

Stock Code: 3558

Senao Networks Inc.

2022 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., June 17, 2022

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.

2022 Annual Shareholders' Meeting Procedure

1. Call Meeting to Order
2. Chairman's Address
3. Report Items
4. Proposal Items
5. Discussion Items
6. Directors Election
7. Other Discussion Items
8. Other Business and Special Motion
9. Meeting Adjourned

Meeting Agenda

Senao Networks Inc.

2022 Annual Shareholders' Meeting Agenda

How to convene: physical shareholders meeting

Time: 9:00 a.m., June 17 (Friday), 2022

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

1. Chairman's Address

2. Report Items

- (1) 2021 Business Report
- (2) 2021 Supervisors' Audit Report
- (3) Report on 2021 Employees' Compensation and Directors' Compensation

3. Proposal Items

- (1) Adoption of the 2021 Business Report and Financial Statements
- (2) Adoption of the Proposal for Distribution of 2021 Earnings

4. Discussion Items

- (1) Discussion of the Amendments to Articles of Incorporation
- (2) Discussion of the Amendments to Rules for Election of Directors and Supervisors
- (3) Discussion of the Amendments to Operating Procedures for Lending Funds to Other Parties
- (4) Discussion of the Amendments to Operating Procedures for Endorsements and Guarantees
- (5) Discussion of the Amendments to Procedures for Acquisition or Disposal of Assets

5. Directors Election

To elect Directors of the 7th Board of Directors

6. Other Discussion Items

Discussion of the Release from Non-Competition Restrictions on Directors

7. Other Business and Special Motion

8. Meeting Adjourned

Report Items

1. 2021 Business Report

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

2. 2021 Supervisors' Audit Report

Explanation: Please refer to page 12 for details.

3. Report on 2021 Employees' Compensation and Directors' Compensation

Explanation: The Board of Directors approved 2020 employees' cash compensation is NT\$ 43,430,000 and Directors' compensation is NT\$ 8,143,000. The compensation amount is equal to the recognized expenses.

Proposal Items

1. Adoption of the 2021 Business Report and Financial Statements

(Proposed by the Board of Directors)

Explanation:

- (1) The company's 2021 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 supervisors, would like to ask for approval.
- (2) 2021 Business Report, Independent Auditors' Report, and the aforementioned Financial Statements are attached hereto as page 8 to 11 and page 13 to 34.

Resolution:

2. Adoption of the Proposal for Distribution of 2021 Earnings

(Proposed by the Board of Directors)

Explanation:

- (1) The proposed earnings distribution is allocated from earnings in 2021 available for distribution. Each common shareholder will be entitled to receive a cash dividend of NT\$ 3 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 Board of Directors.
- (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, 2021

Unit : NT\$

Items	Amount
Beginning Retained Earnings	1,036,273,859
Add: Actuarial gains on defined benefit plan of 2021	5,564,798
Add: Net Income of 2021	449,269,954
Less: Legal capital reserve (10%)	(45,483,475)
Less: Special Reserve	(4,118,310)
Retained Earnings Available for Distribution	1,441,506,826
Distribution Item	
Cash Dividends to Common Share Holders (NT\$ 3 per share)	(147,182,643)
Unappropriated Retained Earnings at year's end of 2021	1,294,324,183
Notes: 1. After reversing NT\$ 4,118,310 of earnings as special reserve, the balance of special reserve will be the same with financial statements translation differences of foreign operations as NT\$ 24,847,527. 2. The principle of company earnings distribution is distributed 2021 available earnings first.	

Resolution:

Discussion Items

1. Discussion of the Amendments to Articles of Incorporation

(Proposed by the Board of Directors)

Explanation:

- (1) To make corresponding the amendments to company's Article of Incorporation according to the MOEA's company Act amendments, and in line with the establishment of Audit Committee.
- (2) The comparison table for the Articles of Incorporation is attached hereto as page 35 to 37.

Resolution:

2. Discussion of the Amendments to Rules for Election of Directors and Supervisors

(Proposed by the Board of Directors)

Explanation:

- (1) To revise the Procedures of Rules for Election of Directors and Supervisors in line with the establishment of Audit Committee and actual needs and to rename as "Rules for Election of Directors".
- (2) The comparison table for the Procedures for Rules for Election of Directors is attached hereto as page 38 to 40.

Resolution:

3. Discussion of the Amendments to Operating Procedures for Lending Funds to Other Parties

(Proposed by the Board of Directors)

Explanation:

- (1) To revise the Procedures of Operating Procedures for Lending Funds to Other Parties in line with the establishment of Audit Committee and actual needs.
- (2) The comparison table for the Operating Procedures for Lending Funds to Other Parties is attached hereto as page 41 to 46.

Resolution:

4. Discussion of the Amendments to Operating Procedures for Endorsements and Guarantees

(Proposed by the Board of Directors)

Explanation:

- (1) To revise the Procedures of Operating Procedures for Endorsements and Guarantees in line with the establishment of Audit Committee and actual needs.
- (2) The comparison table for the Operating Procedures for Endorsements and Guarantees is attached hereto as page 47 to 54.

Resolution:

5. Discussion of the Amendments to Procedures for Acquisition or Disposal of Assets

(Proposed by the Board of Directors)

Explanation:

- (1) To revise the Procedures for Acquisition or Disposal of Assets in line with the establishment of Audit Committee and actual needs.
- (2) The comparison table for the Procedures for Acquisition or Disposal of Assets is attached hereto as page 55 to 72.

Resolution:

Directors Election

To elect Directors of the 7th Board of Directors

(Proposed by the Board of Directors)

Explanation:

- (1) The term of the Company's directors and supervisors expired. According to the Board's resolution, the company proposes to duly elect new Board members at this year's Annual Meeting of Shareholders.
- (2) According to the SFB'S order, The Company has to establish the Audit Committee in line with the Securities and Exchange Act, and consequently, the supervisors will no longer be elected. The Audit Committee shall consist of the entire independent directors, and the number of committee member shall be no less than three.
- (3) In accordance with the revised Articles of Incorporation, the shareholders' meeting shall elect seven Directors (including three independent directors). The terms of office of Directors to be elected shall be three years, commencing on June 17, 2022 and expiring on June 16, 2025. The term of original directors (including independent director) and Supervisors shall be end of this Annual

Meeting of Shareholders.

- (4) The Company's directors shall be elected by adopting candidates' nomination system as specified in Article 192-1 of the R.O.C. Company Act. After the Board of Directors' examination, the Board has approved the Director Candidates, whose education and professional qualifications, experience and other relevant information, as well as the rationale for nomination of independent directors who have served for three or more consecutive terms, is attached hereto as page 73 to 74.

Voting Results:

Other Discussion Items

Discussion of the Release from Non-Competition Restriction on Directors

(Proposed by the Board of Directors)

Explanation:

- (1) In accordance with Article 209, paragraph 1 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) To draw on the expertise and relevant experience of the Company's Directors, it is proposed to release the Directors after having assumed office from non-competition restrictions for approval.
- (3) The concurrent positions of directors elected by the shareholders' meeting are outlined below. If there is any change in their concurrent positions after the nomination, a detailed list disclosed will be on the spot during this annual shareholders' meeting.

Name of Director	Concurrently hold positions in other companies
Wen-Ho Tsai	Chairman of Emplus Technologies, Inc.
Zhi-Cheng Jian	Director of Tatung Technology Inc.

Resolution:

Other Business and Special Motion

Meeting Adjourned

Senao Networks Inc. Business Report

COVID-19 has been continuously spreading (around the world) which has not only changed human lifestyles, but also brought new opportunities to the network communication industry. The stay-home economy continues to grow dramatically, work-from-home and distance education have become the norm. Business networking has also changed to online modes. Besides the increasing demand for various internet products, it has also led to exponential increases in the network data transmission volume and accelerated bandwidth equipment upgrading. Benefiting from this and the Company's efforts to strengthen the development of Multi-Gigabit high-speed network switch products and markets in recent years by actively adjusting its product mix, the consolidated operating income in 2021 increased by 18.2% compared with 2020. The gross profit margin was affected by the increase in costs caused by the out-of-stock of electronic components and the appreciation of the New Taiwan dollar, which was not as expected. However, the after-tax profit attributable to the owners of the parent company in 2021 is still 19.4% higher than in 2020. The following report is on the Company's operating results for 2021 and the outlook for 2022.

1. Overview of Business 2021

(1) Business plan implementation result

The Company's consolidated operating revenue was NT\$ 9,179,791 thousand in 2021. The earnings after tax attributable to owners of the Parent Company were NT\$ 449,270 thousand, and the basic EPS was NT\$ 9.16.

(2) Budget implementation

Not applicable, as no financial forecast was disclosed in 2021.

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

Title		2021	2020
Financial Structure (%)	Liabilities to assets	56.30	53.94
	Long-term fund to property, plant and equipment	162.96	175.03
Solvency (%)	Current ratio	132.01	137.86
	Quick ratio	79.88	107.80
	Interest coverage fold	213.74	133.52
Profitability (%)	ROA	6.24	5.91
	ROE	14.67	13.08
	Income before tax to paid-in capital	123.67	106.99
	Net profit margin	4.89	4.85
	EPS (NT\$)	9.16	7.67

(4) Research & Development

The products and related technologies developed by the Company successfully in 2021 are stated as follows:

1. Successfully used the WiFi 6E chip of the IEEE 802.11ax standard to develop a 2.4GHz, 5GHz, and 6GHz tri-band indoor enterprise-class wireless access point (AP) that can support 160MHz bandwidth and 10.8Gbps transmission speed.
2. Successfully developed an on-board outdoor gateway device, which can directly use power supply systems of various vehicles, such as trucks, providing vehicles with all-weather high-speed seamless network connection; built-in dual-card 5G and LTE slots, because of regional variability, according to the signal strength to select telecommunications networks for seamless roaming; with their own design of built-in high-efficiency, high-isolation full-bandwidth antennas, covering the world's major 5G frequency bands.
3. Successfully developed an intelligent access control system that supports multi-entrance real-time access control and can be integrated with the cloud system to provide all-round security monitoring.
4. Successfully developed Air Guard wireless intrusion detection system, which can detect various malicious intrusions and take active interference to remind managers to prevent blockages in real time.
5. Intergrated with the existing cloud system, the cloud security gateway was successfully developed, which supporting firewall and VPN functions and providing advanced intrusion detection and protection functions to achieve all-round security protection.
6. Successfully developed a 4U rack-mounted blade switch network operating system with programmable switch chip, which supports industry standards ONL/ONLP and SONiC, with a maximum total capacity of 12.8Tbps, and which supports blade module plug-in detection and automatic setting. It can be used in high-speed data centers and 5G core networks.
7. Successfully developed the next-generation x86 server-level single chips on the industry standard COM (computer-on-module) Express module, which supports 12 core processors and up to 4 x 10G network connections. It can be used in industrial control servers and is also the computing core of next-generation network switch.
8. Successfully developed a 1800W 54V output open frame with high efficiency, high power density and high lightning protection, and two sets of PSUs in parallel can provide 48 port PoE switches with 60 watts output per port to meet the needs of various 802.3bt products.

2. Outline of Business Plan 2022

With the continuous increase in the number of full vaccinations and the change of mild diseases for COVID-19 patients, European and American countries have begun to gradually unblock travelers. It is expected to see a gradual return to the original track of development and market demand for the network communications industry. However, due to increase in sick leave population generated by the ban lifting, or the continued strict control of the manpower gap caused by the country's irregular lockdowns, the supply chain problems caused by labor shortages will continue to interfere with industrial operations. In facing this opportunity and challenge, the Company will continue to implement the strategic objective it has set and the following operational directions:

- ◆ Actively develop key parts suppliers and reinforce the design cost control and mass production maturity assessment during the development phase, and supported by software and hardware design flexibility to cope with the shortage of materials in the supply chain.
- ◆ Establish a complete product line of Wi-Fi, Switch and Gateway and Mesh software for small and medium-sized enterprises (SMEs), including cloud management of lightweight network switches and the introduction of a second enterprise-class wireless base station solution to increase product market shares and develop new markets.
- ◆ Use software functions to improve product ASP, gross profit margin and competitiveness; develop XaaS clusters, increase the number of Pro license subscriptions, and establish a Recurring business model to increase the number of cloud management users and added value.
- ◆ Develop Security Gateways, Power Distribution Unit (PDU) and cloud monitoring systems to expand the diversification of cloud equipment.

