

Senao Networks Inc. 2022 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.

Spokesperson

Name: Feng-Hsiao Yu
Title: Vice President
Tel: 886-3-3289289
E-mail: invest@sena.com

Acting Spokesperson

Name: Shih-Huei Pang
Title: Accounting Director
Tel: 886-3-3289289
E-mail: invest@sena.com

Stock Transfer Agency

Fubon Securities Co., Ltd.
Address: 2F., No. 17, Xuchang St.,
Zhongzheng District, Taipei,
Taiwan
Tel: 886-2-23611300
Website: <http://www.fubon.com>

Auditors

CPA Firm: PricewaterhouseCoopers, Taiwan
Auditors: Pei- Juan Huang
Hui-Lin Pan
Address: 27F, 333 Keelung Road, Sec. 1
Xinyi District, Taipei, Taiwan
Tel.: 886-2-27296666
Website: <http://www.pwc.tw/en.html>

Overseas Stock Transfer Information: NA**Company Website**

<https://www.senaonetworks.com/en/>

Headquarters, Branches and Plants**Headquarters**

Address: 3F, No.531, Chung Cheng Road
Hsin-Tien District, New Taipei City,
Taiwan
Tel: 886-2- 22183588

Manufacturing Site

Hwa-Ya Plant
Address: No.500 Fusing 3 Road,
Kuei-Shan District, Taoyuan,
Taiwan
Tel: 886-3- 3289289

Taoyuan Plant
Address: No.42, Sec. 1, Minsheng N. Road
Kuei-Shan District, Taoyuan,
Taiwan
Tel: 886-3- 3569880

Hwa-Ya Plant II
Address: No.520 Fusing 3 Road,
Kuei-Shan District, Taoyuan,
Taiwan
Tel: 886-3- 3289289

Contents

I.	Letter to Shareholders	1
II.	Company Profile	
2.1	Date of Incorporation	5
2.2	Company History	5
III.	Corporate Governance Report	
3.1	Organizational system	11
3.2	Information on the company's Directors, President, Vice President, Assistant Vice President	14
3.3	Remuneration paid during the most recent fiscal year to Directors, Supervisors, President, Vice President, Assistant Vice President	23
3.4	The state of the company's implementation of corporate governance	29
3.5	Information on the professional fees of the attesting CPAs	78
3.6	Information on replacement of CPAs	79
3.7	The state of 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	80
3.8	Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report	80
3.9	Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another	81
3.10	The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company	82
IV.	Information on Capital Raising Activities	
4.1	Capital and Shares	83
4.2	Issuance of Corporate Bonds	89
4.3	Issuance of Preferred Shares	89
4.4	Issuance of Global Depository Receipts	89
4.5	Issuance of Employee Stock Warrants	89
4.6	Issuance of New Restricted Employee Shares	89
4.7	Issuance of new shares in connection with mergers or acquisitions or demergers	89
4.8	Implementation of the company's capital allocation plans	89
V.	Operational Highlights	
5.1	Business Activities	90
5.2	Market and Sales Overview	103
5.3	Human Resources	109
5.4	Environmental Protection Expenditure	109
5.5	Labor Relations	110
5.6	Cyber security management	113

5.7	Important Contracts	114
VI.	Financial Information	
6.1	Condensed Balance Sheets and Statements of comprehensive income for the past five fiscal years.....	115
6.2	Financial Analysis for the past five fiscal years.....	119
6.3	Supervisors' Report for the most recent year	122
6.4	Financial statement for the most recent fiscal year	122
6.5	A parent company only financial statement for the most recent fiscal year	122
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.	122
VII.	Reviews of Financial Position, Financial Performance, and Risk Management	
7.1	Financial Position	123
7.2	Financial Performance	124
7.3	Cash Flow	125
7.4	The effect upon financial operations of any major capital expenditures during the most recent fiscal year	126
7.5	Reinvestment Policy for the most recent fiscal year	126
7.6	Risks during the most recent fiscal year and as they stood on the date of publication of the annual report.....	127
7.7	Other important matters	129
VIII.	Special Disclosure	
8.1	Summary of Affiliated Companies	130
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.	133
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.	133
8.4	Other matters that require additional description.....	134
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.	135

I. Letter to Shareholders

As the pandemic slowly became under control, people begin to go back to their normal life. However, the lifestyle and work in response to the pandemic made people heavily rely on high-speed broadband environment. As most countries lifted the quarantine and the supply chain shortage was alleviated, the demand for upgraded broadband equipment has increased by enterprise customers. As a result, the Company reported a considerable growth in consolidated revenue by 77.8% in 2022 compared to 2021. Though TWD depreciation may result in an increase in gross margin, the high cost of electronic parts and components with high labor cost caused by labor shortage ultimately decrease the gross margin by 1%. With the growth in revenue, net income attributable to the parent company increased by 111.3% compared to 2021, resulting a record high in revenue and profit with a staggering earnings per share (EPS) above NT\$20. The following is the 2022 operation highlight and the prospect for 2023.

1. Overview of Business 2022

(1) Business plan implementation result

The consolidated revenue in 2022 was NT\$16,322,282 thousand with an after-tax net profit attributable to the parent company of NT\$1,064,850 thousand, and a basic EPS of NT\$21.70.

(2) Budget implementation

No financial forecast released in 2022, there is no budget attainment.

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

Title		2022	2021
Financial Structure (%)	Liabilities to assets	67.90	56.30
	Long-term fund to property, plant and equipment	160.24	162.96
Solvency (%)	Current ratio	117.73	132.01
	Quick ratio	83.46	79.88
	Interest coverage fold	240.52	213.74
Profitability (%)	ROA	9.91	6.24
	ROE	29.10	14.67
	Income before tax to paid-in capital	300.30	123.67
	Net profit margin	6.52	4.89
	EPS (NT\$)	21.70	9.16

(4) Research & Development

The following is the products and technologies successfully developed by the Company in 2022.

- A. Successfully developed wireless base station with simultaneous operation of three bands, which can achieve simultaneous operation at 2.4GHz, 5GHz, and 6GHz which provides low latency, high density coverage solution with the use of 5Ghz and 6Ghz bands. The product is extensively marketed all over the world.
- B. Successfully developed the 48 ports Multi-Gigabit PoE Switch capable of supplying power transmission at 90 Watt per port which is used in network surveillance and wireless base station to help enterprises to save the cost for the installation and network wiring.
- C. Successfully developed composite multiple function environmental detector (IIoT). This product featured a variety of embedded sensor for monitoring and control of environmental change and the light source, temperature, humidity, pressure and noise of the environment. This device also detects the presence of formaldehyde, air particulates and other harmful element to the human health in the environment, improves the quality of life at the office and of the residents, and ensure the safety of the people.
- D. Successfully developed 16 smart access control system to integrate with IOT air sensor and IP camera which provides comprehensive security control through cloud system management.
- E. Developed 32x 400G ports data center switch with programmable Ethernet chipset to support up to 12.8Tbps bandwidth. Compatible with ONL/ONLP and SONiC open source network software. Application for 5G core network with high data transmission rate.
- F. Successfully developed series of desktop and rackmount SD-WAN gateway featuring Auto-VPN function and cloud management.
- G. Successfully developed Wifi 6 outdoor and In-wall cloud AP providing peer-to-peer wireless communication and flexible business installation application.
- H. Successfully developed cloud real-time visual switch situation analysis system to support enterprise-level switch in providing remote real-time status and traffic control.
- I. Successfully developed the new generation of AirGuard System providing wireless intrusion detection and prevention (WIPS). It can prevent hackers from wireless intrusion by detecting Evil Twin, Death Attack and other Cyber Attacks and taking immediate interference measures.
- J. Successfully developed 12-port 10G aggregated fiber network modified to ethernet switch featuring Layer 3 RIP2/OSPF routing protocol

2. Outline of Business Plan 2023

After years of effort, the product transformation plan of the Company is already in place. The Company classified its product lines into three major Business Units (BU). They are the Infrastructural & Connectivity Business Unit (ICBU), Computing Network Business Unit (CNBU), and the Software Research and Devolution Business Unit (ENTBU). Further to the focus on product development and customer service, the Company begins to prepare for the succession of the management. In the advent of the 5G generation, countries of the world spare no effort in launching broadband infrastructure installation. The Work from Home (WFH) mode of operation in response to the pandemic becomes prevalent. This contributed to the increasing demand for data center, and network equipment installation. In the post-pandemic era, business opportunity for the network communication industry thrived. Yet, geopolitical problem still affects the operation of the industry. In responding to this opportunity and challenge, the Company will continue to achieve its strategic objective and further its effort in the following aspects of operation.

- ◆ Implement capacity expansion and the cost control plan. With the completion of the construction of the new plant, the Company will pursue its expansion plan to improve its delivery capacity and control over the new products in the introduction stage, including the establishment and recognition of substitute materials and observation on the price reduction trend of raw materials and components.
- ◆ Establishment of overseas production bases to provide diversified supply chain for the customers. In tacking with the prolonged labor shortage and rising labor cost in Taiwan, the Company has targeted at Vietnam as the production base, as industrial clustering is already in place in this country. In the initial phase, existing factory will be leased, while the self-owned factory will be built in the later phase to increase the production efficiency.
- ◆ Target at core technology and develop new customers and markets proactively. Establishment of 5G CPE/FWA software and hardware design and validation capacity. Continue to develop L2/L3 software for the mid to high-end enterprise use switch to create competitive advantage and develop new customers for programmable Ethernet switch.

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 the rise of cloud network where enterprises store their vital information at the cloud, information security has gradually become the focus. On the other hand, with the recent increase of WFH, enterprises' demand for further network security

equipment has also increased. The Company has explored branding products for years and has intensified its investment in software R&D talents over the years. The Company has successfully developed the Cloud Management Platform and various of application software and APP. Thus, the Company will commit to the development of network security server market focusing on software management through its branding with self-developed software and technology. 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. It is expected that in the market of AIoT, more products for diversified use will be developed.

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

The International Monetary Fund (IMF) announced in January 2023 that global economic activity slowed down significantly due to inflation, the Russo-Ukrainian War, and the sustained influence of COVID-19. The subsequent mitigation of the unfavorable risks allows for the marginal upward adjustment of economic growth in 2023. The previous forecast of global economic growth at 2.7% was adjusted upward to 2.9%. In the US, the adjustment moved upward from 1.0% to 1.4%. Yet, the expected performance is not as good as 2022. Albeit the downward adjustment risk of global economic performance, opportunity is still there. The overall environment may pose challenge to the operation and development of the Company, but it will respond cautiously and adjust its business direction appropriately.

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 <i>ezMaster</i> 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".

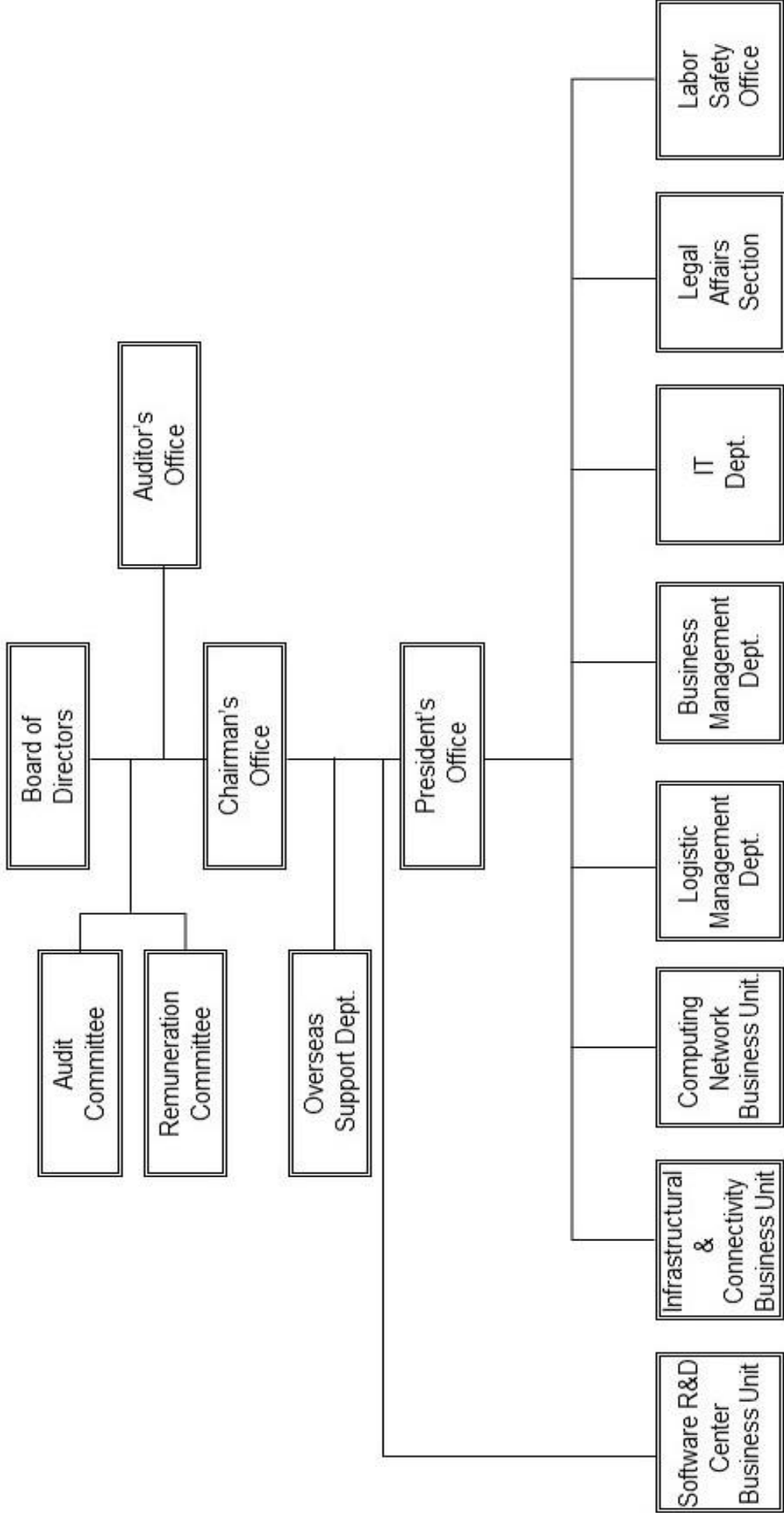
September	The Company's private brand, EnGenius "EWS357AP" won the WinMag Pro " 2019 Editor's Choice 8.4 ".
September	The Company's private brand, EnGenius "SkyKey" won the WinMag Pro " 2019 Editor's Choice 9.1 ".
October	The Company's subsidiary, EnRack Technology Inc., its new plant in Shulin was completed.
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 Commonhealth 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.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

Dept./Office	Functions
Auditor's Office	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	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.
Software R&D Center Business Unit	Responsible for software research and development of all products.
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.	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.	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.

	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.
Legal Affairs Section	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. 28, 2023

Title	Nationality/ Country of Origin	Name	Gender	Age (Note 2)	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note 9
								Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	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 3	NA	NA	NA	NA
Director (Note 1)	ROC	Zhi-Che ng 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 4	NA	NA	NA	NA
Director (Note1)	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 5	NA	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 6	NA	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 7	NA	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	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 8	NA	NA	NA	NA

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

Note 2: Please list the actual age, and it could be expressed in intervals, such as 41~50 years old or 51~60 years old

Note 3: 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. and Director of EnGenius Technologies Canada Inc., and the post held in another company: Chairman of AVAL Technologies Co., Ltd and WIIN Technologies Co., Ltd.

Note 4: Also the Representative Director of Senao International Co., Ltd., Representative Director of Tatung Technology Inc., Representative Director of Singapore Subsidiary of CHT.

Note 5: Also the Representative Director of Senao International Co., Ltd., Representative Director of HongHwa International Corp., Representative Director of Spring House Entertainment Tech. Inc.

Note 6: 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 7: 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 8: Also Chairman of Choice Printing Group; Independent Director and Remuneration Committee Member of Maywufa Company Ltd., 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.,

Note 9: 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. (For example, increase the number of independent directors, and there should be more than half of the directors who do not serve as employees or managers, etc.)

3.2.1.2 Directors acting as the representatives of institutional shareholders

Major shareholders of the institutional shareholders

As of Feb. 28, 2023

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-Yon 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. 28, 2023

Name of Institutional Shareholders	Major Shareholders (Shareholding %)
CHT Co., Ltd (Note2)	MOTC (35.3); Shin Kong Life Insurance Co., Ltd.(6.4); CHT's Employee Stock Ownership Trust account (4.1); Cathay life Insurance Co., Ltd.(3.3); CHT's depository receipt account(3.0); Fund of Labor Retirement (1.9); Chunghwa Post Co., Ltd.(1.9); Fund of Labor Insurance(1.5); China Life Insurance Co., Ltd.(1.1); Fubon life Insurance Co., Ltd.(0.7)
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-Yon 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 28, 2022.

Note2: Major shareholders and shareholding % information refer to announcement from MOPS in 2022.

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

Condition Name	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 Name	professional qualification and experience	independence situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Kuang-Hsun Shih	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. II. Don't have any of the circumstances in the subparagraphs of Article 30 of the Company Act.	The person, spouse, relatives within the second degree of relatives do not have the following circumstances: I. Serving as a Director or Supervisor of the Company or any of its affiliates. II. Holding the Company shares. III. Serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company. IV. Providing commerce, law, finance, accounting and other services for the company or its affiliates in the past 2 years.	2
Yi-Min Chang	I. More than five years of working experience in commerce and finance. II. Don't have any of the circumstances in the subparagraphs of Article 30 of the Company Act.	The person, spouse, relatives within the second degree of relatives do not have the following circumstances: I. Serving as a Director or Supervisor of the Company or any of its affiliates. II. Holding the Company shares. III. Serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company. IV. Providing commerce, law, finance, accounting and other services for the company or its affiliates in the past 2 years.	0
Huei-You Chen	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.	The person, spouse, relatives within the second degree of relatives do not have the following circumstances: I. Serving as a Director or Supervisor of the Company or any of its affiliates. II. Holding the Company shares. III. Serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company. IV. Providing commerce, law, finance, accounting and other services for the company or its affiliates in the past 2 years.	1

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 3 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 14. 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. 28, 2023

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
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 2	NA	NA	NA
Infrastructural and Connectivity 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	-	NA	NA	NA
Business Management 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 3	NA	NA	NA
Enterprise Business Unit VP	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	-	NA	NA	NA
Logistics Management 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
Cloud Technology Development division 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
Sales VP Note 1	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

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Sales 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	NA
R&D 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	NA
R&D 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	NA
Branding Business 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	NA
R&D AVP	ROC	Jian-Sheng Gao	M	5/16/2022	3,000	0.01%	0	-	0	-	Bachelor of Electrical Engineering, University of Bath; R&D Director, Senao Networks Inc.	-	NA	NA	NA
HR AVP	ROC	Wen-Ling Peng	F	2/13/2023	1,000	0.00%	0	-	0	-	Master of Business Administration, Murdoch University; HR Director, LITE-ON Technology Corporation; HR Director, Alpha Networks Inc.	-	NA	NA	NA

Note 1: Promoted from AVP to VP August 4, 2022.

Note 2: Also the Company's investee: Director of Emplus Technologies, Inc.; Director of EnRack Technology Inc.

Note 3: 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						Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) 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	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements												
								The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements						
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														
						The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements								
The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements														

Note 1: 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.

Note 2: No Directors provided services or received remuneration.
Note 3: The representative of Senao International Co., Ltd.
Note 4: Resigned on June 17, 2022
Note 5: Resigned on April 8, 2022
Note 6: Resigned on June 17, 2022

3.3.2 Remuneration of Supervisors

Unit: NT\$ Thousand

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Bonus to Supervisors (B)		Allowances (C)				
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
Supervisor (Note 1)	Su-Yue Zheng	720	720	-	-	30	30	0.07%	0.07%	NA
Supervisor	Jhih-Ling Hsieh	720	720	-	-	30	30	0.07%	0.07%	NA
Supervisor	Ke-Ming Lin	720	720	-	-	30	30	0.07%	0.07%	NA

Note 1: The representative of Jheng-Fong Investment Co., Ltd.

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)				Ratio of total compensation (A+B+C+D) 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	The company	Companies in the consolidated financial statements	Cash	Stock	
President	Po-Chang Lin													
Business Unit President	Yi-Ching Chang													
VP	Feng-Hsiao Yu													
VP	Pei-Chuan Liou	19,157	19,157	728	728	10,370	12,479	5,990	-	5,990	-	3.40	3.60	NA
VP	Yi-Shu Lu													
VP	Hon-Chu Lai													
VP	Hsiu-Ying Liu													

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	Hsiu-Ying Liu	Hsiu-Ying Liu	
NT\$2,000,001 ~ NT\$3,500,000			
NT\$3,500,001 ~ NT\$5,000,000	Yi-Shu Lu; Hon-Chu Lai	Yi-Shu Lu; Hon-Chu Lai	
NT\$5,000,001 ~ NT\$10,000,000	Po-Chang Lin ; Yi-Ching Chang; Pei-Chuan Liou; Feng-Hsiao Yu	Po-Chang Lin ; Yi-Ching Chang; Pei-Chuan Liou; Feng-Hsiao Yu	
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	7	7	

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

As of Feb. 28, 2023; 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				
	VP	Feng-Hsiao Yu				
	VP	Pei-Chuan Liou				
	VP	Yi-Shu Lu				
	VP	Hsiu-Ying Liu				
	VP	Hon-Chu Lai				
	AVP	Yu-Mei Chao				
	AVP	Chun-Lung Lin				
	AVP	Jheng-Da Lee				
	AVP	Jheng-Syun Lee				
	AVP	Jian-Sheng Gao	-	7,339	7,339	0.69

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

The ratio in 2022 are 7.41% and 7.61%, respectively. The ratio in 2021 are 12.63% and 12.85%, respectively. The total remuneration ratio of 2022 decrease from 2021 primarily as a result of the increased in net income after tax of 2022.

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 of 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 (2022) 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%	Reelected; elected on June 17, 2022
Director (Note1)	Zhi-Cheng Jian	3	-	100%	Newly elected; elected on June 17, 2022
Director (Note1)	Tian-Tsai Su	3	-	100%	Newly elected; elected on June 17, 2022
Director	Pao-Yun Lin	5	1	83%	Reelected; elected on June 17, 2022
Director (Note1)	Hsiang-I Chen	3	-	100%	Resigned on June 17, 2022
Director (Note1)	Shih-Hsiang Chen	2	-	100%	Resigned on April 8, 2022
Director (Note1)	Guan-Heng Lai	1	-	100%	Resigned on June 17, 2022
Independent director	Kuang-Hsun Shih	6	-	100%	Reelected; elected on June 17, 2022
Independent director	Yi-Min Chang	6	-	100%	Reelected; elected on June 17, 2022
Independent director	Huei-You Chen	6	-	100%	Reelected; elected on June 17, 2022
Supervisor (Note2)	Su-Yue Zheng	6	-	100%	Resigned on June 17, 2022
Supervisor	Jhih-Ling Hsieh	6	-	100%	Resigned on June 17, 2022
Supervisor	Ke-Ming Lin	6	-	100%	Resigned on June 17, 2022

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 or declared 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	Motion	Independent Director's Opinion	The Company's Response to Independent Director's Opinion
16 th meeting, 6 th term, February 25, 2022	I. Amend the Operating Procedures for Lending Funds to Other Parties	None	None

	II. Amend the Operating Procedures for Endorsements and Guarantees III. Amend the Procedures of Acquisition or Disposal of Assets		
17 th meeting, 6 th term, May 6, 2022	I. Acquisition of the right-of-use asset of real property II. Amend the Internal Control Systems	None	None
2 th meeting, 7 th term, August 4, 2022	I. 2022 professional fees of CPAs	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 voting should be specified. (NA)

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. (NA)

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

Note2 : The representative of Jheng-Fong Investment 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	2022.1.1~ 2022.12.31	1. The Board 2. The Directors 3. The Remuneration Committee and Audit Committee	Self-assessment	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. 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. 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.

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 participation in Board meetings by the Supervisors

A total of 6 (A) meetings of the Board of Directors were held in the previous period. The attendance of supervisors was as follows.

Title	Name	Attendance in Person (B)	Attendance Rate [B / A]	Remarks
Supervisor (Note1)	Su-Yue Zheng	3	100%	Resigned on June 17, 2022
Supervisor	Jhih-Ling Hsieh	3	100%	Resigned on June 17, 2022
Supervisor	Ke-Ming Lin	3	100%	Resigned on June 17, 2022

Other mentionable items:

1. Composition and responsibilities of supervisors:

(1) Communications between supervisors and the Company's employees and shareholders (e.g. communication channels and methods, etc.): The Company has established the employee mailbox and spokesperson system dedicated to accepting suggestions and questions raised by employees and shareholders. The supervisors can communicate with employees and shareholders via the Company's spokesperson. Such systems have operated successfully and helped the Company exert its supervisory function a lot in the past years.

(2) Communications between supervisors and the Company's chief internal auditor and CPA (e.g. items, methods and results of the audits of corporate finance or operations, etc.)

The Company's chief internal auditor will submit the audit report to the supervisors for review on a monthly basis and communicate with the supervisors therefor. The CPA will communicate with the supervisors for the Company's financial information, directly or in writing, from time to time. Meanwhile, when the Company holds a directors meeting, the supervisors, chief internal auditor and CPA will attend the meeting at the same time and take the chance to other in person. Therefore, the communication between them is operating well.

2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors' meetings and the company's response to the supervisor's opinion should be specified. (NA)

Note1 : The representative of Jheng-Fong Investment Co., Ltd

2. The state of operations of the Audit Committee

The recent (2022) total of 2 (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	2	-	100%	Reelected; elected on June 17, 2022
Independent director	Yi-Min Chang	2	-	100%	Reelected; elected on June 17, 2022
Independent director	Huei-You Chen	2	-	100%	Reelected; elected on June 17, 2022

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 Board of Directors	Motion	Dissenting opinions, reservations or major recommendations of independent directors	Resolution	The Company's Response to Audit Committee's Opinion
1 th meeting, 1 th term, August 4, 2022	I. 2023 Q2 financial report II. 2022 professional fees of CPAs	None	Approved	None
2 th meeting, 1 th term, November 4, 2022	I. 2023 Q3 financial report II. Acquisition of the right-of-use asset of real property	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 4, 2022	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 2022 Q3 financial report 2. 2022 annual financial report review plan Audit Supervisor : 1. Implementation progress of the 2022 annual audit plan 2. Audit results and review of internal control deficiencies 3. Explanation of 2023 annual audit plan 4. Other matters	Forum	No opinion

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	Abstract Illustration	
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"?	✓		The Company has established the corporate governance principles and disclosed the same on the MOPS and the Company's website.	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?		✓	(1) The Company has set up the spokesperson, the deputy spokesperson, the legal personnel and the stock affair personnel responsible for dealing with the issues such as the shareholders' suggestions and disputes. The general stock affairs are handled by the stock affair personnel. The issues related to the corporate operation are handled by the spokesperson.	No material deviations.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) The Company has prepared the roster of shareholders to control the name list of major shareholders holding the Company from time to time.	No material deviations.
(3) Does the company establish and execute	✓		(3) The Company has established the	No material deviations.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
the risk management and firewall system within its conglomerate structure?			<u>internal operating procedure for dealing with transactions between the Company and group companies and stakeholders</u> , and the responsibilities about management of personnel and property are defined expressly.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(4) The Company has established the internal operating procedure for prevention of insider trading to prohibit the Company's internal staff from trading securities based on the information undisclosed on the market.	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 19 herein.	No material deviations.
(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.	No material deviations.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(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 evaluation form of Independence (refer on page 44) and 13 AQI indicators. (see following table)	No material deviations.

