

CastleNet Technology Inc.



NEW KINPO GROUP

2023

Annual General Shareholders' Meeting Handbook

TIME: May 30, 2023

PLACE: No. 147, Sec. 3, Beishen Rd., Shenkeng Dist., New Taipei City, Taiwan

Type of Meeting: Physical Shareholders' Meeting

DISCLAIMER

THIS IS A TRANSLATION OF THE HANDBOOK FOR THE 2023 ANNUAL SHAREHOLDERS' MEETING (THE "HANDBOOK") OF CASTLENET TECHNOLOGY INC. (THE "COMPANY").

THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE AGENDA SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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1. Meeting Procedures



CastleNet Technology Inc.

2023 Annual General Shareholders' Meeting Procedures

- I. Report the number of shares represented at the meeting
Call the Meeting to order
- II. Chairman's Remarks
- III. Report Items
- IV. Ratification Items
- V. Discussion and Election Items
- VI. Extemporaneous Motions
- VII. Adjournment

2. Meeting Agenda



CastleNet Technology Inc.

2023 Annual General Shareholders' Meeting

Agenda

Time: 2:00 p.m. on Tuesday, May 30, 2023

Place: No. 147, Sec. 3, Beishen Rd., Shenkeng Dist., New Taipei City, Taiwan

Type of Meeting: Physical Shareholders' Meeting

Report the number of shares represented at the meeting and call the Meeting to order.

I. Chairman Remarks

II. Report Items

- i. 2022 Business Report
- ii. 2022 Audit Committee's Review Report

III. Ratification Items

- i. 2022 Business Report and Financial Statements
- ii. 2022 Deficit Compensation Proposal

IV. Discussion and Election Items

- i. Proposal for the election to add an Independent Director
- ii. Proposal to release Directors from non-competition restrictions

V. Extemporaneous Motions

VI. Adjournment

Report Items

Report No.1 2022 Business Report

Explanation:

CastleNet Technology Inc.

2022 Business Report

Dear shareholders,

Thanks for the support of the company over the years. Looking back to 2022, COVID-19 has been effectively controlled, and the shortage of parts and components eased in the second half of 2022. However, due to the impact of the inflationary spike and the drastic interest rate rise in the United States, the demand declined sharply in the second half of the year, the inventory of end customers increased, and the product shipment plan was forced to be delayed, which led to the difficulty of inventory reduction, resulting in the inventory pressure, making the overall operational performance is not as expected. Looking ahead to 2023, we will continue to deeply cultivate the network communication industry, develop and sell diversified products to expand the business territory. Sincerely with this letter, I would like to report the operating status in 2022 and the outlook in 2023 to all shareholders.

2022 Business Results

In 2022, our consolidated revenue decreased NT\$550 million over 2021 to NT\$1.1 billion, with a net profit of NT\$16 million after tax and a earning of NT\$0.09 per share. In the first half of the year was still affected by the new COVID-19 epidemic, and the main chip was in short supply, which led to the failure of shipment and orders received.

In the second half of the year, many countries are gradually lifting lockdowns. However, due to inflationary spike and the economic slump, and the supply is higher than the demand, which led to customer inventory increased, resulting in the suspension of purchase and the delay of orders until the inventory is depleted. This causes a huge impact on the annual revenue of Castlenet.

Despite the profits declined in 2022, we have made significant progress in new product development and business expansion. Receiving certification from the operators in South America for broadband network products, including Wi-Fi Mesh Router and Cable Modem, have been shipped in the first quarter of this year and generated the revenue. And the operational performance is expected to increase significantly over the previous year.

2023 Business Plan

Looking ahead to 2023, as the historic economic slump and the rising uncertainty of the global economic industry, all of our colleagues will bravely face the severe challenges, and take the destocking, expansion of new customers, and producing high-margin products as the primary tasks, bringing digital transformation and sustainable operation to the enterprise. With the slowdown of demand and the slow destocking, there are still many variables in the annual revenue and profit. In response to this situation, we are working hard to adjust the strategies to accommodate the suppliers, optimize the product development plans, and reduce order delays or even cancellations due to the inventory state of customers.

On the other hand, actively communicate with the customers to understand customers' business plans, enhance order visibility, plan products as well as prepare raw materials in advance, share resources through group negotiation to reduce raw material costs, and create mutual benefits among group companies. In addition, with the popularization of 5G communications, the number of operators providing fixed wireless access (FWA) services is increasing, and the development of related products for fixed wireless access services will also become the main focus in 2023, and it is expected to contribute the revenue helpfully.