In response to the increase in demand for network bandwidth and transmission speed, business opportunities in the network communications industry have continued to grow. The Company's operating plan and production and marketing policies are indeed implemented, and the number of product sales is expected to continue to grow throughout the year.

3. Future Development Strategy

With the upgrading of 5G and Wi-Fi 6 communication technologies, and the vigorous development of High Performance Computing (HPC) technology applications, various application markets for the Internet of Things (IoT) have gradually taken shape. The Company will deepen its IoT/Camera product line and establish professional technologies in the fields of optics, acoustics, air detection, and access control security management. In response to the edge computing

market and the open and diverse characteristics of the Internet of Things, the OCP structure is adopted to develop network operating systems suitable for editable 100G/400G Ethernet switches, as well as 5G mobile communication network computing products based on ARM structure, in order to grasp the business opportunities of the next-generation network computing product market.

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

According to a report published by the World Bank in January 2022, following a strong rebound in the global economy in 2021, the new threat posed by the mutant strain of COVID-19, coupled with increased inflation, debt and income inequality may endanger the recovery of emerging markets and developing economies. Global growth is entering a period of significant deceleration. With the completion of the release of pent-up demand in the previous stage and the withdrawal of fiscal and monetary support from various countries, global economic growth is expected to slow significantly. From 5.5% in 2021 to 4.1% in 2022. China, the United States and the Euro zone will all contribute to these global economies slow down. In the face of this complex and changeable global economic situation, the Company has formulated a long-term development strategy and will implement an annual operating plan to face the challenges and business opportunities in the post-pandemic situation.

Chairman: Wen-Ho Tsai

President: Po-Chang Lin

Controller: Feng-Hsiao Yu

Senao Networks Inc.
Audit Report by Supervisors

The Board reports the financial statements, business report, and earnings distribution proposal of 2021, and financial statements have been audited by PricewaterhouseCoopers Taiwan. The financial statements, business report and earnings distribution proposal have been audited by us as Supervisors of the Company. We deem no inappropriateness on these documents. Pursuant to Article 219 of the Company Act, we hereby present the audited report. Please review.

Submitted to:

2022 Annual Shareholders' Meeting of the Company

Senao Networks Inc.

Ke-Ming Lin

Supervisors : Jhih-Ling Sie

Jheng-Fong Investment Co., Ltd.

Representative: Su-Yue Zheng

On the Date of May 6, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

(22) PWCR 21003265

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

Opinion

We have audited the accompanying consolidated balance sheets of Senao Networks, Inc. and subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Valuation of inventory

Description

Refer to Note 4(10) for description of accounting policy on inventory valuation, Note 5 for significant accounting estimates and assumptions, and Note 6(4) for description of allowance for inventory valuation losses. As of December 31, 2021, the cost of inventories and allowance for inventory valuation losses amounted to NT\$2,235,587 thousand and NT\$88,624 thousand, respectively.

The Group is primarily engaged in research and development, designing, manufacturing and selling wireless communication products. Due to the rapidly changing industry and short lifespan of electronic products, there is a higher risk of incurring obsolete inventory. The Group's inventories are measured at the lower of cost and net realizable value. For inventories that are over a certain age and individually identified obsolete or slow-moving inventories, the net realizable values are determined by management based on historical data of inventory consumption. As the Group's inventory balance is significant, inventory items are voluminous, and accounting estimates are subject to management's judgement, we consider the valuation of inventory a key audit matter.

How our audit addressed the matter

Our procedures in relation to management's valuation of inventory included:

1. Obtaining the Group's accounting policy on allowance for inventory valuation losses, and checking whether the accounting policy has been consistently applied; assessing the reasonableness of management's classification of inventory with regard to net realizable value as well as management's assumptions on inventory consumption.
2. Testing the appropriateness of the detailed schedule of the net realizable value of inventory.
3. Understanding, evaluating, and selecting samples to test the calculation methods used in the inventory ageing schedule; examining selected information in the statements and determining whether it is consistent with policy.
4. Comparing the related documents we gathered during the physical inventory count and the scrap and slow-moving inventory report made by management, and performing an inquiry with management and related personnel to verify whether slow-moving inventory, over certain age inventory and significant damaged inventory have been addressed in the inventory list.
5. Checking the inventory aging report and assessing the reasonableness of valuation loss recognised based on the net realizable value estimated by management, and obtaining the related supporting documents.

Cut off of export operating revenue

Description

Refer to Note 4(21) for accounting policy on revenue recognition in the financial statements.

Depending on the transaction terms of FOB or CPT, the Company recognises operating revenue upon the transfer of risk and ownership of the goods to the buyer. As the export sales revenue amount is significant, the timing of operating revenue recognition may be inappropriate. Thus, we consider cut off of export operating revenue a key audit matter.

How our audit addressed the matter

The procedures performed on the above key audit matter included:

1. Obtaining an understanding of the Company's accounting policy on sales revenue recognition, and verifying compliance with the accounting policy through performing substantive test of sales revenue.
2. Performing cut-off test on sales revenue for transactions with the term "Free on Board" before a certain period of balance sheet date, which include verifying the supporting documents for delivery and checking whether the timing of revenue recognition is appropriate.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Senao Networks, Inc. as at and for the years ended December 31, 2021 and 2020.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the

underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pei-Chuan Huang

Penny Pan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 25, 2022

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2021		December 31, 2020			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	1,759,738	23	\$	2,489,985	37
1170	Accounts receivable, net	6(2)		1,418,968	18		1,107,517	16
1200	Other receivables	6(3)		129,186	2		105,913	2
1210	Other receivables - related parties	7		675	-		590	-
1220	Current income tax assets			-	-		717	-
130X	Inventory	6(4)		2,146,963	28		1,023,663	15
1410	Prepayments			12,143	-		15,118	-
11XX	Total current assets			5,467,673	71		4,743,503	70
Non-current assets								
1600	Property, plant and equipment	6(5)		1,956,847	25		1,676,542	25
1755	Right-of-use assets	6(6)		228,345	3		229,242	3
1780	Intangible assets	6(7)		17,299	-		28,810	1
1840	Deferred income tax assets	6(24)		55,156	1		37,902	1
1900	Other non-current assets	6(8)		13,103	-		19,148	-
15XX	Total non-current assets			2,270,750	29		1,991,644	30
1XXX	Total assets		\$	7,738,423	100	\$	6,735,147	100

(Continued)

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 20,760	-	\$ 42,242	1
2130	Current contract liabilities	6(17)	305,543	4	110,691	2
2150	Notes payable		3,488	-	2,777	-
2170	Accounts payable		2,748,030	36	2,213,817	33
2200	Other payables	6(10)	688,149	9	674,294	10
2230	Current income tax liabilities		83,350	1	53,714	1
2250	Current provisions	6(12)	42,186	1	40,773	-
2280	Current lease liabilities	7	78,519	1	90,029	1
2300	Other current liabilities	6(13)	171,700	2	212,586	3
21XX	Total current liabilities		4,141,725	54	3,440,923	51
Non-current liabilities						
2527	Non-current contract liabilities	6(17)	9,597	-	14,040	-
2570	Deferred income tax liabilities	6(24)	987	-	3,369	-
2580	Non-current lease liabilities	7	148,215	2	135,924	2
2600	Other non-current liabilities	6(11)	56,256	1	38,461	1
25XX	Total non-current liabilities		215,055	3	191,794	3
2XXX	Total liabilities		4,356,780	57	3,632,717	54
Equity						
Equity attributable to owners of parent						
	Share capital	6(14)				
3110	Common stock		490,609	6	490,609	7
	Capital surplus	6(15)				
3200	Capital surplus		703,127	9	703,127	11
	Retained earnings	6(16)				
3310	Legal reserve		508,132	7	470,758	7
3320	Special reserve		20,729	-	14,334	-
3350	Unappropriated retained earnings		1,491,109	19	1,276,287	19
	Other equity interest					
3400	Other equity interest		(24,848)	-	(20,729)	-
31XX	Equity attributable to owners of the parent		3,188,858	41	2,934,386	44
36XX	Non-controlling interest	4(3)	192,785	2	168,044	2
3XXX	Total equity		3,381,643	43	3,102,430	46
3X2X	Total liabilities and equity		\$ 7,738,423	100	\$ 6,735,147	100

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

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Year ended December 31			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenues	6(17)	\$ 9,179,791	100	\$ 7,766,451	100
5000	Operating costs	6(4)(23) and 7	(7,460,829)	(81)	(6,093,042)	(78)
5900	Net operating margin		<u>1,718,962</u>	<u>19</u>	<u>1,673,409</u>	<u>22</u>
	Operating expenses	6(23) and 7				
6100	Selling expenses		(331,189)	(4)	(352,306)	(5)
6200	General and administrative expenses		(324,146)	(4)	(306,682)	(4)
6300	Research and development expenses		(606,517)	(6)	(555,816)	(7)
6000	Total operating expenses		(1,261,852)	(14)	(1,214,804)	(16)
6500	Net other income (expenses)	6(18)	<u>67,507</u>	<u>1</u>	<u>93,863</u>	<u>1</u>
6900	Operating profit		<u>524,617</u>	<u>6</u>	<u>552,468</u>	<u>7</u>
	Non-operating income and expenses					
7100	Interest income	6(19)	3,237	-	8,825	-
7010	Other income	6(20)	86,104	1	28,249	1
7020	Other gains and losses	6(21)	(3,532)	-	(55,327)	(1)
7050	Finance costs	6(22) and 7	(3,694)	-	(9,313)	-
7000	Total non-operating income and expenses		<u>82,115</u>	<u>1</u>	<u>(27,566)</u>	<u>-</u>
7900	Profit before income tax		<u>606,732</u>	<u>7</u>	<u>524,902</u>	<u>7</u>
7950	Income tax expense	6(24)	(76,576)	(1)	(79,212)	(1)
8200	Profit for the year		<u>\$ 530,156</u>	<u>6</u>	<u>\$ 445,690</u>	<u>6</u>
	Other comprehensive income					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial gain (loss) on defined benefit plan	6(11)	\$ 6,956	-	(\$ 3,279)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	(1,391)	-	656	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>5,565</u>	<u>-</u>	<u>(2,623)</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		(4,119)	-	(6,395)	-
8300	Other comprehensive income (loss) for the year		<u>\$ 1,446</u>	<u>-</u>	<u>(\$ 9,018)</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 531,602</u>	<u>6</u>	<u>\$ 436,672</u>	<u>6</u>
	Profit attributable to:					
8610	Owners of the parent		<u>\$ 449,270</u>	<u>5</u>	<u>\$ 376,365</u>	<u>5</u>
8620	Non-controlling interest		<u>\$ 80,886</u>	<u>1</u>	<u>\$ 69,325</u>	<u>1</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>\$ 450,716</u>	<u>5</u>	<u>\$ 367,347</u>	<u>5</u>
8720	Non-controlling interest	4(3)	<u>\$ 80,886</u>	<u>1</u>	<u>\$ 69,325</u>	<u>1</u>
	Earnings per share	6(25)				
9750	Basic earnings per share		<u>\$ 9.16</u>		<u>\$ 7.67</u>	
9850	Diluted earnings per share		\$ 9.08		\$ 7.59	

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

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent								Non-controlling interest	Total	Total equity
	Notes	Capital Reserves			Retained Earnings		Other Equity				
		Share capital - common stock	Additional paid-in capital	Others	Legal reserve	Special reserve		Unappropriated retained earnings			
2020											
Balance at January 1, 2020		\$ 490,609	\$ 702,817	\$ 310	\$ 428,561	\$ 11,423	\$ 1,202,768	\$ 14,334	\$ 2,822,154	\$ 148,623	\$ 2,970,777
Profit for the year		-	-	-	-	-	376,365	-	376,365	69,325	445,690
Other comprehensive loss		-	-	-	-	-	(2,623)	(6,395)	(9,018)	-	(9,018)
Total comprehensive income (loss)		-	-	-	-	-	373,742	(6,395)	367,347	69,325	436,672
Appropriations of 2019 earnings	6(16)										
Legal reserve		-	-	-	42,197	-	(42,197)	-	-	-	-
Special reserve		-	-	-	-	2,911	(2,911)	-	-	-	-
Cash dividends		-	-	-	-	-	(255,115)	-	(255,115)	-	(255,115)
Change in non-controlling interest		-	-	-	-	-	-	-	-	(49,904)	(49,904)
Balance at December 31, 2020		\$ 490,609	\$ 702,817	\$ 310	\$ 470,758	\$ 14,334	\$ 1,276,287	\$ 20,729	\$ 2,934,386	\$ 168,044	\$ 3,102,430
2021											
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 year		-	-	-	-	-	449,270	-	449,270	80,886	530,156
Other comprehensive income (loss)		-	-	-	-	-	5,565	(4,119)	1,446	-	1,446
Total comprehensive income (loss)		-	-	-	-	-	454,835	(4,119)	450,716	80,886	531,602
Appropriations of 2020 earnings	6(16)										
Legal reserve		-	-	-	37,374	-	(37,374)	-	-	-	-
Special reserve		-	-	-	-	6,395	(6,395)	-	-	-	-
Cash dividends		-	-	-	-	-	(196,244)	-	(196,244)	-	(196,244)
Change in non-controlling interest		-	-	-	-	-	-	-	-	(56,145)	(56,145)
Balance at December 31, 2021		\$ 490,609	\$ 702,817	\$ 310	\$ 508,132	\$ 20,729	\$ 1,491,109	\$ 24,848	\$ 3,188,858	\$ 192,785	\$ 3,381,643

