

Stock Code : 3558

Senao Networks Inc.

2023 Annual Shareholders' Meeting

Handbook

(Translation)

(This English translation is prepared in accordance with the Chinese version and is for reference purposes only. If there is any inconsistency between the Chinese version and this translation, the Chinese version shall prevail.)

Meeting Time: 9:00 a.m., May 31, 2023

Place: 8F, No.500, Fusing 3 Road, Kuei-Shan District, Taoyuan,
Taiwan (Senao's convention center)

How to convene: physical shareholders' meeting

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Meeting Procedure

Senao Networks Inc.

2023 Annual Shareholders' Meeting Procedure

1. Call Meeting to Order
2. Chairman's Address
3. Report Items
4. Proposal Items
5. Discussion Items
6. Provisional Motions
7. Meeting Adjourned

Meeting Agenda

Senao Networks Inc.

2023 Annual Shareholders' Meeting Agenda

How to convene: physical shareholders' meeting

Time: 9:00 a.m., May 31 (Wednesday), 2023

Place: 8F, No.500, Fusing 3 Road, Kuei-Shan District, Taoyuan, Taiwan
(Senao's convention center)

1. Chairman's Address

2. Report Items

(1) 2022 Business Report

(2) 2022 Audit Committee's report

(3) Report on 2022 Employees' Compensation and Directors' Compensation

3. Proposal Items

(1) Adoption of the 2022 Business Report and Financial Statements

(2) Adoption of the Proposal for Distribution of 2022 Earnings

4. Discussion Items

To approve the issuance of common stock via a private placement

5. Provisional Motions

6. Meeting Adjourned

Report Items

1. 2022 Business Report

Explanation: Please refer to page 8 to 11 for details.

2. 2022 Audit Committee's report

Explanation: Please refer to page 12 for details.

3. Report on 2022 Employees' Compensation and Directors' Compensation

Explanation: The Board of Directors approved 2022 employees' cash compensation is NT\$ 105,957,000 and Directors' compensation is NT\$ 19,867,000. The compensation amount is equal to the recognized expenses.

Proposal Items

1. Adoption of the 2022 Business Report and Financial Statements

(Proposed by the Board of Directors)

Explanation:

- (1) The Company's 2022 Consolidated (and Parent Company Only) Financial Statements were audited by independent auditors, Ms. Huang, Pei-Chuan and Ms. Pan, Hui-Lin, of PricewaterhouseCoopers, auditing opinion is unqualified, together with the business report certified by the Board of Directors and Audit Committee, would like to ask for approval.
- (2) 2022 Business Report, Independent Auditors' Report, and the aforementioned Financial Statements are attached hereto as page 8 to 11 and page 13 to 38.

Resolution:

2. Adoption of the Proposal for Distribution of 2022 Earnings

(Proposed by the Board of Directors)

Explanation:

- (1) The proposed earnings distribution is allocated from earnings in 2022 available for distribution. Each common shareholder will be entitled to receive a cash dividend of NT\$ 5 per share. The earnings distribution proposal is as follows.

- (2) The cash dividend being distributed shall be rounded off proportionately to the nearest Taiwan dollar. The sum of all cash dividends less than NT\$ 1 shall be adjusted in line with a progressive decrease in decimal numbers and a progressive increase in shareholder numbers so that the total of dividend distribution is fully accounted for.
- (3) The record date will be decided by the Chairman as authorized by the Shareholders' Meeting.
- (4) It is proposed that the Chairman be authorized to set a record date for distribution and make relevant adjustments, if any, based on the total number of shares outstanding on the record date.

Senao Networks Inc.
Earnings Distribution Proposal
December 31, 2022

Unit : NT\$

Items	Amount
Beginning Retained Earnings	1,294,324,183
Add: Actuarial gains on defined benefit plan of 2022	4,420,118
Add: Net Income of 2022	1,064,849,755
Less: Legal capital reserve (10%)	(106,926,987)
Add : Special Reserve	19,696,053
Retained Earnings Available for Distribution	2,276,363,122
Distribution Item	
Cash Dividends to Common Share Holders (NT\$ 5 per share)	(245,304,405)
Unappropriated Retained Earnings at year's end of 2022	2,031,058,717
Notes: 1. After reversing of NT\$ 19,696,053 of earnings as special reserve, the balance of special reserve will be the same with financial statements translation differences of foreign operations as NT\$ 5,151,474. 2. The principle of company earnings distribution is distributed 2022 available earnings first.	