Business Outlook

CastleNet has been committed to the R&D design and sales of network communication products. By being proud of high-quality products and strong technical capabilities, we are continuing to consolidate our position in the field of Netcom.

With excellent research and development capabilities experience, staying on top of market demand, and an in-depth understanding of customers' future new service operation plans, providing products and services that are closer to customer needs, consolidating market positions, and establishing long-term and stable cooperation.

We have been committed to managing with integrity as our corporate governance principle and ensuring the good development of the company. We are striving to enhance corporate value and shareholders' rights, pursue sustainable business development of the company, and become a world-class provider of complete broadband network solutions as our mission. Once again, here we sincerely appreciate your long-term support and encouragement for CastleNet. Lastly, we wish you a peaceful and prosperous year ahead.

Sincerely,

Chairman: Ying Chang

General Manager: Ying Chang

Accounting Manager: Li-Mei Wu

Report Items

Report No.2 2022 Audit Committee's Review Report

Explanation:

Audit Committee's Review Report

The 2022 Consolidated and Parent company only Financial Statements of the Company prepared by the Board have been audited by CPAs HSU, SHENG-CHUNG and WU, HAN-CHI of PricewaterhouseCoopers(PwC) Taiwan. These financial statements, along with the business report and deficit Compensation proposal, have been reviewed by us, as the audit committee of the Company. We deem that there are no discrepancies. Therefore, this report is presented in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for approval.

Sincerely,

CastleNet Technology Inc.

2023 Annual General Shareholders' Meeting

Convener of the Audit Committee: Sheng-Haur, Hsu

March 09, 2023

Ratification Items

Proposal 1. 2022 Business Report and Financial Statements

Explanation:

1. The 2022 Business Report and Financial Statements (including the Consolidated and Parent company only Financial Statements) of the Company have been prepared and adopted by resolution of the Board and then reviewed by the audit committee (the deficit compensation proposal is itemized in Ratification Item 2).
2. The business report, independent auditors' report, and consolidated financial statements (including parent company only financial statements) as detailed on pages 5-6 (Report No.1) and pages 16-38 (Attachment I) are attached for ratification.

(For details of notes to financial statements in Appendix 1, please go to the website <http://mops.twse.com.tw/mops/web/index> "Market Observation Post System" → basic information → electronic book → financial statements → company code: 8059, year: 2022 → search → year of information: Q4 of 2022, detailed explanation of information: IFRSs consolidated financial statements, IFRSs standalone financial statement → inquiry)

Resolution:

Ratification Items

Proposal 2. 2022 Deficit Compensation Proposal

Explanation:

1. The Company's net profit after tax for 2022 was NT\$16,306,208. After adding back the actuarial gains of NT\$2,428,012 on the defined benefit plans, the accumulated losses at the end of 2022 was NT\$129,664,631.
2. The table of the Company's 2022 Deficit Compensation is proposed below for ratification:

CastleNet Technology Inc.

Table of 2022 Deficit Compensation

UNIT: NT\$

Accumulated deficits earnings at the beginning of the period	(148,398,851)
Add: Net profit in 2022	16,306,208
Add: Retained earnings adjustments	
Actuarial gains on defined benefit plans	2,428,012
Accumulated deficits at the period	(129,664,631)
Less: Legal reserve	0
Special reserve	0
Accumulated deficits at the end of the period	(129,664,631)

Chairman:

YING, CHANG

General Manager:

YING, CHANG

Accounting Manager:

LI-MEI, WU

Resolution:

Discussion and Election Items

Proposal 1. Proposal for the election to add an Independent Director

Explanation:

1. This proposal is made in accordance with Paragraph 2, Article 4 of the Taipei Exchange Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of TPEX Listed Companies.
2. As the Chairman also acts as General Manager of the Company, it is required that one independent director be added in accordance with the aforesaid rule. The new independent director's term of office shall be from May 30, 2023 to June 26, 2025.
3. Please refer to the list of independent director candidates attached on page 11.
4. Election shall be carried out in accordance with the Rules for Elections of Directors. (For details on the Rules for Elections of Directors, please refer to pages 57-59 (Appendix III).)

Election:

Resolution:

List of Independent Director Candidates

Candidates position	Name	Number of Shares	Education	Major Experience	In-service	
Independent Director	YI-LING, CHEN	0	B.A., major in Department of Korean Language and Culture (minor in Department of Accounting), National Chengchi University	CPA, BDO Taiwan	Director and Owner	East Surpedia Technologies Development, Ltd.
					CPA	BDO Taiwan

Discussion and Election Items

Proposal 2. Proposal to release Directors from non-competition restrictions

Explanation:

1. In accordance with Article 209 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. In view that directors might operate their own business that is within the company's business scopes or that is similar to the Company's, it is proposed that the Shareholders' Meeting approves to release those directors from non-competition restrictions on the premise that those directors do not conflict with the Company's interests.
3. For competitive behavior in relation to the Company's incumbent directors (including independent directors) and the candidate for independent directorship, please refer to the page 39 (Attachment II). The lift of competition restrictions shall only apply to incumbent directors (including independent directors) and the independent director after he or she is elected.

