounts are material, inventory items are voluminous and the accounting estimates are subject to management's judgment.

As of December 31, 2023, the carrying amount of the Company's inventories was \$2,723,004.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Checking accounts and demand deposits	\$ 494,538	\$ 207,498
Time deposits	997,115	2,869,703
Total	<u>\$ 1,491,653</u>	<u>\$ 3,077,201</u>

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

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

(2) Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 1,542,305	\$ 2,532,687
Less: Allowance for bad debts	-	-
	<u>\$ 1,542,305</u>	<u>\$ 2,532,687</u>

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

	December 31, 2023	December 31, 2022
Not past due	\$ 1,533,987	\$ 2,513,644
Up to 30 days	8,318	19,043
Over 30 days	-	-
	<u>\$ 1,542,305</u>	<u>\$ 2,532,687</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2023, December 31, 2022, and January 1, 2022, the balances of receivables from contracts with customers amounted to \$1,542,305, \$2,532,687, and \$1,148,704, respectively.

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

D. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable was \$1,542,305 and \$2,532,687, respectively.

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

(3) Inventory

	December 31, 2023	December 31, 2022
	Book value	Book value
Raw materials	\$ 1,571,150	\$ 1,570,623
Work in progress	544,741	757,475
Finished goods	607,113	322,708
Total	<u>\$ 2,723,004</u>	<u>\$ 2,650,806</u>

The cost of inventories recognized as expense for the years ended December 31, 2022 and 2021 were \$12,458,021 and \$11,436,318, including \$48,801 and \$112,027, respectively, that the Company wrote down from cost to net realizable value which was accounted for as cost of goods sold during 2023 and 2022.

(4) Investment using the equity method

A. The investments by the Company using the equity method are in subsidiaries; the details are as follows:

Investee	December 31, 2023	December 31, 2022
Emplus Technologies, Inc.	\$ 247,064	\$ 327,115
EnRack Technology Inc.	263,357	108,808
EnGenius Networks Inc.	61,949	497
EnGenius Technologies, Inc.	97,359	128,241
Senao Networks Vietnam Co., Ltd.	559,294	-
Others	69,247	55,516
Total	<u>\$ 1,298,270</u>	<u>\$ 620,177</u>

B. The share of profit or loss on subsidiaries recognized using the equity method is as follows:

Investee	Years ended December 31	
	2023	2022
Emplus Technologies, Inc.	\$ 108,183	\$ 191,752
EnRack Technology Inc.	10,549	38,493
EnGenius Networks Inc.	3,993 (2)
EnGenius Technologies, Inc.	(28,625)	16,998
Senao Networks Vietnam Co., Ltd.	(1,664)	-
Others	71	34,604
Total	<u>\$ 92,507</u>	<u>\$ 281,845</u>

C. Please refer to Note 4(3) to the Company's 2023 and 2022 consolidated financial statements for the information on the Company's subsidiaries.

D. In 2023, the Company increased the cash capital of its subsidiaries, EnRack Technology Inc. and EnGenius Networks Inc., by \$144,000 and \$59,500, respectively.

E. The Company established a subsidiary in India, Senao Networks Private Ltd., and a subsidiary in Vietnam, Senao Networks Vietnam Co., Ltd., in August and September 2023, respectively, with investment costs of \$6,483 and \$642,689, respectively.

F. The unrealized gross margin from downstream transactions eliminated as required for 2023 and 2022 was \$58,610 and \$63,299, respectively. Said amounts have been written off and debited into "Investment using the equity method".

G. The Company received cash dividends for investment using the equity method for 2023 and 2022 were \$188,233 and \$64,908, respectively.

(5) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Molding equipment	Office equipment	Other equipment	Leasehold improvements	Unfinished construction and equipment acceptance	Total
At January 1, 2023									
Cost	\$ 950,749	\$ -	\$ 921,427	\$ 141,996	\$ 60,494	\$ 28,995	\$ 60,040	\$ 1,012,359	\$ 3,176,060
Accumulated depreciation and impairment	-	(-)	(505,905)	(135,073)	(28,815)	(16,484)	(50,587)	-	(736,864)
	<u>\$ 950,749</u>	<u>\$ -</u>	<u>\$ 415,522</u>	<u>\$ 6,923</u>	<u>\$ 31,679</u>	<u>\$ 12,511</u>	<u>\$ 9,453</u>	<u>\$ 1,012,359</u>	<u>\$ 2,439,196</u>
2023									
At January 1	\$ 950,749	\$ -	\$ 415,522	\$ 6,923	\$ 31,679	\$ 12,511	\$ 9,453	\$ 1,012,359	\$ 2,439,196
Additions	-	7,271	327,220	4,349	46,885	36,498	10,114	323,397	755,734
Disposals	-	(-)	(423)	-	(25)	(133)	-	-	(581)
Transfer	-	53,539	-	-	1,649	4,717	(-)	59,905	-
Depreciation	(-)	(1,004)	(88,637)	(5,882)	(11,080)	(5,188)	(6,831)	-	(118,622)
At December 31	<u>\$ 950,749</u>	<u>\$ 59,806</u>	<u>\$ 653,682</u>	<u>\$ 5,390</u>	<u>\$ 69,108</u>	<u>\$ 48,405</u>	<u>\$ 12,736</u>	<u>\$ 1,275,851</u>	<u>\$ 3,075,727</u>
At December 31, 2023									
Cost	\$ 950,749	\$ 60,810	\$ 1,220,801	\$ 146,346	\$ 107,839	\$ 69,552	\$ 66,398	\$ 1,275,851	\$ 3,898,346
Accumulated depreciation and impairment	(-)	(1,004)	(567,119)	(140,956)	(38,731)	(21,147)	(53,662)	-	(822,619)
	<u>\$ 950,749</u>	<u>\$ 59,806</u>	<u>\$ 653,682</u>	<u>\$ 5,390</u>	<u>\$ 69,108</u>	<u>\$ 48,405</u>	<u>\$ 12,736</u>	<u>\$ 1,275,851</u>	<u>\$ 3,075,727</u>