Resolution:

Discussion Items

To approve the issuance of common stock via a private placement

(Proposed by the Board of Directors)

Explanation:

- (1) In order to introduce strategic investors and enrich working capital so as to facilitate the Company's long-term operation and business development, it is proposed to conduct a private placement to increase capital in cash by issuance of new shares. It is expected that the total amount of private placement of common shares will not exceed 5,000,000 shares at par value of NT\$10 per share.
- (2) According to the provisions of Article 43-6 of the Securities and Exchange Act, the explanations are as follows.
 - I. The basis and reasonableness of the private placement pricing
 - i. As to the pricing of the private placement of common shares, the price of per share shall not be lower than 80% of the higher price of the following two calculations before the price determination date.
 - A. The simple average closing price of the common shares of the TPEX listed company for either the 1, 3, or 5 consecutive business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.
 - B. The simple average closing price of the common shares of the TPEX listed company for the 30 consecutive business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.
 - ii. The actual issued price of private placement shall not be less than the range decided by the shareholders' meeting. The Board of Directors will be authorized to determine the price based on the aforesaid price, future specific persons' situation and market conditions, but the price cannot be less than the par value.
 - iii. The pricing method of this private placement price is based on the "Directions for Public Companies Conducting Private Placements of Securities" and considers that the Company's future prospects and the timing, object, and quantity of private placement of securities transfer are strictly limited. Moreover, it is also not possible to be listed on the TPEX within three years and the liquidity is poor. Therefore, the pricing of the private placement of this fiscal year shall be reasonable and would cause no significant impact on shareholders' equity.

- II. The method and objectives for selecting the specific persons, the necessity for that selection, and the anticipated benefits
 - i. The object of the private placement of common shares complies with Article 43-6 of the Securities Exchange Act, and is limited to strategic investors.
 - ii. The method and objectives for selecting the specific persons, the necessity for that selection, and the anticipated benefits.
 - A. The method and objectives for selecting the specific persons. It will give priority to those who may directly or indirectly contribute to the future operation of the Company, and can help the Company expand its business and product market, strengthen customer relations, or enhance product development integration benefits, or can improve technology, and can identify with the Company's business philosophy of strategic investors only.
 - B. The necessity.

The purpose of selecting offerees is to introduce strategic investors and strengthen long-term cooperation with strategic partners. Through strategic investors, the long-term competitiveness and operational effectiveness of the Company can be enhanced, which is necessary.
 - C. The anticipated benefits.

It is expected that through strategic investors' experience, capacity, product technology, brand reputation, and market access, it can reduce operating costs and enrich working capital, which will help the Company cope with the needs of business growth and expand the market, so as to improve the Company's future operating performance.
 - iii. There are at present no places.
- III. The reasons for the necessity for conducting the private placement.
 - i. The reasons for not using a public offering.

Considering factors such as capital market conditions, issuance costs, timeliness and feasibility of fundraising for private placement, and restrictions on private placement of shares that cannot be freely transferred within three years, etc. In this way, it can ensure and strengthen strategic partnerships in a closer long-term cooperation relationship. Therefore, a public offering is not adopted this time, and a private placement to increase capital in

cash by issuance of new share is conducted instead.

ii. The limit on the private placement.

The total quota of this private placement of common shares shall not exceed 5,000,000 shares, and will be submitted to the shareholders' meeting to authorize the Board of Directors to process once within one year from the date of the resolution of the shareholders' meeting.

iii. The use of the funds raised by the private placement, and the anticipated benefits.

The purpose of this private placement fund is to introduce strategic partners and enrich working capital, which is expected to reduce the Company's operating costs, enrich working capital to strengthen the financial structure, and improve the Company's future operating performance.