5 Dimensions	13 AQI Indicators
Profession	● Audit Experience
	● Training Hours
	● Attrition Rate
Quality Control	● Professional
	● Support
	● Workload
	● Involvement

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons								
	Yes	No									
	Abstract Illustration										
		<table><tr><td></td><td> ●EQCR ●Quality Supporting Capacity </td></tr><tr><td>Independence</td><td> ●Non Audit Service (NAS) ●Familiarity </td></tr><tr><td>Monitoring</td><td> ●External Inspection Results & Enforcement ●Number of Official Improvement Letters Issued by Authority </td></tr><tr><td>Innovation</td><td> ●Innovative Planning \or Initiatives </td></tr></table> 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 EQCR. In addition, digital audit tools have		●EQCR ●Quality Supporting Capacity	Independence	●Non Audit Service (NAS) ●Familiarity	Monitoring	●External Inspection Results & Enforcement ●Number of Official Improvement Letters Issued by Authority	Innovation	●Innovative Planning \or Initiatives	
	●EQCR ●Quality Supporting Capacity										
Independence	●Non Audit Service (NAS) ●Familiarity										
Monitoring	●External Inspection Results & Enforcement ●Number of Official Improvement Letters Issued by Authority										
Innovation	●Innovative Planning \or Initiatives										

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			been introduced in the last three years to improve audit quality. The evaluation results of the latest year have been reported to the Board of Directors on November 4, 2022, and Audit Committee and the Board of Directors on February 24, 2023 and the CPA independence and suitability evaluation is approved	
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 meetings and producing minutes of board meetings and shareholders' meetings)?	✓		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:	No material deviations.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			(1) Assist all directors in performing their duties and providing the required data. (2) Assist in the operation of procedural rules for the board meeting and the shareholder's meeting. (3) Confirm whether the Company holds the shareholder's meeting and director meeting under the relevant laws and Corporate Governance Code. (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. (5) Maintain investor relations and communicate with institutional investors or general shareholders upon demands, so as to ensure the shareholders' benefits. (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	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			the meeting. The situation of annual continuing education is as below: (1) Professional courses for 6 hours, by the Taiwan Investor Relations Institute. (2) Professional courses for 3 hours, by the Taiwan Corporate Governance Association. (3) Professional courses for 3 hours, by the Taiwan Institute for Sustainable Energy. (4) Professional courses for 3 hours, by the Securities & Futures Institute.	
5. Does the company establish a communication channel and build a designated section on its 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?	✓		The Company has set up the stakeholder section on its website. The stakeholders 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.	No material deviations.
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	✓		(1) The Company has set up a Chinese website (www.senaonetworks.com) to disclose the Company's financial, business	No material deviations.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
governance?			and corporate governance information.	
(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)?	✓		(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.
(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 2021 annual financial report was announced on February 24, 2023. The financial reports for Q1, Q2 and Q3 of 2021 were announced on May 6, August 4, and November 4, respectively. Moreover, the monthly operating report was announced before the 10th day of the following month.	No material deviations.
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	✓		(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	No material deviations.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			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 has purchased liability insurance for directors and supervisors. (4) For risk management policies and risk evaluation measures: Please see the risk analysis and evaluation stated on page 127 herein. (5) Customer relations policies: The Company upholds the management philosophy, “Customer satisfaction, Quality, Innovation and Team service”, and applies the same to each customer.	
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. Priority issues and measures for improvement this year: (1) Establish a non-statutory Functional Committee. (2) Held or invited to attend 2 institutional investor conferences.(More than 3 months intervals)				

Evaluation Form of the CPA's Independence

CPA: Pricewaterhouse Coopers Pei- Juan Huang and Hui-Lin Pan The evaluation items are determined based on Article 47, "Certified Public Accountant Act" and the provisions of "The Bulletin No.10 of Norm of Professional Ethics for Certified Public Accountant of the Republic of China".		
Evaluation Item	Yes	No
1. Not having direct or significantly indirect relationship of financial interest with the Company.	✓	
2. Not having loans or guarantees with the Company, or the directors and supervisors of the Company.	✓	
3. No affecting the audit work of the Company due to the concern of the possibility of losing a significant client.	✓	
4. Not having a significantly close business relationship or a potential employment relationship with an audit client.	✓	
5. Note entering into a contingent fee arrangement relating to an audit engagement.	✓	
6. Not appointed as the directors, supervisors, managerial officers or other positions with significant influence on this audit case currently or within the most two years.	✓	
7. Not providing non-audit service for the Company that show direct influence on the key items of the audit case.	✓	
8. Not promoting or brokering shares in an audit client or other securities issued by the client.	✓	
9. Not acting as an advocate on behalf of the Company in litigation or disputes with third parties.	✓	
10. Not having a close or immediate family member who is a director, supervisor, or managerial officer of the audit client or an employee of the client who is in a position to exert significant influence over the subject matter of the engagement.	✓	
11. Not having a former partner within one year of disassociating from the firm appointed as a director, supervisor, or managerial officer of the Company or is in a key position to exert significant influence over the subject matter of the engagement.	✓	
12. Not concurrently holding a regular position of the Company or receiving regular pay.	✓	
13. Not involved in the decision-making management position in the Company.	✓	
14. Not a member that hasn't been replaced for 7 years as of the latest audit work.	✓	
15. Not involved in penalty incident up to now.	✓	

3.4.4 Composition and Operations of the Remuneration Committee

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

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	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. Work Experiences: Please refer to Director information on page 14 herein.	The person, spouse, relatives within the second degree of relatives do not have the following circumstances: I. Serving as a Director or Supervisor of the Company or any of its affiliates. II. Holding the Company shares. III. Serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company. IV. Providing commerce, law, finance, accounting and other services for the company or its affiliates in the past 2 years.	2
Independent Director	Yi-Min Chang	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. Work Experiences: Please refer to Director information on page 14 herein.	The person, spouse, relatives within the second degree of relatives do not have the following circumstances: I. Serving as a Director or Supervisor of the Company or any of its affiliates. II. Holding the Company shares. III. Serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company. IV. Providing commerce, law, finance, accounting and other services for the company or its affiliates in the past 2 years.	0
Independent Director	Huei-You Chen	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. Work Experiences: Please refer to Director information on page 14 herein.	The person, spouse, relatives within the second degree of relatives do not have the following circumstances: I. Serving as a Director or Supervisor of the Company or any of its affiliates. II. Holding the Company shares. III. Serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company. IV. Providing commerce, law, finance, accounting and other services for the company or its affiliates in the past 2 years.	1

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 4 (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	4	-	100%	
member	Yi-Min Chang	4	-	100%	
member	Huei-You Chen	4	-	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)

The information of each meeting is listed as below:

Term and date of remuneration committee meeting	Proposal content and subsequent handling	Resolution result	Handling of the Company
The 8 th session of the 4 th term held on January 12, 2022	I. Proposal for 2021 annual compensation for Director and bonus distribution for managerial officers of the Company. II. Evaluate the system of performance assessment and remuneration of directors, supervisors and managers, as well as their current remuneration.	All members agree to pass the proposal unanimously.	Agree.
The 9 th session of the 4 th term held on April 28, 2022	I. Proposal for remuneration distribution for the Directors, employees and managerial officers of the Company. II. Proposal for directors' remuneration.	All members agree to pass the proposal unanimously.	Agree.
The 1 st session of the 5 th term held on July 27, 2022	I. Proposal for directors' remuneration . II. Proposal for managerial officer's remuneration. III. Proposal for managerial officer pay rise.	All members agree to pass the proposal unanimously.	Agree.
The 2 nd session of the 5 th term held on December 29, 2022	I. Proposal for 2022 annual compensation for Director and bonus distribution for managerial officers of the Company. II. Evaluate the system of performance assessment and remuneration of directors, supervisors and managers, as well as their current remuneration.	All members agree to pass the proposal unanimously.	Agree.

- (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

Evaluation 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 sustainability unit which is delegated to management by the Board of Directors and subject to supervision by the board ?	√		(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". (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. (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

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons						
			Abstract Illustration							
	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)	√		(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. (2) The management team conducts the risk assessment based on the materiality principle of "company influence degree" and "stakeholder concern degree", and selects nine material issues (one for the economy, one for the environment, and seven for society), 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 2021 sustainability report and its website. (https://www.senaonetworks.com/csr/report-and-resource/) A brief description is available as follows. <table><tr><th>Major issues</th><th>Risk assessment items</th><th>Explanations</th></tr><tr><td></td><td></td><td>There is a sound corporate governance structure, including independent directors and supervisors, and an audit office to effectively control</td></tr></table>	Major issues	Risk assessment items	Explanations			There is a sound corporate governance structure, including independent directors and supervisors, and an audit office to effectively control	No material deviations.
Major issues	Risk assessment items	Explanations								
		There is a sound corporate governance structure, including independent directors and supervisors, and an audit office to effectively control								

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons										
	Yes	No	Abstract Illustration											
			<table><tr><td>Economy</td><td>Economic performance</td><td>operating costs and the Company’s development direction. To make sure that operations comply with laws and regulations and the requirements of relevant regulatory authorities, and protect the rights of shareholders and relevant stakeholders.</td></tr><tr><td>Environ-ment</td><td>Legal compliance regarding environmental protection</td><td>It is managed through an environmental management system (ISO14001). Regular compliance verification is carried out to ensure compliance with regulatory requirements.</td></tr><tr><td colspan="2" rowspan="2"></td><td>To comply with the RBA Code of Conduct and Staff Code, abide by the relevant laws and regulations of the Labor Standards Act, and truly protect the rights and interests of employees at work. To protect employees enjoy diverse benefits, ensure gender equality, and guarantee the work rights of children-care workers.</td></tr><tr><td>Through the negotiation and communication mechanism of the labor-management conference, communication and management are</td></tr></table>	Economy	Economic performance	operating costs and the Company’s development direction. To make sure that operations comply with laws and regulations and the requirements of relevant regulatory authorities, and protect the rights of shareholders and relevant stakeholders.	Environ-ment	Legal compliance regarding environmental protection	It is managed through an environmental management system (ISO14001). Regular compliance verification is carried out to ensure compliance with regulatory requirements.			To comply with the RBA Code of Conduct and Staff Code, abide by the relevant laws and regulations of the Labor Standards Act, and truly protect the rights and interests of employees at work. To protect employees enjoy diverse benefits, ensure gender equality, and guarantee the work rights of children-care workers.	Through the negotiation and communication mechanism of the labor-management conference, communication and management are	
Economy	Economic performance	operating costs and the Company’s development direction. To make sure that operations comply with laws and regulations and the requirements of relevant regulatory authorities, and protect the rights of shareholders and relevant stakeholders.												
Environ-ment	Legal compliance regarding environmental protection	It is managed through an environmental management system (ISO14001). Regular compliance verification is carried out to ensure compliance with regulatory requirements.												
		To comply with the RBA Code of Conduct and Staff Code, abide by the relevant laws and regulations of the Labor Standards Act, and truly protect the rights and interests of employees at work. To protect employees enjoy diverse benefits, ensure gender equality, and guarantee the work rights of children-care workers.												
		Through the negotiation and communication mechanism of the labor-management conference, communication and management are												

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons				
	Yes	No	Abstract Illustration					
			<table><tr><td rowspan="2">Society</td><td>Labor relations</td><td>carried out on labor-management issues such as labor safety, education and training, compensation for disasters, injuries and diseases, and welfare matters. To ensure that employees' employment and labor rights are protected.</td></tr><tr><td>Occupational safety and health</td><td>To comply with the completion of ISO 45001 2018 ver. external verification as required by government decree and to achieve commitment to occupational safety and health. Through occupational safety and health management system (ISO 45001) for management, health care, improvement of working environment, convening of occupational safety and health management committee, safety and health education and training and health lectures, etc. And continue to strengthen the safety operation publicity and management of each factory. To ensure the health and safety of employees and effectively prevent work accidents and personal injuries.</td></tr></table>	Society	Labor relations	carried out on labor-management issues such as labor safety, education and training, compensation for disasters, injuries and diseases, and welfare matters. To ensure that employees' employment and labor rights are protected.	Occupational safety and health	To comply with the completion of ISO 45001 2018 ver. external verification as required by government decree and to achieve commitment to occupational safety and health. Through occupational safety and health management system (ISO 45001) for management, health care, improvement of working environment, convening of occupational safety and health management committee, safety and health education and training and health lectures, etc. And continue to strengthen the safety operation publicity and management of each factory. To ensure the health and safety of employees and effectively prevent work accidents and personal injuries.
Society	Labor relations	carried out on labor-management issues such as labor safety, education and training, compensation for disasters, injuries and diseases, and welfare matters. To ensure that employees' employment and labor rights are protected.						
	Occupational safety and health	To comply with the completion of ISO 45001 2018 ver. external verification as required by government decree and to achieve commitment to occupational safety and health. Through occupational safety and health management system (ISO 45001) for management, health care, improvement of working environment, convening of occupational safety and health management committee, safety and health education and training and health lectures, etc. And continue to strengthen the safety operation publicity and management of each factory. To ensure the health and safety of employees and effectively prevent work accidents and personal injuries.						

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons									
	Abstract Illustration												
	Yes	No											
			<table><tr><td></td><td>Training and education</td><td>To establish a company training system to educate and train employees at all levels and positions. To strengthen the professional skills and management skills of employees, and continue to strengthen the ability of employees to be employed.</td></tr><tr><td></td><td>Customer privacy</td><td>The Company pays attention to personal information management, and establishes "Personal Data Protection Management Regulations", and develops confidentiality policies and guidelines that meet the needs of each department. To make sure that the personal information of clients is strictly protected.</td></tr><tr><td></td><td>Employee diversity and equal opportunity</td><td>To establish a code of conduct for employees and remuneration and benefits management regulations. And through the corporate governance body, a diversified management of the members and employees of the corporate governance unit is carried out to guarantee basic salary for men and</td></tr></table>		Training and education	To establish a company training system to educate and train employees at all levels and positions. To strengthen the professional skills and management skills of employees, and continue to strengthen the ability of employees to be employed.		Customer privacy	The Company pays attention to personal information management, and establishes "Personal Data Protection Management Regulations", and develops confidentiality policies and guidelines that meet the needs of each department. To make sure that the personal information of clients is strictly protected.		Employee diversity and equal opportunity	To establish a code of conduct for employees and remuneration and benefits management regulations. And through the corporate governance body, a diversified management of the members and employees of the corporate governance unit is carried out to guarantee basic salary for men and	
	Training and education	To establish a company training system to educate and train employees at all levels and positions. To strengthen the professional skills and management skills of employees, and continue to strengthen the ability of employees to be employed.											
	Customer privacy	The Company pays attention to personal information management, and establishes "Personal Data Protection Management Regulations", and develops confidentiality policies and guidelines that meet the needs of each department. To make sure that the personal information of clients is strictly protected.											
	Employee diversity and equal opportunity	To establish a code of conduct for employees and remuneration and benefits management regulations. And through the corporate governance body, a diversified management of the members and employees of the corporate governance unit is carried out to guarantee basic salary for men and											

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons						
	Abstract Illustration									
	Yes	No								
			<table><tr><td></td><td>women, and the rate of pay hike. To ensure diversity of members and employees of corporate governance units, and the ratio of male and female base salaries to remuneration to avoid unfair situations.</td><td></td></tr><tr><td>Society- economy regulatory compliance</td><td>The Company pays attention to intellectual property rights and fair trade, and establishes "Patent Management Operation Regulations", "Antitrust Compliance Management Regulations" and "Trademark Management Operation Regulations". And through ISO 9001 management system for management. Regular compliance verification is carried out to ensure compliance with regulatory requirements.</td><td></td></tr></table>		women, and the rate of pay hike. To ensure diversity of members and employees of corporate governance units, and the ratio of male and female base salaries to remuneration to avoid unfair situations.		Society- economy regulatory compliance	The Company pays attention to intellectual property rights and fair trade, and establishes "Patent Management Operation Regulations", "Antitrust Compliance Management Regulations" and "Trademark Management Operation Regulations". And through ISO 9001 management system for management. Regular compliance verification is carried out to ensure compliance with regulatory requirements.		
	women, and the rate of pay hike. To ensure diversity of members and employees of corporate governance units, and the ratio of male and female base salaries to remuneration to avoid unfair situations.									
Society- economy regulatory compliance	The Company pays attention to intellectual property rights and fair trade, and establishes "Patent Management Operation Regulations", "Antitrust Compliance Management Regulations" and "Trademark Management Operation Regulations". And through ISO 9001 management system for management. Regular compliance verification is carried out to ensure compliance with regulatory requirements.									
3. Environmental issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	√		(1) 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	No deviations.						

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
			Abstract Illustration	
	Yes	No		
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		management system certification. All of the Company's factories follow ISO 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. (https://www.senaonetworks.com/csr/report-and-resource/) °	No deviations.
			(2) 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. 2. And committed to minimizing the impact of climate change caused by the greenhouse gas effect. In the early stage of	

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			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 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%. 3. A total of 146 LED lamps have been replaced in 2022, saving 53,343 kWh/year, equivalent to an annual reduction of 27.15 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 2022 the weight of renewable packaging materials accounted for about 99%.	
(3) Does the Company evaluate current and future potential risks and opportunities	√		(3) 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	No deviations.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Abstract Illustration			
	Yes	No		
brought by climate change, and take action to respond to climate-related issues?			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. 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. 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.	
(4) Does the company calculate greenhouse gas (GHG) emissions, water consumption and total weight of waste for the past two	√		(4) 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	No deviations.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons											
	Abstract Illustration														
	Yes	No													
years, and formulate strategies for energy conservation, carbon reduction, GHG emission reduction, water conservation and management of other waste?			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: Unit : Tons CO2e <table><tr><th>Year</th><th>Category 1</th><th>Category 2</th><th>Total</th></tr><tr><td>2021</td><td>294.6</td><td>3,782.92</td><td>4,077.52</td></tr><tr><td>2022</td><td>1,554.198</td><td>4,022.840</td><td>5,577.036</td></tr></table> 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. 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	Year	Category 1	Category 2	Total	2021	294.6	3,782.92	4,077.52	2022	1,554.198	4,022.840	5,577.036
Year	Category 1	Category 2	Total												
2021	294.6	3,782.92	4,077.52												
2022	1,554.198	4,022.840	5,577.036												

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons									
	Yes	No	Abstract Illustration										
			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 recycling, so as to reduce the risk of water shortages. Water consumption in the last 2 years: <table><tr><th colspan="3">Unit: Tons</th></tr><tr><th>Year</th><th>2021</th><th>2022</th></tr><tr><td>Total</td><td>36,259</td><td>41,065</td></tr></table> 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. The water saving target is set up more than 4%, but as the Company's production capacity increased in 2022, the water saving target was not achieved. 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 available for	Unit: Tons			Year	2021	2022	Total	36,259	41,065	
Unit: Tons													
Year	2021	2022											
Total	36,259	41,065											

Evaluation Item	Implementation Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons												
	Yes	No													
	Abstract Illustration														
			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: <table><tr><th colspan="3">Unit: KG</th></tr><tr><th>Year</th><th>Hazardous waste</th><th>Non-hazardous waste</th></tr><tr><td>2021</td><td>37,275</td><td>150,760</td></tr><tr><td>2022</td><td>60,370</td><td>153,930</td></tr></table> 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 214.30 metric tons in 2022, of which non-hazardous waste is 153.93 metric tons, accounting for about 71.8% of the whole, and the hazardous waste is 60.37 metric tons, accounting for only about 28.2%. The target of recycling and reuse of waste is set at more than 75%. In 2022, the proportion of waste recycling and reuse was 71.8%, and is expected to strive towards the goal.	Unit: KG			Year	Hazardous waste	Non-hazardous waste	2021	37,275	150,760	2022	60,370	153,930
Unit: KG															
Year	Hazardous waste	Non-hazardous waste													
2021	37,275	150,760													
2022	60,370	153,930													

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
			Abstract Illustration	
	Yes	No		
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	√		(1) In order to ensure all colleagues' human rights, the company promotes the "Responsible Business Alliance (RBA) Code of Conduct" to comply with relevant regulations, and refers to relevant international human rights treaties and standards such as The Universal Declaration of Human Rights, Business and Human Rights: A Practical Guide, The UN Global Compact, and the International Labor Organization to prevent violations of human rights in every aspect of the company's operations. It organizes extensive training on human rights protection for all employees and establishes proper channels for communication and grievances to ensure a safe working environment where employee rights are duly protected and respected. The Company has integrated the relevant rules into its “work rules”, “code of ethical conduct”, “regulations governing reward and misconduct”, “sexual harassment prevention and disciplinary measures” and “Human rights Management Procedures”, all of which expressly claim: 1. Protection of employees' human rights, including basic legal requirements, employment at will and humane treatment. 2. Prohibition of discrimination and sexual harassment, and any inhumane or insulting treatment and punishment. 3. Not to engage in or support physical punishment, emotional or physical threat and abuse language. 4. Not to engage in discrimination based on gender, age, ethnicity, marital status, pregnancy and childbirth, political affiliation, religion and belief, and any other unjustified reasons. The Company has established a corporate social responsibility	No material deviations

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Abstract Illustration			
	Yes	No		
			policy. Please refer to the Company's 2021 sustainability report and the website. (https://www.senaonetworks.com/csr/report-and-resource/) A brief description is available as follows: The Company complies with the Responsible Business Alliance (RBA) Code of Conduct, upholds the people-oriented spirit, protects human rights within the group, cultivates the skills of colleagues, and enhances the happiness of colleagues. Externally, the Company expects to establish an environment for coexistence, co-prosperity and mutual growth with the society to promote economic prosperity, provide good working conditions with the supply chain, and produce products that improve the convenience and comfort of human being. In the process of operations, the Company strives to abide by laws and regulations, operate decently, and grasp the pulse of the world, society, and neighborhoods, introduce various system operations, manage transparently, and enhance its image in order to create a sustainable development and happy enterprise.	
(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	✓		(2) 1. Regulations such as employee code, salary and welfare management and performance appraisal management are established. The Company also formulates and implements reasonable employee welfare measures, including the competitive remuneration of the market. To ensure the gender equality. (The proportion of women was 53.63%- as of the end of 2022.) Better than the statutory leave system (offering engagement leave, paid typhoon leave), providing annual gifts, wedding gifts, maternity allowances, hospitalization, funeral	No material deviations.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons								
	Abstract Illustration											
	Yes	No										
achievement?			condolences, maternity childcare allowances, free group insurance, and regular health checks. List of salaries and benefits of company employees<table><tr><th>Items</th><th>Contents</th></tr><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></table>	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.	
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.											
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												

Evaluation Item	Implementation Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
(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?			behavior management and contribution, and work behavior development plans, etc. According to the "Remuneration and Welfare Management Regulations", considering the Company's annual business performance and personnel 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.
	√		(3) 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
			No material deviations.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Abstract Illustration			
	Yes	No		
(4) Does the company provide its employees with career development and training sessions?			response drills such as first aid, firefighting, and the hazards that may occur in the workplace. 2. The Company has passed ISO 45001 occupational safety and 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. 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 2 occupational disasters resulted in 3 injuries in 2022 including cuts and crush injuries 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.	No material deviations.
	√		(4) 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. 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	

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(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?	√		annual strategy and competence of colleagues, the training system is divided into newcomer training, professional function training, and core function training. In 2022, the average training hours of all employees reached 5.87 hours. (5) 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. 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. 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	No material deviations.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Abstract Illustration			
	Yes	No		
(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?	√		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 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. 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.	No material deviations.
			(6) 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	

Evaluation Item	Implementation Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
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. (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. (4) In order to make the stakeholders understand the company's activities to promote CSR conveniently, the company made an annual CSR event review 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.			

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 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	
1. Establishment of ethical corporate management policies and programs (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?	✓		No material deviations.
(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?		✓	No material deviations.

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Abstract Illustration			
	Yes	No		
(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?	✓		education and training, managers conduct legal and internal audits randomly, so as to prevent unethical conduct. (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”.	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
	Abstract Illustration		
	Yes	No	
(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?	✓	ethics-related clauses into contracts. (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. B. The Sustainable Development Committee shall report to the Board of Directors on progress and performance of the promotion on a yearly basis.	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		
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?	✓	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.	No material deviations.
(5) Does the company regularly hold internal and external educational trainings on operational integrity?		(5) The Company has regularly held internal and external education and training courses related to ethical management issues. In 2021, such as “Promotion meeting of RBA Code of Conduct”, “Introduction of Trade Secrets” and “Internal Control and Audit Mechanism”. In 2022, the Company has attended courses such as "Business	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Abstract Illustration			
	Yes	No		
			Secrets and Case Studies", "Patent Essentials " ,.	
3. Operation of the integrity channel (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?	✓		(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.	No material deviations.
(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?	✓		(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	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	
(3) Does the company provide proper whistleblower protection?	✓		operating procedure had be held established. (3) The Company has appointed dedicated personnel to deal with the complaints, who will strictly comply with the non-disclosure requirement to protect complainants from any inappropriate treatment effectively.	No material deviations.
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.	No material deviations.
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”.				
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				

3.4.8 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.

3.4.9 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
Business Management Dept., Vice President	Feng-Hsiao Yu	April 22, 2022	Taiwan Institute for Sustainable Energy	Taishin International Bank 30th Sustainable Net Zero Summit Forum- transform to net zero 2030	3
		Oct. 25, 2022	Taiwan Investor Relations Institute	ESG Issues for the Board of Directors	3
		Nov. 11, 2022	Securities & Futures Institute	Listed Companies - Seminar on Derivative Commodity Trading Strategy and Market Outlook	3
		Nov. 29, 2022	Taiwan Investor Relations Institute	Digital Headquarters X Digital Leadership - Success and Failure Case Studies of Digital Transformation	3
		Dec. 23, 2022	Taiwan Corporate Governance Association	How Enterprises Strengthen Strategy Execution	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 Zeng	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 at www.senaonetworks.com (in traditional Chinese) → investor relationship → corporate governance guidelines and regulations established by the Company.

3.4.10 Internal Control Systems

1. Statement on Internal Control

(Please refer to page 89 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)

3.4.11 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)

3.4.12 Major Resolutions of Shareholders' Meeting and Board Meetings

Date	Major Resolutions of Shareholders' Meeting and Result Thereof
July 17, 2022	1. Ratified the business report and financial statements of 2021. Implementation: None. 2. Ratified the allocation of earnings of 2021. Implementation: The cash dividend to shareholders, NT\$ 147,182,643 was paid on Sep. 7, 2022. 3. Approved the amendments to the "Articles of Incorporation". Result: Approved by New Taipei City Government on July 8, 2022 and announced on the Company's website. 4. Approved the amendments to the "Rules for Election of Directors and Supervisors". Implementation: The Company has announced on the website and applied the amendments. 5. Approved the amendments to the "Operating Procedures for Lending Funds to Other Parties". Implementation: The Company has announced on the website and applied the amendments. 6. Approved the amendments to the "Operating Procedures for Endorsements and Guarantees". Implementation: The Company has announced on the website and applied the amendments. 7. Approved the amendments to the "Procedures for Acquisition or Disposal of Assets". Implementation: The Company has announced on the website and applied the amendments. 8. Elected 7 Directors. Result: Approved by New Taipei City Government on July 8, 2022. 9. Released from Non-Competition Restrictions on Directors. Implementation: The Company has announced on the MOPS on June 17, 2022.
Date	Major Resolutions of Board Meetings
January 20, 2022	1. Approved the business plan of 2022.
February 25, 2022	1. Approved the financial statements of 2021. 2. Approved the organization of general shareholders' meeting of 2022. 3. Approved the Company's "Statement of Declaration for Internal Control System" of 2021. 4. Approved to amend the "Articles of Incorporation". 5. Approved to amend the "Rules for Election of Directors and Supervisors". 6. Approved to amend the "Operating Procedures for Lending Funds to Other Parties".

	7. Approved to amend the “Operating Procedures for Endorsements and Guarantees”. 8. Approved to amend the “Procedures for Acquisition or Disposal of Assets”. 9. Approved to elect new Directors for the expiration of the term of office of existing Directors and Supervisor.
May 6, 2022	1. Approved the allocation of remuneration to employees and directors of 2021. 2. Approved the allocation of earnings of 2021. 3. Approved the nomination of Director candidates.
August 4, 2022	1. Approved the financial statements of 2022 Q2. 2. Approved the 2022 professional fees of CPAs.
November 4, 2022	1. Approved the financial statements of 2022 Q3. 2. Approved the acquisition of the right-of-use asset of real property. 3. Approved the audit plan of 2023.
January 6 2023	1. Approved the business plan of 2023 2. Approved to the investment of Vietnam's factory.
February 24, 2023	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. 4. Approved the Company’s “Statement of Declaration for Internal Control System” of 2022.