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

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 606,732	\$ 524,902
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(23)	212,661	203,254
Amortization	6(23)	12,692	12,867
Expected credit impairment (gain) loss	12(2)	(611)	258
Interest income	6(19)	(3,237)	(8,825)
Interest expense	6(22)	2,852	3,961
(Gains) losses on disposal of property, plant and equipment	6(21)	(235)	144
Gains arising from lease modifications	6(21)	-	(9)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(310,834)	(378,622)
Other receivables		(23,467)	(41,882)
Other receivables - related parties		(85)	(17)
Inventory		(1,123,300)	(246,118)
Prepayments		2,975	5,669
Changes in operating liabilities			
Contract liabilities		190,409	54,351
Notes payable		711	(3,372)
Accounts payable		534,213	355,515
Other payables		42,260	88,225
Other payables - related parties		-	(5,472)
Current provisions		1,044	(25,727)
Other current liabilities		(40,886)	62,804
Other non-current liabilities		(245)	(182)
Cash inflow generated from operations		103,649	601,724
Interest recieved		3,431	9,327
Interest paid		(2,852)	(3,961)
Income tax paid		(67,396)	(53,653)
Net cash flows from operating activities		36,832	553,437

(Continued)

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(26)	(\$ 387,929)	(\$ 299,682)
Proceeds from disposal of property, plant and equipment		329	116
Increase in intangible assets	6(7)	(1,181)	(3,112)
Decrease in guarantee deposits		1,330	-
Decrease in other non-current assets		-	881
Net cash flows used in investing activities		(387,451)	(301,797)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(27)	(20,537)	28,315
Decrease in non-current liabilities	6(27)	(223)	(65)
Lease payments	6(6)(27)	(101,960)	(112,684)
Payment of cash dividends	6(16)	(196,244)	(255,115)
Change in non-controlling interest	4(3)	(56,145)	(49,904)
Net cash flows used in financing activities		(375,109)	(389,453)
Effect on foreign exchange difference		(4,519)	(6,177)
Net decrease in cash and cash equivalents		(730,247)	(143,990)
Cash and cash equivalents at beginning of year		2,489,985	2,633,975
Cash and cash equivalents at end of year		\$ 1,759,738	\$ 2,489,985

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

(22) PWCR 21003209

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

Opinion

We have audited the accompanying balance sheets of Senao Networks, Inc. (the “Company”) as at December 31, 2021 and 2020, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance 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 generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2021 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 financial statements are stated as follows:

Valuation of inventory

Description

Refer to Note 4(9) for description of accounting policy on inventory valuation, Note 5 for significant accounting estimates and assumptions, and Note 6(3) for description of allowance for inventory valuation losses. As of December 31, 2021, the Company's inventory and allowance for inventory valuation losses amounted to NT\$1,865,474 thousand and NT\$69,430 thousand, respectively.

The Company is primarily engaged in research and development, designing, manufacturing and selling wireless communication products. Due to the rapidly changing industry and short lifespan of electronic products, there is a higher risk of incurring obsolete inventory. The Company's inventories are measured at the lower of cost and net realizable value. For inventories that are over a certain age and individually identified obsolete or slow-moving inventories, the net realizable values are determined by management based on historical data of inventory consumption. As the Company's inventory balance is significant, inventory items are voluminous, and accounting estimates are subject to management's judgement, we consider the valuation of inventory as a key audit matter.

How our audit addressed the matter

Our procedures in relation to management's valuation of inventory included:

1. Obtaining the Company's accounting policy on allowance for inventory valuation losses, and checking whether the accounting policy has been consistently applied; assessing the reasonableness of management's classification of inventory with regard to net realizable value as well as management's assumptions on inventory consumption.
2. Testing the appropriateness of the detailed schedule of net realizable value of inventory.
3. Understanding, evaluating, and selecting samples to test the calculation methods used in the inventory aging schedule; examining selected information in the statements and determining whether it is consistent with the policy.
4. Comparing the related documents we gathered during the physical inventory count and the scrap and slow-moving inventory report made by management, and performing an inquiry with management and related personnel to verify whether slow-moving inventory, over certain age inventory and significantly damaged inventory have been addressed in the inventory list.
5. Checking the inventory aging report and assessing the reasonableness of valuation loss recognised based on the net realizable value estimated by management, and obtaining the related supporting documents.

Cut off of export operating revenue

Description

Refer to Note 4(21) for accounting policy on revenue recognition in the financial statements.

Depending on the transaction terms which are FOB or FCA, the Company recognises operating revenue upon the transfer of risk and ownership of the goods to the buyer. As the export sales revenue amount is significant, the timing of operating revenue recognition may be inappropriate. Thus, we consider cut off of export operating revenue a key audit matter.

How our audit addressed the matter

The procedures performed on the above key audit matter included:

1. Obtaining an understanding of the Company's accounting policy on sales revenue recognition, and verifying compliance with the accounting policy through performing substantive test of sales revenue.
2. Performing cut-off test on sales revenue for transactions with the term "Free on Board" before a certain period of balance sheet date, which includes verifying the supporting documents for delivery and checking whether the timing of revenue recognition is appropriate.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China

will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pei-Chuan Huang

Penny Pan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 25, 2022

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2021		December 31, 2020			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	958,467	15	\$	1,738,404	30
1170	Accounts receivable, net	6(2)		1,148,704	18		907,264	16
1180	Accounts receivable - related parties	7		95,094	1		100,209	2
1200	Other receivables			99,148	1		62,638	1
1210	Other receivables - related parties	7		2,107	-		1,975	-
130X	Inventories	6(3)		1,796,044	28		828,361	14
1410	Prepayments			7,490	-		8,447	-
11XX	Total current assets			4,107,054	63		3,647,298	63
Non-current assets								
1550	Investments accounted for under the equity method	6(4)		407,576	6		344,566	6
1600	Property, plant and equipment	6(5)		1,828,040	28		1,550,160	27
1755	Right-of-use assets	6(6) and 7		120,638	2		196,861	3
1780	Intangible assets			13,288	-		22,692	-
1840	Deferred income tax assets	6(22)		39,256	1		26,673	1
1900	Other non-current assets	6(7)		7,120	-		12,855	-
15XX	Total non-current assets			2,415,918	37		2,153,807	37
1XXX	Total assets		\$	6,522,972	100	\$	5,801,105	100

SENAO NETWORKS, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2130	Current contract liabilities	6(15)	\$ 122,018	2	\$ 19,697	-
2150	Notes payable		2,633	-	2,552	-
2170	Accounts payable		2,285,568	35	1,841,643	32
2180	Accounts payable to related parties	7	24,156	-	5,188	-
2200	Other payables	6(8)	516,457	7	527,255	9
2220	Other payables - related parties	7	581	-	643	-
2230	Current tax liabilities		60,698	1	45,122	1
2250	Current provisions	6(10)	22,318	-	17,884	-
2280	Current lease liabilities	7	54,158	1	71,170	1
2300	Other current liabilities	6(11)	126,542	2	172,636	3
21XX	Total current liabilities		3,215,129	48	2,703,790	46
Non-current liabilities						
2570	Deferred income tax liabilities	6(22)	987	-	3,369	-
2580	Non-current lease liabilities	7	61,883	1	121,483	2
2600	Other non-current liabilities	6(9)	56,115	1	38,077	1
25XX	Total non-current liabilities		118,985	2	162,929	3
2XXX	Total liabilities		3,334,114	50	2,866,719	49
Equity						
	Share capital	6(12)				
3110	Common stock		490,609	8	490,609	9
	Capital surplus	6(13)				
3200	Capital surplus		703,127	11	703,127	12
	Retained earnings	6(14)				
3310	Legal reserve		508,132	8	470,758	8
3320	Special reserve		20,729	-	14,334	-
3350	Unappropriated retained earnings		1,491,109	23	1,276,287	22
	Other equity interest					
3400	Other equity interest		(24,848)	-	(20,729)	-
3XXX	Total equity		3,188,858	50	2,934,386	51
3X2X	Total liabilities and equity		\$ 6,522,972	100	\$ 5,801,105	100

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

SENAO NETWORKS, INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(15) and 7	\$ 7,357,530	100	\$ 6,270,995	100
5000	Operating costs	6(3)(21) and 7	(6,270,419)	(85)	(5,181,804)	(83)
5900	Net operating margin		1,087,111	15	1,089,191	17
5910	Unrealized profit from sales	6(4)	(32,143)	-	(21,354)	-
5920	Realized profit from sales	6(4)	21,354	-	57,091	1
5950	Net operating margin		1,076,322	15	1,124,928	18
	Operating expenses	6(21)				
6100	Selling expenses		(137,191)	(2)	(161,906)	(2)
6200	General and administrative expenses		(215,503)	(3)	(191,879)	(3)
6300	Research and development expenses		(514,549)	(7)	(481,002)	(8)
6000	Total operating expenses		(867,243)	(12)	(834,787)	(13)
6500	Net other income (expenses)	6(16)	62,029	1	70,754	1
6900	Operating profit		271,108	4	360,895	6
	Non-operating income and expenses					
7100	Interest income	6(17)	1,907	-	6,978	-
7010	Other income	6(18) and 7	83,539	1	29,819	1
7020	Other gains and losses	6(19)	(692)	-	(42,132)	(1)
7050	Finance costs	6(20)	(1,815)	-	(2,725)	-
7070	Share of profit of associates and joint ventures accounted for under the equity method, net	6(4)	136,334	2	73,310	1
7000	Total non-operating income and expenses		219,273	3	65,250	1
7900	Profit before income tax		490,381	7	426,145	7
7950	Income tax expense	6(22)	(41,111)	(1)	(49,780)	(1)
8200	Profit for the year		<u>\$ 449,270</u>	<u>6</u>	<u>\$ 376,365</u>	<u>6</u>
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial gain (loss) on defined benefit plan	6(9)	\$ 6,956	-	(\$ 3,279)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	(1,391)	-	656	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		5,565	-	(2,623)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(4,119)	-	(6,395)	-
8300	Other comprehensive income (loss)		<u>\$ 1,446</u>	<u>-</u>	<u>(\$ 9,018)</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 450,716</u>	<u>6</u>	<u>\$ 367,347</u>	<u>6</u>
	Earnings per share	6(23)				
9750	Basic earnings per share		<u>\$ 9.16</u>		<u>\$ 7.67</u>	
9850	Diluted earnings per share		<u>\$ 9.08</u>		<u>\$ 7.59</u>	

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

SENAO NETWORKS, INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Capital Reserves			Retained Earnings			Financial statements translation differences of foreign operations	Total equity
	Share capital - common stock	Additional paid-in capital	Others	Legal reserve	Special reserve	Unappropriated retained earnings		
2020								
Balance at January 1, 2020	\$ 490,609	\$ 702,817	\$ 310	\$ 428,561	\$ 11,423	\$ 1,202,768	(\$ 14,334)	\$ 2,822,154
Profit for the year	-	-	-	-	-	376,365	-	376,365
Other comprehensive loss	-	-	-	-	-	(2,623)	(6,395)	(9,018)
Total comprehensive income (loss)	-	-	-	-	-	373,742	(6,395)	367,347
Appropriations of 2019 earnings 6(14)								
Legal reserve	-	-	-	42,197	-	(42,197)	-	-
Special reserve	-	-	-	-	2,911	(2,911)	-	-
Cash dividends	-	-	-	-	-	(255,115)	-	(255,115)
Balance at December 31, 2020	\$ 490,609	\$ 702,817	\$ 310	\$ 470,758	\$ 14,334	\$ 1,276,287	(\$ 20,729)	\$ 2,934,386
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 year	-	-	-	-	-	449,270	-	449,270
Other comprehensive income (loss)	-	-	-	-	-	5,565	(4,119)	1,446
Total comprehensive income (loss)	-	-	-	-	-	454,835	(4,119)	450,716
Appropriations of 2020 earnings 6(14)								
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