(3) Regarding the private placement of common shares for this fiscal year, the rights and obligations are the same as the common shares issued by the Company, but according to the provisions of the Securities and Exchange Act, the private placement of common shares can be freely transferred within three years from the date of delivery except the provisions of Article 43-8 of the Securities and Exchange Act. After the full entire three years from the delivery date, the Company plans to obtain a consent letter from the TPEX acknowledging that the private placement of common shares meets the standards for TPEX listing, and it may file with the FSC for retroactive handling of public issuance procedure, then submitting an application for transaction on the TPEX.

(4) The issuance conditions, planned projects, and other unfinished matters of the private placement are subject to the regulations of the competent authority or the impact of the objective environment needs to be revised in the future, it is proposed to submit to the shareholders' meeting to authorize the Board of Directors to handle the matter in accordance with relevant regulations.

Resolution:

Provisional Motions

Meeting Adjourned

Senao Networks Inc. Business Report

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.

1. Successfully developed wireless base station featuring switchable 2.4GHz/5GHz-Low Band/5GHz-Hi band to 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 (QSFP-DD) 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 measures.
10. 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.

Chairman: Wen-Ho Tsai

President: Po-Chang Lin

Controller: Feng-Hsiao Yu

Senao Networks Inc.
Audit Committee's Report

The Board reports the financial statements, business report, and earnings distribution proposal of 2022, and financial statements have been audited by PricewaterhouseCoopers Taiwan. The financial statements, business report and earnings distribution proposal have been audited by the Audit Committee members of the Company. We deem no inappropriateness on these documents. Pursuant to the Securities and Exchange Act and the Company Law, we hereby present the audited report. Please review.

Submitted to:

2023 Annual Shareholders' Meeting of the Company

Senao Networks Inc.

Chairman of the Audit Committee : Kuang-Hsun Shih

On the Date of February 24, 2023

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	Notes	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		<u>10,715,882</u>	<u>77</u>	<u>5,467,673</u>	<u>71</u>
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		<u>3,127,196</u>	<u>23</u>	<u>2,270,750</u>	<u>29</u>
1XXX	Total assets		<u>\$ 13,843,078</u>	<u>100</u>	<u>\$ 7,738,423</u>	<u>100</u>

(Continued)

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

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			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		<u>9,102,441</u>	<u>66</u>	<u>4,141,725</u>	<u>54</u>
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		<u>296,321</u>	<u>2</u>	<u>215,055</u>	<u>3</u>
2XXX	Total liabilities		<u>9,398,762</u>	<u>68</u>	<u>4,356,780</u>	<u>57</u>
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		<u>4,130,642</u>	<u>30</u>	<u>3,188,858</u>	<u>41</u>
36XX	Non-controlling interest	4(3)	<u>313,674</u>	<u>2</u>	<u>192,785</u>	<u>2</u>
3XXX	Total equity		<u>4,444,316</u>	<u>32</u>	<u>3,381,643</u>	<u>43</u>
3X2X	Total liabilities and equity		<u>\$ 13,843,078</u>	<u>100</u>	<u>\$ 7,738,423</u>	<u>100</u>