Resolution:

Extemporaneous Motion

Adjournment

3. Attachments

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CastleNet Technology Inc.

Opinion

We have audited the accompanying parent company only balance sheets of CastleNet Technology Inc. (the "Company") as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only 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 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only 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 2022 parent company only financial statements are stated as follows:

Existence of sales revenue

Description

Refer to Note 4(27) for accounting policies on revenue recognition.

The Company is primarily engaged in the research, development, manufacturing and sales of consumer electronics products such as broadband communications and digital home entertainment. The main sales areas include Europe, America and Asia, and most of the customers are regional companies. Thus, the existence and occurrence of sales revenue are the main focus when performing our audit. Given that the sales revenue is material to the financial statements, we considered the existence of sales revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Performed tests of controls on credit investigation of new customers during the year, performed tests of controls on sales revenue for relevant assertions related to existence and occurrence of sales transactions to increase assurance level, and verified the consistency of accounting records, supporting documents and collection records.
2. Performed confirmation procedures on sales counterparties for accounts receivable balances, tracked replies, and verified the consistency of confirmation response, accounting records, and customers' information.
3. Sampled and tested sales transactions, by verifying and agreeing the related sales orders and delivery notes to accounting records.

Allowance for valuation of inventory loss

Description

Refer to Note 4(10) for the accounting policies on valuation of inventories, Note 5 for uncertainty of accounting estimates and assumptions on inventory valuation and Note 6(4) for the details of the inventories. As of December 31, 2022, the inventories and allowance for valuation loss amounted to NT\$566,548 thousand and NT\$11,315 thousand, respectively.

The Company is entrusted to manufacture consumer electronics products such as broadband communications and digital home entertainment according to customers' needs. As these types of electronics products and related inventories are especially susceptible to rapid technological changes, product specification changes and other market factors, there is a higher risk of inventories losing value or becoming obsolete. The Company measures inventories at the lower of cost and net realisable value. For inventories that are over a certain age and individually identified as obsolete, the net realisable value is determined based on historical data on inventory clearance and discount.

Given that the amount of inventory is material, inventory items are voluminous, and determination of net realisable value of inventories that are individually identified as obsolete or damaged rely on management's subjective judgement, we considered the estimation of allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in order to assess the allowance for valuation loss on inventories that are over a certain age and individually identified as obsolete or damaged:

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses in the reporting period and assessed the reasonableness of these policies.
2. Validated the appropriateness of system logic of inventory aging report utilised by management to ensure proper classification of inventories aged over a certain period of time.
3. Evaluated the reasonableness of inventories individually identified by management as obsolete or damaged with supporting documents, and agreed to information obtained from physical inventory.
4. Discussed with management the net realisable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents and reperformed the calculation and agreed it to management's assessment.

Valuation of non-current financial assets at fair value through profit or loss

Description

Refer to Note 4(6) for the accounting policies on financial assets at fair value through profit or loss – non-current and Note 6(2) for the details of financial assets at fair value through profit or loss – non-current. As of December 31, 2022, the balance of non-current financial assets at fair value through profit or loss amounted to NT\$1,468,178 thousand, constituting 53% of the parent company only total assets. As the non-current financial assets at fair value through profit or loss accounted for a significant portion of the parent company only financial statements, and the risk of fair value measurement of such financial assets is likely to increase due to the market competition and economic climate, the Company used expert appraisal reports to estimate the fair value based on market prices after taking into account the above factors.

Given that most of the above estimates rely on the management's subjective judgement, which may result in inappropriate accounting estimates, we considered the valuation of

non-current financial assets at fair value through profit or loss obtained during the year a key audit matter.

How our audit addressed the matter

We used the appraiser's work in assessing the measurement method used by management and the reasonableness of assumptions on the above key audit matter, and we performed the following procedures:

1. Obtained an understanding and assessed the related policies and valuation procedures on the fair value measurement and disclosure of financial assets at fair value through profit or loss – non-current to determine whether the measurement method used is commonly adopted in the industry and environment and considered appropriate.
2. Examined the parameters and the formula of valuation model, and reviewed information and documents in respect of the relevance and the reliability of data source.
3. Performed confirmation procedures with the issuance company to verify the number of units at year end, rights and obligations and other specific terms and conditions of the investment target.