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

SENAO NETWORKS, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 490,381	\$ 426,145
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(21)	160,284	153,127
Amortization	6(21)	9,522	9,682
Interest income	6(17)	(1,907)	(6,978)
Interest expense	6(20)	1,815	2,725
Share of profit on investments accounted for under the equity method	6(4)	(136,334)	(73,310)
Unrealized (gain) loss on intercompany transactions	6(4)	10,789	(35,737)
(Gains) losses on disposal of property, plant and equipment	6(19)	(238)	150
Gains arising from lease modifications	6(19)	-	(1,220)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(241,440)	(424,703)
Accounts receivable - related parties		5,115	(17,389)
Other receivables		(36,587)	(15,694)
Other receivables - related parties		(132)	(12)
Inventories		(967,683)	(246,660)
Prepayments		957	4,641
Changes in operating liabilities			
Current contract liabilities		102,321	6,688
Notes payable		81	(2,355)
Accounts payable		443,925	284,171
Accounts payable - related parties		18,968	4,093
Other payables		17,276	62,478
Other payables - related parties		547	(5,841)
Current provisions		4,434	(20,921)
Other current liabilities		(46,094)	87,989
Other non-current liabilities		(247)	(182)
Cash (outflow) inflow generated from operations		(164,247)	190,887
Interest recieved		1,984	7,404
Interest paid		(1,815)	(2,725)
Income tax paid		(41,892)	(13,822)
Dividends received	6(4)	58,417	51,927
Net cash flows (used in) from operating activities		(147,553)	233,671

(Continued)

SENAO NETWORKS, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>Year ended December 31</u>	
		<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(24)	(\$ 362,893)	(\$ 242,525)
Proceeds from disposal of property, plant and equipment		4,111	-
Increase in intangible assets		(118)	(2,586)
Acquisition of investments accounted for under the equity method	6(4)	-	(30,000)
Proceeds from capital withdrawal from liquidation of subsidiaries		-	2,197
Decrease in refundable deposits		1,020	-
Increase in other non-current assets		-	(348)
Net cash flows used in investing activities		(357,880)	(273,262)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Lease payments	6(6)(25)	(78,260)	(84,964)
Payment of cash dividends	6(14)	(196,244)	(255,115)
Net cash flows used in financing activities		(274,504)	(340,079)
Net decrease in cash and cash equivalents		(779,937)	(379,670)
Cash and cash equivalents at beginning of year		1,738,404	2,118,074
Cash and cash equivalents at end of year		<u>\$ 958,467</u>	<u>\$ 1,738,404</u>

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

Comparison Table for the “Articles of Incorporation”

Before the Version	After the Version	Explanation
Chapter 4 Directors and Supervisors	Chapter 4 Directors and <u>Audit Committee</u>	in line with the establishment of Audit Committee
<p>Article 11</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Article 11</p> <p>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. <u>The Company's shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority.</u></p> <p>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.</p> <p>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.</p>	in line with the Company Act amendment and actual needs
<p>Article 16</p> <p>The Company shall appoint five (5) to nine (9) directors, <u>and two (2) to three (3) supervisors</u>, 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.</p> <p>Elections of directors <u>and supervisors</u> of</p>	<p>Article 16</p> <p>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.</p> <p>Elections of directors of the Company</p>	in line with the establishment of Audit Committee

Before the Version	After the Version	Explanation
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.	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.	
<p>Article 16.1</p> <p>Among the number of directors in preceding article, there shall be no less than <u>two (2) independent directors, who shall constitute no less than one-fifth (1/5) of the total number of directors.</u></p> <p>An election of directors <u>and supervisors</u> shall be by nomination of candidates, in accordance with Article 192-1 <u>and 216-1</u> 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.</p>	<p>Article 16.1</p> <p>Among the number of directors in preceding article, there shall be no less than <u>three (3) independent directors.</u></p> <p>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.</p>	in line with the establishment of Audit Committee
<p>Article 21</p> <p>A supervisor may independently exercise his/her supervisory powers according to law, as well as attend a board of directors meeting to provide comments, but may not participate in any voting.</p>	<p>Article 21</p> <p><u>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.</u></p>	in line with the establishment of Audit Committee
<p>Article 22</p> <p>The board of directors is authorized to determine the remuneration to be paid to all directors <u>and supervisors</u>, 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 <u>and supervisors</u>. Travel expenses, which are paid irrespective of profit or loss of the Company, shall also be paid based</p>	<p>Article 22</p> <p>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</p>	in line with the establishment of Audit Committee

Before the Version	After the Version	Explanation
on general standards applicable in the industry.	industry.	
Article 23 The Company may purchase liability insurance for its directors, <u>supervisors</u> and important staff members.	Article 23 The Company may purchase liability insurance for its directors and important staff members.	in line with the establishment of Audit Committee
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 <u>supervisors for inspection thirty (30) years before the annual shareholders meeting. The supervisors shall then issue their report. Said statements and reports shall then be submitted to the</u> shareholders meeting for its adoption. 1. Operating report 2. Financial Statements 3. Proposal for distribution of profit or making up of losses	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 <u>in accordance with legal procedures.</u> 1. Operating report 2. Financial Statements 3. Proposal for distribution of profit or making up of losses	in line with the establishment of Audit Committee
Article 32 (Omitted)	Article 32 Add “twelfth amendment on June 17, 2022” to the existing Article.	In line with the revision, add revising day

Comparison Table for the “Rules for Election of Directors”

Before the Version	After the Version	Explanation
1. Unless otherwise stipulated by the Company Act and our Company’s Articles of Incorporation, the election of our Company’s directors <u>and supervisors</u> shall be governed by the Rules.	<u>Article 1</u> Unless otherwise stipulated by the Company Act and our Company’s Articles of Incorporation, the election of our Company’s directors shall be governed by the Rules.	amend wordings; in line with the establishment of Audit Committee
2. The election of our Company’s directors <u>and supervisors</u> shall be implemented on the shareholders’ Meeting.	<u>Article 2</u> The election of our Company’s directors shall be by nomination of candidates in accordance with Article 192-1 of the Company Act, and shall be implemented on the shareholders’ Meeting.	amend wordings; in line with the establishment of Audit Committee and In accordance with the FSC’s regulation amendments
3. The election of our Company’s directors <u>and supervisors</u> shall adopt nominal cumulative voting scheme. Voter identification appearing on ballot may be substituted by attendance pass number.	<u>Article 3</u> The election of our Company’s directors shall adopt nominal cumulative voting scheme. Voter identification appearing on ballot may be substituted by attendance pass number.	amend wordings; in line with the establishment of Audit Committee
4. The election of our Company’s directors <u>and supervisors</u> , each share shall have the votes equal to the number of the directors <u>and supervisors</u> to be elected in the election of our Company’s directors <u>and supervisors</u> , and the said votes may be voted all on one Candidate or separately on several candidates.	<u>Article 4</u> The election of our Company’s directors, each share shall have the votes equal to the number of the directors to be elected in the election of our Company’s directors, and the said votes may be voted all on one Candidate or separately on several candidates. <u>The election of independent directors and non-independent directors shall be held together; provided, however, that the number of independent directors and non-independent directors elected shall be calculated separately.</u>	amend wordings; in line with the establishment of Audit Committee and rules
5. The quotas of our Company’s director <u>and supervisors</u> shall be determined in accordance with our Company’s Articles of Incorporation. The winners	<u>Article 5</u> The quotas of our Company’s director shall be determined in accordance with our Company’s Articles of Incorporation. The winners of the election shall be	amend wordings

Before the Version	After the Version	Explanation
of the election shall be determined according to and in the order of the number of suffrage received by the candidates. A tie among two or more candidates with the same number of suffrage shall be resolved by a draw and an absent candidate not available for the said draw in person shall be substituted by the chairperson for the said draw.	determined according to and in the order of the number of suffrage received by the candidates. A tie among two or more candidates with the same number of suffrage shall be resolved by a draw and an absent candidate not available for the said draw in person shall be substituted by the chairperson for the said draw.	
6. <u>When the company prepares the ballots, it should affix the company seal</u> ; each ballot shall be coded with attendance pass serial number and the respective suffrage.	<u>Article 6</u> <u>The election ballots shall be printed and issued by our Company</u> ; each ballot shall be coded with attendance pass serial number and the respective suffrage.	amend wordings
7. At the beginning of voting, the chairman shall appoint ballot examiner and poll clerks to execute the responsibilities of vote scrutiny and vote counting.	<u>Article 7</u> At the beginning of voting, the chairman shall appoint ballot examiner and poll clerks to execute the responsibilities of vote scrutiny and vote counting.	amend wordings
8. The ballot box used for voting shall be prepared by this Company and checked in public by the person to check the ballots before voting.	<u>Article 8</u> The ballot box used for voting shall be prepared by this Company and checked in public by the person to check the ballots before voting.	amend wordings
9. A voter shall specify the account name and account number of the candidate on ballot if the said candidate is a shareholder, or name and Citizen ID number of the said candidate is a non-shareholder. If a corporate shareholder is to be voted, such a candidate's government name or corporate name, or the government name or corporate name and the name of the representative of the said government or corporate, shall be specified on the name field on the ballot. In case of several representatives, specify all names.	<u>Article 9</u> A voter shall specify the account name and account number of the candidate on ballot if the said candidate is a shareholder, or name and Citizen ID number of the said candidate is a non-shareholder. If a corporate shareholder is to be voted, such a candidate's government name or corporate name, or the government name or corporate name and the name of the representative of the said government or corporate, shall be specified on the name field on the ballot. In case of several representatives, specify all names.	amend wordings
10. A ballot shall be regarded as null and void if any of the followings applies: 1. The ballot does not conform to	<u>Article 10</u> A ballot shall be regarded as null and void if any of the followings applies: 1. The ballot does not conform to these	amend wordings

Before the Version	After the Version	Explanation
<p>these Rules.</p> <p>2. A bank ballot is deposited into the ballot box.</p> <p>3. Writing on the ballot is beyond reasonable recognition or has been altered or modified.</p> <p>4. The name and shareholder account number of a shareholder candidate being specified on the ballot are inconsistent to the shareholder list.</p> <p>5. There are more than one candidate's names on a ballot.</p> <p>6. Any writing other than candidate's name and shareholder account number or Citizen ID number is found on the ballot.</p> <p>7. The candidate's name specified on the ballot is identical to other shareholder and no shareholder account number or Citizen ID number is specified for valid identification.</p> <p>8. Ballot found null and void in accordance with the laws</p>	<p>Rules.</p> <p>2. A bank ballot is deposited into the ballot box.</p> <p>3. Writing on the ballot is beyond reasonable recognition or has been altered or modified.</p> <p>4. The name and shareholder account number of a shareholder candidate being specified on the ballot are inconsistent to the shareholder list.</p> <p>5. There are more than one candidate's names on a ballot.</p> <p>6. Any writing other than candidate's name and shareholder account number or Citizen ID number is found on the ballot.</p> <p>7. The candidate's name specified on the ballot is identical to other shareholder and no shareholder account number or Citizen ID number is specified for valid identification.</p> <p>8. Ballot found null and void in accordance with the laws</p>	
<p>11. The election for directors and supervisors should be set up different election ballot box which will be checked by the ballot examiner and poll clerks after voting <u>separately</u>.</p>	<p><u>Article 11</u> <u>The directors' ballot should be put into the ballot box which set up by the Company, and will be checked by the ballot examiner and poll clerks after voting.</u></p>	<p>amend wordings; in line with the establishment of Audit Committee</p>
<p>12. Ballot box will be opened for counting immediately at the end of voting, and the voting Result will be announced by the chairperson on site.</p>	<p><u>Article 12</u> Ballot box will be opened for counting immediately at the end of voting, and the voting Result will be announced by the chairperson on site.</p>	<p>amend wordings</p>
<p>13. These Rules shall be implemented after being approved by the board of directors. Amendment shall also require approval from the board of directors.</p>	<p><u>Article13</u> These Rules shall be implemented after being approved by the board of directors. Amendment shall also require approval from the board of directors.</p>	<p>amend wordings</p>