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

SENAO NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 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		<u>3,012,464</u>	<u>18</u>	<u>1,718,962</u>	<u>19</u>
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		<u>(1,707,264)</u>	<u>(11)</u>	<u>(1,261,852)</u>	<u>(14)</u>
6500 Net other income (expenses)	6(18)	<u>48,799</u>	<u>-</u>	<u>67,507</u>	<u>1</u>
6900 Operating profit		<u>1,353,999</u>	<u>7</u>	<u>524,617</u>	<u>6</u>
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		<u>119,276</u>	<u>1</u>	<u>82,115</u>	<u>1</u>
7900 Profit before income tax		<u>1,473,275</u>	<u>8</u>	<u>606,732</u>	<u>7</u>
7950 Income tax expense	6(24)	(225,156)	(1)	(76,576)	(1)
8200 Profit for the period		<u>\$ 1,248,119</u>	<u>7</u>	<u>\$ 530,156</u>	<u>6</u>
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		<u>4,420</u>	<u>-</u>	<u>5,565</u>	<u>-</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		<u>19,696</u>	<u>-</u>	<u>(4,119)</u>	<u>-</u>
8300 Other comprehensive income, net		<u>\$ 24,116</u>	<u>-</u>	<u>\$ 1,446</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 1,272,235</u>	<u>7</u>	<u>\$ 531,602</u>	<u>6</u>
Profit attributable to:					
8610 Owners of the parent		<u>\$ 1,064,850</u>	<u>6</u>	<u>\$ 449,270</u>	<u>5</u>
8620 Non-controlling interest		<u>\$ 183,269</u>	<u>1</u>	<u>\$ 80,886</u>	<u>1</u>
Comprehensive income attributable to:					
8710 Owners of the parent		<u>\$ 1,088,966</u>	<u>6</u>	<u>\$ 450,716</u>	<u>5</u>
8720 Non-controlling interest	4(3)	<u>\$ 183,269</u>	<u>1</u>	<u>\$ 80,886</u>	<u>1</u>
Earnings per share	6(25)				
9750 Basic earnings per share		<u>\$</u>	<u>21.70</u>	<u>\$</u>	<u>9.16</u>
Diluted earnings per share	6(25)				
9850 Diluted earnings per share		<u>\$</u>	<u>21.44</u>	<u>\$</u>	<u>9.08</u>

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

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

	Equity attributable to owners of the parent							Non-controlling interest	Total equity	
	Share capital - common stock	Additional paid-in capital	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations			Total
<u>2021</u>										
Balance at January 1, 2021	\$ 490,609	\$ 702,817	\$ 310	\$ 470,758	\$ 14,334	\$ 1,276,287	(\$ 20,729)	\$ 2,934,386	\$ 168,044	\$ 3,102,430
Profit for the period	-	-	-	-	-	449,270	-	449,270	80,886	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	80,886	531,602
Appropriations of 2020 earnings										
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	\$ 192,785	\$ 3,381,643
<u>2022</u>										
Balance at January 1, 2022	\$ 490,609	\$ 702,817	\$ 310	\$ 508,132	\$ 20,729	\$ 1,491,109	(\$ 24,848)	\$ 3,188,858	\$ 192,785	\$ 3,381,643
Profit for the period	-	-	-	-	-	1,064,850	-	1,064,850	183,269	1,248,119
Other comprehensive income, net	-	-	-	-	-	4,420	19,696	24,116	-	24,116
Total comprehensive income for the period	-	-	-	-	-	1,069,270	19,696	1,088,966	183,269	1,272,235
Appropriations of 2021 earnings										
Legal reserve	-	-	-	45,482	-	(45,482)	-	-	-	-
Special reserve	-	-	-	-	4,119	(4,119)	-	-	-	-
Cash dividends	-	-	-	-	-	(147,182)	-	(147,182)	-	(147,182)
Change in non-controlling interest	-	-	-	-	-	-	-	-	(62,380)	(62,380)
Balance at December 31, 2022	\$ 490,609	\$ 702,817	\$ 310	\$ 553,614	\$ 24,848	\$ 2,363,596	(\$ 5,152)	\$ 4,130,642	\$ 313,674	\$ 4,444,316

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.

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		Notes	December 31, 2022		December 31, 2021	
			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		<u>7,721,166</u>	<u>64</u>	<u>3,215,129</u>	<u>48</u>
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		<u>153,952</u>	<u>1</u>	<u>118,985</u>	<u>2</u>
2XXX	Total liabilities		<u>7,875,118</u>	<u>65</u>	<u>3,334,114</u>	<u>50</u>
Equity						
Share capital						
3110	Share capital - common stock	6(13)	490,609	4	490,609	8
Capital surplus						
3200	Capital surplus	6(14)	703,127	6	703,127	11
Retained earnings						
3310	Legal reserve	6(15)	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		<u>4,130,642</u>	<u>35</u>	<u>3,188,858</u>	<u>50</u>
3X2X	Total liabilities and equity		<u>\$ 12,005,760</u>	<u>100</u>	<u>\$ 6,522,972</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

SENAO NETWORKS INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 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		Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total
		Share capital - common stock	Additional paid-in capital	Others	Legal reserve	Special reserve				
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)

	Notes	Year ended December 31	
		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)

	Notes	Year ended December 31	
		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		\$ 3,077,201	\$ 958,467

The accompanying notes are an integral part of the parent company only financial statements.