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

3.4.14 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	2022.1.1~2022.12.31	3,500	500	4,000	
	Hui-Ling Pan	2022.1.1~2022.12.31				

3.5.2 Specify the content of non-audit fee services

Non-audit fee of NT\$ 500,000 paid in 2022 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	August 6, 2021		
Replacement reasons and explanations	Due to internal job rotation at PwC, the Company CPAs were changed from Hui-Ling Pan and Shu-Chiung Chang to Pei-Juan Huang and Hui-Ling Pan, from the third quarter of 2021.		
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 Hui-Ling Pan
Date of appointment	August 6, 2021
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	2022		As of Feb. 28, 2023	
		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 (NOTE 1)	Hsiang-I Chen	-	-	-	-
Director (NOTE 1)	Shih-Hsiang Chen	-	-	-	-
Director (NOTE 1)	Guan-Heng Lai	-	-	-	-
Director	Pao-Yun Lin	-	-	-	-
Independent Director	Kuang-Hsun Shih	-	-	-	-
Independent Director	Yi-Min Chang	-	-	-	-
Independent Director	Huei-You Chen	-	-	-	-
Supervisor (NOTE 2)	Su-Yue Zheng	(5,000)	-	-	-
Supervisor	Jhih-Ling Hsieh	-	-	-	-
Supervisor	Ke-Ming Lin	(11,000)	-	-	-
President	Po-Chang Lin	-	-	-	-
VP	Yi-Ching Chang	-	-	-	-
VP	Feng-Hsiao Yu	-	-	-	-
VP	Hon-Chu Lai	-	-	-	-
VP	Pei-Chuan Liou	-	-	-	-
VP	Yi-Shu Lu	-	-	-	-
VP	Hsiu-Ying Liou				
AVP	Yu-Mei Chao	-	-	-	-
AVP	Chun-Lung Lin	-	-	-	-
AVP	Jheng-Da Lee				
AVP	Jheng-Syun Lee	-	-	(5,600)	-
AVP	Jian-Sheng Gao				
AVP	Wen-Ling Peng	-	-	-	-
Shareholding than 10%	Senao International Co., Ltd	-	-	-	-

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

Note2 : The representative of Jheng-Fong Investment Co., Ltd

3.8.2 Shares Trading with Related Parties. (NA)

3.9 Relationship among the Top Ten Shareholders

As of Aug. 19, 2022(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.	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. 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.	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. are brothers.	
Wen-Ho Tsai	1,463,308	2.98%	757,428	1.54%	-	-	Chin-Chen Huang	Spouse	
Mutual Fund of Cathay Assets Management Corp.	1,250,000	2.55%	-	-	-	-	-	-	
Yu-You Investment Co., Ltd. Representative: Jheng-Fong Lin	1,244,713	2.54%	-	-	-	-	Jheng-Fong Investment Co., Ltd., Hua-Shun Investment Co., Ltd.	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. are brothers.	
Credit Suisse Investment Account	1,168,000	2.38%	-	-	-	-	-	-	
Chuan-Fang-Wei Investment Co., Ltd. Representative: Jheng-Fong Lin	984,822	2.01%	-	-	-	-	Jheng-Fong Investment Co., Ltd., Hua-Shun Investment Co., Ltd.	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. 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	
Mutual Fund of Cathay Assets Management Corp.	698,000	1.42%	-	-	-	-	-	-	

Note : It's the target date for 2022 distribution of cash dividends

3.10 Ownership of Shares in Affiliated Enterprises

As of December 31, 2022; Unit: Thousand shares

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
EnGenius International (Samoa) Ltd	5,990	100%	-	-	5,990	100%
EnGenius Technologies, Inc.	60	100%	-	-	60	100%
EnGenius Technologies Canada Inc.	0.1	100%			0.1	100%
EnRack Technology Inc.	5,000	100%	-	-	5,000	100%
Emplus Technologies, Inc.	6,491	50.99%	-	-	6,491	50.99%
EnGenius Networks Inc.	50	100%	-	-	50	100%
EnGenius Japan	3	100%	-	-	3	100%

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. 28, 2023

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
2006/10	10	50,000	500,000	17,500	175,000	Spun off and succeeded to shares of Senao International Co. Radio Products Group	-	-
2007/01	10	50,000	500,000	30,882	308,820	Capital increase in cash by NT\$133,820 thousand	-	-
2008/04	10	50,000	500,000	31,297	312,970	Recapitalization of employee stock warrant by NT\$4,150 thousand	-	-
2008/10	10	50,000	500,000	33,661	336,612	Recapitalization of earnings by NT\$18,292.4 thousand and recapitalization of employee stock warrant by NT\$5,350 thousand	-	-
2009/01	10	50,000	500,000	33,978	339,787	Recapitalization of employee stock warrant by NT\$3,175 thousand	-	-
2009/08	10	50,000	500,000	34,414	344,135	Recapitalization of earnings by NT\$3,398 thousand and recapitalization of employee stock warrant by NT\$950 thousand	-	-
2009/09	10	50,000	500,000	36,374	363,735	Recapitalization of employee stock warrant by NT\$19,600 thousand	-	-
2010/02	10	50,000	500,000	37,304	373,035	Recapitalization of employee stock warrant by NT\$9,300 thousand	-	-
2010/08	10	120,000	1,200,000	41,034	410,339	Recapitalization of earnings by NT\$37,304 thousand	-	-
2012/03	10	120,000	1,200,000	41,250	412,499	Recapitalization of employee stock warrant by NT\$2,160 thousand	-	-
2012/07	10	120,000	1,200,000	41,436	414,359	Recapitalization of employee stock warrant by NT\$1,860 thousand	-	-

2012/09	10	120,000	1,200,000	41,454	414,539	Recapitalization of employee stock warrant by NT\$180 thousand	-	-
2013/01	10	120,000	1,200,000	41,646	416,459	Recapitalization of employee stock warrant by NT\$1,920 thousand	-	-
2013/04	10	120,000	1,200,000	41,820	418,199	Recapitalization of employee stock warrant by NT\$1,740 thousand	-	-
2013/06	10	120,000	1,200,000	42,036	420,359	Recapitalization of employee stock warrant by NT\$2,160 thousand	-	-
2013/09	10	120,000	1,200,000	42,265	422,649	Recapitalization of employee stock warrant by NT\$2,290 thousand	-	-
2013/11	10	120,000	1,200,000	42,298	422,979	Recapitalization of employee stock warrant by NT\$330 thousand	-	-
2013/12	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. 28, 2023 ; 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 Aug. 19, 2022(Note)

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	0	13	63	54	4,376	4,506
Shareholding (shares)	0	426,805	28,783,721	4,763,205	15,087,150	49,060,881
Percentage	0.00%	0.87%	58.67%	9.71%	30.75%	100.00%

Note : It's the target date for 2022 distribution of cash dividends

4.1.3 Diffusion of ownership

1. Common Shares

As of Aug. 19, 2022(Note)

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	1,055	104,954	0.21%
1,000 ~ 5,000	2,992	4,899,320	9.99%
5,001 ~ 10,000	211	1,697,003	3.46%
10,001 ~ 15,000	64	835,565	1.70%
15,001 ~ 20,000	35	641,000	1.31%
20,001 ~ 30,000	33	810,241	1.65%
30,001 ~ 40,000	21	778,435	1.59%
40,001 ~ 50,000	23	1,045,609	2.13%
50,001 ~ 100,000	27	2,114,435	4.31%
100,001 ~ 200,000	16	2,283,570	4.65%
200,001 ~ 400,000	12	3,218,660	6.56%
400,001 ~ 600,000	7	3,277,510	6.68%
600,001 ~ 800,000	2	1,455,428	2.97%
800,001 ~ 1,000,000	1	984,822	2.01%
1,000,001 or over	7	24,914,329	50.78%
Total	4,506	49,060,881	100.00%

Note : It's the target date for 2022 distribution of cash dividends

2. Preferred Shares: None

4.1.4 List of Major Shareholders

As of Aug. 19, 2022(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%
Mutual Fund of Cathay Assets Management Corp.	1,250,000	2.55%
Yu-You Investment Co., Ltd.	1,244,713	2.54%
Credit Suisse Investment Account	1,168,000	2.38%
Chuan-Fang-Wei Investment Co., Ltd.	984,822	2.01%
Chin-Chen Huang	757,428	1.54%
Mutual Fund of Cathay Assets Management Corp.	698,000	1.42%

Note : It's the target date for 2022 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	2021	2022	As of Feb. 28, 2023
Market Price per Share			
Highest Market Price	117.00	254.00	323.00
Lowest Market Price	83.00	98.20	198.00
Average Market Price	103.02	198.27	257.86
Net Worth per Share			
Before Distribution	65.00	84.20	-
After Distribution	62.00	(Note 4)	-
Earnings per Share			
Weighted Average Shares (thousand shares)	49,061	49,061	-
Diluted Earnings Per Share	9.16	21.70	-
Dividends per Share			
Cash Dividends	3.0	5.0	-
Stock Dividends			
• Dividends from Retained Earnings	-	-	-
• Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			
Price / Earnings Ratio (Note 1)	11.25	8.36	NA
Price / Dividend Ratio (Note 2)	34.34	36.27	NA
Cash Dividend Yield Rate (Note 3)	2.91%	2.76%	NA

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 4: Have not yet been resolved by a shareholders' meeting.

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 2022 profits was passed at the meeting of the Board of Directors. The proposal for a cash dividend of NT\$ 5.0 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\$ 105,957,000
Directors' remuneration	NT\$ 19,867,000

- (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\$ 43,430,000 |
| Directors' remuneration | NT\$ 8,143,000 |

- (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 Depositary 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 (NA)

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 (100GbE) for cloud computing center.
- ◆ 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 2022	(%) of Total Sales
Wireless network system products	7,184,828	44.02%
Wired network system products	7,290,661	44.67%
Enterprise radio system products	230,214	1.41%
Others (Note)	1,616,579	9.90%
Total	16,322,282	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 6GHz Enterprise mesh wireless AP (WiFi 6E)
 - Smart cloud network management service
 - Enterprise wireless network management software
- ◆ Wired network system products (Switch)
 - Managed network switch
 - Smart network switch
 - PoE network cable power supply

- ◉Electrical equipment for Smart power supply
- ◆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

4. New products development

- ◉Indoor new generation enterprise mesh wireless AP (WiFi 7)
- ◉Outdoor new generation enterprise mesh wireless AP (WiFi 7)
- ◉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

(1) Overall development trend and direction of the industry

Following the outbreak of Covid-19 epidemic in 2020, trends in home office, online learning, online entertainment, and others are thence driven, plus the promotion of demand for broadband network deployments at the same time. The reappearing variant virus and rekindled epidemic worldwide caused many enterprises adopted a mixed office model and accelerated the digital transformation, thus changing the lifestyle of general public to somewhat extent. Internationally speaking, working or studying from home has now become normal in many countries, and e-commerce and the home economy is also popular. Meanwhile, the speed of digital transformation has accelerated significantly in the wake of epidemics, not to mention that many industries have grown sharply with their supplies of related services and

solutions. As the demand for upgrading high-speed wireless networks continues to be hectic, the demand for Wi-Fi 6 / Wi-Fi 6E-level wireless network solutions with "high-speed transmission, large bandwidth, and low latency" also increases considerably.

With the applications of Virtual Reality (VR), Augmented Reality (AR) spin-off represents the metaverse of the virtual world, Industry 4.0, and the gradual entry of various IoT-connected devices penetrate into everyday activities, and the expansion of 5G mobile network caused the increased user demand for low latency, high speed transmission and large bandwidth. As the application of 5G mobile network goes more popular, the demands aforementioned started having a channel of transmission. In addition to the 5G base stations, a more powerful backbone is needed for data exchange and backhaul to the cloud data center. Moreover, a huge amount of computation needs to be allocated appropriately, giving rise to demand for high-speed switches (100GbE) and edge computing servers. Besides, Wi-Fi 6 is also developing rapidly. TrendForce pointed out that Wi-Fi 6 and 6E will surpass Wi-Fi 5 and become the mainstream technology in 2022, accounting for 58% of the global market. In 2022, Wi-Fi 6E will have a deployment rate of more than 10% of new devices; however, to meet the communication needs of metaverse and related industries, many major manufacturers look forward to the next generation of faster and more stable Wi-Fi 7.

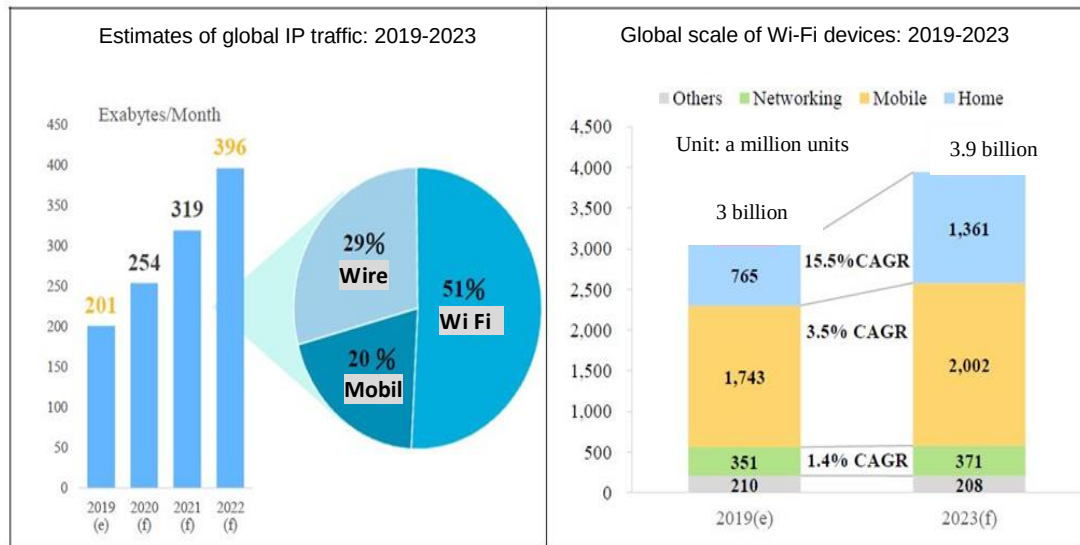
Wi-Fi 7 can support a transmission up to 30Gbps, with a maximum network speed of 46.4Gbps, which is 4.8 times that of WiFi 6's maximum speed of 9.6Gbps. With the characteristics of multi-band and high bandwidth, improved multi-connections, higher bandwidth, and Wi-Fi 7 technology can still maintain sufficient bandwidth connections in the presence of external interference. In the connection mode of Wi-Fi 7, 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. This expects 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. Regarded as a best solution of its kind for smart networking and outdoor transmission, Wi-Fi 7 technology serves to be gradually practiced in the fields of Internet of Things (IoT), digital home (Digital Home), urban infrastructure solution (City WiFi), and operator endpoint transmission (Wireless Point-to-Point Transmission), etc. Especially, both IoT and urban infrastructure solutions can provide extremely flexible network services for the networking of Mobile Devices and Wearable Devices. Looking forward to the next generation of Wi-Fi 7, MediaTek, Qualcomm, and Broadcom are currently establishing their strategies. Wi-Fi 7 products will be launched in the market from the end

of 2023 to the beginning of 2024 and there are still challenges to be overcome such as investment equipment, spectrum usage, deployment cost, and terminal equipment penetration rate for the overall development.

In applications related to the Internet of Things (IoT), digital home, urban infrastructure solutions (City WiFi), and Wireless Point-to-Point Transmission of operators, network management systems, Point-to-Point security encryption, Wi-Fi hotspot (Hotspot 2.0), integrated network portals (Captive Portal), and intelligent mesh links have become an important part of technologies and solutions that are indispensable for global network deployment. 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, an intelligent mesh network has become one of the solutions for enterprises and countries with weak fixed network infrastructure. A professional network service solution should provide hotspots and integrated network portal functions for large public events, which help IT or users to effectively separate internal network users from external / public users, achieving security protection. Moreover, different transmission speed and bandwidth should be set based on various applications of network users, such as shopping malls, hospitals, restaurants / hotels, etc.

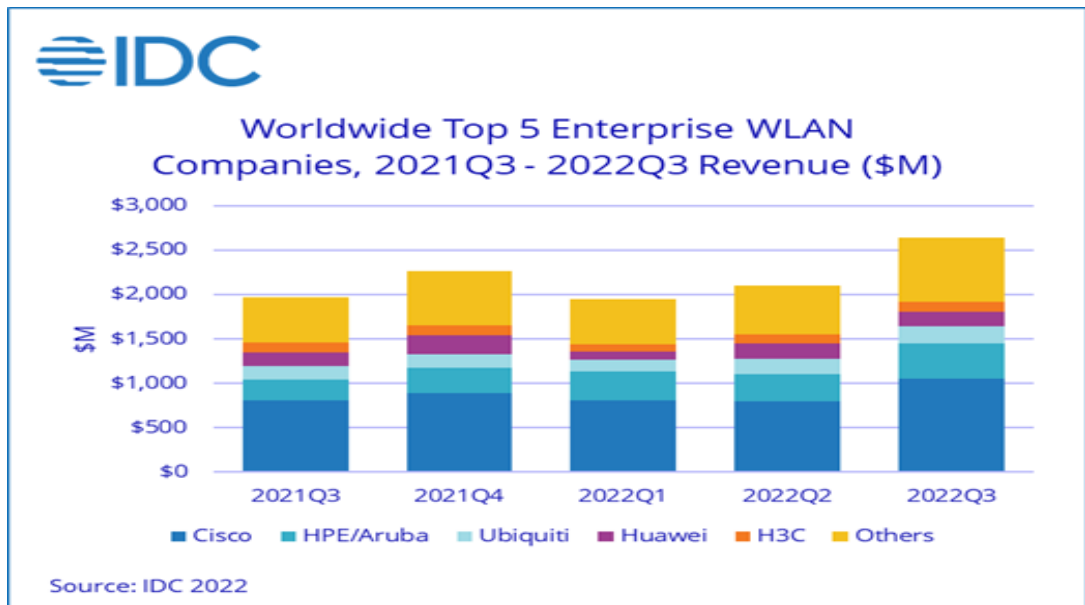
The number of connected devices is expected to grow rapidly in the coming years. More and more things in life will be closely connected to the network. In the future, the IoT will transform the world, connecting everything. As per the estimation of IDC, in 2023, the global internet devices will reach 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. In terms of IoT business opportunities, data collected from management control, Video Surveillance, and consumer / industrial sensors can be aggregated and transferred to the cloud through WiFi connection for in-depth computation and effective analysis, which could 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, so as 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 in order to predict the probability of cardiovascular disease and provide appropriate health advice. In view of this, there will still be a high demand for WiFi 6 / WiFi 7(802.11ax / 802.11be), Wireless Access

Point, Wireless CPE, Ethernet Switch, Security Gateway, and Cloud Management System in the telecommunications industry.

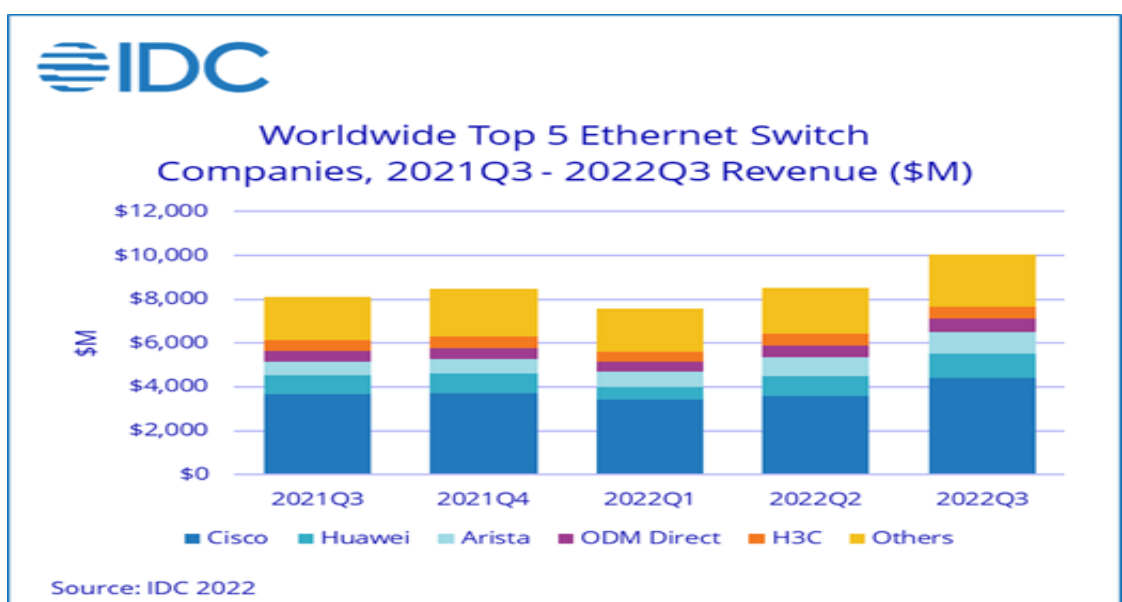


Estimated IoT units to be installed (Source: IDC, 2021)

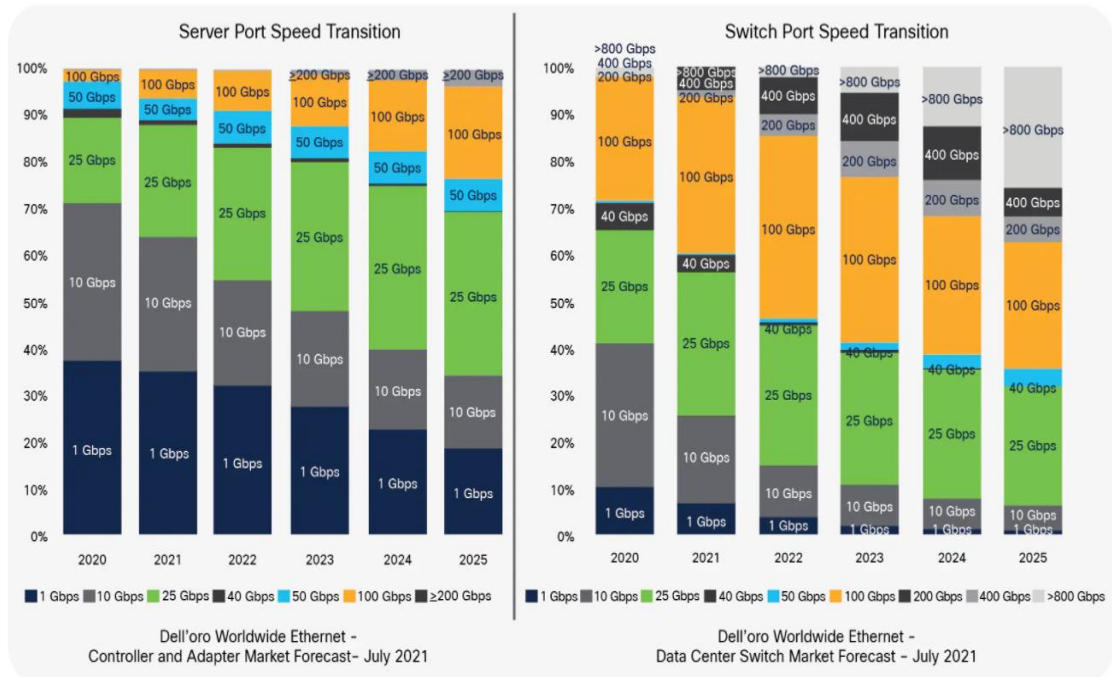
According to the IDC, the global enterprise WLAN product revenue in the third quarter of 2022 is US\$2.6 billion with the annual growth rate of 34.3% compared to 2021 (annual growth rate of 20.4% in the second quarter of 2022). In the first three quarters of 2022, the enterprise WLAN market has grown by 24.5% compared to 2021. There are various signs that global infrastructure component shortages and supply chain congestion are slowly mitigated, enabling networking product suppliers to turn large order backlogs into revenue and enterprise customers to obtain the latest Wi-Fi technology. The global market performance for enterprise WLAN products is generally strong. Where, the U.S. market grew by 38.6%, the Canadian market grew by 27.9% and in Latin America, the market grew by 3.5%. In Western Europe, the market grew by 59.1%, but in Central and Eastern Europe, the market declined by 12.0%. In the Middle East and Africa, the market grew by 39.9%. In the Asia-Pacific region, excluding Japan and China, the market grew by 40.5%, while the mainland China market grew by 16.9% and the Japan market grew by 15.9%. Despite this, the enterprise wireless network market continues to bring uncertainty due to the COVID-19 outbreak, and supply chain issues are also affecting the entire ICT industry market. The Market Insight Reports estimates that the global enterprise WLAN market size could be valued at more than US\$35 billion by 2027. Due to the growing demand for short-ranged wireless network communication infrastructure, it will positively impact the global enterprise wireless network (WLAN) market size over the next few years. Enterprise WLAN solutions are expected to enhance the performance of existing wired infrastructure in indoor environments.



Worldwide shipments of Layer 2/Layer 3 enterprise Ethernet switches in the third quarter of 2022 were US\$10 billion, an increase of more than 23.9% compared to 2021. Accumulated to the third quarter of 2022, an increase of more than 17.4% compared to 2021. Geographically, the Ethernet switch market growth in most of the world regions. In Asia Pacific, excluding Japan and China, the market grew 24.8%, while China grew 17.5% and Japan declined 1.8%. The US market increased by 29.5% , the Canadian market increased by 16.7%, and the Latin American market increased by 46.1%. In Western Europe, the market is growing by 25.8% per year, while in the Middle East and Africa region, the market is growing by 23.5%. In Central and Eastern Europe, the market declined by 5.4%. Such substantial growth is mainly attributable to the upgrade of the enterprise's network for industrial parks and data centers, as well as the continued growth of Cloud Service Providers to meet the continuous demand of enterprise users and end consumers for cloud services.



A Dell'oro research report pointed out that both enterprise-class wired network and server-side communication network interface cover the needs of 10GbE~100GbE. For increasing demands of AI applications, machine learning, high-resolution (4K/8K) video streaming, online games, virtual reality and augmented reality, although the speed of most switch ports today is 10GbE~100GbE, it is expected that more than 60% of switch ports will reach 100GbE or even higher speeds by 2025. Server connection speeds are also converted from 1/10 GbE to 25 GbE and up.



Source: Dell'oro Worldwide Ethernet

(2) New technology and product development trends in the enterprise application market

Key network communication product trends in 2023 are as follows:

- ◆ 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.
- ◆ Metaverse means to strengthen various services through realistic interaction and simulation, including virtual conference, digital simulation analysis, virtual community, game entertainment and creation, which are the main applications in the early stage of development. According to the IDC, 47% of enterprises worldwide are interested in metaverse applications. According to TrendForce, to build a metaverse that is more complex than the online community, a more powerful data computing core, a low-latency network environment for transmitting huge amount of data,

and terminal AR/VR devices with better display will be required to further drive the demand for related network applications such as Wi-Fi 7 and 10GbE network speed.