	Land	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Other equipment	Leasehold improvements	Unfinished construction and equipment acceptance	Total
At January 1, 2022									
Cost	\$ 950,749	\$ 787,774	\$ 136,065	\$ 600	\$ 48,822	\$ 23,174	\$ 59,267	\$ 483,095	\$ 2,489,546
Accumulated depreciation and impairment	-	(439,163)	(127,727)	(600)	(33,156)	(14,040)	(46,820)	-	(661,506)
2022	\$ 950,749	\$ 348,611	\$ 8,338	\$ -	\$ 15,666	\$ 9,134	\$ 12,447	\$ 483,095	\$ 1,828,040
At January 1	\$ 950,749	\$ 348,611	\$ 8,338	\$ -	\$ 15,666	\$ 9,134	\$ 12,447	\$ 483,095	\$ 1,828,040
Additions	-	135,379	5,931	-	21,074	5,869	3,260	529,264	700,777
Disposals	-	(27)	-	-	(1)	(21)	-	-	(49)
Depreciation	-	(68,441)	(7,346)	-	(5,060)	(2,471)	(6,254)	-	(89,572)
At December 31	\$ 950,749	\$ 415,522	\$ 6,923	\$ -	\$ 31,679	\$ 12,511	\$ 9,453	\$ 1,012,359	\$ 2,439,196
At December 31, 2022									
Cost	\$ 950,749	\$ 921,427	\$ 141,996	\$ -	\$ 60,494	\$ 28,995	\$ 60,040	\$ 1,012,359	\$ 3,176,060
Accumulated depreciation and impairment	-	(505,905)	(135,073)	-	(28,815)	(16,484)	(50,587)	-	(736,864)
	\$ 950,749	\$ 415,522	\$ 6,923	\$ -	\$ 31,679	\$ 12,511	\$ 9,453	\$ 1,012,359	\$ 2,439,196

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

(6) Lease transactions- lessee

A. The Company leases various assets including plant buildings, offices, company vehicles, and multifunction printers. The lease terms usually range from one to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Except that the leased assets must not be used as collateral for loans, no restrictions are imposed.

B. The lease terms of some plants leased by the Company do not exceed 12 months.

C. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	Years ended December 31	
	2023	2022
	Book value	Book value
Buildings	\$ 141,779	\$ 223,242
Transportation equipment	2,133	1,165
Office equipment	1,636	329
Other equipment	298	-
	<u>\$ 145,846</u>	<u>\$ 224,736</u>

	Years ended December 31	
	2023	2022
	Depreciation	Depreciation
Buildings	\$ 81,463	\$ 79,432
Transportation equipment	1,089	1,279
Office equipment	204	387
Other equipment	78	-
	<u>\$ 82,834</u>	<u>\$ 81,098</u>

D. The additions to the Company's right-of-use assets during 2023 and 2022 were \$3,944 and \$185,196, respectively.

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

	Years ended December 31	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,678	\$ 2,463
Expense on short-term lease contracts	4,051	3,453
Expense on variable lease payments	7,053	3,402
Gain on sublease of right-of-use assets (Note)	17,010	15,205

Note: Recorded as "other income"; please refer to Note 6(18) and 7(3)F.

F. The Company's total cash outflow from lease contracts for 2023 and 2022 was \$95,020 and \$86,409, of which \$81,238 and \$77,091 were the principal of lease liabilities.

G. Variable lease payments

Some of the Company'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 Company 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) Other non-current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayment for equipment	\$ 6,200	\$ 9,634
Refundable deposits	8,056	8,098
	<u>\$ 14,256</u>	<u>\$ 17,732</u>

(8) Short-term borrowings

<u>Category of loan</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank borrowings	<u>\$ 1,582,000</u>	<u>\$ 1,182,000</u>
Interest rate	<u>1.91%~2.10%</u>	<u>1.73%~2.30%</u>

(9) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accrued salary expenses and bonus	\$ 723,024	\$ 677,194
Accrued employees' compensation and directors' and supervisors' remuneration	97,423	125,824
Construction retainage received	109,241	95,418
Accrued equipment	40,611	41,671
Others	233,546	211,917
	<u>\$ 1,203,845</u>	<u>\$ 1,152,024</u>

(10) Pensions

A. Defined benefit plan

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

reserve account at the end of each year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

- (b) Amounts recognized in balance sheet are as follows:

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

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2023			
Balance at January 1	\$ 41,422	(\$ 37,410)	\$ 4,012
Service cost in this period	-	-	-
Interest expense (income)	<u>526</u>	<u>(479)</u>	<u>47</u>
	<u>41,948</u>	<u>(37,889)</u>	<u>4,059</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(317)	(317)
Effect of change in demographic assumptions	42	-	42
Effect of change in financial assumptions	225	-	225
Experience adjustments	<u>1,349</u>	<u>-</u>	<u>1,349</u>
	<u>1,616</u>	<u>(317)</u>	<u>1,299</u>
Contribution to pension fund	-	(789)	(789)
Balance at December 31	<u>\$ 43,564</u>	<u>(\$ 38,995)</u>	<u>\$ 4,569</u>

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

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

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

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

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

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

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

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

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

B. Defined contribution plan

The Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs recognized by the Company in accordance with the above pension plan for 2023 and 2022 were \$68,916 and \$43,195, respectively.

(11) Provisions

	2023	2022
At January 1	\$ 37,408	\$ 22,318
Additional provisions (including those reversed) during this period	10,518	16,879
Used during this period	<u>(40,330)</u>	<u>(1,789)</u>
At December 31	<u>\$ 7,596</u>	<u>\$ 37,408</u>

The Company's provisions are related to the provisions for warranties of products sold, which are estimated based on past experience of the use of the warranties of the products. It is expected that the provisions will be used starting next year.

(12) Other current liabilities

	December 31, 2023	December 31, 2022
Collection of project development on behalf of others	\$ 272,580	\$ 256,420
Others	6,087	4,090
	<u>\$ 278,667</u>	<u>\$ 260,510</u>

(13) Share capital

- A. As of December 31, 2023, the Company's authorized capital was \$1.2 million, consisting of 49,061 thousand shares of common stock outstanding, with a par value of \$10 in dollars per share. There was no movement in the number of the Company's ordinary shares outstanding during 2023 and 2022.
- B. The application to the FSC for the issuance of 10,000 thousand ordinary shares filed by the Company to increase the capital in cash was effective upon the letter Jin-Guan-Zheng-Fa No. 1120365438 from the FSC dated January 3, 2024. However, the Company has not yet issued such shares as of February 27, 2024.

(14) 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.

(15) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the balance of legal reserve is equal to that of issued share capital. The balance after setting aside legal reserve and special reserve shall be combined with the remaining surplus at the beginning of the year and counted as unappropriated retained earnings. The method of distribution shall be proposed by the Board of Directors and presented to the shareholders for approval.
- B. The Company is currently in the growth stage. Based on capital expenditures and needs for branching out and completing financial plans to pursue sustainable development, the Company's dividend policy is in accordance with the future budget for capital expenditures and capital needs. Cash dividends and /or stock dividends are to be distributed to the shareholders. Total dividends distributed shall account for at least 10% of the distributable earnings for the current year. Cash dividends shall account for at least 5% of the total dividends distributed.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The 2022 and 2021 earnings distribution proposals, which were approved by the resolution of the shareholders' meetings on May 31, 2023 and June 17, 2022, respectively, are detailed below:

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

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

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

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

(16) Operating revenues

	Year ended December 31	
	2023	2022
Revenue from contracts with customers	<u>\$ 14,393,754</u>	<u>\$ 13,493,307</u>

A. Contract liabilities

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

	December 31, 2023	December 31, 2022	January 1, 2022
Current contract liabilities:			
Contract liabilities- sales of goods	\$ 64,006	\$ 102,022	\$ 122,018
Contract liabilities- providing services	<u>8,491</u>	<u>3,139</u>	<u>-</u>
Sub-total	72,497	105,161	122,018
Non-current contract liabilities:			
Contract liabilities- providing services	<u>6,738</u>	<u>2,194</u>	<u>-</u>
Total	<u>\$ 79,235</u>	<u>\$ 107,355</u>	<u>\$ 122,018</u>

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

	Year ended December 31	
	2023	2022
Revenue from contracts with customers	<u>\$ 92,470</u>	<u>\$ 117,732</u>

B. Financing components

The Company does not expect to have many contracts where the time interval between the transfer of the committed goods 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 Company does not adjust any of the transaction prices for the time value of money.