Comparison Table for the “Operating Procedures for Lending Funds to Other Parties”

Before the Version	After the Version	Explanation
<p>Article 2</p> <p>The party to whom the Company may lend its funds shall be meet one of the following requirements:</p> <ol style="list-style-type: none"> 1. The party having a business relationship with the Company and do have funds in need. 2. <u>The investee company in which the Company directly or indirectly holds more than 50% of the voting shares in need of funds for a short-term period.</u> 3. <u>Fund-lending to entities shall be limited to said entities that have a business relationship with the Company, and shall have no record of bouncing checks or being a debarred customer.</u> 	<p>Article 2</p> <p>The party to whom the Company may lend its funds shall be <u>limited to</u>:</p> <ol style="list-style-type: none"> 1. <u>Companies</u> having a business relationship with the Company. 2. <u>Companies</u> in need of funds for a short-term period. <p><u>Fund-lending to companies having a business relationship with the Company shall be limited to said companies that need working capital. Fund-lending to companies which need funds for a short-term period shall be limited to investee company in which the Company directly or indirectly holds more than 50% of the voting shares and for materials purchasing or operation needs only.</u></p>	<p>in line with the actual needs</p>
<p>Article 3</p> <p>The total amount available for lending.</p> <ol style="list-style-type: none"> 1. The total amount <u>available</u> for lending purpose shall not exceed 20% of the net worth of the Company’s latest <u>financial report</u>. 2. The total amount for lending to the 	<p>Article 3</p> <p>The total amount available for lending <u>purpose shall not exceed 20% of the net worth of the Company. The lending limits for any borrower are set forth below</u>:</p> <ol style="list-style-type: none"> 1. The total amount for lending <u>to a company having a business relationship with the company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending (for purposes of the Procedures, the “transaction amount” shall mean the sales or purchasing amount between the parties, whichever is higher), and shall not exceed 5% of the net worth of the Company.</u> 	<p>in line with the actual needs</p>

Before the Version	After the Version	Explanation
<p>investee company in which the Company directly or indirectly holds more than 50% of the voting shares shall not exceed 10% of the net worth of the Company.</p> <p>3. <u>In addition to the provisions of the preceding paragraph, the total amount for lending to a company shall not exceed the 5% of the net worth of the Company.</u></p> <p>4. <u>The Company's subsidiaries are not allowed to lend funds to non-affiliated companies.</u></p>	<p>2. The total amount for lending to a company <u>in need of funds for a short-term period</u> shall not exceed 10% of the net worth of the Company.</p>	
<p>Article 4 When the Company intends to make a loan, borrowers shall submitted necessary profile and financial information to apply in writing. Once the Company accepts the application, financial department shall investigate and evaluate borrowers' business, financial status, solvency, credit status, profitability and use of funds, and prepare a report to be approved by the general manager and submitted to the board of directors' meeting for resolution. Directors' opinion shall be taken into full consideration in the board of directors' meeting, and directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> <p><u>Financial Department shall evaluate the borrowers in detail, including:</u></p> <p>1. The necessity of and reasonableness of extending loans to others. 2. Whether the loans and amount are necessary by taking into consideration of the borrowers' financial status. 3. <u>Whether the cumulative balance of loans is within the limits.</u> 4. Impact on the company's business operations, financial condition, and shareholders' equity. 5. Whether collateral shall be obtained</p>	<p>Article 4 When the Company intends to make a loan, borrowers shall submitted necessary profile and financial information to apply in writing. Once the Company accepts the application, Finance Division shall <u>conduct a detailed review on the following matters, and submit the evaluation results</u> to the board of directors' meeting for resolution. Directors' opinion shall be taken into full consideration in the board of directors' meeting, and directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> <p>1. The necessity of and reasonableness of extending loans to others. 2. <u>Borrower credit status and risk assessment.</u> 3. Impact on the company's business operations, financial condition, and shareholders' equity. 4. <u>Whether collateral must be obtained</u></p>	<p>in line with the actual needs</p>

Before the Version	After the Version	Explanation
and appraisal of the value thereof. <u>6. Borrowers' credit status and risk assessment record.</u>	and appraisal of the value thereof.	
<p>Article 5</p> <p>When the Company loans funds to others, if the board of directors deems necessary, collateral with equivalent value to the loan amount shall be provided by the borrowers for security of the Company's rights.</p> <p>For the collateral in the preceding paragraph, if borrowers can provide guarantees from individuals or companies that have the adequate solvency and credit status in replace of the collateral, the board of directors may approve the application by considering Financial Department's investigation result. The Company shall check whether making guarantees is permitted in the Articles of Incorporation of the entity providing the guarantee.</p>	<p>Article 5</p> <p><u>The term of each loan extended by the Company shall not exceed one year. The interest rate shall be determined on the current financial market interest rate and adjusted accordingly. The interests shall be calculated on a monthly basis.</u></p>	in line with the actual needs
<p>Article 6</p> <p>When the Company signs a financing contract with a borrower, it shall use the corporate chop and chop of responsible person which are registered with the competent authority; Financial Department shall verify borrowers and guarantors' chops and signatures.</p>	<p>Article 6</p> <p><u>The Company shall prepare a memorandum book for its fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated in accordance with the regulations.</u></p>	in line with the actual needs
<p>Article 7</p> <p>In the case of breach of the financing contract by a borrower, the Company may dispose the collateral or collect from the guarantor to recover the loan pursuant to relevant laws.</p>	<p>Article 7</p> <p><u>The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found</u></p>	in line with the establishment of Audit Committee and actual needs
<p>Article 8</p> <p>The term of each loan : Shall not exceed one year.</p>	<p>Article 8</p> <p><u>Should a borrower no longer meet the criteria set forth in the relevant regulations and/or these procedures or should there be any excess over the lending limit due to unexpected change</u></p>	in line with the actual needs

Before the Version	After the Version	Explanation
	<u>of the company, a corrective plan must be provided to the Audit Committee and the proposed correction action shall be implemented within the period specified in such plan.</u>	
Article 9 The term of each loan : Shall not exceed one year.	Article 9 <u>The Company's managers and persons-in-charge violate the related regulations or the Procedures shall be subject to discipline in accordance with the relevant human resources articles or rules of the Company.</u>	in line with the actual needs
Article 11 <u>Internal control</u> 1. <u>The Company shall prepare a memorandum book for its fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated in accordance with the regulations.</u> 2. <u>The Company's internal auditors shall audit the Operating Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the supervisors in writing of any material violation found. The Company's managers and persons-in-charge who violate the Procedures shall be subject to discipline depending on the level of severity in accordance with the Company's management regulations of Rewards and Violation.</u> 3. <u>If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the supervisors, and shall complete the</u>	Article 11	in line with the actual needs

Before the Version	After the Version	Explanation
<p><u>rectification according to the timeframe set out in the plan to enhance the Company's internal control.</u></p> <p>4. Where a subsidiary of the Company intends to make loans to others, the subsidiary shall establish its own Operating Procedures for Loaning Funds to Others in compliance with relevant Regulations, and it shall comply with the Procedures when loaning funds, and shall be submitted periodically to the Company for inspection.</p>	<p>Where a subsidiary of the Company intends to make loans to others, the subsidiary shall establish its own Operating Procedures for Loaning Funds to Others in compliance with relevant Regulations, and it shall comply with the Procedures when loaning funds, and shall be submitted periodically to the Company for inspection.</p>	
<p>Article 12</p> <p><u>Subsequent measures for control and management of loan.</u></p> <p>After a loan is extended, the Company shall monitor borrowers' and guarantors' financial, <u>business</u> and credit status; if collateral is provided, it shall also monitor any change to the collateral's value; prior to the expiry, it shall notify borrowers for debt repayments <u>or extension</u>.</p> <p>The Company shall make sufficient provision based on the lending profile, adequately disclose information in the financial statements, and provide external auditors with necessary information for conducting due auditing.</p>	<p>Article 12</p> <p>After a loan is extended, <u>Finance Division</u> shall evaluate borrowers' and guarantors' (if any) financial and credit <u>quarterly</u>; if collateral is provided, it shall also monitor any change to the collateral's value; prior to the expiry, it shall notify borrowers for debt repayments.</p> <p>The Company shall make sufficient provision based on the lending profile, adequately disclose information in the financial statements, and provide external auditors with necessary information for conducting due auditing.</p>	in line with the actual needs
<p>Article 13</p> <p><u>Procedures for handling delinquent creditor's rights.</u></p> <p>After expiry of loans, if borrowers defaults on the loans <u>or did not apply for extension</u>, the Company shall take legal actions to preserve its creditor's rights after necessary notification to borrowers.</p>	<p>Article 13</p> <p>After expiry of loans, if borrowers default on the loans, the Company shall take legal actions to preserve its creditor's rights after necessary notification to borrowers.</p>	in line with the actual needs
<p>Article 15</p> <p><u>The company formulate its Procedures for Loaning Funds to Others shall be approved by the board of directors, and submit the Procedures to each supervisor and submit them for approval by the shareholders' meeting;</u></p>	<p>Article 15</p> <p><u>The Procedures shall be approved by the Audit Committee, the Board of Directors, and the Shareholders' Meeting. Any amendment hereof is subject to the same procedures.</u></p>	in line with the establishment of Audit Committee and actual needs

Before the Version	After the Version	Explanation
<p>where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to each supervisor and for discussion by the shareholders' meeting. Any amendment hereof is subject to the same procedures.</p> <p><u>When it submits Its Operating Procedures for Loaning Funds to Others for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.</u></p>		

Comparison Table for the “Operating Procedures for Endorsements and Guarantees”

Before the Version	After the Version	Explanation
<p>Article 4</p> <p>The ceilings on the amounts of endorsements/guarantees.</p> <ol style="list-style-type: none"> 1. The total amount of endorsement/ guarantee shall not exceed 40% of the Company's net worth. 2. The total amount of the endorsement/ guarantee provided by the Company to any individual entity shall not exceed 10% of the Company's net worth. 3. The total amount of endorsement/ guarantee provided by the Company and its subsidiaries shall not exceed 40% of the Company's net worth. 4. The total amount of the endorsement/guarantee provided by the Company and its subsidiaries to any individual entity shall not exceed 10% of the Company's net worth. 5. Subsidiaries whose voting shares are at least 90% owned, directly or indirectly, by the Company may provide endorsement/ guarantee to each other, and the total amount of such endorsement/ guarantee shall not exceed 10% of the Company's net worth. The limit restriction shall not apply to endorsement/guarantee when such subsidiaries' voting shares are 100% owned, directly or indirectly, by the Company. <p>Net worth is based on the latest financial statements which were audited or reviewed by CPA.</p>	<p>Article 4</p> <p>The ceilings on the amounts of endorsements/guarantees.</p> <ol style="list-style-type: none"> 1. The total amount of endorsement/ guarantee shall not exceed 40% of the Company's net worth. 2. The total amount of the endorsement/ guarantee provided by the Company to any individual entity shall not exceed 10% of the Company's net worth. 3. The total amount of endorsement/ guarantee provided by the Company and its subsidiaries shall not exceed 40% of the Company's net worth. 4. The total amount of the endorsement/guarantee provided by the Company and its subsidiaries to any individual entity shall not exceed 10% of the Company's net worth. 5. Subsidiaries whose voting shares are at least 90% owned, directly or indirectly, by the Company may provide endorsement/ guarantee to each other, and the total amount of such endorsement/ guarantee shall not exceed 10% of the Company's net worth. The limit restriction shall not apply to endorsement/guarantee when such subsidiaries' voting shares are 100% owned, directly or indirectly, by the Company. 6. <u>The quota to be authorized to the Chairman for resolved enforcement shall not exceed 10% of the Company's net worth.</u> <p>Net worth is based on the latest financial statements which were audited or reviewed by CPA.</p> <p><u>The total amount of endorsement /guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the</u></p>	<p>in line with the actual needs</p>