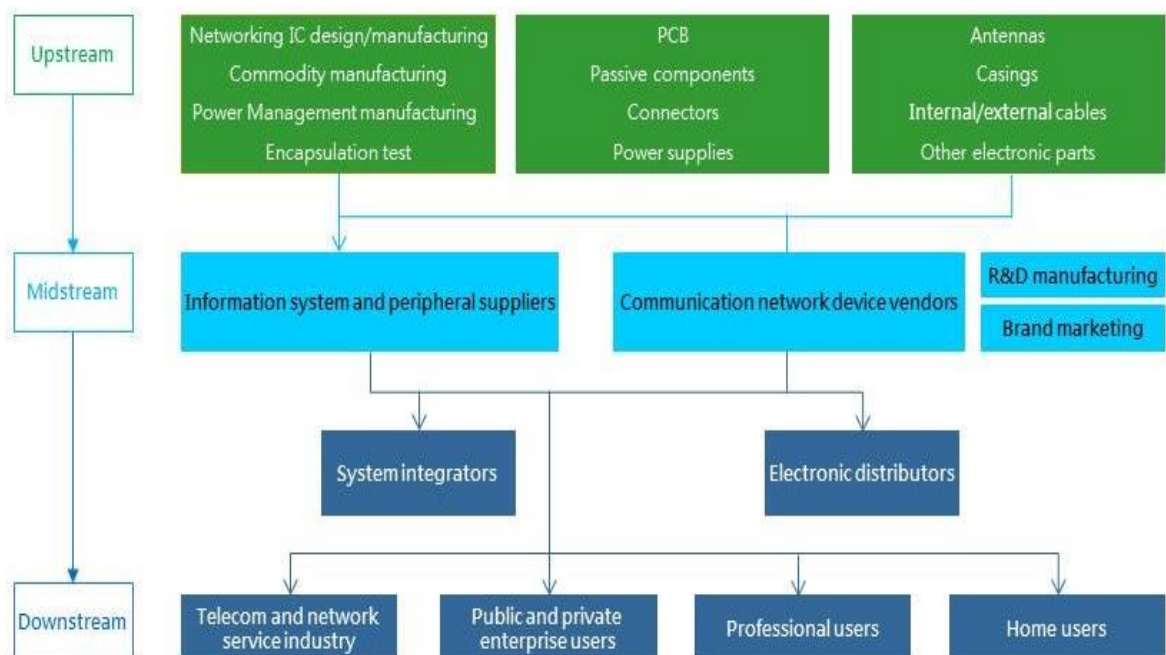
- ◆ Combined application of Wi-Fi 6 and 5G: Unlike previous generations of wireless technology, Wi-Fi 6 and 5G are designed to work together, and the wireless industry is moving toward devices that can roam securely and seamlessly across all types of wireless networks. Various associations and standards organizations in the industry are collaborating to develop future networking standards that blend mobile and non-mobile technologies with Wi-Fi 6 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.
- ◆ 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 20% of total sales in 2026.
- ◆ 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.
- ◆ 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 WiFi6 (802.11ax) 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. To meet the communication needs of industrial visions such as the metaverse, many big manufacturers are targeting the next generation of faster and more stable 802.11be, namely Wi-Fi 7. IDC's research shows that fast broadband

connectivity, high-resolution video streaming, and the development of VR gaming are driving up the demand for WiFi 6, WiFi 6E, and the newer generation Wi-Fi 7. New features of Wi-Fi 7 such as enhanced bandwidth and multi-connection mode technology are expected to be applied to flagship mobile phones, PCs and other products. There should also be room for development in the industrial application and enterprise application market.

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	-
*1: Supportable frequency bands are mainly based on the available ranges of telecommunication regulations announced by countries					
*2: Uplink only support in WiFi 5 Wave2 (11ac Wave2)					

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



3. Product Trends and Competition

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\$ 753,806 thousand in 2022.

2. Overview of Research Achievement

- (1) Successfully developed wireless base station with simultaneous operation of three bands, which can achieve simultaneous operation at 2.4GHz, 5GHz, and 6GHz which provides low latency, high density coverage solution with the use of 5Ghz and 6Ghz bands. The product is extensively marketed all over the world.
- (2) Successfully developed the 48 ports Multi-Gigabit PoE Switch capable of supplying power transmission at 90 Watt per port which is used in network surveillance and wireless base station to help enterprises to save the cost for the installation and network wiring.
- (3) Successfully developed composite multiple function environmental detector (IIoT). This product featured a variety of embedded sensor for monitoring and control of environmental change and the light source, temperature, humidity, pressure and noise of the environment. This device also detects the presence of formaldehyde, air particulates and other harmful element to the human health in the environment, improves the quality of life at the office and of the residents, and ensure the safety of the people.
- (4) Successfully developed 16 smart access control system to integrate with IOT air sensor and IP camera which provides comprehensive security control through cloud system management.
- (5) Developed 32x 400G ports data center switch with programmable Ethernet chipset to support up to 12.8Tbps bandwidth. Compatible with ONL/ONLP and SONiC open source network software. Application for 5G core network with high data transmission rate.
- (6) Successfully developed series of desktop and rackmount SD-WAN gateway featuring Auto-VPN function and cloud management.
- (7) Successfully developed Wi-Fi 6 outdoor and In-wall cloud AP providing peer-to-peer wireless communication and flexible business installation application.
- (8) Successfully developed cloud real-time visual switch situation analysis system to support enterprise-level switch in providing remote real-time status and traffic control.

- (9) Successfully developed the new generation of AirGuard System providing wireless intrusion detection and prevention (WIPS). It can prevent hackers from wireless intrusion by detecting Evil Twin, Death Attack and other Cyber Attacks and taking immediate interference measure.
- (10) Successfully developed 12-port 10G aggregated fiber network modified to ethernet switch featuring Layer 3 RIP2/OSPF routing protocol.

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

- ◆ Listen to users/consumers as a pioneer meeting the market demand.
- ◆ Keep innovating products and technologies to enable consumers to apply the same in different environments and different ways.
- ◆ Aim at high-quality and high-performance products and provide customers with the most competitive price.
- ◆ 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

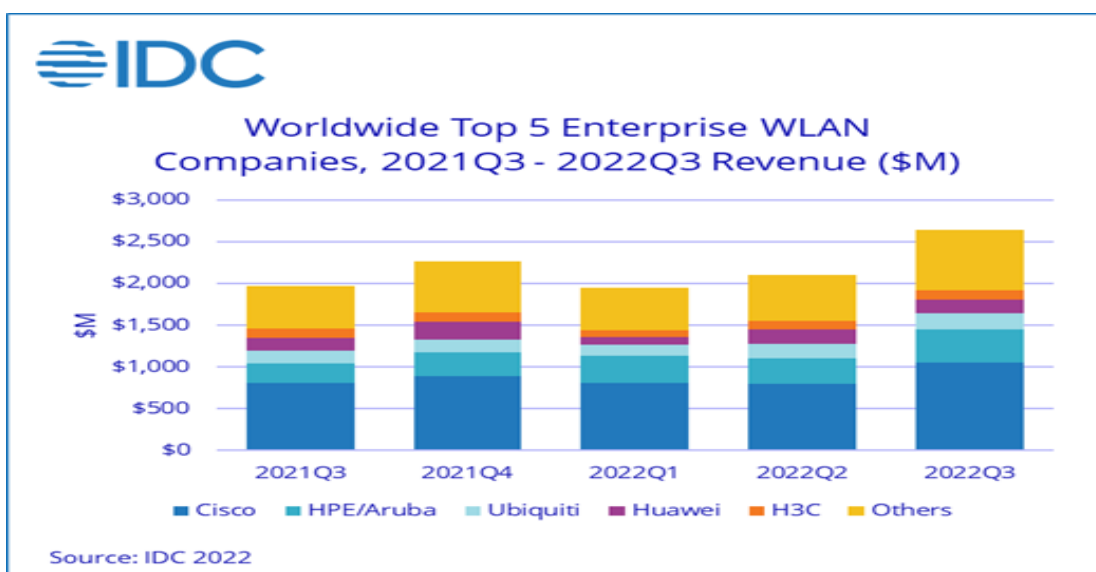
Unit: NT\$ Thousand

AREA \ YEAR	2022		2021	
	Sales Amount	%	Sales Amount	%
America	14,378,289	88.09%	8,299,216	90.41%
Europe	909,704	5.57%	303,268	3.30%
Taiwan	368,181	2.26%	259,985	2.83%
Others	666,108	4.08%	317,322	3.46%
Sum	16,322,282	100.00%	9,179,791	100.00%

2. Market Share (%) and Market Analysis of Major Product Categories

(1) Main competitor and market share

As of the end of 3rd quarter of 2022, the global enterprise wireless brands are Cisco with a market share of 39.7%, HP/Aruba with a market share of 15.3%, Ubiquiti with a decrease in market share came to 7.2%, and Huawei also with a decrease in market share came to 6.1%. In 2022, the enterprise WLAN market will continue to be driven by Wi-Fi 6. With the explosive demand for backbone bandwidth and digital transformation, global enterprises continue to invest in the deployment of the latest Wi-Fi 6, which has become an important driving force for the enterprise WLAN market. Wi-Fi 6 wireless access points (AP) accounted for 70.3% of AP revenue, while the rest was Wi-Fi 5 (802.11ac). In the third quarter of 2022, Wi-Fi 6 wireless AP accounted for 59.3% of shipments, and it is expected to exceed 5.2 billion units in 2025. The Company has been working on enterprise-grade wireless network technology for many years. Its related management platforms as well as products are leading the market.



On the other hand, the enterprise-grade Ethernet switch market share is still led by Cisco with 43.8%, followed by Huawei with 11.1%, HPE with 4.8%, and Arista with an increase in market share to 9.7%. Arista Ethernet switch revenue grew by 66% YoY in Q3 2022, and the high-speed segment of the Ethernet switch market continues to see significant growth, driven by hyperscale and cloud service provider with network infrastructure demand. From the second quarter to the third quarter of 2022, the market revenue of 100GbE / 400GbE switches grew by 25.2%, 100GbE revenue grew by 19.8%, and 25GbE / 50GbE revenue grew by 29.2%. It represents the potential demand and desires of global cloud service providers and enterprises for high-speed networks. Among the entire Ethernet switches, the revenue of 100GbE / 40GbE products grew remarkably and the shipment quantity of port was doubled; therefore, it was expected to be the most optimistic in the market. Among the middle-level and high-level, convergence layer switches, the Giga Bit Ethernet network and fiber-optic access products grew stably.

(2) Future supply & demand and growth in the market

With the evolution of wireless network technology, WiFi 6 (802.11ax) will promote "smart home networking applications, cloud services, Big Data, software-defined networks (SDN), IoT / IIoT, etc.". This is a major factor in promoting the next phase of growth in the communications industry. Besides, with a complete series of WiFi 5 (802.11ac Wave2) product lines, Senao has already completed the WiFi 6 (802.11ax) / WiFi 6E enterprise-grade indoor wireless network equipment, aiming for business opportunities to renew old wireless network equipment in the global market. At the same time, the Wi-Fi 7 products under development will also be mass-produced by the end of 2023 to meet the high network speed market demand, including the communication demand for metaverse related industries.

With the increase in penetration rate and prevalence rate of smart mobile devices (mobile phones, tablets, and wearables), wireless network communication technology must follow the trend of higher transmission speed and information transmission stability. In entering the field of IoT and IIoT, Senao has utilized network communication equipment and launched an intelligent mesh network solution (Mesh Wireless) with the help of its competent and independent research and development. The Mesh technology developed by the Company, not only can it extend the coverage area of wireless network signals and security monitoring at home, but it can also facilitate better installation, configuration and management. With the Mesh Network technology, a wireless security monitoring equipment can automatically find the optimal transmission path, so as to achieve full transmission of monitoring at home. Mesh technology is also applied to enterprise-grade indoor and outdoor wireless network equipment.

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.

3. Favorable and Unfavorable Factors in the Long Term

(1) Competitive niche, and favorable factors in the long term

◆ 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.

◆ Excellent ability to research and develop independently

- ⊙ Ability to design RF and antenna.
- ⊙ The world's first enterprise wireless network base station solution for the 2x2ax (Wi-Fi 6) market.
- ⊙ There are only a few companies globally that are capable of releasing 4x4ax (WiFi 6) enterprise-grade indoor wireless network base stations.
- ⊙ 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.
- ⊙ Smart power supply management system, integrated with network connection function, can intelligently allocate the power output and adjust the power of the switchboard.

◆ 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.

◆ 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.

◆ 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.

(2) Unfavorable factors in the long term and responsive strategies

◆ 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.

◆ Insufficient R&D personnel

Responsive strategy:

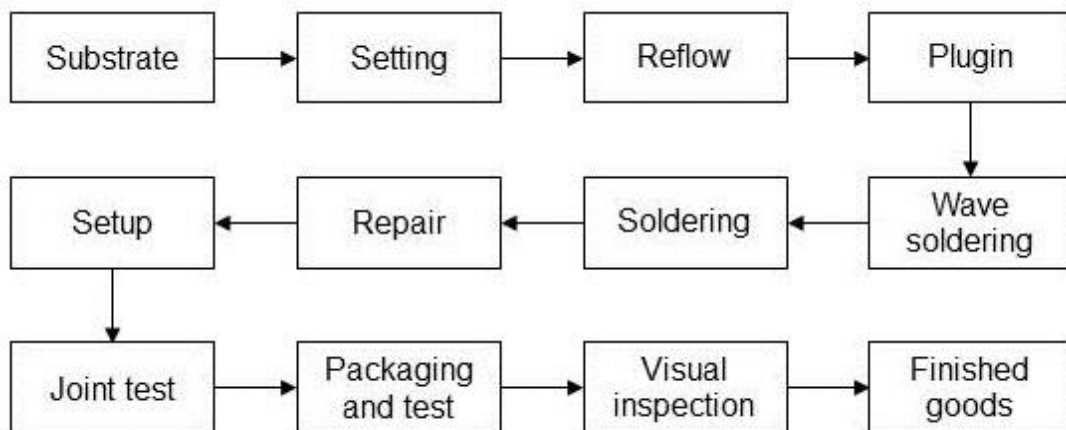
Value independent R&D ability very much and need more and more diversified talents to deal with the ever-changing technology trend. Therefore, Senao continues to solicit for experienced R&D personnel and also raises employees' benefit to attract excellent R&D personnel to join the company.

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	2021				2022			
	Name	Amount	Percent	Relation With Issuer	Name	Amount	Percent	Relation with Issuer
1	-	-	-	-	HONGTECH	1,464,452	13.82	NA

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	2021				2022			
	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer
1	A	2,021,232	22.02	NA	A	4,312,340	26.42	NA
2	B	1,602,884	17.46	NA	B	3,449,007	21.13	NA
3	D	1,170,873	12.76	NA	D	-	-	-
4	C	1,107,222	12.06	NA	C	-	-	-

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		2021			2022		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products							
Wireless network system products		(Note)	1,168,928	2,733,727	(Note)	2,053,111	5,965,321
Wired network system products			640,211	3,179,815		1,016,549	5,720,758
Enterprise radio system products			26,781	179,098		22,960	149,077
Others			552,366	808,780		434,154	941,570
Total		3,852,075	2,388,286	6,901,420	4,300,950	3,526,774	12,776,726

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	2021				2022			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Wireless network system products		70,253	111,759	1,348,019	3,286,584	159,512	249,529	2,466,944	6,935,299
Wired network system products		1,006	3,184	856,559	4,226,791	21,677	31,616	1,377,790	7,259,045
Enterprise radio system products		0	0	21,766	228,417	0	0	22,874	230,214
Others		447,431	145,043	1,046,965	1,178,013	2,001,089	87,036	3,033,683	1,529,543
SUM		518,690	259,986	3,273,309	8,919,805	2,182,278	368,181	6,901,291	15,954,101

5.3 Human Resources

Year		2021	2022	Data as of Feb. 28, 2023
Number of Employees	Manager	13	13	14
	Staff	858	1,115	1,164
	Operating Labor	708	861	915
	Total	1,579	1,989	2,093
Average Age		37.08	37.69	37.80
Average Years of Service		4.89	4.17	4.10
Education	Ph.D.	0.06%	0.05%	0.10%
	Masters	15.58%	16.04%	16.10%
	Bachelor's Degree	48.19%	50.33%	49.59%
	Senior High School	32.62%	29.31%	29.77%
	Below Senior High School	2.64%	4.27%	4.44%

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	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	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	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	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	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.

In 2022, the Company had a violation of the Labor Standards Act found in labor inspection. The details are as follows.

Disposition date : 111/10/18

Disposition reference numbers : 1110285203

The articles of law violated : Article 30, Paragraph 6 of the Labor Standards Act

The substance of the legal violations : The company failed to fulfill its management responsibilities for employee attendance and overtime work, and failed to record employee attendance to the minute every day, violating labor laws and regulations.

the content of the dispositions : fined NT\$ 50,000.

Estimated amount that could be incurred currently and in the future: None

Measures being or to be taken : In order to implement the record attendance of employees, the company will strengthen publicity and regularly track and check the implementation status.

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 responsible unit for the Company's information security is the Information Department, which has one information executive, a system management section and a number of professional information personnel responsible for formulating internal information security policies, planning, and implementing information security operations and policies.

2. Cyber security policies

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.

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.

Internal intrusion events: such as virus, worm, malicious program infection events, or illegal intrusion (hacking) events.

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) Windows operating system updates are distributed regularly.
- (5) All company computers need to be added to a domain, installed with antivirus software, and managed assets.
- (6) Implement information security education and training regularly.
- (7) File server enabled audit records
- (8) Perform regular system backups and offsite storage.
- (9) Perform system restore drills on a regular basis.
- (10) All partners are required to sign a confidentiality agreement

4. Investments in resources for cyber security management

- (1) 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 authentication, and SSL encryption.
- (2) To perform system and equipment vulnerability scanning and patching, code source code detection, and establish local and remote backup mechanisms for important systems or services periodically.
- (3) To establish an information security monitoring system to monitor the health status of software and hardware that provides various services, and check the logs of software and hardware to grasp abnormal conditions and deal with them in real time.
- (4) The information security publicity and education training are held every year, and announcements and promotions are made on the recognition of individual information security from time to time. Through continuous training and publicity, the awareness of information security of employees is enhanced.
- (5) In accordance with the ISO 27001 international standard, follow the PDCA management cycle, regularly review operational risks and improvement, and conduct internal and external audits.

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 2018 to 2022 (Based on IFRSs)

Unit: NT\$ Thousand

Item \ Year		Financial Information for the past five years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		3,775,894	4,226,847	4,743,503	5,467,673	10,715,882
Property, Plant and Equipment (Note 2)		1,408,396	1,438,242	1,676,542	1,956,847	2,577,713
Intangible assets		28,093	38,568	28,810	17,299	9,056
Other assets		82,734	409,770	286,292	296,604	540,427
Total assets (Note 2)		5,295,117	6,113,427	6,735,147	7,738,423	13,843,078
Current liabilities	Before distribution	2,429,767	2,881,743	3,440,923	4,141,725	9,102,441
	After distribution	2,748,663	3,136,860	3,637,167	3,994,543	(Note 4)
Non-current liabilities		18,709	260,907	191,794	215,055	296,321
Total liabilities	Before distribution	2,448,476	3,142,650	3,632,717	4,356,780	9,398,762
	After distribution	2,767,372	3,397,767	3,828,961	4,209,598	(Note 4)
Equity attributable to shareholders of the parent		2,722,003	2,822,154	2,934,386	3,188,858	4,130,642
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	1,539,691	1,642,752	1,761,379	2,019,970	2,942,058
	After distribution	1,220,795	1,387,635	1,565,135	1,872,788	(Note 4)
Other equity interest		(11,424)	(14,334)	(20,729)	(24,848)	(5,152)
Treasury stock		-	-	-	-	-
Non-controlling interest		124,638	148,623	168,044	192,785	313,674
Total equity	Before distribution	2,846,641	2,970,777	3,102,430	3,381,643	4,444,316
	After distribution	2,527,745	2,715,660	2,906,186	3,234,461	(Note 4)

Note 1: All financial data from 2018 to 2022 are audited by the CPA.

Note 2: No asset revaluation was conducted in these state fiscal years.

Note 3: The latest financial reports reviewed by the CPA.

Note 4: 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 2018 to 2022 (Based on IFRSs)

Unit: NT\$ Thousand

Item \ Year	Financial Information for the past five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	8,618,339	7,939,870	7,766,451	9,179,791	16,322,282
Gross profit	1,668,047	1,727,828	1,673,409	1,718,962	3,012,464
Income from operations	437,293	478,558	552,468	524,617	1,353,999
Non-operating income & expenses	164,207	96,802	(27,566)	82,115	119,276
Income before tax	601,500	575,360	524,902	606,732	1,473,275
Income (Loss) from Continuing Operation before Income Tax	503,194	479,654	445,690	530,156	1,248,119
Loss from Discontinued Operation	-	-	-	-	-
Net income (Loss)	503,194	479,654	445,690	530,156	1,248,119
Other comprehensive income(Loss) (income after tax)	2,827	(5,432)	(9,018)	1,446	24,116
Total comprehensive income	506,021	474,222	436,762	531,602	1,272,235
Net income attributable to shareholders of the parent	465,414	424,479	376,365	449,270	1,064,850
Net income attributable to non-controlling interest	37,780	55,175	69,325	80,886	183,269
Comprehensive income attributable to Shareholders of the parent	468,241	419,047	367,347	450,716	1,088,966
Comprehensive income attributable to non-controlling interest	37,780	55,175	69,325	80,886	183,269
Earnings per share (Unit: NT\$)	9.49	8.65	7.67	9.16	21.70

Note 1: All financial data from 2018 to 2022 are audited by the CPA.

Note 2: The latest financial reports reviewed by the CPA.

6.1.3 Condensed Balance Sheet (parent company only) from 2018 to 2022 (Based on IFRSs)

Unit: NT\$ Thousand

Year Item		Financial Information for the past five years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		3,034,117	3,327,577	3,647,298	4,107,054	8,613,014
Property, Plant and Equipment (Note 2)		1,320,822	1,336,942	1,550,160	1,828,040	2,439,196
Intangible assets (Note 2)		26,148	29,788	22,692	13,288	6,642
Other assets		284,090	588,633	580,955	574,590	946,908
Total assets		4,665,177	5,282,940	5,801,105	6,522,972	12,005,760
Current liabilities	Before distribution	1,896,666	2,242,000	2,703,790	3,215,129	7,721,166
	After distribution	2,215,562	2,497,117	2,900,034	3,067,947	(Note 3)
Non-current liabilities		46,508	218,786	162,929	118,985	153,952
Total liabilities	Before distribution	1,943,174	2,460,786	2,866,719	3,334,114	7,875,118
	After distribution	2,262,070	2,715,903	3,062,963	3,186,932	(Note 3)
Equity attributable to shareholders of the parent		2,722,003	2,822,154	2,934,386	3,188,858	4,130,642
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	1,539,691	1,642,752	1,761,379	2,019,970	2,942,058
	After distribution	1,220,795	1,387,635	1,565,135	1,872,788	(Note 3)
Other equity interest		(11,424)	(14,334)	(20,729)	(24,848)	(5,152)
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	2,722,003	2,822,154	2,934,386	3,188,858	4,130,642
	After distribution	2,403,107	2,567,037	2,738,142	3,041,676	(Note 3)

Note 1: All financial data from 2018 to 2022 are audited by the CPA.

Note 2: No asset revaluation was conducted in these state fiscal years.

Note 3: 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 2018 to 2022 (Based on IFRSs)

Unit: NT\$ Thousand

Item \ Year	Financial Information for the past five years (Note 1)				
	2018	2018	2020	2021	2022
Operating revenue	7,434,634	6,683,363	6,270,995	7,357,530	13,493,307
Gross profit	1,223,761	1,236,367	1,089,191	1,087,111	2,031,331
Income from operations	356,055	390,723	360,895	271,108	809,600
Non-operating income & expenses	176,993	106,213	65,250	219,273	386,807
Income before tax	533,048	496,936	426,145	490,381	1,196,407
Income (Loss) from Continuing Operation before Income Tax	465,414	424,479	376,365	449,270	1,064,850
Loss from Discontinued Operation	-	-	-	-	-
Net income (Loss)	465,414	424,479	376,365	449,270	1,064,850
Other comprehensive income (Loss) (income after tax)	2,827	(5,432)	(9,018)	1,446	24,116
Total comprehensive income	468,241	419,047	367,347	450,716	1,088,966
Net income attributable to shareholders of the parent	465,414	424,479	376,365	449,270	1,064,850
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent	468,241	419,047	367,347	450,716	1,088,966
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share (Unit: NT\$)	9.49	8.65	7.67	9.16	21.70

Note 1: All financial data from 2018 to 2022 are audited by the CPA.

6.1.5 Auditors' Opinions from 2018 to 2022

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

6.2 Financial Analysis for the past five fiscal years

6.2.1 Consolidated Financial Analysis from 2018 to 2022- Based on IFRSs

Item (Note 2)	Year	Financial analysis for the past five Years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt Ratio	46.24	51.41	53.94	56.30	67.9
	Ratio of long-term capital to property, plant and equipment	193.27	196.22	175.03	162.96	160.24
Solvency (%)	Current ratio	155.40	146.68	137.86	132.01	117.73
	Quick ratio	126.21	118.96	107.8	79.88	83.46
	Interest earned ratio (times)	462.43	85.54	133.52	213.74	240.52
Operating performance	Accounts receivable turnover (times)	7.70	10.00	8.46	7.26	7.46
	Average collection period	47	36	43	50	49
	Inventory turnover (times)	6.89	8.14	6.53	4.52	4.8
	Accounts payable turnover (times)	3.26	3.72	2.99	3.00	3.27
	Average days in sales	53	45	56	81	76
	Property, plant and equipment turnover (times)	6.62	5.58	4.99	5.05	7.2
	Total assets turnover (times)	1.46	1.39	1.21	1.27	1.51
Profitability	Return on total assets (%)	7.85	7.54	5.91	6.24	9.91
	Return on stockholders' equity (%)	17.66	15.31	13.08	14.67	29.10
	Pre-tax income to paid-in capital (%)	122.6	117.27	106.99	123.67	300.30
	Profit ratio (%)	5.4	5.35	4.85	4.89	6.52
	Earnings per share (NT\$)	9.49	8.65	7.67	9.16	21.70
Cash flow	Cash flow ratio (%)	10.92	38.62	16.08	0.89	27.02
	Cash flow adequacy ratio (%)	89.93	99.53	85.96	51.35	83.59
	Cash reinvestment ratio (%)	-	20.44	7.42	-	41.61
Leverage	Operating leverage	2.96	3.02	2.64	2.93	2.03
	Financial leverage	1.00	1.01	1.01	1.01	1.00

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

(1) Debt Ratio :

The increase in 2022 compared to 2021 was resulted by the increase capital demand for factories constructions and payment, and increase in bank borrowings.

(2) Ratio of long-term capital to property, plant and equipment :

The increase in 2022 compared to 2021 was resulted by the substantial growth in revenue.

(3) Return on total assets, Return on stockholders' equity, Pre-tax income to paid-in capital, Profit ratio, and Earnings per share :

The increase in 2022 compared to 2021 was resulted by the substantial increase in profits

(4) Cash flow ratio :

The increase in 2022 compared to 2021 was resulted by the increase in revenue collection amount and extended payment period, and the increase in net cash inflow from operating activities

(5) Cash flow adequacy ratio and Cash reinvestment ratio :

The increase in 2022 compared to 2021 was resulted by the increase in net cash inflow from operating activities

(6) Operating leverage :

The decrease in 2022 compared to 2021 was resulted by the income from operations.

Note 1: All financial date from 2018 to 2022 are audited by the CPA.

Note 2: The calculation formulas of the analysis items are referred to page121.