(17) Net other income (expenses)

	Year ended December 31	
	2023	2022
Other income		
Project development income	<u>\$ 63,355</u>	<u>\$ 20,833</u>

(18) Interest income

	Year ended December 31	
	2023	2022
Interest on cash in banks	\$ 56,137	\$ 16,882
Other interest income	<u>99</u>	<u>51</u>
	<u>\$ 56,236</u>	<u>\$ 16,933</u>

(19) Other income

	Year ended December 31	
	2023	2022
Rent income	\$ 17,010	\$ 15,205
Other income	<u>15,983</u>	<u>21,013</u>
	<u>\$ 32,993</u>	<u>\$ 36,218</u>

(20) Other gains and losses

	Year ended December 31	
	2023	2022
Net foreign exchange gains	\$ 29,920	\$ 56,672
Losses on disposal of property, plant and equipment	(167)	(49)
	<u>\$ 29,753</u>	<u>\$ 56,623</u>

(21) Finance costs

	Year ended December 31	
	2023	2022
Interest expense	\$ 14,259	\$ 4,812

(22) Expenses by nature

	Year ended December 31	
	2023	2022
Wages and salaries	\$ 2,208,933	\$ 1,851,125
Labor and health insurance fees	154,280	97,829
Pension costs	68,963	43,301
Other personnel expenses	58,996	44,186
Employee benefit expense	<u>\$ 2,491,172</u>	<u>\$ 2,036,441</u>
Depreciation	<u>\$ 201,456</u>	<u>\$ 170,670</u>
Amortization	<u>\$ 6,942</u>	<u>\$ 9,113</u>

- A. According to the Articles of Incorporation, where the Company makes a profit for a fiscal year, it shall provide no fewer than 3% of the balance for employee remuneration and no higher than 3% for directors' and supervisors' remuneration. However, if the Company has accumulated deficit, the Company should cover accumulated losses first. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned employees' compensation may be specified in the Articles of Incorporation. Qualification requirements are set by the Board of Directors. Distribution of employees' compensation and directors' and supervisors' remuneration shall be reported to the stockholders during their meeting and distributed in the form of shares or in cash as resolved by the Board of Directors.
- B. The Company's estimated amounts of employees' compensation for 2023 and 2022 were \$82,041 and \$105,957, respectively; the estimated amounts of directors' and supervisors' remuneration for 2023 and 2022 were \$15,382 and \$19,867, respectively, and the foregoing amounts were accounted for under wages and salaries. Such amounts were estimated based on the profitability for 2023.

On February 27, 2024, the employees' compensation and directors' remuneration for 2023, amounting to \$82,041 and \$15,382, respectively, as resolved at the board meeting, were in alignment with those amounts recognized in the 2023 financial statements.

On February 24, 2023, the employees' compensation and directors' and supervisors' remuneration for 2022, amounting to \$105,957 and \$19,867, respectively, as resolved at the board meeting, were in alignment with those amounts recognized in the 2022 financial statements. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

	Year ended December 31	
	2023	2022
Current tax:		
Current tax on profit for the period	\$ 112,368	\$ 173,287
Prior year income tax underestimation	5,514	5,369
Total current tax	117,882	178,656
Deferred tax:		
Origination and reversal of temporary differences	(19,894)	(47,099)
Income tax expense	<u>\$ 97,988</u>	<u>\$ 131,557</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2023	2022
Income tax calculated based on net income before tax at the statutory tax rate	\$ 185,272	\$ 239,281
Expenses that should be excluded according to the tax law	2,409	1,953
Unrecognized deferred tax	6,044	(10,321)
Unrealized investment income from domestic companies recognized using the equity method	(24,546)	(46,048)
Dividends obtained from domestic investees	37,647	12,982
Income exempted from taxation according to the tax law	(37,647)	(13,148)
Prior year income tax underestimation	5,514	5,369
Effect of income tax with investment tax credit	(51,731)	(58,511)
Realized investment losses by subsidiaries	(25,636)	-
Effect of minimum tax of income tax	867	-
Others	(205)	-
Income tax expense	<u>\$ 97,988</u>	<u>\$ 131,557</u>

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

	2023				
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	At December 31
Temporary differences:					
- Deferred income tax assets:					
Unrealized gross margin between affiliates	\$ 12,660	(\$ 938)	\$ -	\$ -	\$ 11,722
Provisions for warranties	7,482	(5,963)	-	-	1,519
Compensation for unused annual leave	6,368	960	-	-	7,328
Unrealized gross margin with customs declaration filed	5,390	(2,041)	-	-	3,349
Allowance for inventory valuation and obsolescence losses	35,050	(977)	-	-	34,073
Unrealized exchange losses	6,374	(4,507)	-	-	1,867
Amount of unpaid expenses payable	10,137	33,508	-	-	43,645
Pension payable	802	(148)	260	-	914
Sub-total	<u>\$ 84,263</u>	<u>\$ 19,894</u>	<u>\$ 260</u>	<u>\$ -</u>	<u>\$ 104,417</u>
	2022				
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	At December 31
Temporary differences:					
- Deferred income tax assets:					
Unrealized gross margin between affiliates	\$ 6,429	\$ 6,231	\$ -	\$ -	\$ 12,660
Provisions for warranties	4,464	3,018	-	-	7,482
Compensation for unused annual leave	5,571	797	-	-	6,368
Unrealized gross margin with customs declaration filed	1,016	4,374	-	-	5,390
Allowance for inventory valuation and obsolescence losses	13,886	21,164	-	-	35,050
Unrealized exchange losses	-	6,374	-	-	6,374
Amount of unpaid expenses payable	5,851	4,286	-	-	10,137
Pension payable	2,039	(132)	(1,105)	-	802
	<u>\$ 39,256</u>	<u>\$ 46,112</u>	<u>(\$ 1,105)</u>	<u>\$ -</u>	<u>\$ 84,263</u>
- Deferred income tax liabilities:					
Unrealized exchange gains	\$ 987	(\$ 987)	\$ -	\$ -	\$ -