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

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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 are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 Standards on Auditing of 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 parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the parent company only 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 parent company only 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.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only financial statements for the year ended December 31, 2022 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.

Hsu, Sheng-Chung

Wu, Han-Chi

PricewaterhouseCoopers, Taiwan

March 9, 2023

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 217,151	8	\$ 112,476	4
1170	Accounts receivable, net	6(3) and 7	269,286	10	708,746	26
1200	Other receivables	7	113,542	4	44,595	2
130X	Inventory	6(4)	555,233	20	263,419	10
1479	Other current assets	8	40,301	1	35,091	1
11XX	Total current assets		<u>1,195,513</u>	<u>43</u>	<u>1,164,327</u>	<u>43</u>
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	1,468,178	53	1,455,382	53
1550	Investments accounted for under equity method	6(5)	40,294	2	39,527	2
1600	Property, plant and equipment	6(6)	23,766	1	29,368	1
1755	Right-of-use assets	6(7)	5,073	-	8,050	-
1780	Intangible assets		2,307	-	446	-
1840	Deferred income tax assets		5,547	-	2,988	-
1920	Guarantee deposits paid		818	-	14,764	1
1990	Other non-current assets	6(10)	12,414	1	9,189	-
15XX	Total non-current assets		<u>1,558,397</u>	<u>57</u>	<u>1,559,714</u>	<u>57</u>
1XXX	Total assets		<u>\$ 2,753,910</u>	<u>100</u>	<u>\$ 2,724,041</u>	<u>100</u>

(Continued)

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

<u>Liabilities and Equity</u>		<u>Notes</u>	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
			<u>AMOUNT</u>	<u>%</u>	<u>AMOUNT</u>	<u>%</u>
Liabilities						
Current liabilities						
2100	Short-term borrowings	6(8)	\$ 255,000	9	\$ 66,000	2
2130	Current contract liabilities	6(15)	11,289	1	20,202	1
2170	Accounts payable		140,894	5	24,113	1
2180	Accounts payable - related parties	7	403,476	15	694,579	25
2200	Other payables	6(9) and 7	60,216	2	52,755	2
2280	Current lease liabilities		2,816	-	3,106	-
2399	Other current liabilities		1,023	-	1,082	-
21XX	Total current liabilities		<u>874,714</u>	<u>32</u>	<u>861,837</u>	<u>31</u>
Non-current liabilities						
2570	Deferred income tax liabilities		5,547	-	2,988	-
2580	Non-current lease liabilities		2,510	-	5,325	-
2600	Other non-current liabilities		2,989	-	11,515	1
25XX	Total non-current liabilities		<u>11,046</u>	<u>-</u>	<u>19,828</u>	<u>1</u>
2XXX	Total liabilities		<u>885,760</u>	<u>32</u>	<u>881,665</u>	<u>32</u>
Equity						
Share capital						
6(12)						
3110	Common stock		1,886,180	69	1,886,180	69
Capital surplus						
6(11)(13)						
3200	Capital surplus		136,511	5	130,696	5
Retained earnings						
6(14)						
3310	Legal reserve		18,969	1	18,969	1
3350	Accumulated deficit		(129,665)	(5)	(148,399)	(5)
Other equity interest						
3400	Other equity interest		(43,845)	(2)	(45,070)	(2)
3XXX	Total equity		<u>1,868,150</u>	<u>68</u>	<u>1,842,376</u>	<u>68</u>
Significant events after the balance sheet date						
11						
sheet date						
3X2X	Total liabilities and equity		<u>\$ 2,753,910</u>	<u>100</u>	<u>\$ 2,724,041</u>	<u>100</u>