6.2.2 Financial Analysis from 2018 to 2022 (parent company only) - Based on IFRSs

Item (Note 2)	Year	Financial analysis for the past five years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt Ratio	41.65	46.58	49.42	51.11	65.59
	Ratio of long-term capital to property, plant and equipment	206.08	211.09	189.3	174.44	169.34
Solvency (%)	Current ratio	159.97	148.42	134.9	127.74	111.55
	Quick ratio	131.78	121.89	103.95	71.65	77.12
	Interest earned ratio (times)	105,513	174	157	271	250
Operating performance	Accounts receivable turnover (times)	6.78	10.08	7.97	6.54	6.85
	Average collection period	54	36	46	56	53
	Inventory turnover (times)	7.41	9.5	7.14	4.60	4.89
	Accounts payable turnover (times)	3.18	3.9	3.02	3.04	3.26
	Average days in sales	49	38	51	79	75
	Property, plant and equipment turnover (times)	6.11	5.03	4.34	4.36	6.32
	Total assets turnover (times)	1.39	1.35	1.13	1.19	1.46
Profitability	Return on total assets (%)	8.70	8.61	6.83	7.31	11.54
	Return on stockholders' equity (%)	17.66	15.31	13.08	14.67	29.10
	Pre-tax income to paid-in capital (%)	108.65	101.29	86.86	99.95	243.86
	Profit ratio (%)	6.26	6.35	6.00	6.11	7.89
	Earnings per share (NT\$)	9.49	8.65	7.67	9.16	21.70
Cash flow	Cash flow ratio (%)	12.09	43.71	8.64	4.59	23.29
	Cash flow adequacy ratio (%)	90.13	97.76	71.24	44.10	64.24
	Cash reinvestment ratio (%)	-	18.56	-	-	33.43
Leverage	Operating leverage	2.96	2.94	2.95	3.85	2.36
	Financial leverage	1.00	1.01	1.01	1.01	1.01

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

(1) Debt Ratio :

The increase in 2022 compared to 2021 was resulted by the increase capital demand for factories constructions and payment, and increase in bank borrowings.

(2) Ratio of long-term capital to property, plant and equipment :

The increase in 2022 compared to 2021 was resulted by the substantial growth in revenue.

(3) Return on total assets, Return on stockholders' equity, Pre-tax income to paid-in capital, Profit ratio, and Earnings per share :

The increase in 2022 compared to 2021 was resulted by the substantial increase in profits

(4) Cash flow ratio :

The increase in 2022 compared to 2021 was resulted by the increase in revenue collection amount and extended payment period, and the increase in net cash inflow from operating activities

(5) Cash flow adequacy ratio and Cash reinvestment ratio :

The increase in 2022 compared to 2021 was resulted by the increase in net cash inflow from operating activities

(6) Operating leverage :

The decrease in 2022 compared to 2021 was resulted by the income from operations.

Note 1: All financial date from 2018 to 2022 are audited by the CPA.

Note 2: The calculation formulas of the analysis items are referred to page121.

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 90 of the Chinese annual report.)
- 6.4 Financial statement for the most recent fiscal year**
(Please refer to page 136 to 195.)
- 6.5 A parent company only financial statement for the most recent fiscal year**
(Please refer to page 196 to 269.)
- 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	2021	2022	Difference		Comments
			Amount	%	
Current Assets	5,467,673	10,715,882	5,248,209	95.99%	1
Fixed Assets	1,956,847	2,577,713	620,866	31.73%	2
Intangible Assets	17,299	9,056	-8,243	-47.65%	
Other Assets	296,604	540,427	243,823	82.20%	3
Total Assets	7,738,423	13,843,078	6,104,655	78.89%	
Current Liabilities	4,141,725	9,102,441	4,960,716	119.77%	1
Long-term Liabilities	-	-	-	-	
Other Liabilities	215,055	296,321	81,266	37.79%	3
Total Liabilities	4,356,780	9,398,762	5,041,982	115.73%	
Capital stock	490,609	490,609	0	0.00%	
Capital surplus	703,127	703,127	0	0.00%	
Retained Earnings	2,019,970	2,942,058	922,088	45.65%	1
Other Adjustments	(24,848)	(5,152)	19,696	-79.27%	
Total Stockholders' Equity	3,381,643	4,444,316	1,062,673	31.42%	
Analysis of differences in the rate of variance exceeding 20% or the indicated amount over NT\$ 20 million :					
1. It was resulted by the substantial growth in revenue and profit in 2022, resulting in an increase in cash, accounts receivable and accounts payable					
2. It was resulted by the increase in unfinished construction (new factory and office buildings) in 2022.					
3. It was resulted by the increase in the right-of-use assets of leased properties in 2022.					

7.2 Financial Performance

7.2.1 Analysis of the past two fiscal years

Unit: NT\$ Thousand

Item \ Year	2021	2022	Difference		Comments
			Amount	%	
Operating revenue	9,179,791	16,322,282	7,142,491	77.81%	1
Gross Profit	1,718,962	3,012,464	1,293,502	75.25%	1
Income from operations	524,617	1,353,999	829,382	158.09%	1
Non-operating income & expenses	82,115	119,276	37,161	45.25%	2
Income Before Tax	606,732	1,473,275	866,543	142.82%	1
Net income (Loss)	530,156	1,248,119	717,963	135.42%	1
Other comprehensive income (income after tax)	-	-	-	-	
Total comprehensive income	530,156	1,248,119	717,963	135.42%	1
Other comprehensive loss for the year	1,446	24,116	22,670	1,567.77%	
Total comprehensive income for the year	531,602	1,248,119	716,517	134.78%	1
Analysis of differences in the rate of variance exceeding 20% or the indicated amount over NT\$ 20 million :					
1. It was resulted by the substantial growth in customer demand in 2022, resulting in an increase in revenue and profit.					
2. It was resulted by the depreciation in 2022 and appreciation in 2021 of the Taiwan dollar, resulting in an increase in foreign exchange gains compared with the same period.					

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
1,759,738	2,459,571	202,808	4,422,117	-	-
Analysis of change in cash flow in the current 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 : It was resulted by the purchase of equipment, new factory construction and cash dividend distribution with short-term borrowings, resulting in cash inflows from investment and financing activities.					

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
4,422,117	1,027,096	-3,154,745	2,294,468	-	-
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 : It was resulted by the purchase of equipment, new factory construction, cash dividend distribution, and investment of Vietnam's factory, resulting in cash inflows from investment and financing activities.					

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	Actual or expected sources of funds	Required amount	Actual or expected capital expenditure		
			2022	2023	2024
Office building	Working Capital and Bank credit	1,262,097	473,606	332,528	
Investment of Vietnam's factory	Working Capital and Bank credit	1,000,000	-	500,000	300,000

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.		55,360	100%	16,998	Due to have profitable performance.	-
EnGenius International (Samoa)Ltd.		165,803	100%	31,850	Due to have profitable performance.	-
EnRack Technology Inc.		50,000	100%	38,493	Due to have profitable performance.	-
Emplus Technologies, Inc.		84,249	50.99%	191,752	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

There will be a capital injection in EnRack Technology Inc. in the second quarter of 2023, and the capital increase will not exceed NT\$144 million.

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 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 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 also upgraded the hedging position 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 manages its finance in a conservative and stable manner and avoids engaging in high-risk and high-leverage investment. So far, 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 will continue to develop network security, wireless network, long-range cordless phone and cloud management and products, and also invest in network computing, antenna and power supply technologies and products in the next five years, in order to pursue the growth of turnover and profit at the same time. About 5~8% 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 financial assistance, and then the Company's business may grow stably. Therefore, if it is impossible for the internal control and financial management to keep up with the rapid business expansion, the Company will have trouble in business management. Given this, 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.

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 (NA)

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

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

The office building has been constructed on a property owned by the Company since 2019. The total construction cost is expected to be fully paid by the Company's fund. The production capacity after completion is estimated to be similar with the existing output. However, considering the risks, the purchase of production equipment will be adjusted flexibly based on the product development plans and the customers' demands, resulting in limited risks.

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

The company's purchase or sales amount of a single customer is less than 30% in 2022, so there is no risk of purchasing or sales concentration.

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)

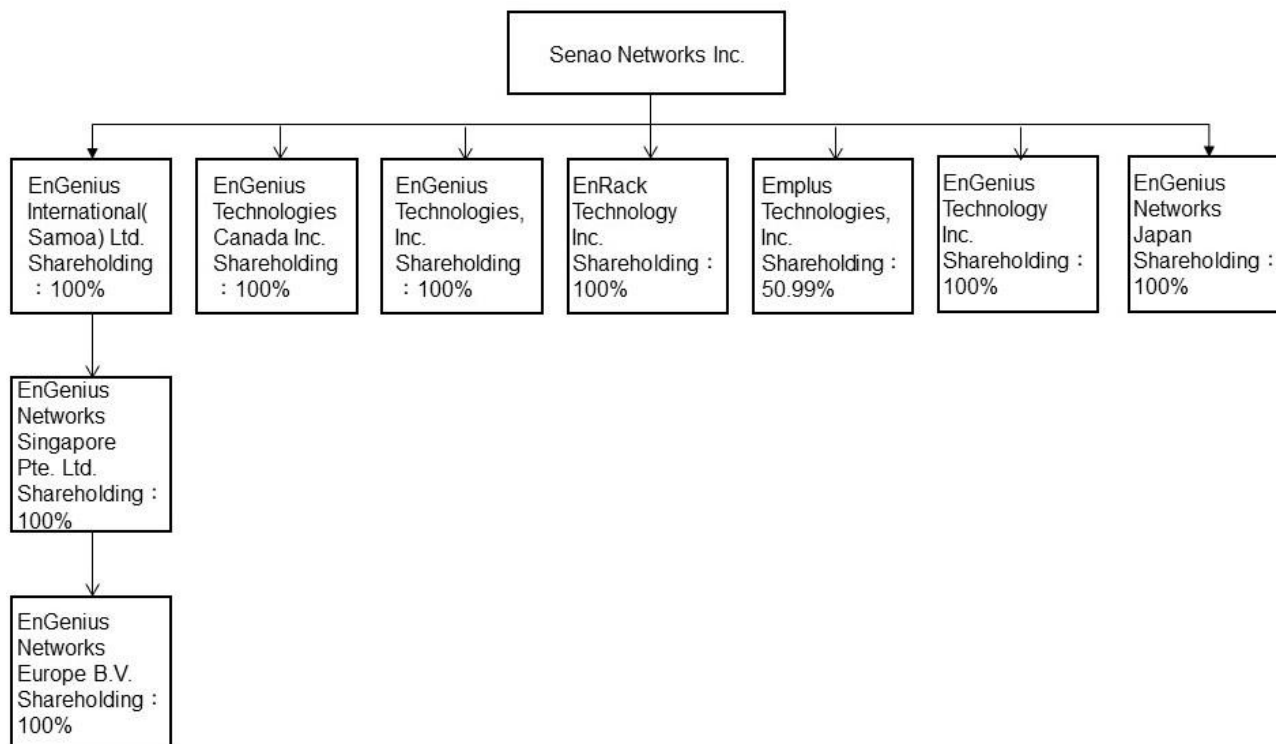
7.6.13 Other important risks, and mitigation measures being or to be taken (NA)

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, 2022; Unit : NT\$ Thousand

Company Name	Date of Incorporation	Location	Paid-in Capital	Business or Product Lines
EnGenius Technologies, Inc.	February 1999	Los Angeles, USA	USD 2,000	Trading of communication products
EnGenius International (Samoa) Ltd.	December 2002	Samoa	USD 5,990	Investment in relevant business
EnGenius Networks Singapore Pte. Ltd.	May 2003	Singapore	USD 5,950	Trading of communication products
EnGenius Networks Europe B.V.	March 2011	Netherlands	EUR 210	Trading of communication products
EnRack Technology Inc.	July 2016	Taiwan	NT 50,000	Sales of communication products and manufacture and

Company Name	Date of Incorporation	Location	Paid-in Capital	Business or Product Lines
				sales of stamping component
Emplus Technologies, Inc.	October 2012	Taiwan	NT 127,288	Manufacture, sales and R&D of communication products
EnGenius Technologies Canada Inc.	January 2018 (Note 1)	Canada	CAD 0.01	Trading of communication products
EnGenius Technology Inc.	October 2022	Taiwan	NT 500	Trading of communication products
EnGenius Networks Japan	November 2022	Japan	JPY 30,000	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, 2022

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.	5,990,000	100
EnGenius Networks Singapore Pte. Ltd.	Director	Pao-Yun Lin The representative of EnGenius International (Samoa) Ltd.	5,950,000	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.	5,000,000	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.	100	100
	Director	Chiao-Ling Ou The representative of Senao Network Inc.	100	100
EnGenius Technology Inc.	Chairman	Wen-Ho Tsai The representative of Senao Network Inc.	100	100%
EnGenius Networks Japan	Director	Feng-Hsiao Yu The representative of Senao Network Inc.	100	100%

8.1.6 Operating information of Affiliated Companies

Unit: NT\$ Thousand except EPS; As of December 31, 2022

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.	1,843	345,036	177,541	167,495	661,775	20,199	15,304	255.07
EnGenius International (Samoa) Ltd.	184,674	54,257	0	54,257	0	(37)	32,468	5.42
EnGenius Networks Singapore Pte. Ltd.	182,725	98,528	44,717	53,811	245,211	19,526	32,458	5.46
EnGenius Networks Europe B.V.	6,999	64,327	48,370	15,957	218,576	13,126	12,601	60.00
EnRack Technology Inc.	50,000	237,126	125,731	111,395	224,960	49,463	39,317	7.86
Emplus Technologies, Inc.	127,288	2,060,168	1,420,576	639,592	2,513,390	416,218	373,965	29.38
EnGenius Technologies Canada Inc.	0.227	22,028	7,530	14,498	35,644	3,771	2,756	27,560.00
EnGenius Technology Inc.	500	497	0	497	0	(3)	(3)	(0.06)
EnGenius Networks Japan	1,539	6,972	1	6,971	0	(1)	(1)	(0.33)

8.1.7 Affiliation Report

(Please refer to page 91 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 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	(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 to the <u>TPEX</u> in writing on July 20, 2016. (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.

Commitment upon Listing on TPEX	Status
be disclosed on the MOPS and reported to you in writing.	(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. (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. (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. (8) Not applicable, before the date of publication of the annual report, and so on, except said circumstances.

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

(23) PWCR 22003127

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, 2022 and 2021 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, 2022 and 2021 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, 2022 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, 2022, 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 the allowance for inventory valuation losses. The balances of the inventory cost and the allowance for inventory valuation and obsolescence losses on December 31, 2022 were \$3,301,805 thousand and \$198,327 thousand, respectively.

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.

Cut-off for export sales of goods

Description

Please refer to Note 4(21) to the consolidated financial statements for the accounting policy on revenue recognition.

Part of the parent company's sales of goods is subject to a transaction condition that it can only be recognized after the goods are moved on to a ship or delivered to the designated site (risk and ownership attached are transferred). Due to the large amount of the parent company's sales of goods, the timing of recognizing the sales of goods tends to be inappropriate. Therefore, we listed this type of transaction 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 parent company's accounting policy on revenue recognition, learned about the effectiveness of the timing control procedures for revenue recognition, and verified that revenue recognition was aligned with said accounting policy through substantive tests of sales of goods.
- The cut-off test was performed for the transactions of the goods moved onto the ships among the export sales of goods for a certain period of time before the end of the year, including the verification of relevant supporting documents for the delivery of goods and confirmation if the timing of revenue recognition was reasonable.

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. With the increasing orders placed by clients and the alleviation of material shortages, this year's operating revenue increased by 78% year-on-year. In addition, checking the top ten sales clients, accounting for 80% of the 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, 2022 and 2021, 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 doubt 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, 2022. 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

Hui-Lin Pan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2023

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

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 4,422,117	32	\$ 1,759,738	23
1170	Accounts receivable, net	6(2)	2,958,811	21	1,418,968	18
1180	Accounts receivable -related parties, net	7	1,150	-	-	-
1200	Other receivables	6(3)	213,486	2	129,186	2
1210	Other receivables - related parties	7	1,319	-	675	-
1220	Current income tax assets		6	-	-	-
130X	Inventory	6(4)	3,103,478	22	2,146,963	28
1410	Prepayments		15,515	-	12,143	-
11XX	Total current assets		10,715,882	77	5,467,673	71
Non-current assets						
1600	Property, plant and equipment	6(5)	2,577,713	19	1,956,847	25
1755	Right-of-use assets	6(6)	390,290	3	228,345	3
1780	Intangible assets	6(7)	9,056	-	17,299	-
1840	Deferred income tax assets	6(24)	109,247	1	55,156	1
1900	Other non-current assets	6(8)	40,890	-	13,103	-
15XX	Total non-current assets		3,127,196	23	2,270,750	29
1XXX	Total assets		\$ 13,843,078	100	\$ 7,738,423	100

(Continued)

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021	
			Notes	AMOUNT	%	AMOUNT
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 1,200,119	9	\$ 20,760	-
2130	Current contract liabilities	6(17)	372,400	3	305,543	4
2150	Notes payable		2,889	-	3,488	-
2170	Accounts payable		5,391,437	39	2,748,030	36
2200	Other payables	6(10)(26)	1,403,631	10	688,149	9
2230	Current income tax liabilities		244,528	2	83,350	1
2250	Current provisions	6(12)	62,699	-	42,186	1
2280	Current lease liabilities	7	116,979	1	78,519	1
2300	Other current liabilities	6(13)	307,759	2	171,700	2
21XX	Total current liabilities		9,102,441	66	4,141,725	54
Non-current liabilities						
2527	Non-current contract liabilities	6(17)	13,928	-	9,597	-
2570	Deferred income tax liabilities	6(24)	-	-	987	-
2580	Non-current lease liabilities	7	278,290	2	148,215	2
2600	Other non-current liabilities	6(11)(26)	4,103	-	56,256	1
25XX	Total non-current liabilities		296,321	2	215,055	3
2XXX	Total liabilities		9,398,762	68	4,356,780	57
Equity						
Equity attributable to owners of the parent						
	Share capital	6(14)				
3110	Share capital - common stock		490,609	4	490,609	6
	Capital surplus	6(15)				
3200	Capital surplus		703,127	5	703,127	9
	Retained earnings	6(16)				
3310	Legal reserve		553,614	4	508,132	7
3320	Special reserve		24,848	-	20,729	-
3350	Unappropriated retained earnings		2,363,596	17	1,491,109	19
	Other equity interest					
3400	Other equity interest		(5,152)	-	(24,848)	-
31XX	Equity attributable to owners of the parent		4,130,642	30	3,188,858	41
36XX	Non-controlling interest	4(3)	313,674	2	192,785	2
3XXX	Total equity		4,444,316	32	3,381,643	43
3X2X	Total liabilities and equity		\$ 13,843,078	100	\$ 7,738,423	100

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items		Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Operating revenues	6(17) and 7	\$ 16,322,282	100	\$ 9,179,791	100
5000	Operating costs	6(4)(23)	(13,309,818)	(82)	(7,460,829)	(81)
5900	Net operating margin		3,012,464	18	1,718,962	19
	Operating expenses	6(23)				
6100	Selling expenses		(422,514)	(3)	(331,189)	(4)
6200	General and administrative expenses		(530,944)	(3)	(324,146)	(4)
6300	Research and development expenses		(753,806)	(5)	(606,517)	(6)
6000	Total operating expenses		(1,707,264)	(11)	(1,261,852)	(14)
6500	Net other income (expenses)	6(18)	48,799	-	67,507	1
6900	Operating profit		1,353,999	7	524,617	6
	Non-operating income and expenses					
7100	Interest income	6(19)	23,765	-	3,237	-
7010	Other income	6(20)	19,749	-	86,104	1
7020	Other gains and losses	6(21)	83,715	1	(3,532)	-
7050	Finance costs	6(22) and 7	(7,953)	-	(3,694)	-
7000	Total non-operating income and expenses		119,276	1	82,115	1
7900	Profit before income tax		1,473,275	8	606,732	7
7950	Income tax expense	6(24)	(225,156)	(1)	(76,576)	(1)
8200	Profit for the period		\$ 1,248,119	7	\$ 530,156	6
	Other comprehensive income, net					
	Items not reclassified to profit or loss					
8311	Remeasurement of defined benefit plans	6(11)	\$ 5,525	-	\$ 6,956	-
8349	Income tax related to items not reclassified	6(24)	(1,105)	-	(1,391)	-
8310	Total amount of items not reclassified to profit or loss		4,420	-	5,565	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		19,696	-	(4,119)	-
8300	Other comprehensive income, net		\$ 24,116	-	\$ 1,446	-
8500	Total comprehensive income for the period		\$ 1,272,235	7	\$ 531,602	6
	Profit attributable to:					
8610	Owners of the parent		\$ 1,064,850	6	\$ 449,270	5
8620	Non-controlling interest		\$ 183,269	1	\$ 80,886	1
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 1,088,966	6	\$ 450,716	5
8720	Non-controlling interest	4(3)	\$ 183,269	1	\$ 80,886	1
	Earnings per share	6(25)				
9750	Basic earnings per share		\$ 21.70		\$ 9.16	
	Diluted earnings per share	6(25)				
9850	Diluted earnings per share		\$ 21.44		\$ 9.08	

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent							Non-controlling interest	Total equity		
	Notes	Share capital - common stock	Additional paid-in capital	Capital surplus		Retained earnings				Financial statements translation differences of foreign operations	Total
				Others	Legal reserve	Special reserve	Unappropriated retained earnings				
2021											
Balance at January 1, 2021		\$ 490,609	\$ 702,817	\$ 310	\$ 470,758	\$ 14,334	\$ 1,276,287	\$ 20,729)	\$ 2,934,386	\$ 3,102,430	
Profit for the period		-	-	-	-	-	449,270	-	449,270	530,156	
Other comprehensive income, net		-	-	-	-	-	5,565	(4,119)	1,446	1,446	
Total comprehensive income for the period		-	-	-	-	-	454,835	(4,119)	450,716	531,602	
Appropriations of 2020 earnings	6(16)										
Legal reserve		-	-	-	37,374	-	(37,374)	-	-	-	
Special reserve		-	-	-	-	6,395	(6,395)	-	-	-	
Cash dividends		-	-	-	-	-	(196,244)	-	(196,244)	(196,244)	
Change in non-controlling interest		-	-	-	-	-	-	-	(56,145)	(56,145)	
Balance at December 31, 2021		\$ 490,609	\$ 702,817	\$ 310	\$ 508,132	\$ 20,729	\$ 1,491,109	\$ 24,848)	\$ 3,188,858	\$ 3,381,643	
2022											
Balance at January 1, 2022		\$ 490,609	\$ 702,817	\$ 310	\$ 508,132	\$ 20,729	\$ 1,491,109	\$ 24,848)	\$ 3,188,858	\$ 3,381,643	
Profit for the period		-	-	-	-	-	1,064,850	-	1,064,850	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	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	\$ 4,444,316	

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,473,275	\$ 606,732
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(23)	233,457	212,661
Amortization	6(23)	10,847	12,692
Expected credit impairment loss (gain)	12(2)	111 (	611)
Interest income	6(19)	(23,765) (	3,237)
Interest expense	6(22)	6,151	2,852
Losses (gains) on disposal of property, plant and equipment	6(21)	54 (	235)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(1,539,974) (	310,834)
Accounts receivable -related parties, net		(1,150)	-
Other receivables		(83,342) (	23,467)
Other receivables - related parties		(644) (	85)
Inventory		(956,515) (	1,123,300)
Prepayments		(3,372)	2,975
Changes in operating liabilities			
Contract liabilities		71,188	190,409
Notes payable		(599)	711
Accounts payable		2,643,407	534,213
Other payables		578,609	42,260
Current provisions		18,221	1,044
Other current liabilities		136,059 (	40,886)
Other non-current liabilities		(659) (	245)
Cash inflow generated from operations		2,561,359	103,649
Interest received		22,807	3,431
Interest paid		(4,720) (	2,852)
Income tax paid		(119,875) (	67,396)
Net cash flows generated from operating activities		2,459,571	36,832

(Continued)

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(26)	(\$ 671,694)	(\$ 387,929)
Proceeds from disposal of property, plant and equipment		-	329
Increase in intangible assets	6(7)	(2,604)	(1,181)
(Increase) decrease in guarantee deposits paid		(5,071)	1,330
Net cash flows used in investing activities		(679,369)	(387,451)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(27)	1,177,986	(20,537)
Decrease in other non-current liabilities	6(27)	(658)	(223)
Lease payments	6(6)(27)	(108,641)	(101,960)
Payment of cash dividends	6(16)	(147,182)	(196,244)
Change in non-controlling interest	4(3)	(62,380)	(56,145)
Net cash generated from (used in) financing activities		859,125	(375,109)
Effect on foreign exchange difference		23,052	(4,519)
Increase (decrease) in cash and cash equivalents		2,662,379	(730,247)
Cash and cash equivalents at beginning of period		1,759,738	2,489,985
Cash and cash equivalents at end of period		\$ 4,422,117	\$ 1,759,738

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, 2022 AND 2021
(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 24, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of adopting new or amended International Financial Reporting Standards (“IFRS”) 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, which apply to the reporting period for 2022, as endorsed and issued into effect by the FSC:

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, “Disclosure of accounting policies”	January 1, 2023

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendments to IAS 12, “Deferred tax related to assets and liabilities arising from a single transaction”	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by International Accounting Standards Board
Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”	January 1, 2024
IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Initial application of IFRS 17 and IFRS 9 - comparative information”	January 1, 2023
Amendments to IAS 1, “Classification of liabilities as current or non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	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.

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, 2022	December 31, 2021	
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.	EnGenius Networks Inc.	Sales of communication products	100	-	Note 1
Senao Networks Inc.	Emplus Technologies, Inc.	Research and development, manufacture and sales of communication products	50.99	50.99	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Senao Networks Inc.	EnGenius International (Samoa) Ltd.	Investment holdings	100	100	
Senao Networks Inc.	EnGenius Technologies Canada Inc.	Sales of communication products	100	100	
Senao Networks Inc.	EnGenius Networks Japan	Sales of communication products	100	-	Note 2
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Sales of communication products	100	100	
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Sales of communication products	100	100	

Note 1: It is a new subsidiary established in October 2022.

Note 2: It is a new subsidiary established in November 2022.

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, 2022 and 2021, the non-controlling interests amounted to \$313,674, and \$192,785, 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, 2022		December 31, 2021	
		Amount	Ownership (%)	Amount	Ownership (%)
Emplus Technologies, Inc.	Taiwan	\$ 313,674	49.01%	\$ 192,785	49.01%

Summarised financial information of Emplus Technologies, Inc.:

Balance sheet

	December 31, 2022	December 31, 2021
Current assets	\$ 1,746,373	\$ 1,090,970
Non-current assets	314,275	195,879
Current liabilities	(1,284,333)	(828,437)
Non-current liabilities	(136,243)	(65,017)
Total net assets	<u>\$ 640,072</u>	<u>\$ 393,395</u>

Statement of comprehensive income

	Year ended December 31	
	2022	2021
Revenue	\$ 2,513,390	\$ 1,559,838
Profit before income tax	451,463	192,187
Income tax expense	(77,498)	(27,136)
Profit for the period from continuing operations	373,965	165,051
Other comprehensive income, net of tax	-	-
Total comprehensive income for the period	<u>\$ 373,965</u>	<u>\$ 165,051</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 183,269</u>	<u>\$ 80,886</u>
Dividends paid to non-controlling interest	<u>\$ 62,380</u>	<u>\$ 56,145</u>

Statement of cash flows

	Year ended December 31	
	2022	2021
Net cash flows generated from operating activities	\$ 623,711	\$ 219,337
Net cash flows used in investing activities	(40,569)	(29,372)
Net cash flows used in financing activities	(155,412)	(136,769)
Increase in cash and cash equivalents during this period	<u>427,730</u>	<u>53,196</u>
Cash and cash equivalents at beginning of period	<u>588,684</u>	<u>535,488</u>
Cash and cash equivalents at end of period	<u>\$ 1,016,414</u>	<u>\$ 588,684</u>

(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 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 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:

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;
 - (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;
- (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 service revenue 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) Operating 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. The information is addressed below:

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

As of December 31, 2022, the carrying amount of inventories was \$3,103,478.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	\$ 680	\$ 596
Checking accounts and demand deposits	476,400	289,119
Time deposits	3,945,037	1,470,023
	<u>\$ 4,422,117</u>	<u>\$ 1,759,738</u>

- A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group has no cash and cash equivalents pledged to others.