Senao Networks Inc.

Rules of Procedure for Shareholders' Meetings

1. Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures. Any matter not provided in these Rules and Procedures shall be handled in accordance with relevant laws and regulations.
2. Shareholders or proxy attending the Meeting shall submit the attendance card for the purpose of signing in. The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders.
3. The attendance and voting at the shareholders meeting shall be calculated based on the shares.
4. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
5. When the shareholders meeting was convened by the Board of Directors, the shareholders' meeting shall be presided by the Chairman of the Board of Directors. If the Chairman is absent or is unable to exercise the duties for certain reasons, the vice-Chairman shall act on his/her behalf. If the vice-Chairman is absent or is unable to exercise the duties for certain reasons, the Chairman may designate the managing director to act on his/her behalf; if there is no managing director, one of the directors may be designated to act on his/her behalf. Where the Chairman does not designate a proxy, the managing director or directors may elect a person among themselves to act on behalf of the Chairman. For a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting provided, however, that if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.
6. The Company may appoint designated counsel, CPA or other related persons to attend the Meeting. Persons handling affairs of the Meeting shall wear identification cards or badges.
7. The process of the Meeting shall be tape-recorded or videotaped and these tapes shall be preserved for at least one year.
8. Upon the starting time of the meeting, the chairman shall order the meeting to begin. However, where the shareholders present represent half or less than half of the total outstanding shares, the chairman may postpone the meeting for a total of two times. The postponed time may not in total exceed one hour. Where after two postponements, the shareholders present still do not meet the quorum

but represent one-third or more of the total outstanding shares, a tentative resolution may be passed in accordance with Paragraph 1, Article 175 of the Company Act. If the shares present represent more than half of the total outstanding shares before the end of the meeting, the chairman may propose the tentative resolution to the shareholders meeting for voting in accordance with Article 174 of the Company Act.

9. If the shareholders meeting is convened by the Board of Directors, its agenda shall be stipulated by the Board of Directors and the meeting shall be held in accordance with the agenda and may not be changed without the resolution of the shareholders meeting. When the shareholders meeting was convened by other persons who have the convening right, the above paragraph shall apply mutatis mutandis. Before the closing of the discussions (including provisional motions) stipulated in the agenda under the above two paragraphs, the chairman may not announce the adjournment of the meeting without resolution. After the adjournment of the meeting, the shareholders may not elect a chairman to continue the meeting at the original address or at another location. During the Meeting, in the event that the Chairman adjourns the Meeting in violating these Rules of Procedure, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.
10. Before a shareholder makes a statement, he/she must complete a statement slip stating the subject of the statement, the shareholder number (or attendance card number) and shareholder name, and the chairman shall determine the order of his/her statement. Where a shareholder presents only completed a statement slip but did not make a statement, he/she will be deemed to not have made a statement. Where the statement made is inconsistent with that stated on the statement slip, the statement made will prevail. When a shareholder present makes a statement, the other shareholders may not make a statement and interfere, unless consent is obtained from the chairman and the shareholder making the statement. The chairman shall restrain such interfering shareholder.
11. For each proposal, a shareholder may not make more than two statements, unless consent is obtained from the chairman. Each statement may not exceed five minutes. The chairman may restrain the shareholder from making the statement if he/she violates the above provisions or has exceeded the scope of the proposal.
12. Where an institution is delegated to attend the shareholders meeting, it may only appoint one representative to attend. Where the institution appoints two or more representatives to attend the shareholders meeting, only one person may make a statement for each proposal.
13. After a shareholder makes a statement, the chairman may respond him/herself

or designate a relevant person to respond.