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

E. The income tax returns of the Company through 2021 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 828,373	49,061	\$ <u>16.88</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	389	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>828,373</u>	<u>49,450</u>	\$ <u>16.75</u>

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 1,064,850	49,061	\$ <u>21.70</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	607	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>1,064,850</u>	<u>49,668</u>	\$ <u>21.44</u>

(25) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31	
	2023	2022
Purchase of property, plant and equipment and \$ other non-current assets-transferred in property, plant and equipment	755,734	\$ 700,777
Less: Ending balance of payable on equipment (40,611)	(41,671)
Ending balance of other payables to related parties	-	(299)
Ending balance of construction retainage received (Note)	(109,241)	(95,418)
Opening balance of prepayments for equipment	(9,634)	-
Add: Opening balance of payable on equipment	41,671	7,994
Opening balance of other payables to related parties	299	-
Opening balance of construction retainage received (Note)	95,418	45,320
Ending balance of prepayments for equipment	6,200	9,634
Cash paid during the period for purchase of property, plant and equipment	<u>\$ 739,836</u>	<u>\$ 626,337</u>

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

(26) Changes in liabilities from financing activities

Under the amendments to IAS 7, “Disclosure initiative”, the changes during the years ended December 31, 2023 and 2022 are disclosed as follows:

	2023		
	Short-term borrowings	Lease liabilities	Liabilities from financing gross
At January 1	\$ 1,182,000	\$ 224,146	\$ 1,406,146
Changes in cash flow from financing activities	400,000	(81,238)	318,762
Changes in other non-cash items	-	3,944	3,944
At December 31	<u>\$ 1,582,000</u>	<u>\$ 146,852</u>	<u>\$ 1,728,852</u>
	2022		
	Short-term borrowings	Lease liabilities	Liabilities from financing gross
At January 1	\$ -	\$ 116,041	\$ 116,041
Changes in cash flow from financing activities	1,182,000	(77,091)	1,104,909
Changes in other non-cash items	-	185,196	185,196
At December 31	<u>\$ 1,182,000</u>	<u>\$ 224,146</u>	<u>\$ 1,406,146</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party:

As of December 31, 2023 and 2022, the Company 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 relations with the Company:

Name of related party	Relations with the Company
Senao International Co., Ltd. (SIC)	Entities with joint control or significant influence over the Company
EnGenius Technologies, Inc. (ETI)	Subsidiary
EnGenius International (Samoa) Ltd.	Subsidiary
EnGenius Networks Singapore Pte. Ltd. (ENSPL)	Subsidiary
EnGenius Networks Europe B.V.(ENEBV)	Subsidiary
EnRack Technology Inc. (EnRack)	Subsidiary
Emplus Technologies, Inc. (Emplus)	Subsidiary
EnGenius Technologies Canada Inc. (ETCI)	Subsidiary
EnGenius Networks Inc.	Subsidiary
EnGenius Networks Japan (ENJ)	Subsidiary
Senao Networks Vietnam Co., Ltd. (SVN)	Subsidiary
Senao Networks Private Ltd. (SIN)	Subsidiary
EnGenius Networks Private Ltd. (EIN)	Subsidiary

(3) Significant transactions between related party and the Company are as follows:

A. Sales of merchandise and services

	Year ended December 31	
	2023	2022
Merchandise sales:		
Subsidiaries	\$ 569,013	\$ 835,771
Sales of services		
Subsidiaries	8,418	2,203
	<u>\$ 577,431</u>	<u>\$ 837,974</u>

- (a) The above 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.
- (b) There are no other comparable transactions of the same type available for the processing, repair or maintenance, and cloud management services provided by the Company, and such services are handled based on the prices and conditions agreed in the contracts between both parties.

B. Purchases

	Year ended December 31	
	2023	2022
Subsidiary	<u>\$ 157,057</u>	<u>\$ 123,478</u>

The purchases from subsidiaries are based on the general commercial terms and conditions, the payment term for EnRack is net 90 days after the end of each month, and the payment term for Emplus is net 60 days after the end of each month.

C. Receivables from related parties

	December 31, 2023	December 31, 2022
Accounts receivable		
Subsidiary	<u>\$ 67,463</u>	<u>\$ 161,207</u>
Other receivables - payment on behalf of others		
Entities with joint control or significant influence over the Company	930	1,319
Subsidiary	<u>2,635</u>	<u>3,291</u>
	<u>3,565</u>	<u>4,610</u>
	<u>\$ 71,028</u>	<u>\$ 165,817</u>

Receivables from related parties mainly come from sales of merchandise and services and payments made on behalf of related parties. The receivables are unsecured and non-interest-bearing. No impairment loss was recognized for the receivables from related parties.

D. Payables to related parties

	December 31, 2023	December 31, 2022
Accounts payable		
Subsidiary	<u>\$ 38,199</u>	<u>\$ 46,889</u>
Other payables		
Entities with joint control or significant influence over the Company	126	-
Subsidiary	<u>370</u>	<u>523</u>
	<u>496</u>	<u>523</u>
	<u>\$ 38,695</u>	<u>\$ 47,412</u>

Other payables to related parties mainly come from equipment payable, rental expenses, and payments collected and made on behalf of related parties.

E. Property transactions

(a) Acquisition of property, plant and equipment

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

(b) Acquisition of investments using the equity method

2023				
Subsidiary	Account	Number of shares traded (in thousands)	Object of transaction	Acquisition price
-EnRack	Investment using the equity method	19,900	Stock	\$ 144,000
-EnGenius	"	5,950	Stock	59,500

2022: None.

F. Other income

(a) Lessor's lease transactions - operating lease

	Year ended December 31	
	2023	2022
Subsidiary		
-Emplus	\$ 12,180	\$ 11,607
-Others	72	39
	<u>\$ 12,252</u>	<u>\$ 11,646</u>

(b) Management services income

	Year ended December 31	
	2023	2022
Subsidiary	<u>\$ 2,544</u>	<u>\$ 1,467</u>

G. Lease transactions- lessee

- (a)
 - i. The Company has leased office buildings from SIC with a lease term from 2019 through 2024. The rent was negotiated and agreed by both parties in accordance with mutual and paid at the beginning of each month.
 - ii. The Company has leased office buildings from Emplus with a lease term from 2022 through 2027. The rent was negotiated and agreed by both parties in accordance with mutual and paid at the beginning of each month.