Before the Version	After the Version	Explanation
	<u>total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee (the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher).</u>	
<p>Article 5 Decision and Authority Levels.</p> <p>1. When the Company engages in endorsements/guarantees, Financial Department shall evaluate its risk and keep the evaluation record, which shall be made after the approval of the board of directors.</p> <p>2. Where the Company needs to exceed the limits set out in this Regulation to satisfy its business requirements, and where the conditions set out in the Operating Procedures for Endorsements/ Guarantees are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/ guarantee. It shall also amend the Operating Procedures for Endorsements /Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.</p> <p>3. The endorsement/guarantee made between the subsidiaries, whose voting shares are at least 90% owned, directly or indirectly, by the Company, shall be submitted to the Board of</p>	<p>Article 5 Decision and Authority Levels.</p> <p>1. When the Company engages in endorsements/guarantees, Financial <u>Division</u> shall <u>review in detail</u> and <u>submit</u> the evaluation <u>report</u> to the board of directors for approval, <u>or approved by the chairman of the board under Article 4, paragraph 1, subparagraph 6 to grant within a specific limit, for subsequent submission to and ratification by the next board of directors' meeting.</u></p> <p>2. Where the Company needs to exceed the limits set out in this <u>Procedures</u> to satisfy its business requirements, and where the conditions set out in the Operating Procedures for Endorsements/ Guarantees are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/ guarantee. It shall also amend the Operating Procedures for Endorsements /Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.</p> <p>3. The endorsement/guarantee made between the subsidiaries, whose voting shares are at least 90% owned, directly or indirectly, by the Company, shall be submitted to the Board of</p>	<p>in line with the actual needs</p>

Before the Version	After the Version	Explanation
<p>Directors for approval in advance, provided, however, this approval requirement shall not apply to endorsement/ guarantee made between subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.</p> <p>When the board of directors makes discussion according to the preceding paragraphs, it shall take into full consideration the opinions of each <u>director and independent director</u>; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.</p>	<p>Directors for approval in advance, provided, however, this approval requirement shall not apply to endorsement/ guarantee made between subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.</p> <p>When the board of directors makes discussion according to the preceding paragraphs, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.</p>	
<p>Article 6 Procedures for handling and reviewing Endorsements/Guarantees.</p> <p>1. When the Company intends to make an endorsement/guarantee, the entity for which such an endorsement/guarantee is made shall file an application to the Company's <u>Financial Division, and Financial Division shall conduct a credit status check on the entity for which the endorsement/guarantee is made; risk assessment shall be done and well kept. Once the application is reviewed and passed, it shall be submitted for the approval of General Manager and Chairman. Collateral shall be provided if necessary.</u></p> <p>2. The Finance Division shall conduct credit investigation and risk assessment for the endorsed/guarantee company. The items to be evaluated include: A. Necessity and reasonableness of the endorsements/guarantees.</p> <p><u>B. Based on the financial status of the entity for which the endorsement/guarantee is made, whether the</u></p>	<p>Article 6 Procedures for handling and reviewing Endorsements/Guarantees.</p> <p>1. When the Company intends to make an endorsement/guarantee, the entity for which such an endorsement/guarantee is made shall file an application to the Company's Financial Division.</p> <p>2. The Financial Division shall conduct credit investigation and risk assessment for the endorsed/guarantee company. The items to be evaluated include: A. The necessity of and reasonableness of endorsements/guarantees.</p> <p><u>B. Credit status and risk assessment of the entity for which the endorsement/guarantee is made.</u></p>	<p>in line with the actual needs</p>

Before the Version	After the Version	Explanation
<p>endorsement/guarantee amount is necessary.</p> <p>C. <u>Whether the total amount of endorsement/guarantee provided to the entity deriving from business relations and the total business amount between the Company and the entity are within the limits.</u></p> <p>D. The impact on the company's business operations, financial condition, and shareholders' equity.</p> <p>E. Whether collateral must be obtained and appraisal of the value thereof.</p> <p>3. The Finance Division shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the board of directors or of authorization by the chairman of the board, the date the endorsement/ guarantee is made, the matters to be carefully evaluated in accordance with relevant regulations, <u>content of collateral and appraisal of the value thereof, and conditions and date for discharge of the endorsement /guarantee.</u></p> <p>4. <u>When the entity for which the endorsement/guarantee is made makes a repayment, it shall notify the Company for discharge of guarantee, and such information shall be recorded on the memorandum book.</u></p> <p>5. Finance Division shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information.</p>	<p>C. The impact on the company's business operations, financial condition, and shareholders' equity.</p> <p>D. Whether collateral must be obtained and appraisal of the value thereof.</p> <p>3. The Finance Division shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the board of directors or of authorization by the chairman of the board, the date the endorsement/ guarantee is made, <u>and</u> the matters to be carefully evaluated in accordance with relevant regulations.</p> <p>4. <u>The Company</u> shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information <u>for implementation of necessary audit procedures.</u></p>	

Before the Version	After the Version	Explanation
<p>6. If the net worth of the entity, for which the endorsement/guarantee is made, is a subsidiary and whose net worth is below 50% of its paid-in capital, <u>the handling department</u> shall re-evaluate regularly on a quarterly basis. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation, the sum of the share capital plus paid-in capital in excess of par shall be substituted.</p>	<p>5. If the net worth of the entity, for which the endorsement/guarantee is made, is a subsidiary and whose net worth is below 50% of its paid-in capital, <u>the Financial Division</u> shall re-evaluate regularly on a quarterly basis. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation, the sum of the share capital plus paid-in capital in excess of par shall be substituted.</p>	
<p>Article 7 Schedule and Content for Public Announcement and Report.</p> <p>1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries on the information reporting website designated by the competent authority by the 10th day of each month.</p> <p>2. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event on the information reporting website designated by the competent authority within 2 days commencing immediately from the date of occurrence.</p> <p>A. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.</p> <p>B. The balance of endorsements /guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.</p> <p>C. The balance of endorsements/ guarantees by the Company and its</p>	<p>Article 7 Schedule and Content for Public Announcement and Report.</p> <p>1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries on the information reporting website designated by the competent authority by the 10th day of each month.</p> <p>2. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event on the information reporting website designated by the competent authority within 2 days commencing immediately from the date of occurrence.</p> <p>A. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.</p> <p>B. The balance of endorsements /guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.</p> <p>C. The balance of endorsements/ guarantees by the Company and its</p>	<p>in line with the actual needs</p>

Before the Version	After the Version	Explanation
<p>subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, long-term investment in, and balance of loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.</p> <p>D. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement.</p> <p>3. "Date of occurrence" means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the loan of funds or endorsement/guarantee, whichever date is earlier.</p>	<p>subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, <u>carrying value of equity method investment in, and balance of loans to</u>, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.</p> <p>D. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement.</p> <p>3. "Date of occurrence" means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the loan of funds or endorsement/guarantee, whichever date is earlier.</p>	
<p>Article 8</p> <p>Procedures for use and custody of corporate seals.</p> <p>The Company shall use the corporate seals registered with the Ministry of Economic Affairs as the exclusive seal of endorsements/guarantees. <u>Pursuant to the "Rules for Management of Corporate Seal"</u>, this exclusive corporate seals shall be kept <u>separately</u> by a specific person who is approved by the board of directors, and every sealing or usage of the seals shall comply with these Procedures.</p> <p>When providing the endorsement/guarantee to a foreign company, the endorsement/guarantee letter executed by the Company should be signed by the person authorized by the chairman.</p>	<p>Article 8</p> <p>Procedures for use and custody of corporate seals.</p> <p>The Company shall use the corporate seals registered with the Ministry of Economic Affairs as the exclusive seals of endorsements/guarantees. This exclusive corporate seals shall be kept by a specific person who is approved by the board of directors, and every sealing or usage of the seals shall comply with these Procedures.</p> <p>When providing the endorsement/guarantee to a foreign company, the endorsement/guarantee letter executed by the Company should be signed by the person authorized by the <u>board of directors</u>.</p>	<p>in line with the actual needs</p>
<p>Article 9</p> <p>Internal Controls for Endorsements/Guarantees.</p>	<p>Article 9</p> <p>Internal Controls for Endorsements/Guarantees.</p>	<p>in line with the establishment of Audit</p>

Before the Version	After the Version	Explanation
<p>1. The Company's internal auditors shall audit the Operating Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify <u>all the supervisors</u> in writing of any material violation found. The Company's managers and persons-in-charge who violate the Procedures shall be subject to discipline depending on the level of severity in accordance with <u>the Company's management regulations of Rewards and Violation.</u></p> <p>2. Where as a result of changes of condition, the entity for which an endorsement/guarantee is made <u>originally complied with the provisions of this procedure, but subsequently</u> no longer meets the requirements of these Regulations, or the amount of endorsement/guarantee exceeded the limits <u>due to changes of basis on which the amounts of limits are calculated, Financial Division shall adopt plans to discharge the endorsement/guarantee amount or amount in excess upon expiry of the contracts or within a given time limit.</u> Financial Division shall submit the plans to all supervisors, complete the rectification according to the timeframe set out in the plan, <u>and report in the meeting of the board of directors.</u></p> <p>3. Where a subsidiary of the Company intends to provide Endorsements/Guarantees to other parties, the subsidiary shall establish its own Operating Procedures for Endorsements and Guarantees in compliance with relevant Regulations.</p>	<p>1. The Company's internal auditors shall audit the Operating Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify <u>the Audit Committee</u> in writing of any material violation found. The Company's managers and persons-in-charge who violate the Procedures shall be subject to discipline in accordance with <u>the relevant human resources articles or rules of the Company.</u></p> <p>2. Where as a result of changes of condition, the entity for which an endorsement/guarantee is made no longer meets the requirements of these Regulations, or the amount of endorsement/guarantee exceeds the limit, <u>the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee, and shall</u> complete the rectification according to the timeframe set out in the plan.</p> <p>3. Where a subsidiary of the Company intends to provide Endorsements/Guarantees to other parties, the subsidiary shall establish its own Operating Procedures for Endorsements and Guarantees in compliance with relevant Regulations, <u>and it shall comply with the Procedures when loaning funds, and shall be submitted periodically to the Company for</u></p>	<p>Committee and actual needs</p>

Before the Version	After the Version	Explanation
	<u>inspection.</u>	
<p>Article 10</p> <p>After passage by the board of directors, these Procedures shall be submitted to each supervisor and the shareholders' meeting for approval; where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to each supervisor and for discussion by the shareholders' meeting. Any amendment hereof is subject to the same procedures.</p> <p>When the Company submits these Procedures and relevant proposals for discussion by the board of directors under the preceding paragraph, Directors' opinion shall be taken into full consideration in the board of directors' meeting, and directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p>	<p>Article 10</p> <p>The Procedures shall be approved by the <u>Audit Committee, the Board of Directors, and the Shareholders' Meeting.</u> Any amendment hereof is subject to the same procedures.</p>	<p>in line with the establishment of Audit Committee and actual needs</p>

Comparison Table for the “Procedures for Acquisition or Disposal of Assets”

Before the Version	After the Version	Explanation
<p>Article 6</p> <p>Authorization Level</p> <p>1. The purchase and sales of other marketable securities investment of the Company must comply with the level of authority of deputy managers in the internal control system of the Company (investment operation); the purchase and sales of long-term share investment must be approved by the chairman. For those over NT\$ 30 million, it must be reported to and approved by the board of directors before taking action.</p> <p>2. The acquisition or disposition of the real property and equipment, right-of-use assets, membership cards, intangible assets and other essential assets is handled as per the level of authority at the Company. For those over 20% of company paid-in capital or over NT\$ 300 million, it must be reported to and approved by the board of directors before taking action.</p>	<p>Article 6</p> <p>Authorization Level</p> <p>1. The purchase and sales of other marketable securities investment of the Company must comply with the level of authority of deputy managers in the internal control system of the Company (investment operation); the purchase and sales of long-term share investment must be approved by the chairman. For those over NT\$ <u>60</u> million, it must be reported to and approved by the board of directors before taking action.</p> <p>2. The acquisition or disposition of the real property and equipment, right-of-use assets, membership cards, intangible assets and other essential assets is handled as per the level of authority at the Company. For those over 20% of company paid-in capital or over NT\$ 300 million, it must be reported to and approved by the board of directors before taking action.</p>	<p>in line with the actual needs</p>
<p>Article 8</p> <p>The standards of Public disclosure and filing obligations.</p> <p>Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>1. (omitted)</p> <p>2. (omitted)</p> <p>3. (omitted)</p> <p>4. (omitted)</p> <p>5. (omitted)</p> <p>6. Where an asset transaction other than any of those referred to in the</p>	<p>Article 8</p> <p>The standards of Public disclosure and filing obligations.</p> <p>Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>1. (omitted)</p> <p>2. (omitted)</p> <p>3. (omitted)</p> <p>4. (omitted)</p> <p>5. (omitted)</p> <p>6. Where an asset transaction other than any of those referred to in the</p>	<p>In accordance with the revised Rules</p>

Before the Version	After the Version	Explanation
<p>preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Trading of domestic government bonds.</p> <p>B. Trading of bonds under repurchase/ resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. (omitted) 2. (omitted) 3. (omitted) 4. (omitted) <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>(The following words omitted)</p>	<p>preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Trading of domestic government bonds <u>or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.</u></p> <p>B. Trading of bonds under repurchase/ resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. (omitted) 2. (omitted) 3. (omitted) 4. (omitted) <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>(The following words omitted)</p>	
<p>Article 10</p> <p>In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 % of the Company's paid-in capital or NT\$ 300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal</p>	<p>Article 10</p> <p>In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 % of the Company's paid-in capital or NT\$ 300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal</p>	<p>In accordance with the revised Rules</p>

Before the Version	After the Version	Explanation
<p>report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction. 2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained. 3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to <u>perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and</u> render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: <ol style="list-style-type: none"> A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the 	<p>report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction. 2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained. 3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: <ol style="list-style-type: none"> A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount. 	