14. Where the chairman believes that the proposal discussed may be resolved, he/she may announce the ending of the discussion and propose that votes be made.
15. The personnel supervising and calculating the votes for the proposals shall be designated by the chairman, but the supervising personnel shall be a shareholder. The result of the votes shall be announced on the spot and recorded.
16. During the meeting, the chairman may announce recesses at his/her own discretion.
17. Unless otherwise specified in the Company Act and the Articles of Incorporation, resolutions at a shareholders' meeting shall be adopted by a majority vote of the shareholders present. When making a resolution, if shareholders present have no objections upon the inquiry of the chairman, it will be deemed as adopted and its effect shall be the same as resolution by voting.
18. When a proposal has an amendment or a replacement, the chairman may combine it with the original proposal and determine the order of resolution. If one of the proposals is resolved, the other proposals will be deemed as rejected and there is no need to make another resolution.
19. The chairman may instruct the security officer to assist in maintaining the order of the meeting. The security officer shall wear an arm-band with the word "Security" when assisting in the maintenance of the order of the meeting.
20. If there are not suitable and other matters which are conducive to convene the shareholders' meeting, it shall be supplemented under the laws and regulations
21. These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision and abolishment.

Articles of Incorporation of Senao Networks Inc.

Chapter 1 General

- Article 1 : The Company is organized in accordance with the provisions of the Company Act, and is named 神準科技股份有限公司 in the Chinese language, and Senao Networks Inc. In the English language.
- Article 2 : The Company's scope of business is as follows:
- 1.CC01060 Wired Communication Equipment and Apparatus Manufacturing
 - 2.CC01070 Telecommunication Equipment and Apparatus Manufacturing
 - 3.CC01110 Computers and Computing Peripheral Equipments Manufacturing
 - 4.E605010 Computing Equipments Installation Construction
 - 5.F118010 Wholesale of Computer Software
 - 6.F218010 Retail Sale of Computer Software
 - 7.I301010 Software Design Services
 - 8.I301020 Data Processing Services
 - 9.I301030 Digital Information Supply Services
 - 10.CB01020 Office Machines Manufacturing
 - 11.F113050 Wholesale of Computing and Business Machinery Equipment
 - 12.F213030 Retail sale of Computing and Business Machinery Equipment
 - 13.CC01090 Batteries Manufacturing
 - 14.F113110 Wholesale of Batteries
 - 15.F213110 Retail Sale of Batteries
 - 16.CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
 - 17.F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
 - 18.F113070 Wholesale of Telecom Instruments
 - 19.F213060 Retail Sale of Telecom Instruments
 - 20.IE01010 Telecommunications Number Agencies
 - 21.CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
 - 22.F113020 Wholesale of Household Appliance
 - 23.F213010 Retail Sale of Household Appliance
 - 24.J303010 Magazine and Periodical Publication
 - 25.F401010 International Trade
 - 26.I103060 Management Consulting Services
 - 27.JE01010 Rental and Leasing Business

28.IZ99990 Other Industry and Commerce Services Not Elsewhere Classified

29.ZZ99999 All business items that are not prohibited or restricted by Law, except those that are subject to special approval

Article 3 : The Company is headquartered in New Taipei City of Taiwan, and may establish branch organizations at suitable locations in and outside Taiwan if necessary, subject to resolution of the board of directors and approval of the competent authority.

Article 4 : The Company may issue external guarantees if so required by business, and authorizes the board of directors to so issue.

Article 5 : Public announcements by the Company shall be issued in accordance with the relevant provisions of the law.

Chapter 2 Shares

Article 6 : Total capitalization of the Company is One Billion and Two Hundred Million New Taiwan Dollars (NT\$1,200,000,000) divided into One Hundred Twenty Million (120,000,000) shares, at Ten New Taiwan Dollars (NT\$10) per share. The board of directors is authorized to issue said capital in installments.

Article 7 : Total amount of re-investments by the Company shall be exempt from the restriction in Article 13 of the Company Act concerning re-investments not exceeding forty percent (40%) of paid-up capital of a company.

Article 8 : Share certificates of the Company shall be registered, and shall be signed or sealed by the director representing the company being certified and issued by the bank which is competent to certify shares according to law.

The Company may be exempt from the printing of share certificates for shares, provided that it shall have a registration or depository with the issued shares with a centralized securities depository institution and follow the regulations of that enterprise.

Article 9 : Matters relating to share affairs, such as share transfers, registration and cancellation of pledges, report of loss certificates, inheritance, gift, loss or change of seals, or change of address by shareholders shall be in accordance with relevant laws and regulations, as well as rules of the competent authority.