(2) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 2,958,964	\$ 1,418,990
Less: Allowance for bad debts	(153)	(22)
	<u>\$ 2,958,811</u>	<u>\$ 1,418,968</u>

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

	December 31, 2022	December 31, 2021
Not past due	\$ 2,923,854	\$ 1,375,480
Up to 30 days	34,707	42,640
31 to 60 days	12	481
61 to 90 days	137	61
91 to 180 days	170	-
Over 180 days	84	328
	<u>\$ 2,958,964</u>	<u>\$ 1,418,990</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2022, December 31, 2021 and January 1, 2021, the balances of receivables from contracts with customers amounted to \$2,958,964, \$1,418,990, and \$1,108,156, respectively.
- C. The Group does not hold any collateral as security.
- D. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$2,958,811 and \$1,418,968, 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, 2022 and 2021, the factored accounts receivable that have not yet been settled are as follows:

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	9,213	9,213	USD 1,425	-	-
International Bank					
Total	<u>\$ 15,070</u>	<u>\$ 15,070</u>		<u>\$ -</u>	

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

Note: Recorded as “other receivables”.

- B. The Group paid factoring expenses of \$1,802 and \$842 upon transfer of the derecognized accounts receivable for the years ended December 31, 2022 and 2021, respectively, which was recorded as “finance costs”.

(4) Inventory

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,925,605	(\$ 178,230)	\$ 1,747,375
Work in progress	872,469	-	872,469
Finished goods	503,731	(20,097)	483,634
	<u>\$ 3,301,805</u>	<u>(\$ 198,327)</u>	<u>\$ 3,103,478</u>

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

The cost of inventories recognized as expense for the years ended December 31, 2022 and 2021 were \$13,278,868 and \$7,437,562, including \$116,416 and \$57,458, respectively, that the Group wrote down from cost to net realizable value which was accounted for as cost of goods sold during 2022 and 2021.

(5) Property, plant and equipment

2022

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

2021

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

(6) Leasing arrangements - lessee

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

	December 31, 2022	December 31, 2021
	Book value	Book value
Buildings	\$ 380,441	\$ 223,928
Transportation equipment	4,066	3,214
Office equipment	788	1,203
Other equipment	4,995	-
	<u>\$ 390,290</u>	<u>\$ 228,345</u>

	Year ended December 31	
	2022	2021
	Depreciation	Depreciation
Buildings	\$ 111,190	\$ 100,638
Transportation equipment	2,514	2,349
Office equipment	634	658
Other equipment	775	-
	<u>\$ 115,113</u>	<u>\$ 103,645</u>

- D. The additions to the Group's right-of-use assets during 2022 and 2021 were \$274,120 and \$103,117, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 3,722	\$ 2,679
Expense on short-term lease contracts	5,518	4,608
Expense on variable lease payments	5,238	5,106
Gain on sublease of right-of-use assets (Note)	3,558	3,440

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

- F. The Group's total cash outflow from lease contracts for 2022 and 2021 was \$123,119 and \$114,353, of which \$108,641 and \$101,960 were the principal of lease liabilities.
- G. Due to the early termination of certain contracts during 2021, the Group's right-of-use assets and lease liabilities for 2021 were reduced by \$16, while there was no such a case for 2022.

H. Variable lease payments

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

I. Extension and termination options

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

J. The leasing transactions not yet commenced to which the Group is committed as at December 31, 2022 amounted to \$5,831.

(7) Intangible assets

A. Changes to intangible assets are as follows:

	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>

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

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

	Year ended December 31	
	2022	2021
Manufacturing expenses	\$ 206	\$ 606
Selling expenses	2,325	3,855
General and administrative expenses	2,426	2,377
Research and development expenses	<u>5,890</u>	<u>5,854</u>
	<u>\$ 10,847</u>	<u>\$ 12,692</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, 2022	December 31, 2021
Prepayment for equipment	\$ 22,716	\$ -
Refundable deposits	<u>18,174</u>	<u>13,103</u>
	<u>\$ 40,890</u>	<u>\$ 13,103</u>

(9) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured bank borrowings	\$ 1,200,119	\$ 20,760
Interest rate	1.73%~5.09%	0%~0.7%

(10) Other payables

	December 31, 2022	December 31, 2021
Accrued salary expenses and bonus	\$ 802,181	\$ 425,447
Accrued employees' compensation and directors' and supervisors' remuneration	172,506	75,510
Construction retainage received	95,418	-
Accrued equipment	51,508	11,484
Others	282,018	175,708
	<u>\$ 1,403,631</u>	<u>\$ 688,149</u>

(11) Pensions

A. Defined benefit plan

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

- (b) Amounts recognized in balance sheet are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 41,422	\$ 44,004
Fair value of plan assets	(37,410)	(33,809)
Net liabilities recognized in the balance sheet (in other non-current liabilities)	<u>\$ 4,012</u>	<u>\$ 10,195</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
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>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2021			
Balance at January 1	\$ 49,852	(\$ 32,454)	\$ 17,398
Service cost in this period	478	-	478
Interest expense (income)	173	(114)	59
	<u>50,503</u>	<u>(32,568)</u>	<u>17,935</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(457)	(457)
Effect of change in demographic assumptions	214	-	214
Effect of change in financial assumptions	(2,209)	-	(2,209)
Experience adjustments	(4,504)	-	(4,504)
	<u>(6,499)</u>	<u>(457)</u>	<u>(6,956)</u>
Contribution to pension fund	-	(784)	(784)
Balance at December 31	<u>\$ 44,004</u>	<u>(\$ 33,809)</u>	<u>\$ 10,195</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, 2022 and 2021 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	
	2022	2021
Discount rate	<u>1.30%</u>	<u>0.75%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

The assumptions for the future mortality rate for 2022 and 2021 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, 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>
December 31, 2021				
Effect on the present value of defined benefit obligations	<u>(\$ 1,330)</u>	<u>\$ 1,385</u>	<u>\$ 1,351</u>	<u>(\$ 1,304)</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, 2022 amount to \$780.

- (g) As of December 31, 2022, the weighted average duration of the pension plan is 11 years. An analysis of the maturity of pension payments is as follows:

Within 1 year	\$	1,867
1-2 years		887
2-5 years		3,848
Over 5 years		41,265
	\$	<u>47,867</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 2022 and 2021 were \$54,862 and \$48,226, respectively.
- (b) EnGenius International (Samoa) Ltd. and EnGenius Technologies Canada Inc. have not yet established an employee pension plan. EnGenius Technologies, Inc., EnGenius Networks Singapore Pte. Ltd., EnGenius Networks Europe B.V., and EnGenius Networks Japan follow the established pension regulations of their respective local governments. These subsidiaries pay monthly pension contributions and have no further obligations. The pension costs under the defined contribution pension plans of the above companies for the years ended December 31, 2022 and 2021 were \$2,552 and \$2,384, respectively.

(12) Provisions

	2022	2021
At January 1	\$ 42,186	\$ 40,773
Additional provisions during this period	37,020	13,998
Used during this period	(18,799)	(12,954)
Effect of exchange rate changes	2,292	369
At December 31	<u>\$ 62,699</u>	<u>\$ 42,186</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, 2022	December 31, 2021
Collection of project development on behalf of others	\$ 290,679	\$ 165,904
Sales refund liabilities	12,896	2,518
Others	4,184	3,278
	<u>\$ 307,759</u>	<u>\$ 171,700</u>

(14) Share capital

As of December 31, 2022, 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 2022 and 2021.

(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 2021 and 2020 earnings distribution proposals, which were approved by the resolution of the shareholders' meetings on June 17, 2022 and June 15, 2021, respectively, are detailed below:

	Year ended December 31			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 45,482	\$ -	\$ 37,374	\$ -
Special reserve	4,119	-	6,395	-
Cash dividends	<u>147,182</u>	<u>3.0</u>	<u>196,244</u>	<u>4.0</u>
	<u>\$ 196,783</u>	<u>\$ 3.0</u>	<u>\$ 240,013</u>	<u>\$ 4.0</u>

- F. The 2022 earnings distribution proposal made by the Board of Directors on February 24, 2023 is detailed below:

	Year ended December 31, 2022	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 106,927	\$ -
Special reserve	(19,696)	-
Cash dividends	<u>245,304</u>	<u>5.0</u>
	<u>\$ 332,535</u>	<u>\$ 5.0</u>

As of February 24, 2023, the above 2022 earnings distribution proposal is still pending the resolution by the shareholders' meeting.

(17) Operating revenues

	Year ended December 31	
	2022	2021
Revenue from contracts with customers	<u>\$ 16,322,282</u>	<u>\$ 9,179,791</u>

- A. Information on disaggregation of revenue from contracts with customers based on geographical regions is provided in Note 14(5)
- B. Contract liabilities
- (a) The Group has recognized the following revenue-related contract liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Current contract liabilities:			
Contract liabilities- sales of goods	\$ 360,823	\$ 300,564	\$ 105,471
Contract liabilities- providing services	<u>11,577</u>	<u>4,979</u>	<u>5,220</u>
Sub-total	372,400	305,543	110,691
Non-current contract liabilities:			
Contract liabilities- providing services	<u>13,928</u>	<u>9,597</u>	<u>14,040</u>
Total	<u>\$ 386,328</u>	<u>\$ 315,140</u>	<u>\$ 124,731</u>

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

	Year ended December 31	
	2022	2021
Revenue from contracts with customers	<u>\$ 230,501</u>	<u>\$ 82,127</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	
	2022	2021
Other income		
Project development income	<u>\$ 48,799</u>	<u>\$ 67,507</u>

(19) Interest income

	Year ended December 31	
	2022	2021
Interest income	\$ 23,691	\$ 3,155
Other interest income	<u>74</u>	<u>82</u>
	<u>\$ 23,765</u>	<u>\$ 3,237</u>

(20) Other income

	Year ended December 31	
	2022	2021
Rent income	\$ 3,558	\$ 3,440
Payables reclassified to revenue	-	46,010
Other income	<u>16,191</u>	<u>36,654</u>
	<u>\$ 19,749</u>	<u>\$ 86,104</u>

(21) Other gains and losses

	Year ended December 31	
	2022	2021
Gains (losses) on disposal of property, plant and equipment	(\$ 54)	\$ 235
Foreign exchange gains (losses)	83,770	(4,037)
Others	<u>(1)</u>	<u>270</u>
	<u>\$ 83,715</u>	<u>(\$ 3,532)</u>

(22) Finance costs

	Year ended December 31	
	2022	2021
Interest expense	\$ 6,151	\$ 2,852
Other financial expense	1,802	842
	<u>\$ 7,953</u>	<u>\$ 3,694</u>

(23) Expenses by nature

	Year ended December 31	
	2022	2021
Wages and salaries	\$ 2,380,072	\$ 1,517,547
Labor and health insurance fees	134,965	123,023
Pension costs	57,520	51,147
Other personnel expenses	79,336	55,879
Employee benefit expense	<u>\$ 2,651,893</u>	<u>\$ 1,747,596</u>
Depreciation	<u>\$ 233,457</u>	<u>\$ 212,661</u>
Amortization	<u>\$ 10,847</u>	<u>\$ 12,692</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 2022 and 2021 were \$147,672 and \$61,070, respectively; the estimated amounts of directors' and supervisors' remuneration for 2022 and 2021 were \$24,313 and \$10,016, respectively, and the foregoing amounts were accounted for under wages and salaries. Such amounts were estimated based on the profitability for 2022.

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.

On May 6, 2022, employees' compensation and directors' and supervisors' remuneration for 2021 amounting to \$43,430 and \$8,143, respectively, as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2021 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 18, 2022, employees' compensation and directors' and supervisors' remuneration of the subsidiary, Emplus Technologies, Inc., for 2021 amounting to \$16,050 and \$1,573, respectively, as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2021 financial statements.

On February 24, 2022, employees' compensation and directors' and supervisors' remuneration of the subsidiary, Enrack Technology Inc., for 2021 amounting to \$1,590 and \$300, respectively, as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2021 financial statements.

(24) Income tax

A. Income tax expense

	Year ended December 31	
	2022	2021
Current tax:		
Current tax on profit for the period	\$ 277,598	\$ 103,902
Tax on undistributed surplus earnings	305	325
Prior year income tax underestimation (overestimation)	<u>3,436</u>	<u>(6,624)</u>
Total current tax	281,339	97,603
Deferred tax:		
Origination and reversal of temporary differences	<u>(56,183)</u>	<u>(21,027)</u>
Income tax expense	<u>\$ 225,156</u>	<u>\$ 76,576</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2022	2021
Income tax calculated based on net income before tax at the statutory tax rate	\$ 346,543	\$ 144,530
Expenses that should be excluded according to the tax law	2,452	653
Unrecognized deferred tax	(11,397)	(7,959)
Unrealized investment income from domestic companies recognized using the equity method	(46,048)	(19,307)
Dividends obtained from domestic investees	12,982	11,683
Income exempted from taxation according to the tax law	(13,148)	(11,683)
Tax on undistributed surplus earnings	305	325
Prior year income tax underestimation (overestimation)	3,436	(6,624)
Effect of income tax with investment tax credit	<u>(69,969)</u>	<u>(35,042)</u>
Income tax expense	<u>\$ 225,156</u>	<u>\$ 76,576</u>

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

		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
Others	11,427	7,126	(1,105)	-	17,448
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	\$ 987	(\$ 987)	\$ -	\$ -	\$ -

		2021			
		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	\$ 5,766	\$ 3,423	\$ -	\$ -	\$ 9,189
Provisions for warranties	6,821	1,150	-	-	7,971
Compensation for unused annual leave	6,725	879	-	-	7,604
Unrealized gross margin with customs declaration filed	1,111	31	-	-	1,142
Allowance for inventory valuation and obsolescence losses	7,231	10,592	-	-	17,823
Others	10,248	2,570	(1,391)	-	11,427
Sub-total	<u>\$ 37,902</u>	<u>\$ 18,645</u>	<u>(\$ 1,391)</u>	<u>\$ -</u>	<u>\$ 55,156</u>
- Deferred income tax liabilities:					
Unrealized exchange gains	\$ 3,369	(\$ 2,382)	\$ -	\$ -	\$ 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, 2022 and 2021, amounted to \$22,213 and \$18,601, respectively.

- E. The unused losses and unrecognized deferred tax assets EnGenius Networks Singapore Pte. Ltd. (the Company's sub-subsidiary) due to settlement and reporting are as follows:

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
2019	11,900	11,900	11,900	Note
2017	6,053	6,053	6,053	Note
2016	16,078	16,078	16,078	Note
2015	2,855	1,560	1,560	Note

December 31, 2021				
Year	Amount reported/approved	Balance to be credited	The amount of losses not recognized in deferred tax assets	Last valid year
2019	\$ 11,900	\$ 11,900	\$ 11,900	Note
2017	6,053	6,053	6,053	Note
2016	16,078	16,078	16,078	Note
2015	2,855	2,854	2,854	Note

Note: 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 subsidiaries, Emplus Technologies, Inc. and EnRack Technology Inc., up to 2020 were approved by the tax authority.

(25) Earnings per share

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>

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

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31	
	2022	2021
Purchase of property, plant and equipment and other non-current assets-transferred in property, plant and equipment	\$ 739,100	\$ 389,480
Less: Ending balance of payable on equipment	(51,508)	(11,484)
Ending balance of construction retainage received (Note)	(95,418)	(45,320)
Opening balance of prepayments for equipment	-	(4,715)
Add: Opening balance of payable on equipment	11,484	39,889
Opening balance of construction retainage received (Note)	45,320	20,079
Ending balance of prepayments for equipment	<u>22,716</u>	<u>-</u>
Cash paid during the period for purchase of property, plant and equipment	<u>\$ 671,694</u>	<u>\$ 387,929</u>

Note: They were recognized in "Other payables" and "Other non-current liabilities" as at December 31, 2022 and 2021.

(27) Changes in liabilities from financing activities

Under the amendments to IAS 7, "Disclosure initiative", the changes during the years ended December 31, 2022 and 2021 are disclosed as follows:

	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>

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

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

As of December 31, 2022 and 2021, the Group does not have a parent company. Senao International Co., Ltd. held 33.79% of the Company's shares, and is the most influential entity to the Company.

(2) Name of related party and relationship

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

(3) Significant related party transactions

A. Operating revenues

	Year ended December 31	
	2022	2021
Merchandise sales:		
Entities with joint control or significant influence over the Group	<u>\$ 1,211</u>	<u>\$ -</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, 2022	December 31, 2021
Accounts receivable:		
Entities with joint control or significant influence over the Group	\$ 1,150	\$ -
Other receivables - payment on behalf of others:		
Entities with joint control or significant influence over the Group	\$ 1,319	\$ 675

C. Property transactions

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment:		
Entities with joint control or significant influence over the Group	\$ 54	\$ 9,842

D. Lease transactions- lessee

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

(b) Lease liabilities

i. Ending balance:

	December 31, 2022	December 31, 2021
Entities with joint control or significant influence over the Group		
Current	\$ 41,387	\$ 40,869
Non-current	15,178	60,365
	<u>\$ 56,565</u>	<u>\$ 101,234</u>

ii. Interest expense

	Year ended December 31 2022	Year ended December 31 2021
Entities with joint control or significant influence over the Group	\$ 931	\$ 1,442

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

	Year ended December 31	
	2022	2021
Salaries and other short-term employee benefits	\$ 104,036	\$ 65,130
Post-employment benefits	1,054	899
	<u>\$ 105,090</u>	<u>\$ 66,029</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2022, the Company had capital expenditures contracted for but not yet incurred in the amount of \$382,543.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) To respond to the growing client orders, the Company's Board of Directors approved the purchase of relevant equipment in an amount of roughly \$190 million on January 6, 2023.
- (2) To cope with the needs for production capacity and a supply chain layout arising from the Company's business growth, the Company decided to invest in the establishment of a factory in Vietnam by the resolution of the Board of Directors on January 6, 2023, with a total investment of US\$30 million.
- (3) Please refer to Note 6(16)6. for the 2022 earnings distribution proposal approved by the resolution of the Board of Directors on February 24, 2023.

12. OTHERS

(1) Capital risk management

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

(2) Financial instruments

A. Financial instruments by category

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

December 31, 2021				
		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	77,583	27.680	\$ 2,147,489
<u>Non-monetary items</u>				
USD:NTD	USD	4,925	27.680	130,962
CAD:NTD	CAD	520	21.620	11,245
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	60,799	27.680	1,682,920

- 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, 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

Year ended December 31, 2021				
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	-	27.680	(\$	3,812)
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	-	27.680		8,507

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

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		-
Year ended December 31, 2021				
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%	\$ 21,475	\$	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	16,829		-

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

- 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.
- 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, 2022 and 2021.

	Not past due	30 days	31-60 days	61-90 days	91-180 days	Over 181 days	Total
<u>December 31, 2022</u>							
Expected loss rate	0.03%	0.03%	10%	30%	50%	100%	
Total book value	\$ 2,923,899	\$ 35,812	\$ 12	\$ 137	\$ 170	\$ 84	\$ 2,960,114
Loss allowance	\$ -	\$ -	\$ -	\$ 69	\$ -	\$ 84	\$ 153
	Not past due	30 days	31-60 days	61-90 days	91-180 days	Over 181 days	Total
<u>December 31, 2021</u>							
Expected loss rate	0.03%	0.03%	10%	30%	50%	100%	
Total book value	\$ 1,375,480	\$ 42,640	\$ 481	\$ 61	\$ -	\$ 328	\$ 1,418,990
Loss allowance	\$ -	\$ -	\$ 21	\$ 1	\$ -	\$ -	\$ 22

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

	2022	2021
	Accounts receivable	Accounts receivable
At January 1	\$ 22	\$ 639
Provision for impairment loss	111	-
Reversal of impairment loss	-	(611)
Effect of exchange rate changes	20	(6)
At December 31	\$ 153	\$ 22

(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, 2022				
Short-term borrowings	\$1,204,204	\$ -	\$ -	\$ -
Notes payable	2,889	-	-	-
Accounts payable	5,391,437	-	-	-
Other payables	1,403,631	-	-	-
Lease liabilities	121,167	95,699	188,754	-
Other non-current liabilities	-	90	-	-

Non-derivative financial
liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2021				
Short-term borrowings	\$ 20,772	\$ -	\$ -	\$ -
Notes payable	3,448	-	-	-
Accounts payable	2,748,030	-	-	-
Other payables	688,149	-	-	-
Lease liabilities	85,863	68,985	72,652	12,000
Other non-current liabilities	-	46,059	-	-

(3) Fair value estimation

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

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

Certain employees at the Company's Huaya Plant was diagnosed with Covid-19 on April 13, 2022. As the Group continued to take anti-pandemic measures, the pandemic was contained and did not spread further. Also, the Company increased the production capacity, so the pandemic did not cause a material impact on the production capacity throughout 2022.

The Group has complied with the various preventive measures imposed by the government. In addition to disinfecting workplaces and activity areas continuously and regularly, the Group continues to closely monitor the developments of the pandemic, encourages colleagues and foreign colleagues to be vaccinated to strengthen their resistance to the Covid-19 and continuously provide updates on relevant contingency measures.

Except for the situation mentioned in the first paragraph, the Group's overall operations during 2022 were not materially impacted by the pandemic.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information:

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

(2) Information on investments

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

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Please refer to table 5.

14. SEGMENT INFORMATION

(1) General information

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

(2) Assessment of segment information

The operational performance evaluation of each segment is based on operating revenue and income (not including administrative expense). All the operating segments consistently apply uniform accounting policies as described in Note 4, “Summary of significant accounting policies”. The interdepartmental sales are in accordance with the fair value principle. Revenues from external customers provided to the chief operating decision-maker are measured in a manner consistent with that used for the income statement. The Group’s segment information for 2022 and 2021 is stated below:

	Year ended December 31, 2022				
	Taiwan	America	Others	Eliminated transactions during the consolidation	Total
Revenue from external customers	\$15,182,278	\$676,867	\$463,137	\$ -	\$16,322,282
Inter-segment revenue	1,049,379	20,553	650	(1,070,582)	-
Total segment revenue	<u>\$16,231,657</u>	<u>\$697,420</u>	<u>\$463,787</u>	<u>(\$1,070,582)</u>	<u>\$16,322,282</u>
Segment income	<u>\$ 1,742,294</u>	<u>\$ 66,377</u>	<u>\$ 58,839</u>	<u>\$ 17,433</u>	<u>\$ 1,884,943</u>
Segment income, including Depreciation and amortization	<u>\$ 216,056</u>	<u>\$ 4,066</u>	<u>\$ 1,955</u>	<u>(\$ 11,694)</u>	<u>\$ 210,383</u>
	Year ended December 31, 2021				
	Taiwan	America	Others	Eliminated transactions during the consolidation	Total
Revenue from external customers	\$ 8,341,500	\$559,524	\$278,767	\$ -	\$ 9,179,791
Inter-segment revenue	703,235	18,650	-	(721,885)	-
Total segment revenue	<u>\$ 9,044,735</u>	<u>\$578,174</u>	<u>\$278,767</u>	<u>(\$ 721,885)</u>	<u>\$ 9,179,791</u>
Segment income	<u>\$ 747,435</u>	<u>\$ 54,776</u>	<u>\$ 32,839</u>	<u>\$ 13,713</u>	<u>\$ 848,763</u>
Segment income, including Depreciation and amortization	<u>\$ 200,246</u>	<u>\$ 3,732</u>	<u>\$ 1,837</u>	<u>(\$ 10,881)</u>	<u>\$ 194,934</u>

(3) Reconciliation for segment income (loss)

The Group’s segments’ operating income reported to the chief operating decision-maker is measured in a manner consistent with the revenue and expenses in the statement of comprehensive income. The Group did not provide the chief operating decision-maker with the amount of total assets and liabilities for decision-making purposes. A reconciliation of reportable segment income or loss and income from continuing operations before income tax for 2022 and 2021 is provided as follows:

	Year ended December 31	
	2022	2021
Reportable segments profit	\$ 1,884,943	\$ 848,763
Undistributed amount		
General administrative expense	(530,944)	(324,146)
Non-operating income	119,276	82,115
Income from continuing operations before income tax	<u>\$ 1,473,275</u>	<u>\$ 606,732</u>

(4) 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	
	2022	2021
Revenue from sales of goods		
Wireless networking systems	\$ 7,184,828	\$ 3,398,343
Wired networking systems	7,290,661	4,229,975
Enterprise wireless communication systems	230,214	228,417
Others	1,616,579	1,323,056
	<u>\$ 16,322,282</u>	<u>\$ 9,179,791</u>

(5) Information by region

The Group's relevant information by region for 2022 and 2021 is shown below:

	Year ended December 31			
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
America	\$ 14,378,289	\$ 22,267	\$ 8,299,216	\$ 25,979
Europe	909,704	458	303,268	3,177
Taiwan	368,181	2,976,500	259,985	2,169,722
Others	666,108	550	317,322	3,613
	<u>\$ 16,322,282</u>	<u>\$ 2,999,775</u>	<u>\$ 9,179,791</u>	<u>\$ 2,202,491</u>

(6) Information on important customers

The details of the Group's 2022 and 2021 operating revenue from a single customer accounting for 10% or more of the consolidated operating revenue are as follows:

	Year ended December 31			
	2022		2021	
	Revenue	Segment	Revenue	Segment
Company A	\$ 4,312,340	Taiwan	\$ 2,021,232	Taiwan
Company B	3,449,007	Taiwan	1,602,884	Taiwan
Company D	Note	Taiwan	1,170,873	Taiwan
Company C	Note	Taiwan	1,107,222	Taiwan

Note: The operating revenue has not reached 10% or more of the consolidated operating revenue.

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, 2022

Table 1

Differences in transaction terms compared to third party transactions											Expressed in thousands of NTD (except as otherwise indicated)
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)	Remarks (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Senao Networks Inc.	EnGenius Technologies, Inc.	Subsidiary	Sales	\$ 454,930	3	Note 1	Note 1	Note 1	\$ 106,505	4	
EnGenius Technologies, Inc.	Senao Networks Inc.	Parent company	Purchases	454,930	100	"	"	"	(106,505)	100	
Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	Subsidiary	Sales	192,133	1	"	"	"	34,924	1	
EnGenius Networks Singapore Pte. Ltd.	Senao Networks Inc.	Parent company	Purchases	192,133	100	"	"	"	(34,924)	100	
Senao Networks Inc.	EnGenius Networks Europe B.V.	Subsidiary	Sales	155,882	1	"	"	"	16,697	1	
EnGenius Networks Europe B.V.	Senao Networks Inc.	Parent company	Purchases	155,882	100	"	"	"	(16,697)	100	
EnRack Technology Inc.	Senao Networks Inc.	Parent company	Sales	118,582	53	Note 2	Note 2	Note 2	45,104	64	
Senao Networks Inc.	EnRack Technology Inc.	Subsidiary	Purchases	118,582	1	"	"	"	(45,104)	1	

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

Note 2: The sales price and terms and conditions were based on mutual agreement.

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

SENAO NETWORKS INC. AND SUBSIDIARIES						
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more						
December 31, 2022						
Company under the account of receivables	Counterparty	Relationship with the counterparty	Balance of receivables from related parties (Note 1)	Overdue receivables from related parties		Expressed in thousands of NTD (except as otherwise indicated)
				Turnover	Amount	
Senao Networks Inc.	EnGenius Technologies, Inc.	Subsidiary	\$ 106,505	5.36	\$ 49,303	\$ -
					\$ 49,303	\$ -
					Amount of receivables recovered after the balance sheet date (Note)	Allowance for losses

Note: The receivables recovered after the balance sheet date and as of February 24, 2023.