(b) Lease liabilities

i. Ending balance:

	December 31, 2023	December 31, 2022
Entities with joint control or significant influence over the Company	\$ 11,378	\$ 56,565
Subsidiary		
-Emplus	<u>6,372</u>	<u>8,057</u>
	<u>\$ 17,750</u>	<u>\$ 64,622</u>

The balances of above lease liabilities - current and non-current as at December 31, 2023 and 2022 were \$13,144, \$43,072, \$4,606, and \$21,550, respectively.

ii. Interest expense

	Year ended December 31	
	2023	2022
Entities with joint control or significant influence over the Company	\$ 399	\$ 931
Subsidiary		
-Emplus	<u>107</u>	<u>45</u>
	<u>\$ 506</u>	<u>\$ 976</u>

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

	Year ended December 31	
	2023	2022
Salaries and other short-term employee benefits	\$ 81,869	\$ 86,654
Post-employment benefits	<u>877</u>	<u>737</u>
	<u>\$ 82,746</u>	<u>\$ 87,391</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) The Company received an approval letter from the FSC on January 3, 2024 for a cash capital increase by issuing new shares. Please refer to Note 6(13) B. for details.

- (2) The proposals approved by the Board of Directors on February 27, 2024 are detailed below:
- A. Please refer to Note 6(15) F. for the 2023 earnings distribution proposal.
 - B. The Company renewed the lease terms of the current plant and office buildings from the related party, Senao International Co., Ltd., for another two years, starting from May 2024. The amount of the right-of-use assets estimated based on the monthly rental amount is approximately NT\$93,722 thousand.
 - C. A proposal for a private placement for a cash capital increase approved by the annual shareholders' meeting on May 31, 2023 will no longer be implemented during the remaining period because the issuance period is about to end and no qualified applicants have been selected.

12. OTHERS

(1) Capital risk management

The Company's objectives when managing capital are to maintain an optimal capital ratio to support the operations and to maximize the shareholders' equity. The Company 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 Company normally utilizes a meticulous risk management policy.

(2) Financial instruments

A. Financial instruments by category

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

B. Financial risk management policies

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

The Company 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, to achieve the optimal risk position, maintain an appropriate liquidity position, and centrally manage all market risks.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company 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 Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		December 31, 2023		
		Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	USD	72,250	30.705 \$ 2,218,422
	JPY:NTD	JPY	595,802	0.217 129,408
<u>Non-monetary items</u>				
	USD:NTD	USD	3,171	30.705 97,359
	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	16,388	0.366 6,000
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	USD	49,250	30.705 \$ 1,512,206

		December 31, 2022		
		Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	138,691	30.710	\$ 4,259,196
JPY:NTD	JPY	147,300	0.232	34,233
<u>Non-monetary items</u>				
USD:NTD	USD	4,176	30.710	128,241
CAD:NTD	CAD	639	22.670	14,497
JPY:NTD	JPY	29,997	0.232	6,971
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	100,388	30.710	\$ 3,082,928

- 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 Company.

		Year ended December 31, 2023		
		Exchange gain (loss)		
		Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD		-	30.705	(\$ 65,336)
JPY:NTD		-	0.217	2,716
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD		-	30.705	\$ 53,284

Year ended December 31, 2022			
Exchange gain (loss)			
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
	USD:NTD	-	30.710 (\$ 65,830)
	JPY:NTD	-	0.232 2,578
<u>Financial liabilities</u>			
<u>Monetary items</u>			
	USD:NTD	-	30.710 \$ 31,383

- iv. An analysis of the Company's foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2023				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 22,184	\$ -
	JPY:NTD	1%	1,294	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 15,122	\$ -

Year ended December 31, 2022				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 42,592	\$ -
	JPY:NTD	1%	342	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 30,829	\$ -

Price risk

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

Cash flow and fair value interest rate risk

The Company's interest rate risk arises from short-term borrowings. Short-term borrowings taken out at fixed rates have exposed the Company to fair value interest rate risk.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company 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 Company's credit policy, the Company 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 Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Company 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 Company groups customers' accounts receivable according to customers' credit ratings and historical default records and adopts a simplified approach to estimate expected credit losses with the loss ratio method.
- vi. The Company takes into account the forecasts of the Basel Committee on Banking Supervision to adjust historical and timely information to assess the

default possibility of accounts receivable (including related parties) as of December 31, 2023 and 2022.

	Not past due	30 days	31-60 days	61-90 days	91-180 days	Over 181 days	Total
<u>December 31, 2023</u>							
Expected loss rate	0.03%	0.03%	10.00%	30.00%	50.00%	100.00%	
Total book value	\$ 1,580,983	\$ 26,554	2,231	\$ -	\$ -	\$ -	1,609,768
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Not past due	30 days	31-60 days	61-90 days	91-180 days	Over 181 days	Total
<u>December 31, 2022</u>							
Expected loss rate	0.03%	0.03%	10.00%	30.00%	50.00%	100.00%	
Total book value	\$ 2,625,548	\$ 68,346	\$ -	\$ -	\$ -	\$ -	\$ 2,693,894
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(c) Liquidity risk

- i. The cash flow forecast is executed by each operating entity in the Company and is compiled by the Company's Finance Department. The Company's Finance Department monitors the forecast of the Company's liquidity needs to ensure that it has sufficient funds 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 Company chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.
- iii. The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts of contractual cash flows disclosed are undiscounted:

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	\$ 1,585,568	\$ -	\$ -	\$ -
Notes payable	2,084	-	-	-
Accounts payable (including related parties)	2,732,141	-	-	-
Other payables (including related parties)	1,204,341	-	-	-
Lease liabilities	55,557	40,773	61,402	-

Non-derivative financial liabilities:				
December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 1,186,006	\$ -	\$ -	\$ -
Notes payable	2,034	-	-	-
Accounts payable (including related parties)	4,732,827	-	-	-
Other payables (including related parties)	1,152,547	-	-	-
Lease liabilities	83,430	53,813	96,725	-

(3) Fair value estimation

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information:

- A. Loan to others: None.
- B. Provisions of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: Please refer to table 1.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 2.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: Please refer to table 4.

(2) Information on investments

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

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Please refer to table 6.

14. OPERATION SEGMENTS

Operation segments may be exempted for the parent company only financial statements as required by IFRS 8 in accordance with Article 22 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

SENAO NETWORKS INC.
Statement of Cash and Cash Equivalents

December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Items	Summary	Amount
Checking deposits		\$ 41
Demand deposits		50,609
- NTD deposits		
- Foreign-currency deposits	10,242 thousand USD at an exchange rate of 1 NTD: 30.705 USD 595,802 thousand JPY at an exchange rate of 1 NTD: 0.217 JPY	443,888
Time deposits	3,000 thousand USD at an exchange rate of 1 USD : 30.705 USD with the interest rate at 5.2%.	92,115
- Foreign-currency deposits	It will be due on January 3, 2024.	
-NTD deposits	The interest rates range from 0.525% to 0.605%; they will be due between January and February of 2024.	<u>905,000</u>
		<u>\$ 1,491,653</u>

SENAO NETWORKS INC.
Statement of Net Accounts Receivable
December 31, 2023

(Expressed in thousands of New Taiwan dollars)

<u>Name of customer</u>	<u>Amount</u>	<u>Remarks</u>
Company A	\$ 888,063	
Company B	145,171	
Company C	119,000	
Company D	105,187	
Others	284,884	
	<u>1,542,305</u>	Each customer's balance did not exceed 5% of the total amount of this account.
Allowance for bad debts	-	
	<u>\$ 1,542,305</u>	

SENAO NETWORKS INC.