Article 10 : There shall be no changes to the shareholder register sixty (60) days before an annual shareholders meeting, thirty (30) days before an

extraordinary shareholders meeting, or five (5) days before the base date determined by the Company for distribution of dividends, bonuses or other interests.

Article 10.1 : In the event that the Company subsequently cancels its public issuing of shares, said cancellation shall be a matter proposed for resolution by the shareholders meeting. There shall be no amendment to this Article during the period that shares of the Company are listed on the GreTai Exchange, or the Stock Exchange.

Chapter 3 Shareholders' Meeting

Article 11 : Shareholders meetings of the Company may be annual meetings or extraordinary meetings. An annual shareholders meeting shall be convened at least once a year, within six (6) months after the end of each accounting year; an extraordinary shareholders meeting may be convened from time to time as necessary. The Company's shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority.

A notice of a meeting referred to in the preceding paragraph shall specify the date, place and reasons for the meeting. Such a notice may be issued electronically if shareholders agree. A shareholders meeting shall be convened by the board of directors unless otherwise provided by the Company Act.

Matters to be discussed and resolved by the shareholders meeting shall be recorded in minutes of the meeting, which shall be signed or sealed by the chairman, and distributed to each shareholder within twenty (20) days after the meeting. Preparation and distribution of the aforementioned minutes of the meeting may be implemented electronically.

Article 12 : The chairman of the board of directors shall act as the chairman of the shareholders meeting and of board of director's meetings, and shall externally represent the Company. Where the chairman is on leave or is unable to exercise his/her powers for any reason, he/she shall designate a director to act as his/her deputy. Where the chairman has not designated a deputy, the other directors shall nominate one from amongst themselves to act as deputy.

Article 13 : A shareholder who is unable to attend a shareholders' meeting for any reason may appoint a proxy to attend on his/her behalf, by issuing a proxy on the form printed and distributed by the Company, specifying the scope of proxy authority, which form shall be signed or sealed. Unless otherwise provided by the Company Act, the appointment of

shareholder proxies shall be governed by the “Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies” issued by the competent authority.

Article 14 : Shareholders of the Company shall have one (1) vote for each share held, unless otherwise provided by law or regulation.

Article 15 : Resolutions of the shareholders meeting shall be made by a meeting attended by shareholders representing more than half of total issued shares, and approved by more than half of the attending voting rights.

Chapter 4 Directors and Audit Committee

Article 16 : The Company shall appoint five (5) to nine (9) directors, each with a term of three (3) years. They shall be elected by the shareholders meeting from persons with the capacity to act, and may be re-elected.

Elections of directors of the Company shall be by single cumulative voting. Where it is necessary to revise such voting method, provisions of the Company Act shall apply, and a comparison table of amendment to the method shall be set out in the grounds for convention of a meeting.

Article 16.1 : Among the number of directors in preceding article, there shall be no less than three (3) independent directors.

An election of directors shall be by nomination of candidates, in accordance with Article 192-1 of the Company Act. The elections of independent and non-independent directors shall be conducted at the same time, and the number of winning candidates shall be calculated separately.

Article 17 : The directors shall form the board of directors, and shall elect one from amongst themselves as the chairman, by a meeting attended by more than two-thirds ($\frac{2}{3}$) of directors and approved by more than half of the attending directors. They may also elect one from amongst themselves to act as the deputy chairman in the same manner, if so required by the business.

Article 18 : A meeting of the board of directors shall be convened by the chairman unless otherwise provided by the Company Act. The notice of convening of a meeting may be issued by electronic mail or by facsimile. A board meeting shall be chaired by the chairman of the Company; where the chairman is on leave or is unable to exercise his/her powers for any reason, the appointment of a deputy shall be in accordance with the provisions of the Company Act.

Article 19 : Unless otherwise provided by law, a resolution by the board of directors

shall be made by a meeting attended by more than half of the directors, and approved by more than half of the attending directors.

Article 20 : A director shall personally attend a board meeting. Where a director is unable to attend in person for any reason, he/she may appoint another director to act as his/her proxy in writing, provided that a proxy form shall be issued on each occasion, specifying the scope of authority, and a proxy may only act for one director.