Before the Version	After the Version	Explanation
<p>transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	
<p>Article 11</p> <p>The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20% of the company's paid-in capital or NT\$ 300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDE.</u></p> <p>This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission.</p>	<p>Article 11</p> <p>The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20% of the company's paid-in capital or NT\$ 300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission.</p>	<p>In accordance with the revised Rules</p>
<p>Article 12</p> <p>Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or NT\$ 300 million or more, except in transactions with a domestic government agency, the company shall</p>	<p>Article 12</p> <p>Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or NT\$ 300 million or more, except in transactions with a domestic government agency, the company shall</p>	<p>In accordance with the revised Rules</p>

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engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; <u>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDE.</u>	engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.	
Article 14 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements: <u>1. (omitted)</u> <u>2. (omitted)</u> <u>3. (omitted)</u> <u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:</u> <u>1. (omitted)</u> <u>2. (omitted)</u> <u>3. (omitted)</u> <u>4. (omitted)</u>	Article 14 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the <u>relevant regulation.</u>	in line with the actual needs
Article 15 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions <u>of the preceding Section.</u> The calculation of the transaction amount referred to in this article, article 10, article 11 and article 12 shall be made in accordance with Article 8 herein, and "within the preceding year"	Article 15 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions. The calculation of the transaction amount referred to in this article, article 10, article 11 and article 12 shall be made in accordance with Article 8, <u>paragraph 2</u> herein, and "within the	amend wordings

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as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	
<p>Article 16</p> <p>When the company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$ 300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors <u>and recognized by the supervisors</u>:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as transaction counterparty. 3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with relevant rules. 4. The date and price at which the related party originally acquired the real property, the original trading 	<p>Article 16</p> <p>When the company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$ 300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the <u>Audit Committee</u> and board of directors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as transaction counterparty. 3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with relevant rules. 4. The date and price at which the related party originally acquired the real property, the original trading 	in line with the establishment of Audit Committee and In accordance with the revised Rules

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<p>counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 8, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors <u>and recognized by the supervisors</u> need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company's board of directors may pursuant to delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <p>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>2. Acquisition or disposal of real</p>	<p>counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>With respect to the types of transactions listed below, when to be conducted between the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company's board of directors may pursuant to delegate the board chairman to decide such matters when the transaction is within NT\$ 50 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <p>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>2. Acquisition or disposal of real property right-of-use assets held for</p>	

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<p>property right-of-use assets held for business use.</p>	<p>business use.</p> <p><u>If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10% or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries.</u></p> <p>The calculation of the transaction amounts referred to <u>in paragraph 1</u> and the preceding paragraph shall be made in accordance with Article 8, <u>paragraph 2</u> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the <u>shareholders meeting, Audit Committee and board of directors</u> need not be counted toward the transaction amount.</p>	
<p>Article 17</p> <p>The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <p><u>1. (omitted)</u></p> <p><u>2. (omitted)</u></p> <p><u>3. (omitted)</u></p> <p><u>4. (omitted)</u></p> <p><u>5. (omitted)</u></p> <p><u>6. (omitted)</u></p> <p><u>7. (omitted)</u></p>	<p>Article 17</p> <p>The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs <u>in accordance with the relevant regulation.</u></p>	<p>in line with the actual needs</p>
<p>Article 18</p> <p>The procedures for the acquisition or disposal of derivatives trading.</p> <p>1. <u>Definition:</u></p> <p>A. The types of derivatives that may be traded:</p>	<p>Article 18</p> <p>The procedures for the acquisition or disposal of derivatives trading.</p> <p>1. <u>Trading principles and strategies</u></p> <p>A. The types of derivatives that may be traded:</p>	<p>in line with the establishment of Audit Committee and actual</p>

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<p>Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>B. Operating or hedging strategies The Company's engagement of derivatives trading is divided into transactions for hedging purpose (not for trading purpose) and non-hedging purpose (for trading purpose). Derivatives trading for the hedging purpose shall mainly aim to avoid operating risk, and derivative products shall be chosen mostly for hedging foreign exchange risk arising from the Company's operational income, expenses, assets or liabilities. If due to changes in the objective environment, choosing an appropriate time to engage in "non-hedging purpose trading" of derivative, it is expected to increase non-operating income or reduce non-operating losses for the Company.</p> <p><u>2. Direction of Management</u></p> <p>A. Segregation of duties</p> <p>a. <u>Senior management personnel authorized by the board of directors</u></p>	<p>Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>B. Operating or hedging strategies The Company's engagement of derivatives trading is divided into transactions for hedging purpose (not for trading purpose) and non-hedging purpose (for trading purpose). Derivatives trading for the hedging purpose shall mainly aim to avoid operating risk, and derivative products shall be chosen mostly for hedging foreign exchange risk arising from the Company's operational income, expenses, assets or liabilities. If due to changes in the objective environment, choosing an appropriate time to engage in "non-hedging purpose trading" of derivative, it is expected to increase non-operating income or reduce non-operating losses for the Company.</p> <p><u>C. Segregation of Duties</u></p> <p>a. <u>Confirm Personnel: Execute transaction confirmation.</u></p>	needs

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<p><u>(1) Approval of the type of transaction and transaction amount.</u></p> <p><u>(2) Approval of the Company's trading limits and types of derivative products.</u></p> <p>b. <u>Finance Department Manager</u></p> <p><u>(1) Management and review of derivatives trading.</u></p> <p><u>(2) Management of the Company's trading limits and types of derivative products.</u></p> <p>c. <u>Trading personnel</u></p> <p><u>(1) Setting trading strategies and conducting transactions with counterparties directly.</u></p> <p><u>(2) Compilation and filing of trading document, certificate and information.</u></p> <p>B. Total amount of contracts <u>that maybe traded</u>, and the maximum loss limit</p> <p>a. Transactions for hedging purpose</p> <p>(1) For hedges of foreign exchange risk arising from regular operation, the existing position for foreign exchange hedge positions shall not exceed the sum of assets and liabilities denominated in both domestic and foreign currencies that are currently held and expected to be held in the following six months. <u>If the amount of a deal exceeds US\$ 1 million, it still needs to be approved according to the Company's internal approval authority.</u></p> <p>(2) For hedges of interest rate risk arising from regular operation, the existing position for foreign exchange hedge positions shall not exceed the total borrowing amount from any financial</p>	<p>b. <u>Settlement Personnel:</u> <u>Responsible for delivery matters.</u></p> <p>c. <u>Trading personnel: Per approval authority to execute the transaction.</u></p> <p>D. Total amount of contracts and the maximum loss limit <u>on total trading and for individual contracts</u></p> <p>a. Transactions for hedging purpose</p> <p>(1) For hedges of foreign exchange risk arising from regular operation, the existing position for foreign exchange hedge <u>contracts</u> shall not exceed the sum of assets and liabilities denominated in both domestic and foreign currencies that are currently held and expected to be held in the following six months.</p> <p>(2) For hedges of interest rate risk arising from regular operation, the existing position for foreign exchange hedge <u>contracts</u> shall not exceed the total borrowing amount from any financial</p>	

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<p>institutions on the time of transactions.</p> <p>(3) For hedges of foreign exchange risk and interest rate risk arising from special projects, the total contract amount shall not exceed the total budget amount of such special projects.</p> <p>b. Transactions for trading purpose</p> <p>(1) This transaction is not aimed at the actual operation needs of the Company, but only based on the forecast of price fluctuations, that is, it is not for the purpose of obtaining the subject matter of the transaction, but purely for the purpose of creating benefits; Transactions for trading purpose of derivative must be submitted to the board of directors <u>at the end of each year for trading amount and type of next year. Before any transaction, it still needs to be approved according to the company's internal approval authority.</u></p> <p>(2) In order to control the risk, the ceiling of loss of any transaction shall not exceed 10% of the transaction amount.</p> <p><u>C. Execution unit: Due to derivative product with rapid changes, large amounts, frequent transactions and complex calculations, their transactions and management must be performed by highly professional personnel.</u></p> <p><u>D. Information disclosure in the</u></p>	<p>institutions on the time of transactions.</p> <p>(3) For hedges of foreign exchange risk and interest rate risk arising from special projects, the total contract amount shall not exceed the total budget amount of such special projects.</p> <p>(4) Loss limit is 20% of the contract amount for any individual contract or for all contracts on an aggregated basis.</p> <p>b. Transactions for trading purpose</p> <p>(1) This transaction is not aimed at the actual operation needs of the Company, but only based on the forecast of price fluctuations, that is, it is not for the purpose of obtaining the subject matter of the transaction, but purely for the purpose of creating benefits; Transactions for trading purpose of derivative <u>contract amount</u> must be submitted to the board of directors <u>for approval.</u></p> <p>(2) <u>Loss limit is 10% of the contract amount for any individual contract or for all contracts on an aggregated basis.</u></p>	

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<p><u>financial reports: Public companies engaging in derivatives trading shall be disclosed in the notes to the financial statements in a regular financial report in accordance with the provisions.</u></p> <p>E. Internal Controls:</p> <p>a. Internal controls on procedures</p> <p>(1) <u>Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</u></p> <p>(2) <u>Confirmation personnel shall monthly verify the transaction details and amount with transacting banks.</u></p> <p>(3) <u>Trading personnel shall monitor if the total amount exceeds regulated contract amounted all times.</u></p> <p>b. Risk management measures</p> <p>(1) Credit risk <u>management</u>: Credit of counter parties shall be checked prior to a transaction and constantly monitored afterward; concentrated position against a single counterparty shall be avoided.</p> <p>(2) Market risk <u>management</u>:</p> <p>I. <u>When engaging in the transaction of derivative products, personnel at each level authorized to engage in such transactions must comply with the authorized limits and loss ceiling restrictions.</u></p> <p>II. <u>Periodically evaluation of potential loss and loss amount coincided with changes to interest rate or foreign exchange rate of</u></p>	<p>E. <u>Degree of authority delegated and levels : According to the company's approval authority regulations.</u></p> <p>F. <u>Essentials of performance evaluation</u></p> <p>a. <u>Transactions for hedging purpose</u> <u>Performance evaluation based on the overall profit and loss of hedged projects and hedged transactions.</u></p> <p>b. <u>Transactions for trading purpose</u> <u>Performance evaluation in terms of contract gains and losses on non-hedging transactions.</u></p> <p>2. <u>Risk management measures</u></p> <p>A. <u>Risk Management Scope</u></p> <p>a. <u>Credit risk: Credit risk is controlled by restricting the counterparties that the Company may deal with to those who either have banking relationships with the Company or are internationally renowned and are able to provide sufficient information.</u></p> <p>b. <u>Market risk: Focus on financial products that are commonly traded internationally, and reduce the use of specially designed products.</u></p>	