Statement of Inventories

December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Items	Amount		Remarks
	Cost	Market price	
Raw materials	\$ 1,686,582	\$ 1,679,271	The net realizable values of raw materials, work in progress, and finished goods are adopted as their market prices.
Work in progress	549,819	650,234	
Finished goods	<u>656,967</u>	<u>770,100</u>	
	2,893,368	<u>\$ 3,099,605</u>	
Less: Allowance for inventory valuation and obsolescence losses	<u>(170,364)</u>		
	<u>\$ 2,723,004</u>		

SENAO NETWORKS INC.

Statement of Changes in Long-term Equity Investment Using the Equity Method

For the Year Ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Name	Opening balance		Increase during this period		Decrease during this period		Ending balance		Market price or net worth of equity			Collateral or pledge		
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Ownership (%)	Amount	Unit price (NTD)	Total price		Valuation basis	Equity method
EnGenius Technologies, Inc. (Note 1)	60	\$ 128,241	-	\$ 795	-	(\$ 31,677)	60	100.00%	\$ 97,359	2,322.75	\$ 139,365	Equity method	None	
EnRack Technology Inc. (Note 2)	5,000	108,808	19,900	155,308	-	(759)	24,900	100.00%	263,357	10.71	266,703	"	"	
Emplus Technologies, Inc. (Note 3)	6,491	327,115	-	108,499	-	(188,550)	6,491	50.99%	247,064	37.82	245,483	"	"	
EnGenius International (Samoa) Ltd. (Note 4)	5,990	34,048	-	9,307	(4,158)	(2)	1,832	100.00%	43,353	30.32	55,550	"	"	
EnGenius Technologies Canada Inc. (Note 5)	0.1	14,497	-	368	-	(1,311)	0.1	100.00%	13,554	135.540	13,554	"	"	
EnGenius Networks Inc. (Note 6)	50	497	5,950	66,262	-	(4,810)	6,000	100.00%	61,949	10.79	64,717	"	"	
EnGenius Networks Japan (Note 7)	3	6,971	-	-	-	(631)	3	100.00%	6,340	2,113.33	6,340	"	"	
Senao Networks Vietnam Co., Ltd. (Note 8)	-	-	-	642,689	-	(83,395)	Note 10	100.00%	559,294	-	559,294	"	"	
Senao Networks Private Ltd. (Note 9)	-	-	1,640	6,483	-	(483)	1,640	100.00%	6,000	3.66	6,000	"	"	
Total	-	\$ 620,177	-	\$ 989,711	-	(\$ 311,618)	-	-	\$ 1,298,270	-	\$ 1,357,006	-	-	

Note 1: The increase during this period refers to the cumulative translation adjustment recognized for EnGenius Technologies, Inc., and the decrease during this period refers to the investment loss and the net unrealized gross margin recognized for this period.

Note 2: The increase during this period refers to the new investment in equity of EnRack Technology Inc. and the investment income from EnRack Technology Inc., and the decrease during this period refers to the net unrealized gross margin recognized for this period.

Note 3: The increase during this period refers to the investment income from Emplus Technologies, Inc. and the decrease during this period refers to the cash dividend received and the net unrealized gross margin recognized for this period.

Note 4: The increase during this period refers to the investment income and the net unrealized gross margin from EnGenius International (Samoa) Ltd., and the decrease during this period refers to the cumulative translation adjustment recognized for this period; the decrease in the number of shares during this period is due to capital reduction to make up for losses.

Note 5: The increase during this period refers to the cumulative translation adjustment from EnGenius Technologies Canada Inc., and the decrease during this period refers to the investment loss recognized for this period.

Note 6: The increase during this period refers to the new investment in equity of EnGenius Networks Inc., and the decrease during this period refers to the net unrealized gross margin and the cumulative translation adjustment recognized for this period.

Note 7: The decrease during this period refers to the investment loss from EnGenius Networks Japan and the cumulative translation adjustment recognized for this period.

Note 8: The increase during this period refers to the new investment in equity of Senao Networks Vietnam Co., Ltd., and the decrease during this period refers to the investment loss and the cumulative translation adjustment recognized for this period.

Note 9: The increase during this period refers to the new investment in equity of Senao Networks Private Ltd., and the decrease during this period refers to the investment loss and the cumulative translation adjustment recognized for this period.

Note 10: It is a limited company, so it has no shares.

SENAO NETWORKS INC.

Statement of Movements in Costs and Accumulated Depreciation of Property, Plant and Equipment
For the Year Ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6.(5) for relevant movements.

SENAO NETWORKS INC.

Statement of Movements in Costs and Accumulated Depreciation of Right-of-use Assets

For the Year Ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Cost	Opening balance	Increase during this period	Decrease during this period	Ending balance	Remarks
Buildings	\$ 406,862	\$ -	\$ -	\$ 406,862	
Transportation equipment	4,463	2,057	(1,288)	5,232	
Office equipment	1,794	1,511	(1,416)	1,889	
Other equipment	-	376	-	376	
	<u>\$ 413,119</u>	<u>\$ 3,944</u>	<u>(\$ 2,704)</u>	<u>\$ 414,359</u>	
Accumulated depreciation	Opening balance	Increase during this period	Decrease during this period	Ending balance	Remarks
Buildings	\$ 183,620	\$ 81,463	\$ -	\$ 265,083	
Transportation equipment	3,298	1,089	(1,288)	3,099	
Office equipment	1,465	204	(1,416)	253	
Other equipment	-	78	-	78	
	<u>\$ 188,383</u>	<u>\$ 82,834</u>	<u>(\$ 2,704)</u>	<u>\$ 268,513</u>	

SENAO NETWORKS INC.

Statement of Short-term Borrowings

December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Types of borrowings	Description	Ending balance	Contract period	Interest rate	Financing facility	Pledge or collateral	Remarks
Unsecured borrowings	Taipei Fubon Commercial Bank	\$ 1,000,000	November 22, 2023 - February 22, 2024	2.10%	\$ 1,000,000	None	
Unsecured borrowings	Land Bank of Taiwan	582,000	October 17, 2023 - January 17, 2024	1.91%	1,000,000	"	
		<u>\$ 1,582,000</u>			<u>\$ 2,000,000</u>		

SENAO NETWORKS INC.
Statement of Accounts Payable
December 31, 2023

(Expressed in thousands of New Taiwan dollars)

<u>Name of supplier</u>	<u>Amount</u>	<u>Remarks</u>
Hongtech Electronics Co., Ltd.	\$ 221,869	
Xiertek Industrial, Inc.	193,201	
WT Microrlectronics Co., Ltd.	176,971	
Others	<u>2,101,901</u>	
	<u>\$ 2,693,942</u>	Each supplier's balance did not exceed 5% of the total amount of this account

SENAO NETWORKS INC.