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, 2022

Table 3

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Expressed in thousands of NTD (except as otherwise indicated)
				General ledger account	Amount (Note 8)	Transaction terms	
0	Senao Networks Inc.	EnGenius Technologies, Inc.	1	Sales of goods	\$ 454,930	Note 4	3
0	Senao Networks Inc.	EnGenius Technologies, Inc.	1	Accounts receivable	106,505	"	1
0	Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Sales of goods	192,133	"	1
0	Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Accounts receivable	34,924	"	-
0	Senao Networks Inc.	EnGenius Networks Europe B.V.	1	Sales of goods	155,882	"	1
0	Senao Networks Inc.	EnGenius Networks Europe B.V.	1	Accounts receivable	16,697	"	-
0	Senao Networks Inc.	Emplus Technologies, Inc.	1	Sales of goods	22,103	"	-
0	Senao Networks Inc.	EnRack Technology Inc.	1	Sales of goods	11,607	Note 4	-
0	Senao Networks Inc.	Emplus Technologies, Inc.	1	Rent income	10,723	Note 6	-
1	EnRack Technology Inc.	Senao Networks Inc.	2	Sales of goods	118,582	Note 5	1
1	EnRack Technology Inc.	Senao Networks Inc.	2	Accounts receivable	45,104	"	-
1	EnRack Technology Inc.	Emplus Technologies, Inc.	3	Sales of goods	88,610	"	1
1	EnRack Technology Inc.	Emplus Technologies, Inc.	3	Accounts receivable	22,429	"	-
2	Emplus Technologies, Inc.	Senao Networks Inc.	2	Acquisition of right-of-use assets	61,214	Note 7	-
2	Emplus Technologies, Inc.	Senao Networks Inc.	2	Lease liabilities	54,733	"	-
3	EnGenius Technologies, Inc.	EnGenius Technologies Canada Inc.	3	Sales of goods	20,393	Note 4	-

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

(1) Parent company is "0"

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

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

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 asset and lease liability were the balance recognized on December 31, 2022 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: The transactions were eliminated when preparing the consolidated financial statements.

SENAO NETWORKS INC. AND SUBSIDIARIES
Information on investees
For the Year Ended December 31, 2022

Table 4

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	Remarks (Note 3)
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Senao Networks Inc.	EnGenius Technologies, Inc.	USA	Sales of communication products	\$ 61,420	\$ 61,420	60,000	100.00	\$ 128,241	\$ 15,304	\$ 16,998	
Senao Networks Inc.	EnRaek Technology Inc.	Taiwan	Sales of communication products and Sales of manufactured stamping component	50,000	50,000	5,000,000	100.00	108,808	39,317	38,493	
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	327,115	373,965	191,752	
Senao Networks Inc.	EnGenius International (Samoa) Ltd.	Samoa	Investment holdings	183,953	183,953	5,990,000	100.00	34,048	32,468	31,850	
Senao Networks Inc.	EnGenius Technologies Canada Inc.	Canada	Sales of communication products	4,210	4,210	100	100.00	14,497	2,756	2,756	
Senao Networks Inc.	EnGenius Networks Inc.	Taiwan	Sales of communication products	500	-	50,000	100.00	497	(3)	(3)	
Senao Networks Inc.	EnGenius Networks Japan Ltd.	Japan	Sales of communication products	6,972	-	3,000	100.00	6,971	(1)	(1)	
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Singapore	Sales of communication products	182,725	182,725	5,950,000	100.00	53,811	32,458	32,458	
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Netherlands	Sales of communication products	62,276	62,276	210,000	100.00	15,957	12,601	12,601	

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

SENAO NETWORKS INC. AND SUBSIDIARIES
Major shareholders information
December 31, 2022

Table 5

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

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.

Note 2: If the aforementioned data contains shares which are held in trust by the shareholders, the data is disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10%, in accordance with the Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on the reported share equity of insider, please refer to the Market Observation Post System.

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

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

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

INDEPENDENT AUDITORS' REPORT

(23) PWCR 22003126

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. for the years ended December 31, 2022 and 2021 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, 2022 and 2021 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 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, 2022 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, 2022, 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 the allowance for inventory valuation losses. The balances of the inventory cost and the allowance for inventory valuation and obsolescence losses on December 31, 2022 were \$2,826,055 thousand and \$175,249 thousand, respectively.

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.

Cut-off for export sales of goods

Description

Please refer to Note 4(22) to the parent company only financial statements for the accounting policy on revenue recognition.

Part of the Company's sales of goods is subject to a transaction condition that it can only be recognized after the goods are moved on to a ship or delivered to the designated site (risk and ownership attached are transferred). Due to the large amount of the Company's sales of goods, the timing of recognizing the sales of goods tends to be inappropriate. Therefore, we listed this type of transaction 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 parent company's accounting policy on revenue recognition, learned about the effectiveness of the timing control procedures for revenue recognition, and verified that revenue recognition was aligned with said accounting policy through substantive tests of sales of goods.

- The cut-off test was performed for the transactions of the goods moved onto the ships among the export sales of goods for a certain period of time before the end of the year, including the verification of relevant supporting documents for the delivery of goods and confirmation if the timing of revenue recognition was reasonable.

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. With the increasing orders placed by clients and the alleviation of material shortages, this year's operating revenue increased by 83% year-on-year. In addition, checking the top ten sales clients, accounting for 90% of the operating revenue, we believed that the list 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 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 doubt 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, 2022. 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

Hui-Lin Pan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2023

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,077,201	26	\$ 958,467	15
1170	Accounts receivable, net	6(2)	2,532,687	21	1,148,704	18
1180	Accounts receivable -related parties, net	7	161,207	1	95,094	1
1200	Other receivables		178,481	1	99,148	1
1210	Other receivables - related parties	7	4,610	-	2,107	-
130X	Inventory	6(3)	2,650,806	22	1,796,044	28
1410	Prepayments		8,022	-	7,490	-
11XX	Total current assets		<u>8,613,014</u>	<u>71</u>	<u>4,107,054</u>	<u>63</u>
Non-current assets						
1550	Investment using the equity method	6(4)	620,177	5	407,576	6
1600	Property, plant and equipment	6(5)	2,439,196	21	1,828,040	28
1755	Right-of-use assets	6(6) and 7	224,736	2	120,638	2
1780	Intangible assets		6,642	-	13,288	-
1840	Deferred income tax assets	6(23)	84,263	1	39,256	1
1900	Other non-current assets	6(7)	17,732	-	7,120	-
15XX	Total non-current assets		<u>3,392,746</u>	<u>29</u>	<u>2,415,918</u>	<u>37</u>
1XXX	Total assets		<u>\$ 12,005,760</u>	<u>100</u>	<u>\$ 6,522,972</u>	<u>100</u>

(Continued)

SENAO NETWORKS INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021	
			Notes	AMOUNT	%	AMOUNT
Current liabilities						
2100	Short-term borrowings	6(8)	\$ 1,182,000	10	\$ -	-
2130	Current contract liabilities	6(16)	105,161	1	122,018	2
2150	Notes payable		2,034	-	2,633	-
2170	Accounts payable		4,685,938	39	2,285,568	35
2180	Accounts payable - related parties	7	46,889	-	24,156	-
2200	Other payables	6(9)	1,152,024	10	516,457	7
2220	Other payables - related parties	7	523	-	581	-
2230	Current income tax liabilities		171,679	1	60,698	1
2250	Current provisions	6(11)	37,408	-	22,318	-
2280	Current lease liabilities	7	77,000	1	54,158	1
2300	Other current liabilities	6(12)	260,510	2	126,542	2
21XX	Total current liabilities		7,721,166	64	3,215,129	48
Non-current liabilities						
2527	Non-current contract liabilities	6(16)	2,194	-	-	-
2570	Deferred income tax liabilities	6(23)	-	-	987	-
2580	Non-current lease liabilities	7	147,146	1	61,883	1
2600	Other non-current liabilities	6(10)	4,612	-	56,115	1
25XX	Total non-current liabilities		153,952	1	118,985	2
2XXX	Total liabilities		7,875,118	65	3,334,114	50
Equity						
	Share capital	6(13)				
3110	Share capital - common stock		490,609	4	490,609	8
	Capital surplus	6(14)				
3200	Capital surplus		703,127	6	703,127	11
	Retained earnings	6(15)				
3310	Legal reserve		553,614	5	508,132	8
3320	Special reserve		24,848	-	20,729	-
3350	Unappropriated retained earnings		2,363,596	20	1,491,109	23
	Other equity interest					
3400	Other equity interest		(5,152)	-	(24,848)	-
3XXX	Total equity		4,130,642	35	3,188,858	50
3X2X	Total liabilities and equity		\$ 12,005,760	100	\$ 6,522,972	100

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items		Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Operating revenues	6(16) and 7	\$ 13,493,307	100	\$ 7,357,530	100
5000	Operating costs	6(3)(22) and 7	(11,461,976)	(85)	(6,270,419)	(85)
5900	Net operating margin		2,031,331	15	1,087,111	15
5910	Unrealized gain from sales	6(4)	(63,299)	-	(32,143)	-
5920	Realized gain from sales	6(4)	32,143	-	21,354	-
5950	Net operating margin		2,000,175	15	1,076,322	15
	Operating expenses	6(22)				
6100	Selling expenses		(206,826)	(2)	(137,191)	(2)
6200	General and administrative expenses		(377,098)	(3)	(215,503)	(3)
6300	Research and development expenses		(627,484)	(5)	(514,549)	(7)
6000	Total operating expenses		(1,211,408)	(10)	(867,243)	(12)
6500	Net other income (expenses)	6(17)	20,833	-	62,029	1
6900	Operating profit		809,600	5	271,108	4
	Non-operating income and expenses					
7100	Interest income	6(18)	16,933	-	1,907	-
7010	Other income	6(19) and 7	36,218	-	83,539	1
7020	Other gains and losses	6(20)	56,623	-	(692)	-
7050	Finance costs	6(21)	(4,812)	-	(1,815)	-
7070	Share of profit or loss on subsidiaries, affiliates, and joint ventures accounted for using equity method	6(4)	281,845	2	136,334	2
7000	Total non-operating income and expenses		386,807	2	219,273	3
7900	Profit before income tax		1,196,407	7	490,381	7
7950	Income tax expense	6(23)	(131,557)	(1)	(41,111)	(1)
8200	Profit for the period		\$ 1,064,850	6	\$ 449,270	6
	Other comprehensive income					
	Items not reclassified to profit or loss					
8311	Remeasurement of defined benefit plans	6(10)	\$ 5,525	-	\$ 6,956	-
8349	Income tax related to items not reclassified	6(23)	(1,105)	-	(1,391)	-
8310	Total amount of items not reclassified to profit or loss		4,420	-	5,565	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		19,696	-	(4,119)	-
8300	Other comprehensive income, net		\$ 24,116	-	\$ 1,446	-
8500	Total comprehensive income for the period		\$ 1,088,966	6	\$ 450,716	6
	Basic earnings per share	6(24)				
9750	Basic earnings per share		\$ 21.70		\$ 9.16	
	Diluted earnings per share	6(24)				
9850	Diluted earnings per share		\$ 21.44		\$ 9.08	

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital surplus			Retained earnings			Financial statements translation differences of foreign operations	Total
		Share capital - common stock	Additional paid-in capital	Others	Legal reserve	Special reserve	Unappropriated retained earnings		
2021									
Balance at January 1, 2021		\$ 490,609	\$ 702,817	\$ 310	\$ 470,758	\$ 14,334	\$ 1,276,287	\$ 20,729)	\$ 2,934,386
Profit for the period		-	-	-	-	-	449,270	-	449,270
Other comprehensive income for the period		-	-	-	-	-	5,565	4,119)	1,446
Total comprehensive income for the period		-	-	-	-	-	454,835	4,119)	450,716
Appropriations of 2020 earnings	6(15)								
Legal reserve		-	-	-	37,374	-	(37,374)	-	-
Special reserve		-	-	-	-	6,395	(6,395)	-	-
Cash dividends		-	-	-	-	-	(196,244)	-	(196,244)
Balance at December 31, 2021		\$ 490,609	\$ 702,817	\$ 310	\$ 508,132	\$ 20,729	\$ 1,491,109	\$ 24,848)	\$ 3,188,858
2022									
Balance at January 1, 2022		\$ 490,609	\$ 702,817	\$ 310	\$ 508,132	\$ 20,729	\$ 1,491,109	\$ 24,848)	\$ 3,188,858
Profit for the period		-	-	-	-	-	1,064,850	-	1,064,850
Other comprehensive income for the period		-	-	-	-	-	4,420	19,696	24,116
Total comprehensive income for the period		-	-	-	-	-	1,069,270	19,696	1,088,966
Appropriations of 2021 earnings	6(15)								
Legal reserve		-	-	-	45,482	-	(45,482)	-	-
Special reserve		-	-	-	-	4,119	(4,119)	-	-
Cash dividends		-	-	-	-	-	(147,182)	-	(147,182)
Balance at December 31, 2022		\$ 490,609	\$ 702,817	\$ 310	\$ 553,614	\$ 24,848	\$ 2,363,596	\$ 5,152)	\$ 4,130,642

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,196,407	\$ 490,381
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(22)	170,670	160,284
Amortization	6(22)	9,113	9,522
Interest income	6(18)	(16,933)	(1,907)
Interest expense	6(21)	4,812	1,815
Share of profit or loss on investments accounted for using equity method	6(4)	(281,845)	(136,334)
Net unrealized gain on affiliates	6(4)	31,156	10,789
Losses (gains) on disposal of property, plant and equipment	6(20)	49	(238)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(1,383,983)	(241,440)
Accounts receivable -related parties, net		(66,113)	5,115
Other receivables		(78,660)	(36,587)
Other receivables - related parties		(2,503)	(132)
Inventory		(854,762)	(967,683)
Prepayments		(532)	957
Changes in operating liabilities			
Contract liabilities		(14,663)	102,321
Notes payable		(599)	81
Accounts payable		2,400,370	443,925
Accounts payable - related parties		22,733	18,968
Other payables		505,041	17,276
Other payables - related parties		(357)	547
Current provisions		15,090	4,434
Other current liabilities		133,968	(46,094)
Other non-current liabilities		(658)	(247)
Cash inflow (outflow) generated from operations		1,787,801	(164,247)
Interest received		16,260	1,984
Interest paid		(3,381)	(1,815)
Income tax paid		(67,675)	(41,892)
Dividend received	6(4)	64,908	58,417
Net cash flow generated from (used in) operating activities		1,797,913	(147,553)

(Continued)

SENAO NETWORKS INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments using the equity method	6(4)	(\$ 7,124)	\$ -
Acquisition of property, plant and equipment	6(25)	(626,337)	(362,893)
Proceeds from disposal of property, plant and equipment		-	4,111
Increase in intangible assets		(2,467)	(118)
(Increase) decrease in guarantee deposits paid		(978)	1,020
Net cash flows used in investing activities		(636,906)	(357,880)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(26)	1,182,000	-
Lease payments	6(6)(26)	(77,091)	(78,260)
Payment of cash dividends	6(15)	(147,182)	(196,244)
Net cash generated from (used in) financing activities		957,727	(274,504)
Increase (decrease) in cash and cash equivalents		2,118,734	(779,937)
Cash and cash equivalents at beginning of period		958,467	1,738,404
Cash and cash equivalents at end of period		<u>\$ 3,077,201</u>	<u>\$ 958,467</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, 2022 AND 2021
(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 24, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of adopting new or amended International Financial Reporting Standards (“IFRS”) 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, which apply to the reporting period for 2022, as endorsed and issued into effect by the FSC:

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

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

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

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

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

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 issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by International Accounting Standards Board
Amendments to IFRS 16, "Lease Liability in a Sale and Leaseback"	January 1, 2024
IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17, "Initial application of IFRS 17 and IFRS 9 - comparative information"	January 1, 2023
Amendments to IAS 1, "Classification of liabilities as current or non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	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.

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 necessary to make the sale and relevant variable sale expenses.

(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:

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;
- (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 service revenue 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. The main critical accounting estimate was made for inventory valuation; the details are as follows:

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, 2022, the carrying amount of the Company's inventories was \$2,650,806.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Checking accounts and demand deposits	\$ 207,498	\$ 102,007
Time deposits	2,869,703	856,460
Total	<u>\$ 3,077,201</u>	<u>\$ 958,467</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, 2022	December 31, 2021
Accounts receivable	\$ 2,532,687	\$ 1,148,704
Less: Allowance for bad debts	-	-
	<u>\$ 2,532,687</u>	<u>\$ 1,148,704</u>

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

	December 31, 2022	December 31, 2021
Not past due	\$ 2,513,644	\$ 1,125,565
Up to 30 days	19,043	23,139
Over 30 days	-	-
	<u>\$ 2,532,687</u>	<u>\$ 1,148,704</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022, December 31, 2021, and January 1, 2021, the balances of receivables from contracts with customers amounted to \$2,532,687, \$1,148,704, and \$907,264, respectively.

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

D. As at December 31, 2022 and 2021, 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 \$2,532,687 and \$1,148,704, respectively.

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

(3) Inventory

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,734,860	(\$ 164,237)	\$ 1,570,623
Work in progress	757,475	-	757,475
Finished goods	333,720	(11,012)	322,708
Total	<u>\$ 2,826,055</u>	<u>(\$ 175,249)</u>	<u>\$ 2,650,806</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,359,224	(\$ 61,332)	\$ 1,297,892
Work in progress	410,545	-	410,545
Finished goods	95,705	(8,098)	87,607
Total	<u>\$ 1,865,474</u>	<u>(\$ 69,430)</u>	<u>\$ 1,796,044</u>

The cost of inventories recognized as expense for the years ended December 31, 2022 and 2021 were \$11,436,318 and \$6,250,213, including \$112,027 and \$46,109, respectively, that the Company wrote down from cost to net realizable value which was accounted for as cost of goods sold during 2022 and 2021.

(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, 2022	December 31, 2021
Emplus Technologies, Inc.	\$ 327,115	\$ 200,271
EnGenius Technologies, Inc.	128,241	112,593
EnRack Technology Inc.	108,808	70,315
Others	56,013	24,397
Total	<u>\$ 620,177</u>	<u>\$ 407,576</u>

- B. The share of profit or loss on subsidiaries recognized using the equity method is as follows:

Investee	Years ended December 31	
	2022	2021
Emplus Technologies, Inc.	\$ 191,752	\$ 84,353
EnGenius Technologies, Inc.	16,998	27,080
EnRack Technology Inc.	38,493	12,186
Others	34,602	12,715
Total	<u>\$ 281,845</u>	<u>\$ 136,334</u>

- C. Please refer to Note 4(3) to the Company's 2022 and 2021 consolidated financial statements for the information on the Company's subsidiaries.

- D. The Company established new subsidiaries, EnGenius Networks Inc. and EnGenius Networks Japan, in October 2022 and November 2022, respectively, with investment costs of \$500 and \$6,624, respectively.
- E. The unrealized gross margin from downstream transactions eliminated as required for 2022 and 2021 was \$63,299 and \$32,143, respectively. Said amounts have been written off and debited into “Investment using the equity method”.
- F. The Company received cash dividends for investment using the equity method for 2022 and 2021 were \$64,908 and \$58,417, respectively.

(5) Property, plant and equipment

	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)	(600)	(33,156)	(14,040)	(46,820)	-	(661,506)
	<u>\$ 950,749</u>	<u>\$ 348,611</u>	<u>\$ 8,338</u>	<u>\$ -</u>	<u>\$ 15,666</u>	<u>\$ 9,134</u>	<u>\$ 12,447</u>	<u>\$ 483,095</u>	<u>\$ 1,828,040</u>
2022									
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	<u>\$ 950,749</u>	<u>\$ 415,522</u>	<u>\$ 6,923</u>	<u>\$ -</u>	<u>\$ 31,679</u>	<u>\$ 12,511</u>	<u>\$ 9,453</u>	<u>\$ 1,012,359</u>	<u>\$ 2,439,196</u>
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)
	<u>\$ 950,749</u>	<u>\$ 415,522</u>	<u>\$ 6,923</u>	<u>\$ -</u>	<u>\$ 31,679</u>	<u>\$ 12,511</u>	<u>\$ 9,453</u>	<u>\$ 1,012,359</u>	<u>\$ 2,439,196</u>

	Land	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Other equipment	Leasehold improvements	Unfinished construction and equipment acceptance	Total
January 1, 2021									
Cost	\$ 950,749	\$ 710,892	\$ 128,506	\$ 1,500	\$ 43,695	\$ 20,345	\$ 53,730	\$ 231,742	\$ 2,141,159
Accumulated depreciation and impairment	- (388,494)	(118,649)	(1,270)	(30,144)	(11,830)	(40,612)	- (590,999)		
<u>2021</u>	<u>\$ 950,749</u>	<u>\$ 322,398</u>	<u>\$ 9,857</u>	<u>\$ 230</u>	<u>\$ 13,551</u>	<u>\$ 8,515</u>	<u>\$ 13,118</u>	<u>\$ 231,742</u>	<u>\$ 1,550,160</u>
At January 1	\$ 950,749	\$ 322,398	\$ 9,857	\$ 230	\$ 13,551	\$ 8,515	\$ 13,118	\$ 231,742	\$ 1,550,160
Additions	-	87,136	7,559	-	6,103	2,858	4,442	251,353	359,451
Disposals	- (3,791)	-	-	(82)	-	-	-	- (3,873)	
Other non-current assets-transferred in	-	3,620	-	-	-	-	1,095	-	4,715
Depreciation	- (60,752)	(9,078)	(230)	(3,906)	(2,239)	(6,208)	- (82,413)		
<u>At December 31, 2021</u>	<u>\$ 950,749</u>	<u>\$ 348,611</u>	<u>\$ 8,338</u>	<u>\$ -</u>	<u>\$ 15,666</u>	<u>\$ 9,134</u>	<u>\$ 12,447</u>	<u>\$ 483,095</u>	<u>\$ 1,828,040</u>
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)		
	<u>\$ 950,749</u>	<u>\$ 348,611</u>	<u>\$ 8,338</u>	<u>\$ -</u>	<u>\$ 15,666</u>	<u>\$ 9,134</u>	<u>\$ 12,447</u>	<u>\$ 483,095</u>	<u>\$ 1,828,040</u>

(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:

	December 31, 2022	December 31, 2021
	Book value	Book value
Buildings	\$ 223,242	\$ 117,478
Transportation equipment	1,165	2,444
Office equipment	329	716
	<u>\$ 224,736</u>	<u>\$ 120,638</u>

	Years ended December 31	
	2022	2021
	Depreciation	Depreciation
Buildings	\$ 79,432	\$ 76,111
Transportation equipment	1,279	1,346
Office equipment	387	414
	<u>\$ 81,098</u>	<u>\$ 77,871</u>

- D. The additions to the Company's right-of-use assets during 2022 and 2021 were \$185,196 and \$1,664, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,463	\$ 1,811
Expense on short-term lease contracts	3,453	2,908
Expense on variable lease payments	3,402	2,657
Gain on sublease of right-of-use assets (Note)	15,205	14,440

Note: Recorded as "other income"; please refer to Note 6(19) and 7(3)6.

- F. The Company's total cash outflow from lease contracts for 2022 and 2021 was \$86,409 and \$85,636, of which \$77,091 and \$78,260 were the principal of lease liabilities.

G. Due to the termination of certain contracts during 2021, the Company's right-of-use assets and lease liabilities for 2021 were reduced by \$16, while there was no such a case for 2022.

H. 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.

I. 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

	December 31, 2022	December 31, 2021
Prepayment for equipment	\$ 9,634	\$ -
Refundable deposits	8,098	7,120
	<u>\$ 17,732</u>	<u>\$ 7,120</u>

(8) Short-term borrowings

<u>Category of loan</u>	December 31, 2022	Interest rate
Bank borrowings		
Unsecured borrowings	<u>\$ 1,182,000</u>	1.73%~2.30%

December 31, 2021: None.

(9) Other payables

	December 31, 2022	December 31, 2021
Accrued salary expenses and bonus	\$ 677,194	\$ 336,672
Accrued employees' compensation and directors' and supervisors' remuneration	125,824	51,573
Construction retainage received	95,418	-
Accrued equipment	41,671	7,994
Others	211,917	120,218
	<u>\$ 1,152,024</u>	<u>\$ 516,457</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, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 41,422	\$ 44,004
Fair value of plan assets	(37,410)	(33,809)
Net liabilities recognized in the balance sheet (in other non-current liabilities)	<u>\$ 4,012</u>	<u>\$ 10,195</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
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>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2021			
Balance at January 1	\$ 49,852	(\$ 32,454)	\$ 17,398
Service cost in this period	478	-	478
Interest expense (income)	173	(114)	59
	<u>50,503</u>	<u>(32,568)</u>	<u>17,935</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(457)	(457)
Effect of change in demographic assumptions	214	-	214
Effect of change in financial assumptions	(2,209)	-	(2,209)
Experience adjustments	(4,504)	-	(4,504)
	<u>(6,499)</u>	<u>(457)</u>	<u>(6,956)</u>
Contribution to pension fund	-	(784)	(784)
Balance at December 31	<u>\$ 44,004</u>	<u>(\$ 33,809)</u>	<u>\$ 10,195</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, 2022 and 2021 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	
	2022	2021
Discount rate	1.30%	0.75%
Future salary increases	3.00%	3.00%

The assumptions for the future mortality rate for 2022 and 2021 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, 2022				
Effect on the present value of defined benefit obligations	(\$ 1,129)	\$ 1,173	\$ 1,151	(\$ 1,113)
December 31, 2021				
Effect on the present value of defined benefit obligations	(\$ 1,330)	\$ 1,385	\$ 1,351	(\$ 1,304)

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, 2023 amount to \$780.
- (g) As of December 31, 2022, the weighted average duration of the pension plan is 11 years. An analysis of the maturity of pension payments is as follows:

Within 1 year	\$	1,867
1-2 years		887
2-5 years		3,848
Over 5 years		41,265
	\$	47,867

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 2022 and 2021 were \$43,195 and \$38,514, respectively.

(11) Provisions

	2022	2021
At January 1	\$ 22,318	\$ 17,884
Additional provisions (including those reversed) during this period	16,879	4,474
Used during this period	(1,789)	(40)
At December 31	\$ 37,408	\$ 22,318

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, 2022	December 31, 2021
Collection of project development on behalf of others	\$ 256,420	\$ 123,362
Others	4,090	3,180
	<u>\$ 260,510</u>	<u>\$ 126,542</u>

(13) Share capital

As of December 31, 2022, 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 2022 and 2021.

(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 2021 and 2020 earnings distribution proposals, which were approved by the resolution of the shareholders' meetings on June 17, 2022 and June 15, 2021, respectively, are detailed below:

	Year ended December 31			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 45,482	\$ -	\$ 37,374	\$ -
Special reserve	4,119	-	6,395	-
Cash dividends	147,182	3.0	196,244	4.0
	<u>\$ 196,783</u>	<u>\$ 3.0</u>	<u>\$ 240,013</u>	<u>\$ 4.0</u>

- F. The 2022 earnings distribution proposal made by the Board of Directors on February 24, 2023 is detailed below:

	Year ended December 31, 2022	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 106,927	\$ -
Special reserve	(19,696)	-
Cash dividends	245,304	5.0
	<u>\$ 332,535</u>	<u>\$ 5.0</u>

As of February 24, 2023, the above 2022 earnings distribution proposal is still pending the resolution by the shareholders' meeting.

(16) Operating revenues

	Year ended December 31	
	2022	2021
Revenue from contracts with customers	<u>\$ 13,493,307</u>	<u>\$ 7,357,530</u>

A. Contract liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Current contract liabilities:			
Contract liabilities- sales of goods	\$ 102,022	\$ 122,018	\$ 19,697
Contract liabilities- providing services	<u>3,139</u>	<u>-</u>	<u>-</u>
Sub-total	105,161	122,018	19,697
Non-current contract liabilities:			
Contract liabilities- providing services	<u>2,194</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 107,355</u>	<u>\$ 122,018</u>	<u>\$ 19,697</u>

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

	Year ended December 31	
	2022	2021
Revenue from contracts with customers	<u>\$ 117,732</u>	<u>\$ 19,052</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	
	2022	2021
Other income		
Project development income	<u>\$ 20,833</u>	<u>\$ 62,029</u>

(18) Interest income

	Year ended December 31	
	2022	2021
Interest on cash in banks	\$ 16,882	\$ 1,840
Other interest income	<u>51</u>	<u>67</u>
	<u>\$ 16,933</u>	<u>\$ 1,907</u>

(19) Other income

	Year ended December 31	
	2022	2021
Rent income	\$ 15,205	\$ 14,440
Payables reclassified to revenue	-	46,010
Other income	21,013	23,089
	<u>\$ 36,218</u>	<u>\$ 83,539</u>

(20) Other gains and losses

	Year ended December 31	
	2022	2021
Net foreign exchange gains (losses)	\$ 56,672	(\$ 930)
Gains (losses) on disposal of property, plant and equipment	(49)	238
	<u>\$ 56,623</u>	<u>(\$ 692)</u>

(21) Finance costs

	Year ended December 31	
	2022	2021
Interest expense	\$ 4,812	\$ 1,815

(22) Expenses by nature

	Year ended December 31	
	2022	2021
Wages and salaries	\$ 1,851,125	\$ 1,129,847
Labor and health insurance fees	97,829	89,614
Pension costs	43,301	39,051
Other personnel expenses	44,186	28,216
Employee benefit expense	<u>\$ 2,036,441</u>	<u>\$ 1,286,728</u>
Depreciation	<u>\$ 170,670</u>	<u>\$ 160,284</u>
Amortization	<u>\$ 9,113</u>	<u>\$ 9,522</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 2022 and 2021 were \$105,957 and \$43,430, respectively; the estimated amounts of directors' and supervisors' remuneration for 2022 and 2021 were \$19,867 and \$8,143, respectively, and the foregoing amounts were accounted for under wages and salaries. Such amounts were estimated based on the profitability for 2022.