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

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(15) and 7	\$ 1,145,661	100	\$ 1,692,313	100
5000 Operating costs	6(4) and 7	(973,535)	(85)	(1,671,999)	(99)
5900 Operating margin		<u>172,126</u>	<u>15</u>	<u>20,314</u>	<u>1</u>
Operating expenses	6(17)(18)				
6100 Selling expenses		(19,295)	(2)	(21,717)	(1)
6200 General and administrative expenses		(57,919)	(5)	(54,378)	(3)
6300 Research and development expenses		(117,989)	(10)	(93,665)	(6)
6000 Total operating expenses		<u>(195,203)</u>	<u>(17)</u>	<u>(169,760)</u>	<u>(10)</u>
6900 Operating loss		<u>(23,077)</u>	<u>(2)</u>	<u>(149,446)</u>	<u>(9)</u>
Non-operating income and expenses					
7100 Interest income		991	-	162	-
7010 Other income		2,918	-	1,228	-
7020 Other gains and losses	6(16)	38,528	4	(2,715)	-
7050 Finance costs	6(7)(8)	(2,596)	-	(716)	-
7070 Share of (loss) profit of associates and joint ventures accounted for using equity method, net		<u>(458)</u>	<u>-</u>	<u>921</u>	<u>-</u>
7000 Total non-operating income and expenses		<u>39,383</u>	<u>4</u>	<u>(1,120)</u>	<u>-</u>
7900 Profit (loss) before income tax		<u>16,306</u>	<u>2</u>	<u>(150,566)</u>	<u>(9)</u>
7950 Income tax expense	6(19)	-	-	-	-
8200 Profit (loss) for the year		<u>\$ 16,306</u>	<u>2</u>	<u>(\$ 150,566)</u>	<u>(9)</u>
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Actuarial gains on defined benefit plan	6(10)	\$ 2,428	-	\$ 2,167	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Exchange differences on translation		<u>1,225</u>	<u>-</u>	<u>(312)</u>	<u>-</u>
8300 Other comprehensive income for the year, net of tax		<u>\$ 3,653</u>	<u>-</u>	<u>\$ 1,855</u>	<u>-</u>
8500 Total comprehensive income (loss) for the year		<u>\$ 19,959</u>	<u>2</u>	<u>(\$ 148,711)</u>	<u>(9)</u>
Earnings (loss) per share (in dollars)	6(20)				
9750 Basic earnings (loss) per share		<u>\$ 0.09</u>		<u>(\$ 0.80)</u>	
9850 Diluted earnings (loss) per share		<u>\$ 0.09</u>		<u>(\$ 0.80)</u>	

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

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Share capital - common stock	Capital surplus	Retained Earnings		Other Equity Interest	Total equity
				Legal reserve	Accumulated deficit	Financial statements translation differences of foreign operations	
Year ended December 31, 2021							
Balance at January 1, 2021		\$ 1,886,180	\$ 127,610	\$ 18,969	(\$ 4,952)	(\$ 44,758)	\$ 1,983,049
Loss for the year		-	-	-	(150,566)	-	(150,566)
Other comprehensive income (loss)		-	-	-	2,167	(312)	1,855
Total comprehensive loss		-	-	-	(148,399)	(312)	(148,711)
Capital surplus used to cover accumulated deficit	6(14)	-	(4,952)	-	4,952	-	-
Share-based payments	6(11)(13)	-	7,705	-	-	-	7,705
Overdue dividends unclaimed by shareholders	6(13)	-	337	-	-	-	337
Overdue dividends reclaimed by shareholders		-	(21)	-	-	-	(21)
Others		-	17	-	-	-	17
Balance at December 31, 2021		\$ 1,886,180	\$ 130,696	\$ 18,969	(\$ 148,399)	(\$ 45,070)	\$ 1,842,376
Year ended December 31, 2022							
Balance at January 1, 2022		\$ 1,886,180	\$ 130,696	\$ 18,969	(\$ 148,399)	(\$ 45,070)	\$ 1,842,376
Profit for the year		-	-	-	16,306	-	16,306
Other comprehensive income		-	-	-	2,428	1,225	3,653
Total comprehensive income		-	-	-	18,734	1,225	19,959
Share-based payments	6(11)(13)	-	5,684	-	-	-	5,684
Overdue dividends unclaimed by shareholders	6(13)	-	131	-	-	-	131
Balance at December 31, 2022		\$ 1,886,180	\$ 136,511	\$ 18,969	(\$ 129,665)	(\$ 43,845)	\$ 1,868,150