Statement of Other Payables

December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6.(9) for details of other payables.

SENAO NETWORKS INC.
Statement of Lease Liabilities
December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Items	Summary	Lease term	Discount rate	Ending balance	Remarks
Buildings	Plant buildings and offices	May 1, 2019 - July 31, 2027	1.15%~1.50%	\$ 142,683	
Transportation equipment	Company vehicles	September 21, 2019 - September 20, 2024	0.84%~0.90%	2,160	
Office equipment	Multifunction printers	February 1, 2020 - April 28, 2026	0.84%~1.25%	1,694	
Other equipment	Coffee machines	August 1, 2023 - July 31, 2025	2.255%	315	
				\$ 146,852	

SENAO NETWORKS INC.
Statement of Sales of Goods
For the Year Ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Items	Quantity (in thousands of units)	Amount
Wireless networking systems	1,842	\$ 6,132,235
Wired networking systems	939	6,938,854
Enterprise wireless communication systems	14	105,184
Others	1,452	1,142,475
		14,318,748
Sales of service		75,006
		\$ 14,393,754

SENAO NETWORKS INC.
Statement of Operating Costs
For the Year Ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Items	Amount
Raw materials at the beginning of the period	\$ 1,734,860
Add: Purchases during this period	10,416,758
Others	1,539
Less: Raw materials at the end of the period	(1,686,582)
Raw materials sold	(50,724)
Raw materials scrapped	(3,330)
Raw materials consumed during this period	10,412,521
Direct labor	980,314
Manufacturing expenses	1,169,756
Manufacturing cost	12,562,591
Add: Work in progress at the beginning of the period	757,475
Less: Work in progress at the end of the period	(549,819)
Cost of finished goods	12,770,247
Add: Finished goods at the beginning of the period	333,720
Less: Finished goods at the end of the period	(656,967)
Finished goods scrapped	(50,356)
Reclassification to development project costs	(23,451)
Finished goods reclassified to expenses	(23,424)
Production and sales costs for finished goods	12,349,769
Losses on inventory valuation loss and obsolescence	48,801
Warranty costs	10,518
Costs of raw materials sold	50,724
Revenue from scrap	(1,791)
Costs of sales	12,458,021
Repair or maintenance costs	24,132
Operating costs	<u>\$ 12,482,153</u>

SENAO NETWORKS INC.
Statement of Overhead
For the Year Ended December 31, 2023
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Amount</u>	<u>Remarks</u>
Indirect labor	\$ 531,070	
Processing expenses	135,964	
Depreciation	133,746	
Miscellaneous purchases	96,004	
Consumables	59,499	
Other expenses	213,473	
	<u>\$ 1,169,756</u>	The balance of each item did not exceed 5% of the total amount of this account.

SENAO NETWORKS INC.
Statement of Selling Expenses
For the Year Ended December 31, 2023
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Amount</u>	<u>Remarks</u>
Salary and wages	\$ 167,864	
Export expense	34,429	
Insurance	16,132	
Others	<u>41,852</u>	
	<u>\$ 260,277</u>	The balance of each item did not exceed 5% of the total amount of this account.

SENAO NETWORKS INC.
Statement of General and Administrative Expenses
For the Year Ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Amount</u>	<u>Remarks</u>
Salary and wages	\$ 167,339	
Meal allowance	23,434	
Depreciation	20,973	
Others	<u>111,161</u>	
	<u>\$ 322,907</u>	The balance of each item did not exceed 5% of the total amount of this account.

SENAO NETWORKS INC.
Statement of Research and Development Expenses
For the Year Ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Amount</u>	<u>Remarks</u>
Salary and wages	\$ 514,250	
Depreciation	42,309	
Insurance	37,758	
Others	<u>73,013</u>	
	<u>\$ 667,330</u>	The balance of each item did not exceed 5% of the total amount of this account.

SENAO NETWORKS INC.

Statement of Employee Benefits, Depreciation, Depletion, and Amortization Expenses During the Period by Function

For the Years Ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

	2023			2022		
	By nature	By function	Total	Operating costs	Operating expenses	Total
Employee benefit expense						
Wages and salaries	\$ 1,390,833	\$ 776,019	\$ 2,166,852	\$ 979,654	\$ 831,101	\$ 1,810,755
Labor and health insurance fees	95,464	58,816	154,280	53,283	44,546	97,829
Pension costs	37,610	31,353	68,963	19,120	24,181	43,301
Directors' remuneration	-	42,081	42,081	-	40,370	40,370
Other employee benefit expenses	10,785	48,211	58,996	8,357	35,829	44,186
	<u>\$ 1,534,692</u>	<u>\$ 956,480</u>	<u>\$ 2,491,172</u>	<u>\$ 1,060,414</u>	<u>\$ 976,027</u>	<u>\$ 2,036,441</u>
Depreciation	<u>\$ 133,746</u>	<u>\$ 67,710</u>	<u>\$ 201,456</u>	<u>\$ 107,339</u>	<u>\$ 63,331</u>	<u>\$ 170,670</u>
Amortization	<u>\$ 673</u>	<u>\$ 6,269</u>	<u>\$ 6,942</u>	<u>\$ 168</u>	<u>\$ 8,945</u>	<u>\$ 9,113</u>

Note 1. The number of employees for this year and the prior year was 1,998 and 1,333, respectively, of which the number of directors who did not concurrently serve as employees was seven in both years.

Note 2. Companies whose stocks have been listed on TWSE or traded on TPEX shall disclose the information below additionally:

- (1) The average employee benefit expense for this year was \$1,230 thousand. ("Total employee benefit expense for this year - Total directors' remuneration" / "Number of employees for this year - Number of directors who did not concurrently serve as employees").
The average employee benefit expense for the prior year was \$1,505 thousand. ("Total employee benefit expense for the prior year - Total directors' remuneration" / "Number of employees for the prior year - Number of directors who did not concurrently serve as employees").
- (2) The average salary and wages for this year were \$1,088 thousand. (Total salary and wages for this year / "Number of employees for this year - Number of directors who did not concurrently serve as employees").
The average salary and wages for the prior year were \$1,366 thousand. (Total salary and wages for the prior year / "Number of employees for the prior year - Number of directors who did not concurrently serve as employees").
- (3) The increase of the average employee salary and wages is 20% ("Average employee salary and wages for this year - Average employee salary and wages for the prior year" / Average employee salary and wages for the prior year).