Where a board of directors meeting is conducted by teleconference, a director who participates in the teleconference by visual images shall be deemed to have personally attended the meeting.

Article 21 : In compliance with Articles 14-4 of the Securities and Exchange Law, the Company shall establish an Audit Committee, which shall consist of all independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the Company Act, the Securities and Exchange Law and other relevant regulations.

Article 22 : The board of directors is authorized to determine the remuneration to be paid to all directors, based on general standard of payments made by other companies in the industry, taking into account the extent of involvement in the operations of the Company and the value of the contributions made by such directors. Travel expenses, which are paid irrespective of profit or loss of the Company, shall also be paid based on general standards applicable in the industry.

Article 23 : The Company may purchase liability insurance for its directors and important staff members.

Chapter 5 Manager

Article 24 : The Company may appoint several managers, and their appointment, dismissal and remuneration shall be in accordance with provisions of the Company Act.

Article 25 : The general manager shall conduct businesses of the Company in accordance with resolutions of the board of directors.

Chapter 6 Accounting

Article 26 : The accounting year of the Company shall be from January 1 to December 31 of each year, and shall carry out general final accounts at the end of each year.

Article 27 : Pursuant to Article 228 of the Company Act, the board of directors of the Company shall prepare the following statements and reports at

the end of each accounting year, which shall be submitted to the shareholders meeting for its adoption in accordance with legal procedures.

1. Operating report
2. Financial Statements
3. Proposal for distribution of profit or making up of losses

Article 28 : Where the Company has made a profit in a fiscal year, it shall appropriate the employees' compensation at least 3%, directors' compensation, 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.

Article 29 : Where 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 where 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 or 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 total amount of distribution is not less than 10% of the distributable surplus for the year. The percentage of cash dividends shall be no less than five percent (5%) of the total amount of shareholder dividends paid.

Chapter 7 Miscellaneous

Article 30 : Articles of association and enforcement rules of the Company shall be as separately issued.

Article 31 : Outstanding matters of these Articles shall be in accordance with provisions of the Company Act and other relevant laws and regulations.

Article 32 : These Articles were issued on June 14, 2006, and first amended on October 1, 2006; second amendment on October 24, 2006; third amendment on April 24, 2007; fourth amendment on June 6, 2008; fifth amendment on June 3, 2009; sixth amendment on May 5, 2010; seventh amendment on May 31, 2013, eighth amendment on June 14, 2016; ninth amendment on June 8, 2017; tenth amendment on June 12, 2019; eleventh Amendment on June 10, 2020 ; twelfth amendment on June 17, 2022.

Senao Networks Inc. Shareholdings of All Directors

- (1) Total Issued shares: 49,060,881 shares on April 2, 2023.
- (2) The minimum required combined shareholding of all directors by law: 3,924,870 shares.
- (3) The shareholding of all directors and supervisors on the book closure date is as follows:

Position	Name	Date elected	Shareholding while elected		Shareholding on April 2, 2023	
			Shares	Shareholding ratio	Shares	Shareholding ratio
Chairman	Wen-Ho Tsai	6/17/2022	1,463,308	2.98%	1,463,308	2.98%
Director (Note 1)	Zhi-Cheng Jian	6/17/2022	16,579,033	33.79%	16,579,033	33.79%
Director (Note 1)	Tian- Tsai Su	6/17/2022	16,579,033	33.79%	16,579,033	33.79%
Director	Pao-Yun Lin	6/17/2022	0	—	0	—
Independent Director	Kuang-Hsun Shih	6/17/2022	0	—	0	—
Independent Director	Huei-You Chen	6/17/2022	0	—	0	—
Independent Director	Yi-Min Chang	6/17/2022	0	—	0	—
Sum of all directors			18,042,341	36.77%	18,042,341	36.77%

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

Explanation : Pursuant to Article 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, if a public company has elected two or more independent directors, the share ownership figures calculated at the rates set forth in the preceding paragraph for all directors and supervisors other than the independent directors and shall be decreased by 20 percent.

Thanks for your attending.

Your opinions and requests are welcomed.

MEMO