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

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

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit (loss) before tax		\$ 16,306	(\$ 150,566)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(17)	16,018	14,558
Amortization	6(17)	1,069	596
(Gain) loss on expected credit impairment	12(3)	(85)	268
Employee share options	6(11)	5,684	7,705
Interest income		(991)	(162)
Interest expense		2,596	716
Share of loss (profit) of subsidiaries accounted for under equity method		458	(921)
Gain on financial assets at fair value through profit or loss	6(16)	(39,093)	(1,209)
Cost of provisions		3,353	7,819
Liabilities transferred to income		(2,751)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		439,545	(361,682)
Other receivables		(180)	8,456
Inventory		(295,620)	(225,251)
Other current assets		(5,210)	(31,812)
Other non-current assets		(797)	(129)
Changes in operating liabilities			
Current contract liabilities		(8,913)	10,316
Accounts payable		116,781	(25,231)
Accounts payable to related parties		(291,103)	266,922
Other payables		5,212	12,203
Other current liabilities		(59)	(19)
Other non-current liabilities		(5,581)	(1,651)
Cash outflow generated from operations		(43,361)	(469,074)
Interest paid		(2,246)	(678)
Income taxes received		12	137
Income taxes paid		(77)	(9)
Net cash flows used in operating activities		(45,672)	(469,624)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in receivables from raw material purchases		(64,793)	19,353
Acquisition of property, plant and equipment	6(21)	(9,115)	(17,344)
Acquisition of intangible assets		(2,930)	-
Decrease in guarantee deposits paid		13,946	826
Interest received		27,213	25,544
Capital reduction of subsidiaries accounted for under equity method	6(5)	-	235,280
Net cash flows (used in) from investing activities		(35,679)	263,659
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		450,000	66,000
Repayments of short-term borrowings		(261,000)	-
Repayment of lease principal		(3,105)	(3,048)
Overdue dividends unclaimed by shareholders	6(13)	131	337
Others		-	(4)
Net cash flows from financing activities		186,026	63,285
Net increase (decrease) in cash and cash equivalents		104,675	(142,680)
Cash and cash equivalents at beginning of year		112,476	255,156
Cash and cash equivalents at end of year	6(1)	<u>\$ 217,151</u>	<u>\$ 112,476</u>

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CastleNet Technology Inc.

Opinion

We have audited the accompanying consolidated balance sheets of CastleNet Technology Inc. and subsidiaries (the "Group") as at December 31, 2022 and 2021, 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, 2022 and 2021, 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 that came into effect 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 Standards on Auditing of 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 2022 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 2022 consolidated financial statements are stated as follows:

Existence of sales revenue

Description

Refer to Note 4(28) for accounting policies on revenue recognition.

The Group is primarily engaged in the research, development, manufacturing and sales of consumer electronics products such as broadband communications and digital home entertainment. The main sales areas include Europe, America and Asia, and most of the customers are regional companies. Thus, the existence and occurrence of sales revenue are the main focus when performing our audit. Given that the sales revenue is material to the financial statements, we considered the existence of sales revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Performed tests of controls on credit investigation of new customers during the year, performed tests of controls on sales revenue for relevant assertions related to existence and occurrence of sales transactions to increase assurance level, and verified the consistency of accounting records, supporting documents and collection records.
2. Performed confirmation procedures on sales counterparties for accounts receivable balances, tracked replies, and verified the consistency of confirmation response, accounting records, and customers' information.
3. Sampled and tested sales transactions, by verifying and agreeing the related sales orders and delivery notes to accounting records.

Allowance for valuation of inventory loss

Description

Refer to Note 4(11) for the accounting policies on valuation of inventories, Note 5(2) for uncertainty of accounting estimates and assumptions on inventory valuation and Note 6(4) for the details of the inventories. As of December 31, 2022, the inventories and allowance for valuation loss amounted to NT\$566,548 thousand and NT\$11,315 thousand, respectively.

The Group is entrusted to manufacture consumer electronics products such as broadband communications and digital home entertainment according to customers' needs. As these types of electronics products and related inventories are especially susceptible to rapid technological changes, product specification changes and other market factors, there is a higher risk of inventories losing value or becoming obsolete. The Group measures inventories at the lower of cost and net realisable value. For inventories that are over a certain age and individually identified as obsolete, the net realisable value is determined based on historical data on inventory clearance and discount.

Given that the amount of inventory is material, inventory items are voluminous, and determination of net realisable value of inventories that are individually identified as

obsolete or damaged rely on management's subjective judgement, we considered the estimation of allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in order to assess the allowance for valuation loss on inventories that are over a certain age and individually identified as obsolete or damaged:

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses in the reporting period and assessed the reasonableness of these policies.
2. Validated the appropriateness of system logic of inventory aging report utilised by management to ensure proper classification of inventories aged over a certain period of time.
3. Evaluated the reasonableness of inventories individually identified by management as obsolete or damaged with supporting documents, and agreed to information obtained from physical inventory.
4. Discussed with management the net realisable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents and reperformed the calculation and agreed it to management's assessment.

Valuation of non-current financial assets at fair value through profit or loss

Description

Refer to Note 4(7) for the accounting policies on financial assets at fair value through profit or loss – non-current and Note 6(2) for the details of financial assets at fair value through profit or loss – non-current. As of December 31, 2022, the balance of financial assets at fair value through profit or loss - non-current amounted to NT\$1,468,178 thousand, constituting 53% of the consolidated total assets. As the non-current financial assets at fair value through profit or loss accounted for a significant portion of the consolidated financial statements, and the risk of fair value measurement of such financial assets is likely to increase due to the market competition and economic climate, the Group used expert appraisal reports to estimate the fair value based on market prices after taking into account the above factors.