- (4) An Audit Committee has been established this year, so there is no supervisor's remuneration for the prior year amounted to \$1,054 thousand.
- (5) The Company's salary and remuneration policy (including directors, supervisors, managers, and employees).
- A. Directors and supervisors:
- (a) Remuneration to all directors and supervisors: The Board of Directors is delegated to determine the remuneration to directors and supervisors based on the degree of their participation in and the values of their contribution to the Company's operations as well as the general standards adopted in the industry. The honoraria to such parties regardless of the Company's profit or loss may also be paid based on the general standards adopted in the industry.
 - (b) Where the Company makes a profit for a fiscal year, it shall provide no higher than 3% of the balance for directors' remuneration. Independent directors are not entitled to directors' remuneration. However, if the Company has a cumulative deficit, it should reserve an amount first to offset it.
- B. Managers and employees:
- (a) Where the Company makes a profit for a fiscal year, it shall provide no lower than 3% of the net income before tax for employees' compensation.
 - (b) The Company refers to the annual salary increase percentage in the manufacturing industry, the Company's annual operating performance, and profitability, and determines the salary increase percentage after comprehensive considerations per year. Meanwhile, the Company offers differentiated rewards and remuneration to ensure fairness of the salary structure and provides different salary increase percentages depending on the employees/managers performance evaluation results. As per the performance evaluation policy, the Company links strategic targets and performance evaluation results and adopts the results as the basis for employees/managers' salary, promotion, training, and development, to motivate them to work hard.

SENAO NETWORKS INC.

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

For the Year Ended December 31, 2023

Expressed in thousands of NTD
(except as otherwise indicated)

Table 1

Buyer/Seller	Type and name of securities held	Account	Trading counterparty	Relationship with the counterparty	Beginning of the period		Buy		Sell (Note 3)			End of the period		
					Number of shares	Amount	Number of shares (Note 1)	Amount	Number of shares	Selling price	Book cost	Disposal gain or loss	Number of shares	Amount
The Company	EnRack Technology Inc.	Investment using the equity method	EnRack Technology Inc.	Subsidiary	5,000,000	\$ 108,808	19,900,000	\$ 154,549	-	\$ -	-	\$ -	24,900,000	\$ 263,357
The Company	Senao Networks Vietnam Co., Ltd.	Investment using the equity method	Senao Networks Vietnam Co., Ltd.	Subsidiary	-	-	(Note 1)	(Note 2) 559,294	-	-	-	-	-	559,294
							(Note 3)	(Note 4)					(Note 3)	

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

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

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

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

SENAO NETWORKS INC.

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

Table 2

Expressed in thousands of NTD
(except as otherwise indicated)

Company acquiring real estate	Property Land use rights	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			
Senao Networks Vietnam Co., Ltd.		October 5, 2023	\$ 238,738	As agreed in contract	Tai He Urban and Industrial Zone Development Stock Company	Non-related person	-	-	-	-	-	None
		(Note)	VND 183,503,711 thousand									

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

SENAO NETWORKS INC.

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

For the Year Ended December 31, 2023

Expressed in thousands of NTD
(except as otherwise indicated)

Table 3

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

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

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

SENAO NETWORKS INC.

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

For the Year Ended December 31, 2023

Expressed in thousands of NTD
(except as otherwise indicated)

Table 4

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

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

(1) Parent company is "0"

(2) The subsidiaries are numbered in order starting from "1"

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: The discounts on the sales were offered depending on the sales volume. The credit terms were approximately the same with third parties, which is 60 days from the first day of the month following the month of sales. Among them, the sales by the

Company and Emplus Technologies, Inc. to EnGenius Technologies, Inc. and 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 rent is negotiated and agreed by both parties and collected monthly.

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

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

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

SENAO NETWORKS INC.

Information on investees

For the Year Ended December 31, 2023

Table 5

Expressed in thousands of NTD
(except as otherwise indicated)

Name of investor	Investee	Location	Main business activities	Initial investment amount (Note 1)			Holding at the end of the period			Income or loss on investees for this period	Investment income or loss recognized for this period (Note 2)	Remarks
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value				
Senao Networks Inc.	EnGenius Technologies, Inc.	USA	Sales of communication products	\$ 61,410	\$ 61,410	60,000	100.00	\$ 97,359	\$ 28,925	\$ 28,625		
Senao Networks Inc.	EnRaek Technology Inc.	Taiwan	Sales of communication products and Sales of manufactured stamping component	194,000	50,000	24,900,000	100.00	263,357	11,308	10,549		
Senao Networks Inc.	Emplus Technologies, Inc.	Taiwan	Research and development, manufacture and sales of communication products	84,249	84,249	6,490,800	50.99	247,064	210,977	108,183		
Senao Networks Inc.	EnGenius International (Samoa) Ltd.	Samoa	Investment holdings	183,923	183,923	1,832,289	100.00	43,353	1,295	1,566		
Senao Networks Inc.	EnGenius Technologies Canada Inc.	Canada	Sales of communication products	4,209	4,209	100	100.00	13,554	(1,311)	(1,311)		
Senao Networks Inc.	EnGenius Networks Inc.	Taiwan	Sales of communication products	60,000	500	6,000,000	100.00	61,949	6,761	3,993		
Senao Networks Inc.	EnGenius Networks Japan	Japan	Sales of communication products	6,516	6,516	3,000	100.00	6,340	(180)	(180)		
Senao Networks Inc.	Senao Networks Vietnam Co., Ltd.	Vietnam	Manufacture and sales of communication products	614,100	-	-	100.00	559,294	(1,664)	(1,664)	Note 3	
Senao Networks Inc.	Senao Networks Private Ltd.	India	Sales of communication products	6,180	-	1,640,000	100.00	6,000	(4)	(4)		
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Singapore	Sales of communication products	182,695	182,695	1,792,289	100.00	55,219	1,409	1,409		
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Netherlands	Sales of communication products	62,266	62,266	210,000	100.00	12,893	(3,031)	(3,031)		
EnGenius Networks Inc.	EnGenius Networks Private Ltd.	India	Sales of communication products	27,818	-	7,400,000	100.00	27,087	(4)	(4)		

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

Note 2: Regarding "Investment income (loss) recognized by the Company for this period," please only enter the income or loss on each direct subsidiary recognized by the Company and each investee valued using the equity method. Regarding the "income or loss on each direct subsidiary recognized by the Company for this period", it should be confirmed that the amount of income or loss on each direct subsidiary for this period has included its investment income or loss that should be recognized in accordance with the regulations on its investment.

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

SENAO NETWORKS INC.
Major shareholders information
December 31, 2023

Table 6

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

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.

Note 2: If the aforementioned data contains shares which are held in trust by the shareholders, the data is disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10%, in accordance with the Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on the reported share equity of insider, please refer to the Market Observation Post System.

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

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

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

Senao Networks Inc.

Chairman : Wen-Ho Tsai