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<p><u>the market shall be implemented, and appropriated measures shall be taken.</u></p> <p>(3) Liquidity risk <u>management</u>: In order to maintain liquidity, the Company shall closely monitor the scale, depth, and liquidity and transaction capability of financial institutions.</p> <p>(4) Operational risk <u>management</u>: <u>I. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</u> <u>II. Risk measurement, monitoring, and control personnel shall be assigned to personnel in a different department and shall be reported to the board of directors or senior management personnel with no responsibility for trading or position decision-making.</u></p> <p>(5) Legal risk <u>management</u>: <u>I. The content of contracts must first be drafted by the legal department.</u> <u>II. Verify that the transacting counterparty has obtained legal rights and the authority to engage in the transaction of derivative products.</u></p> <p>(6) Cash flow risk: When engaging in a transaction, any factors that may affect the Company's cash flows shall be taken into account.</p>	<p><u>c. Liquidity risk: In order to maintain liquidity, the Company shall closely monitor the scale, depth, and liquidity and transaction capability of financial institutions.</u></p> <p><u>d. Operational risk: Delegation systems and operating procedures set forth herein are employed to control operating risks.</u></p> <p><u>e. Legal risk: The documents signed with the counterparty shall be based on the general contract in the market, and any unique contracts must be reviewed by legal counsel or lawyers.</u></p> <p><u>f. Cash flow risk: When engaging in a transaction, any factors that may affect the Company's cash flows shall be taken into account.</u></p> <p><u>B. Personnel engaged in derivatives trading may not serve concurrently in other operations such as</u></p>	

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<p>b. Regular evaluation methods and the handling of irregular circumstances</p> <p>(1) Derivatives trading positions held shall be evaluated at least once per week, while the transactions for hedging purpose for business requirement, it should be evaluated at least twice a month, and evaluation reports shall be submitted to general manager and senior management personnel authorized by the board of directors.</p> <p>(2) Senior management personnel authorized by the</p>	<p><u>confirmation and settlement.</u></p> <p><u>C. Risk measurement, monitoring, and control personnel shall be assigned to a different department that the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.</u></p> <p><u>D. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.</u></p> <p><u>F. The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of director's approval dates, and the matters required to be carefully evaluated under the regulation shall be recorded in detail in the log book.</u></p> <p>3. Regular evaluation methods and the handling of irregular circumstances</p> <p>A. Senior management personnel authorized by the board of</p>	

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<p>board of directors shall Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and procedures for engaging in derivatives trading formulated by the company. <u>When there is an abnormal situation in the market price assessment report (such as the holding position has exceeded the loss limit), it should report to the board of directors and take necessary countermeasures.</u></p> <p>(3) <u>Financial manager shall submit a quarterly performance report of derivatives trading for previous quarter to the board of directors for its evaluation whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.</u></p> <p>(4) <u>Where a public company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:.</u></p> <p><u>I. Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks.</u></p> <p><u>II. Personnel engaged in derivatives trading may not serve concurrently in other operations such as</u></p>	<p>directors shall Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with <u>"Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</u> and these Regulations and procedures for engaging in derivatives trading formulated by the company.</p>	

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<p>confirmation and settlement.</p> <p>III. Senior management personnel authorized by the board of directors shall <u>manage derivatives trading in accordance with the following principles:</u></p> <p><u>I. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the company.</u></p> <p><u>ii. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances,</u> appropriate measures shall be adopted and a report immediately made to the board of directors; <u>where a company has independent directors,</u> <u>an independent director</u> shall be present at the meeting and express an opinion.</p> <p>IV. A public company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivate trading in accordance with its Procedures for Engaging in Derivatives Trading.</p> <p>F. Internal audit system;</p>	<p><u>B.</u> Senior management personnel authorized by the board of directors shall supervise trading and profit-loss circumstances, when irregular circumstances are found, appropriate measures shall be adopted and a report immediately made to the board of directors, and the independent director shall be present at the meeting and express an opinion.</p> <p><u>4.</u> Internal audit system</p>	

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<p>The company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly review of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all supervisors and independent directors shall be notified in writing.</p> <p><u>G. (omitted)</u> <u>H. (omitted)</u></p>	<p>The company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly <u>audit</u> of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, <u>the Audit Committee</u> shall be notified in writing.</p> <p><u>G. (omitted)</u> <u>H. (omitted)</u></p>	
<p>Article 25 With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each supervisor.</p> <p><u>Where the position of independent director has been created</u> in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	<p>Article 25 With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to <u>the Audit Committee</u>.</p> <p>In accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	in line with the establishment of Audit Committee
<p>Article 26 <u>The company's procedures for the acquisition or disposal of assets</u> shall be approved by the board of directors, and submitted <u>to each supervisor</u>, and then to a shareholders' meeting for approval;</p>	<p>Article 26 <u>The Procedures shall be approved by the Audit Committee, the Board of Directors, and the Shareholders' Meeting.</u> Any amendment hereof is subject to the same procedures.</p>	in line with the establishment of Audit Committee

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<p>the same applies when the procedures are amended. <u>If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each supervisor. The company shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</u></p> <p><u>Where an Audit Committee has been established in accordance with the provisions of the Act, the provisions of relating to supervisors shall apply mutatis mutandis to the Audit Committee.</u></p>		

The list of Senao Networks Inc. Director Candidates

Name	Education	Experience	Main current Position	Share-holding	the name of the representative of a juristic person, and the number of shares held by the juristic person
Wen-Ho Tsai	NTU MBA	CEO of Delta networks; CEO of LiteOn Networks Division	Chairman of Senao Network Inc.	1,463,308	NA
Pao-Yun Lin	Don-Shih Junior high school	Chairman of Senao International Co., Ltd	Vice Chairman and General manager of Senao International Co., Ltd	0	NA
Zhi-Cheng Jian	NTUST Ph.D. in E.E.	General Manager of Network Technology Branch of CHT	General Manager of Network Technology Branch of CHT ; Director of Senao International Co., Ltd	0	Senao International Co., Ltd
Tian- Tsai Su	NCKU Master in Electrical Engineering	General Manager of Personal Family Branch of CHT	General Manager of Personal Family Branch of CHT ; Director of Senao International Co., Ltd	0	Senao International Co., Ltd

The list of Senao Networks Inc. Independent Director Candidates

Name	Education	Experience	Other Position	Share-holding	Served as an independent director for three consecutive terms, the reasons of nomination
Yi-Min Chang	NCTU MBA	Manager of Han-Yu investment	Independent Director of Senao Network Inc.; AVP of Ho-Ton investment	0	Mr. Yi-Min Chang has been working in venture capital industry for a long time. He is familiar with industry competition and development trends at domestic and abroad. His good connections

					and professional background can provide effective resources and suggestions for the company's long-term development. Its independence can also promote the effective operation of the board of directors.
Kuang - Hsun Shih	USA NSU PHD of Finance	Professor of PCCU; Member of the Appeals Committee of the Executive Yuan	Independent Director, of Senao Network Inc.; Independent Director of PCL Technologies; Independent Director of Samebest Co., LTD. ; Professor of CTBC	0	Mr. Kuang - Hsun Shih is a university professor with specialization in financial and accounting knowledge. He can contribute his professional knowledge and ability to the company's financial and strategic plan and execution. His independence can also be responsible for supervision.
Huei-You Chen	NTU, Department of Animal Science and Technology	Chairman of Concord Asset Management Co., Ltd.	Independent Director of Senao Network Inc., Chairman of Choice Printing Group	0	NA

Senao Networks Inc.

Rules of Procedure for Shareholder 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 present 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.

(Before Revision)

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.

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 directors 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 Supervisors

Article 16 : The Company shall appoint five (5) to nine (9) directors, and two (2) to three (3) supervisors, 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 and supervisors 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 two (2) independent directors, who shall constitute no less than one-fifth ($\frac{1}{5}$) of the total number of directors. An election of directors and supervisors shall be by nomination of candidates, in accordance with Article 192-1 and 216-1 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 : A supervisor may independently exercise his/her supervisory powers according to law, as well as attend a board of directors meeting to provide comments, but may not participate in any voting.

Article 22 : The board of directors is authorized to determine the remuneration to be paid to all directors and supervisors, 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 and supervisors. 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, supervisors and important staff members.

Article 23 : The Corporation may purchase liability insurance for the directors, supervisors and important employees.

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 supervisors for inspection thirty (30) years before the annual shareholders meeting. The supervisors shall then issue their report. Said statements and reports shall then be submitted to the shareholders meeting for its adoption.

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.

Senao Networks, Inc.
Rules for Director and Supervisor Elections
(Before Revision)

- 1: Unless otherwise stipulated by the Company Act and our Company's Articles of Incorporation, the election of our Company's directors and supervisors shall be governed by the Rules.
- 2: The election of our Company's directors and supervisors shall be implemented on the shareholders' Meeting.
- 3: The election of our Company's directors and supervisors shall adopt nominal cumulative voting scheme. Voter identification appearing on ballot may be substituted by attendance pass number.
- 4 : The election of our Company's directors and supervisors, each share shall have the votes equal to the number of the directors and supervisors to be elected in the election of our Company's directors and supervisors, and the said votes may be voted all on one Candidate or separately on several candidates.
- 5: The quotas of our Company's director and supervisors shall be determined in accordance with our Company's Articles of Incorporation
The winners of the election shall be determined according to and in the order of the number of suffrage received by the candidates. A tie among two or more candidates with the same number of suffrage shall be resolved by a draw and an absent candidate not available for the said draw in person shall be substituted by the chairperson for the said draw.
- 6: When the company prepares the ballots, it should affix the company seal; each ballot shall be coded with attendance pass serial number and the respective suffrage.
- 7: At the beginning of voting, the chairman shall appoint ballot examiner and poll clerks to execute the responsibilities of vote scrutiny and vote counting.
- 8: The ballot box used for voting shall be prepared by this Company and checked in public by the person to check the ballots before voting.
- 9: A voter shall specify the account name and account number of the candidate on ballot if the said candidate is a shareholder, or name and Citizen ID number of the said candidate is an on-shareholder. If a corporate shareholder is to be voted, such a candidate's government name or corporate name, or the government name or corporate name and the name of the representative of the said government or corporate, shall be specified on the name field on the ballot. In case of several representatives, specify all names.
- 10: A ballot shall be regarded as null and void if any of the followings applies:

1. The ballot does not conform to these Rules.
2. A bank ballot is deposited into the ballot box.
3. Writing on the ballot is beyond reasonable recognition or has been altered or modified.
4. The name and shareholder account number of a shareholder candidate being specified on the ballot are inconsistent to the shareholder list.
5. There are more than one candidate's names on a ballot.
6. Any writing other than candidate's name and shareholder account number or Citizen ID number is found on the ballot.
7. The candidate's name specified on the ballot is identical to other shareholder and no shareholder account number or Citizen ID number is specified for valid identification.
8. Ballot found null and void in accordance with the laws
- 11: The election for directors and supervisors should be set up different election ballots which will be checked by the ballot examiner and poll clerks after voting separately.
- 12: Ballot box will be opened for counting immediately at the end of voting, and the voting Result will be announced by the chairperson on site.
- 13: These Rules shall be implemented after being approved by the board of directors. Amendment shall also require approval from the board of directors.

Senao Networks Inc.

Shareholdings of All Directors and Supervisors

- (1) Total Issued shares: 49,060,881 shares on April 19, 2022.
- (2) The minimum required combined shareholding of all directors by law: 3,924,870 shares. The minimum required combined shareholding of all supervisors by law: 392,487 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 19, 2022	
			Shares	Shareholding ratio	Shares	Shareholding ratio
Chairman	Wen-Ho Tsai	6/12/2019	1,463,308	2.98%	1,463,308	2.98%
Director (Note 1)	Hsiang-I Chen	6/12/2019	16,579,033	33.79%	16,579,033	33.79%
Director (Note 1)	Lai-Guan Heng	6/12/2019	16,579,033	33.79%	16,579,033	33.79%
Director	Pao-Yun Lin	6/12/2019	0	—	0	—
Independent Director	Kuang-Hsun Shih	6/12/2019	0	—	0	—
Independent Director	Huei-You Chen	6/12/2019	0	—	0	—
Independent Director	Yi-Min Chang	6/12/2019	0	—	0	—
Sum of all directors			18,042,341	36.77%	18,042,341	36.77%
Supervisor (Note 2)	Su-Yue Zheng	6/12/2019	1,714,288	3.49%	1,714,288	3.49%
Supervisor	Ke-Ming Lin	6/12/2019	11,000	0.02%	11,000	0.02%
Supervisor	Jhih-Ling Sie	6/12/2019	0	—	0	—
Sum of all supervisors			1,725,288	3.51%	1,725,288	3.51%

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

Note 2 : The representative of Jheng-Fong Investment 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