Given that most of the above estimates rely on the management's subjective judgement, which may result in inappropriate accounting estimates, we considered the valuation of non-current financial assets at fair value through profit or loss obtained during the year a key audit matter.

How our audit addressed the matter

We used the appraiser's work in assessing the measurement method used by management and the reasonableness of assumptions on the above key audit matter, and we performed the following procedures:

1. Obtained an understanding and assessed the related policies and valuation procedures on the fair value measurement and disclosure of financial assets at fair value through profit or loss – non-current to determine whether the measurement method used is commonly adopted in the industry and environment and considered appropriate.
2. Examined the parameters and the formula of valuation model, and reviewed information and documents in respect of the relevance and the reliability of data source.
3. Performed confirmation procedures with the issuance company to verify the number of units at year end, rights and obligations and other specific terms and conditions of the investment target.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements

of CastleNet Technology Inc. as at and for the years ended December 31, 2022 and 2021.

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 that came into effect 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 audit committee, 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 Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

- A. 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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.
- E. 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.
- F. 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 for the year ended December 31, 2022 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.

Hsu, Sheng-Chung

PricewaterhouseCoopers, Taiwan

March 9, 2023

Wu, Han-Chi

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.

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

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 257,754	9	\$ 152,255	5
1170	Accounts receivable, net	6(3) and 7	269,286	10	708,746	26
1200	Other receivables	7	113,563	4	44,596	2
130X	Inventory	6(4)	555,233	20	263,419	10
1479	Other current assets	8	40,447	2	35,228	1
11XX	Total current assets		<u>1,236,283</u>	<u>45</u>	<u>1,204,244</u>	<u>44</u>
Non-current assets						
1510	Non-current financial assets	6(2)				
	at fair value through profit					
	or loss		1,468,178	53	1,455,382	54
1600	Property, plant and	6(5)				
	equipment		23,766	1	29,368	1
1755	Right-of-use assets	6(6)	5,073	-	8,050	-
1780	Intangible assets		2,307	-	446	-
1840	Deferred income tax assets		5,547	-	2,988	-
1920	Guarantee deposits paid		818	-	14,764	1
1990	Other non-current assets	6(9)	12,414	1	9,189	-
15XX	Total non-current assets		<u>1,518,103</u>	<u>55</u>	<u>1,520,187</u>	<u>56</u>
1XXX	Total assets		<u>\$ 2,754,386</u>	<u>100</u>	<u>\$ 2,724,431</u>	<u>100</u>

(Continued)

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

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Liabilities						
Current liabilities						
2100	Short-term borrowings	6(7)	\$ 255,000	9	\$ 66,000	2
2130	Current contract liabilities	6(14)	11,289	1	20,202	1
2170	Accounts payable		140,894	5	24,113	1
2180	Accounts payable - related parties	7	403,476	15	694,579	25
2200	Other payables	6(8) and 7	60,692	2	53,145	2
2280	Current lease liabilities		2,816	-	3,106	-
2399	Other current liabilities		1,023	-	1,082	-
21XX	Total current liabilities		<u>875,190</u>	<u>32</u>	<u>862,227</u>	<u>31</u>
Non-current liabilities						
2570	Deferred income tax liabilities		5,547	-	2,988	-
2580	Non-current lease liabilities		2,510	-	5,325	-
2600	Other non-current liabilities		2,989	-	11,515	1
25XX	Total non-current liabilities		<u>11,046</u>	<u>-</u>	<u>19,828</u>	<u>1</u>
2XXX	Total liabilities		<u>886,236</u>	<u>32</u>	<u>882,055</u>	<u>32</u>
Equity						
Equity attributable to owners of parent						
	Share capital	6(11)				
3110	Common stock		1,886,180	69	1,886,180	69
	Capital surplus	6(10)(12)				
3200	Capital surplus		136,511	5	130,696	5
	Retained earnings	6(13)				
3310	Legal reserve		18,969	1	18,969	1
3350	Accumulated deficit		(129,665)	(5)	(148,399)	(5)
	Other equity interest					
3400	Other equity interest		(43,845)	(2)	(45,070)	(2)
31XX	Equity attributable to owners of the parent		<u>1,868,150</u>	<u>68</u>	<u>1,842,376</u>	<u>68</u>
3XXX	Total equity		<u>1,868,150</u>	<u>68</u>	<u>1,842,376</u>	<u>68</u>
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 2,754,386</u>	<u>100</u>	<u>\$ 2,724,431</u>	<u>100</u>