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.

On May 6, 2022, the employees' compensation and directors' and supervisors' remuneration for 2021, amounting to \$43,430 and \$8,143, respectively, as resolved at the board meeting, were in alignment with those amounts recognized in the 2021 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	
	2022	2021
Current tax:		
Current tax on profit for the period	\$ 173,287	\$ 60,745
Prior year income tax underestimation (overestimation)	5,369 (3,278)	
Total current tax	178,656	57,467
Deferred tax:		
Origination and reversal of temporary differences	(47,099) (16,356)	
Income tax expense	<u>\$ 131,557</u>	<u>\$ 41,111</u>

- B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2022	2021
Income tax calculated based on net income before tax at the statutory tax rate	\$ 239,281	\$ 98,076
Expenses that should be excluded according to the tax law	1,953	653
Unrecognized deferred tax	(10,321) (7,959)	

	Year ended December 31	
	2022	2021
Unrealized investment income from domestic companies recognized using the equity method	(46,048)	(19,307)
Dividends obtained from domestic investees	12,982	11,683
Income exempted from taxation according to the tax law	(13,148)	(11,683)
Prior year income tax overestimation	5,369	(3,278)
Effect of income tax with investment tax credit	(58,511)	(27,074)
Income tax expense	<u>\$ 131,557</u>	<u>\$ 41,111</u>

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

	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
Others	7,890	4,154	(1,105)	-	10,939
Sub-total	<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	<u>\$ 987</u>	<u>(\$ 987)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	2021				
	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	\$ 4,271	\$ 2,158	\$ -	\$ -	\$ 6,429
Provisions for warranties	3,577	887	-	-	4,464
Compensation for unused annual leave	5,319	252	-	-	5,571
Unrealized gross margin with customs declaration filed	1,111	(95)	-	-	1,016
Allowance for inventory valuation and obsolescence losses	5,372	8,514	-	-	13,886
Others	7,023	2,258	(1,391)	-	7,890
	<u>\$ 26,673</u>	<u>\$ 13,974</u>	<u>(\$ 1,391)</u>	<u>\$ -</u>	<u>\$ 39,256</u>
- Deferred income tax liabilities:					
Unrealized exchange gains	<u>\$ 3,369</u>	<u>(\$ 2,382)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 987</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, 2022 and 2021, amounted to \$22,213 and \$18,601, respectively.

E. The income tax returns of the Company through 2020 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	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>

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

(25) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31	
	2022	2021
Purchase of property, plant and equipment and other non-current assets-transferred in property, plant and equipment	\$ 700,777	\$ 364,166
Less: Ending balance of payable on equipment	(41,671)	(7,994)
Ending balance of other payables to related parties	(299)	-
Ending balance of construction retainage received (Note)	(95,418)	(45,320)
Opening balance of prepayments for equipment	-	(4,715)
Add: Opening balance of payable on equipment	7,994	36,068
Opening balance of other payables to related parties	-	609
Opening balance of construction retainage received (Note)	45,320	20,079
Ending balance of prepayments for equipment	<u>9,634</u>	<u>-</u>
Cash paid during the period for purchase of property, plant and equipment	<u>\$ 626,337</u>	<u>\$ 362,893</u>

Note: They were recognized in "Other payables" and "Other non-current liabilities" as at December 31, 2022 and 2021.

(26) Changes in liabilities from financing activities

Under the amendments to IAS 7, “Disclosure initiative”, the changes during the years ended December 31, 2022 and 2021 are disclosed as follows:

	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>
	2021		
	Short-term borrowings	Lease liabilities	Liabilities from financing gross
At January 1	\$ -	\$ 192,653	\$ 192,653
Changes in cash flow from financing activities	- (	78,260)	(78,260)
Changes in other non-cash items	-	1,648	1,648
At December 31	<u>\$ -</u>	<u>\$ 116,041</u>	<u>\$ 116,041</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party:

As of December 31, 2022 and 2021, 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

(3) Significant transactions between related party and the Company are as follows:

A. Sales of merchandise and services

		Year ended December 31	
		2022	2021
Merchandise sales:			
Subsidiaries	\$	835,771	\$ 578,050
Sales of services			
Subsidiaries		1,367	1,441
	\$	<u>837,138</u>	<u>\$ 579,491</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	
		2022	2021
Subsidiaries	\$	123,478	\$ 58,470

The purchases from subsidiaries are based on the general commercial terms and conditions, the payment term for EnRack is handled according to the conditions agreed by both parties, and the payment term for Emplus is net 60 days after the end of each month.

C. Receivables from related parties

		December 31, 2022	December 31, 2021
Accounts receivable			
Subsidiaries	\$	161,207	\$ 95,094
Other receivables - payment on behalf of others:			
Entities with joint control or significant influence over the Company		1,319	675
Subsidiaries		3,291	1,432
	\$	<u>165,817</u>	<u>\$ 97,201</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, 2022	December 31, 2021
Accounts payable		
Subsidiaries	\$ 46,889	\$ 24,156
Other payables		
Subsidiaries	523	581
	<u>\$ 47,412</u>	<u>\$ 24,737</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

Acquisition of property, plant and equipment:

	Year ended December 31	
	2022	2021
Entities with joint control or significant influence over the Company	<u>\$ 54</u>	<u>\$ 9,842</u>

F. Lessor's lease transactions - operating lease

	Year ended December 31	
	2022	2021
Subsidiaries		
- Emplus	\$ 11,607	\$ 10,964
- Others	39	36
	<u>\$ 11,646</u>	<u>\$ 11,000</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, 2022	December 31, 2021
Entities with joint control or significant influence over the Company	\$ 56,565	\$ 101,234
Subsidiary		
- Emplus	8,057	818
	<u>\$ 64,622</u>	<u>\$ 102,052</u>

The balances of above lease liabilities - current and non-current as at December 31, 2022 and 2021 were \$43,072, \$41,687, \$21,550, and \$60,365, respectively.

ii. Interest expense

	Year ended December 31	
	2022	2021
Entities with joint control or significant influence over the Company	\$ 931	\$ 1,442
Subsidiary		
- Emplus	45	14
	<u>\$ 976</u>	<u>\$ 1,456</u>

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

	Year ended December 31	
	2022	2021
Salaries and other short-term employee benefits	\$ 86,654	\$ 52,547
Post-employment benefits	737	611
	<u>\$ 87,391</u>	<u>\$ 53,158</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2022, the Company had capital expenditures contracted for but not yet incurred in the amount of \$366,682.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) To respond to the growing client orders, the Company's Board of Directors approved the purchase of relevant equipment in an amount of roughly \$190 million on January 6, 2023.
- (2) To cope with the needs for production capacity and a supply chain layout arising from the Company's business growth, the Company decided to invest in the establishment of a factory in Vietnam by the resolution of the Board of Directors on January 6, 2023, with a total investment of US\$30 million.
- (3) Please refer to Note 6(15)6. for the 2022 earnings distribution proposal approved by the resolution of the Board of Directors on February 24, 2023.

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, short-term borrowings, notes payable, accounts payable (including related parties), other payables (including related parties), guarantee deposits received, 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 and 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, 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

	December 31, 2021			
	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	63,009	27.680	\$ 1,744,075
<u>Non-monetary items</u>				
USD:NTD	USD	4,068	27.680	112,593
CAD:NTD	CAD	520	21.620	11,245
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	53,991	27.680	\$ 1,494,484

- 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, 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

Year ended December 31, 2021			
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	-	27.680 (\$	2,593)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	-	27.680 \$	7,526

- iv. An analysis of the Company's foreign currency market risk arising from significant foreign exchange variation:

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	\$	-

	Year ended December 31, 2021		
	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%	\$ 17,441	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 14,945	\$ -

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, 2022 and 2021.

	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%	0.00%	
Total book value	\$ 2,625,548	\$ 68,346	\$ -	\$ -	\$ -	\$ -	\$ 2,693,894
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Not past due	30 days	31-60 days	61-90 days	91-180 days	Over 181 days	Total
<u>December 31, 2021</u>							
Expected loss rate	0.03%	0.03%	10.00%	30.00%	50.00%	0.00%	
Total book value	\$ 1,201,609	\$ 42,189	\$ -	\$ -	\$ -	\$ -	\$ 1,243,798
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 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, 2022				
Short-term borrowings	\$ 1,186,006	\$ -	\$ -	\$ -
Notes payable	2,034	-	-	-
Accounts payable		-	-	-
(including related parties)	4,732,827			
Other payables	1,152,547	-	-	-
(including related parties)				
Lease liabilities	83,430	53,813	96,725	-

Non-derivative financial liabilities:				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2021				
Notes payable	\$ 2,633	\$ -	\$ -	\$ -
Accounts payable		-	-	-
(including related parties)	2,309,724			
Other payables	517,038	-	-	-
(including related parties)				
Lease liabilities	54,411	46,541	16,045	-
Other non-current liabilities	-	45,320	-	-

(3) Fair value estimation

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

(4) Uncertain risks and impacts of the COVID-19 pandemic on the Company

Certain employees at the Company's Huaya Plant was diagnosed with COVID-19 on April 13, 2022. As the Company continued to take anti-pandemic measures, the pandemic was contained and did not spread further. Also, the Company increased the production capacity, so the pandemic did not cause a material impact on the production capacity throughout 2022.

The Company has complied with the various preventive measures imposed by the government. In addition to disinfecting workplaces and activity areas continuously and regularly, the Company continues to closely monitor the developments of the pandemic, encourages colleagues and foreign colleagues to be vaccinated to strengthen their resistance to the COVID-19 and continuously provide updates on relevant contingency measures.

Except for the situation mentioned in the first paragraph, the Company's overall operations during 2022 were not materially impacted by the pandemic.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information:

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

(2) Information on investments

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

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Please refer to table 5.

14. 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, 2022

(Expressed in thousands of New Taiwan dollars)

Items	Summary	Amount
Checking deposits		\$ 61
Demand deposits		27,271
- NTD deposits		
- Foreign-currency deposits	4,752 thousand USD at an exchange rate of 1 NTD: 30.71 USD 147,300 thousand JPY at an exchange rate of 1 NTD: 0.2324 JPY	180,166
Time deposits	45,526 thousand USD at an exchange rate	1,398,103
- Foreign-currency deposits	of 1 NTD: 30.71 USD with the interest rate ranging from 3.65% to 4.45% Due successively from January 5, 2023 to March 1, 2023	
-NTD deposits	Interest rate ranges from 0.48% to 0.975%; due in February 2023	<u>1,471,600</u>
		<u>\$ 3,077,201</u>

SENAO NETWORKS INC.
Statement of Net Accounts Receivable

December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Name of customer	Amount	Remarks
Company A	\$ 1,043,253	
Company B	369,758	
Company C	206,608	
Company D	159,540	
Company E	134,485	
Others	619,043	Each customer's balance did not exceed
	2,532,687	5% of the total amount of this account.
Allowance for bad debts	-	
	<u>\$ 2,532,687</u>	

SENAO NETWORKS INC.

Statement of Inventories

December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Items	Amount		Remarks
	Cost	Market price	
Raw materials	\$ 1,734,860	\$ 1,736,535	The net realizable values of raw materials, work in progress, and finished goods are adopted as their market prices.
Work in progress	757,475	818,415	
Finished goods	<u>333,720</u>	<u>356,988</u>	
	2,826,055	<u>\$ 2,911,938</u>	
Less: Allowance for inventory valuation (and obsolescence losses)	(<u>175,249</u>)		
	<u>\$ 2,650,806</u>		

SENAO NETWORKS INC.

Statement of Changes in Long-term Equity Investment Using the Equity Method

For the Year Ended December 31, 2022

(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		Valuation basis	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 (%)	Unit price (NTD)	Total price		
EnGenius Technologies, Inc.	60	\$ 112,593	-	\$ 31,170	-	\$ 15,522	60	100.00%	2,791.58	\$ 167,495	Equity method	None.
EnRack Technology Inc. (Note 2)	5,000	70,315	-	39,317	-	(824)	5,000	100.00%	22.28	111,395	"	"
Emplus Technologies, Inc. (Note 3)	6,491	200,271	-	191,752	-	(64,908)	6,491	50.99%	50.24	326,128	"	"
EnGenius International (Note 4)	5,990	13,152	-	35,454	-	(14,558)	5,990	100.00%	9.06	54,257	"	"
(Samoa) Ltd.												
EnGenius Technologies (Note 5)	0.1	11,245	-	3,252	-	-	0.1	100.00%	144,970	14,497	"	"
EnGenius Canada Inc.												
EnGenius Networks Inc. (Note 6)	-	-	50	500	-	(3)	50	100.00%	9.94	497	"	"
EnGenius Networks Japan (Note 7)	-	-	3	6,972	-	(1)	3	100.00%	2,323.67	6,971	"	"
Total		<u>\$ 407,576</u>		<u>\$ 308,417</u>		<u>\$ 95,816</u>				<u>\$ 620,177</u>		
										<u>\$ 681,240</u>		

Note 1: The increase during this period refers to the investment income from EnGenius Technologies, Inc. and the cumulative translation adjustment recognized for this period, and the decrease during this period refers to the net unrealized gross margin recognized for this period.

Note 2: The increase during this period refers to the investment income from EnRack Technology Inc. recognized for this period, 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 and net unrealized gross margin from Emplus Technologies, Inc. recognized for this period, and the decrease during this period refers to the cash dividend received.

Note 4: The increase during this period refers to the investment income from EnGenius International (Samoa) Ltd. and the cumulative translation adjustment recognized for this period, and the decrease during this period refers to the net unrealized gross margin recognized for this period.

Note 5: The increase during this period refers to the investment income from EnGenius Technologies Canada Inc. and the cumulative translation adjustment recognized for this period.

Note 6: The increase during this period refers to the new investment in the equity of EnGenius Networks Inc., and the decrease during this period refers to the investment loss recognized for this period.

Note 7: The increase during this period refers to the investment income from EnGenius Networks Japan and the cumulative translation adjustment recognized for this period, and the decrease in the current period refers to the investment loss recognized for this period.

SENAO NETWORKS INC.

Statement of Movements in Costs and Accumulated Depreciation of Property, Plant and Equipment

For the Year Ended December 31, 2022

(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, 2022

(Expressed in thousands of New Taiwan dollars)

Cost	Items	Opening balance	Increase during this period	Decrease during this period	Ending balance	Remarks
	Buildings	\$ 330,583	\$ 185,196	(\$ 108,917)	\$ 406,862	
	Transportation equipment	4,463	-	-	4,463	
	Office equipment	1,794	-	-	1,794	
		<u>\$ 336,840</u>	<u>\$ 185,196</u>	<u>(\$ 108,917)</u>	<u>\$ 413,119</u>	
Accumulated depreciation	Items	Opening balance	Increase during this period	Decrease during this period	Ending balance	Remarks
	Buildings	\$ 213,105	\$ 79,432	(\$ 108,917)	\$ 183,620	
	Transportation equipment	2,019	1,279	-	3,298	
	Office equipment	1,078	387	-	1,465	
		<u>\$ 216,202</u>	<u>\$ 81,098</u>	<u>(\$ 108,917)</u>	<u>\$ 188,383</u>	

SENAO NETWORKS INC.

Statement of Short-term Borrowings

December 31, 2022

(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	\$ 500,000	November 21, 2022 - March 12, 2023	1.73%~2.06%	\$ 700,000	None.	
Unsecured borrowings	Land Bank of Taiwan	582,000	December 6, 2022 - March 6, 2023	1.80%	600,000	"	
Unsecured borrowings	E.SUN Bank	<u>100,000</u>	December 12, 2022 - March 12, 2023	2.30%	<u>600,000</u>	"	
		<u>\$ 1,182,000</u>			<u>\$ 1,900,000</u>		

SENAO NETWORKS INC.
Statement of Accounts Payable

December 31, 2022

(Expressed in thousands of New Taiwan dollars)

<u>Name of supplier</u>	<u>Amount</u>	<u>Remarks</u>
Hongtech Electronics Co., Ltd.	\$ 751,828	
WT Microrlectronics Co., Ltd.	276,989	
Others	<u>3,657,121</u>	Each supplier's balance did not exceed 5% of the total amount of this account
	<u>\$ 4,685,938</u>	

SENAO NETWORKS INC.

Statement of Other Payables

December 31, 2022

(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, 2022

(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%	\$ 222,628	
Transportation equipment	Company vehicles	September 21, 2019 - September 20 2024	0.84%~0.90%	1,182	
Office equipment	Multifunction printers	February 1, 2020 - April 28, 2026	0.84%~1.25%	336	
				<u>\$ 224,146</u>	

SENAO NETWORKS INC.
Statement of Sales of Goods
For the Year Ended December 31, 2022
(Expressed in thousands of New Taiwan dollars)

Items	Quantity (in thousands of units)	Amount
Wireless networking systems	2,008	\$ 6,076,426
Wired networking systems	976	6,139,500
Enterprise wireless communication systems	23	153,232
Others	4,681	1,025,948
		13,395,106
Sales of service		<u>98,201</u>
		<u>\$ 13,493,307</u>

SENAO NETWORKS INC.
Statement of Operating Costs
For the Year Ended December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Items	Amount
Raw materials at the beginning of the period	\$ 1,359,224
Add: Purchases during this period	10,758,909
Others	3,169
Less: Raw materials at the end of the period	(1,734,860)
Raw materials sold	(56,112)
Raw materials scrapped	(426)
Raw materials consumed during this period	10,329,904
Direct labor	741,657
Manufacturing expenses	807,271
Manufacturing cost	11,878,832
Add: Work in progress at the beginning of the period	410,545
Less: Work in progress at the end of the period	(757,475)
Cost of finished goods	11,531,902
Add: Finished goods at the beginning of the period	95,705
Less: Finished goods at the end of the period	(333,720)
Finished goods scrapped	(5,782)
Reclassification to processing costs	(636)
Reclassification to development project costs	(15,364)
Finished goods reclassified to expenses	(19,105)
Production and sales costs for finished goods	11,253,000
Losses on inventory valuation loss and obsolescence	112,027
Warranty costs	16,879
Costs of raw materials sold	56,112
Revenue from scrap	(1,700)
Costs of sales	11,436,318
Processing costs	636
Repair or maintenance costs	25,022
Operating costs	<u>\$ 11,461,976</u>

SENAO NETWORKS INC.
Statement of Overhead
For the Year Ended December 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Amount</u>	<u>Remarks</u>
Indirect labor	\$ 309,504	
Processing expenses	188,234	
Depreciation	107,339	
Consumables	40,937	
Other expenses	<u>161,257</u>	The balance of each item did not exceed 5% of the total amount of this account.
	<u><u>\$ 807,271</u></u>	

SENAO NETWORKS INC.
Statement of Selling Expenses
For the Year Ended December 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Amount</u>	<u>Remarks</u>
Salary and wages	\$ 128,422	
Export expense	36,401	
Insurance	10,619	
Others	<u>31,384</u>	The balance of each item did not exceed 5% of the total amount of this account.
	<u>\$ 206,826</u>	

SENAO NETWORKS INC.
Statement of General and Administrative Expenses
For the Year Ended December 31, 2022

(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Amount</u>	<u>Remarks</u>
Salary and wages	\$ 268,402	
Depreciation	20,383	
Food stipend	17,277	
Others	<u>71,036</u>	The balance of each item did not exceed 5% of the total amount of this account.
	<u>\$ 377,098</u>	

SENAO NETWORKS INC.
Statement of Research and Development Expenses
For the Year Ended December 31, 2022

(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Amount</u>	<u>Remarks</u>
Salary and wages	\$ 498,828	
Depreciation	38,968	
Insurance	30,707	
Others	<u>58,981</u>	The balance of each item did not exceed 5% of the total amount of this account.
	<u>\$ 627,484</u>	

SENAO NETWORKS INC.

Statement of Employee Benefits, Depreciation, Depletion, and Amortization Expenses During the Period by Function

For the Years Ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

		2022			2021					
By function										
By nature		Operating costs		Operating expenses	Total	Operating costs		Operating expenses	Total	
Employee benefit expense										
Wages and salaries	\$	979,654	\$	831,101	\$	528,656	\$	573,184	\$	1,101,840
Labor and health insurance fees		53,283		44,546		49,939		39,675		89,614
Pension costs		19,120		24,181		16,042		23,009		39,051
Directors' remuneration		-		40,370		-		28,007		28,007
Other employee benefit expenses		8,357		35,829		5,563		22,653		28,216
Depreciation	\$	1,060,414	\$	976,027	\$	600,200	\$	686,528	\$	1,286,728
Amortization	\$	107,339	\$	63,331	\$	99,855	\$	60,429	\$	160,284
	\$	168	\$	8,945	\$	275	\$	9,247	\$	9,522

Note 1. The number of employees for this year and the prior year was 1,333 and 1,233, 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 \$1,505 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 \$1,027 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 \$1,366 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 \$899 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 52% (“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) The supervisors’ remuneration for this year was \$1,054 thousand and for the prior year was \$2,280.
- (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.

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, 2022

Table 1

		Differences in transaction terms compared to third party transactions (Note)				Notes/accounts receivable (payable)		Percentage of total notes/accounts receivable (payable)	Remarks
Transaction		Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price		
		Counterparty		\$			Note 1	Balance	
Senao Networks Inc.	EnGenius Technologies, Inc.	Subsidiary	Sales	454,930	100	Note 1	"	106,505	4
EnGenius Technologies, Inc.	Senao Networks Inc.	Parent company	Purchases	454,930	100	"	"	(106,505)	100
Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	Subsidiary	Sales	192,133	1	"	"	34,924	1
EnGenius Networks Singapore Pte. Ltd.	Senao Networks Inc.	Parent company	Purchases	192,133	100	"	"	(34,924)	100
Senao Networks Inc.	EnGenius Networks Europe B.V.	Subsidiary	Sales	155,882	1	"	"	16,697	1
EnGenius Networks Europe B.V.	Senao Networks Inc.	Parent company	Purchases	155,882	100	"	"	(16,697)	100
EnRack Technology Inc.	Senao Networks Inc.	Parent company	Sales	118,582	53	Note 2	Note 2	45,104	64
Senao Networks Inc.	EnRack Technology Inc.	Subsidiary	Purchases	118,582	1	"	"	(45,104)	1

Expressed in thousands of NTD (except as otherwise indicated)

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

Note 2: The sales price and terms and conditions were based on mutual agreement.

SENAO NETWORKS INC.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2022

Table 2

Company under the account of receivables	Counterparty	Relationship with the counterparty	Balance of receivables from related parties	Overdue receivables from related parties		Amount of receivables from related parties recovered after the balance sheet date (Note)	Expressed in thousands of NTID (except as otherwise indicated)
				Turnover	Amount		
Senao Networks Inc.	EnGenius Technologies, Inc.	Subsidiary	\$ 106,505	5.36	\$ 49,303	\$ 49,303	\$ -

Note: The receivables recovered after the balance sheet date and as of February 24, 2023.

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, 2022

Table 3

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Transaction		Expressed in thousands of NTD (except as otherwise indicated)
					Amount (Note 8)	Transaction terms	
					\$		Percentage of consolidated total operating revenues or total (Note 3)
0	Senao Networks Inc.	EnGenius Technologies, Inc.	1	Sales of goods	454,930	Note 4	3
0	Senao Networks Inc.	EnGenius Technologies, Inc.	1	Accounts receivable	106,505	"	1
0	Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Sales of goods	192,133	"	1
0	Senao Networks Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Accounts receivable	34,924	"	-
0	Senao Networks Inc.	EnGenius Networks Europe B.V.	1	Sales of goods	155,882	"	1
0	Senao Networks Inc.	EnGenius Networks Europe B.V.	1	Accounts receivable	16,697	"	-
0	Senao Networks Inc.	Emplus Technologies, Inc.	1	Sales of goods	22,103	"	-
0	Senao Networks Inc.	EnRaack Technology Inc.	1	Sales of goods	10,723	Note 4	-
0	Senao Networks Inc.	Emplus Technologies, Inc.	1	Rent income	11,607	Note 6	-
1	EnRaack Technology Inc.	Senao Networks Inc.	2	Sales of goods	118,582	Note 5	1
1	EnRaack Technology Inc.	Senao Networks Inc.	2	Accounts receivable	45,104	"	-
1	EnRaack Technology Inc.	Emplus Technologies, Inc.	3	Sales of goods	88,610	"	1
1	EnRaack Technology Inc.	Emplus Technologies, Inc.	3	Accounts receivable	22,429	"	-
2	Emplus Technologies, Inc.	Senao Networks Inc.	2	Acquisition of right-of-use assets	61,214	Note 7	-
2	Emplus Technologies, Inc.	Senao Networks Inc.	2	Lease liabilities	54,733	"	-
3	EnGenius Technologies, Inc.	EnGenius Technologies Canada Inc.	3	Sales of goods	20,393	Note 4	-

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

(1) Parent company is "0"

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

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

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 asset and lease liability were the balance recognized on December 31, 2022 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.

SENAO NETWORKS INC.
Information on investees
For the Year Ended December 31, 2022

Table 4

Name of investor	Investee	Location	Main business activities	Initial investment amount (Note 1)				Holding at the end of the period			Expressed in thousands of NTD (except as otherwise indicated)	
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	Income or loss on investees for this period	Investment income or loss recognized for this period (Note 2)		
				\$	\$			\$	\$	\$		
Sena Networks Inc.	EnGenius Technologies, Inc.	USA	Sales of communication products	61,420	61,420	60,000	100.00	128,241	15,304	16,998		
Sena Networks Inc.	EnRaack Technology Inc.	Taiwan	Sales of communication products and Sales of manufactured stamping component	50,000	50,000	5,000,000	100.00	108,808	39,317	38,493		
Sena Networks Inc.	Emplus Technologies, Inc.	Taiwan	Research and development, manufacture and sales of communication products	84,249	84,249	6,490,800	50.99	327,115	373,965	191,752		
Sena Networks Inc.	EnGenius International (Samoa) Ltd.	Samoa	Investment holdings	183,953	183,953	5,990,000	100.00	34,048	32,468	31,850		
Sena Networks Inc.	EnGenius Technologies Canada Inc.	Canada	Sales of communication products	4,210	4,210	100	100.00	14,497	2,756	2,756		
Sena Networks Inc.	EnGenius Networks Inc.	Taiwan	Sales of communication products	500	-	50,000	100.00	497	3	3		
Sena Networks Inc.	EnGenius Networks Japan	Japan	Sales of communication products	6,972	-	3,000	100.00	6,971	1	1		
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Singapore	Sales of communication products	182,725	182,725	5,950,000	100.00	53,811	32,458	32,458		
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Netherlands	Sales of communication products	62,276	62,276	210,000	100.00	15,957	12,601	12,601		

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.

Table 4 Page 1

SENAO NETWORKS INC.
Major shareholders information
December 31, 2022

Table 5

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

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.

Note 2: If the aforementioned data contains shares which are held in trust by the shareholders, the data is disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10%, in accordance with the Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on the reported share equity of insider, please refer to the Market Observation Post System.

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

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

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

Senao Networks Inc.

Chairman : Wen-Ho Tsai