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

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(14) and 7	\$ 1,145,661	100	\$ 1,692,313	100
5000 Operating costs	6(4) and 7	(973,535)	(85)	(1,671,999)	(99)
5950 Operating margin		<u>172,126</u>	<u>15</u>	<u>20,314</u>	<u>1</u>
Operating expenses	6(16)(17) and 7				
6100 Selling expenses		(19,295)	(2)	(21,717)	(1)
6200 General and administrative expenses		(58,384)	(5)	(60,539)	(4)
6300 Research and development expenses		(117,989)	(10)	(93,665)	(5)
6000 Total operating expenses		<u>(195,668)</u>	<u>(17)</u>	<u>(175,921)</u>	<u>(10)</u>
6900 Operating loss		<u>(23,542)</u>	<u>(2)</u>	<u>(155,607)</u>	<u>(9)</u>
Non-operating income and expenses					
7100 Interest income		1,047	-	2,207	-
7010 Other income		2,919	-	1,282	-
7020 Other gains and losses	6(15)	38,478	4	2,268	-
7050 Finance costs	6(6)(7)	(2,596)	-	(716)	-
7000 Total non-operating income and expenses		<u>39,848</u>	<u>4</u>	<u>5,041</u>	<u>-</u>
7900 Profit (loss) before income tax		<u>16,306</u>	<u>2</u>	<u>(150,566)</u>	<u>(9)</u>
7950 Income tax expense	6(18)	-	-	-	-
8200 Profit (loss) for the year		<u>\$ 16,306</u>	<u>2</u>	<u>(\$ 150,566)</u>	<u>(9)</u>
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Actuarial gains on defined benefit plan	6(9)	\$ 2,428	-	\$ 2,167	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Exchange differences on translation		<u>1,225</u>	<u>-</u>	<u>(312)</u>	<u>-</u>
8300 Other comprehensive income for the year, net of tax		<u>\$ 3,653</u>	<u>-</u>	<u>\$ 1,855</u>	<u>-</u>
8500 Total comprehensive income (loss) for the year		<u>\$ 19,959</u>	<u>2</u>	<u>(\$ 148,711)</u>	<u>(9)</u>
Profit (loss) attributable to:					
8610 Owners of the parent		<u>\$ 16,306</u>	<u>2</u>	<u>(\$ 150,566)</u>	<u>(9)</u>
Comprehensive income (loss) attributable to:					
8710 Owners of the parent		<u>\$ 19,959</u>	<u>2</u>	<u>(\$ 148,711)</u>	<u>(9)</u>
Earnings (loss) per share (in dollars)	6(19)				
9750 Basic earnings (loss) per share		<u>\$ 0.09</u>		<u>(\$ 0.80)</u>	
9850 Diluted earnings (loss) per share		<u>\$ 0.09</u>		<u>(\$ 0.80)</u>	

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

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Equity attributable to owners of the parent

	Notes	Retained Earnings				Other Equity Interest	Total equity
		Share capital - common stock	Capital surplus	Legal reserve	Accumulated deficit	Financial statements translation differences of foreign operations	
<u>Year ended December 31, 2021</u>							
Balance at January 1, 2021		\$ 1,886,180	\$ 127,610	\$ 18,969	(\$ 4,952)	(\$ 44,758)	\$ 1,983,049
Loss for the year		-	-	-	(150,566)	-	(150,566)
Other comprehensive income (loss)		-	-	-	2,167	(312)	1,855
Total comprehensive loss		-	-	-	(148,399)	(312)	(148,711)
Capital surplus used to cover accumulated deficit	6(13)	-	(4,952)	-	4,952	-	-
Share-based payments	6(10)(12)	-	7,705	-	-	-	7,705
Overdue dividends unclaimed by shareholders	6(12)	-	337	-	-	-	337
Overdue dividends reclaimed by shareholders	6(12)	-	(21)	-	-	-	(21)
Others	6(12)	-	17	-	-	-	17
Balance at December 31, 2021		\$ 1,886,180	\$ 130,696	\$ 18,969	(\$ 148,399)	(\$ 45,070)	\$ 1,842,376
<u>Year ended December 31, 2022</u>							
Balance at January 1, 2022		\$ 1,886,180	\$ 130,696	\$ 18,969	(\$ 148,399)	(\$ 45,070)	\$ 1,842,376
Profit for the year		-	-	-	16,306	-	16,306
Other comprehensive income		-	-	-	2,428	1,225	3,653
Total comprehensive income		-	-	-	18,734	1,225	19,959
Share-based payments	6(10)(12)	-	5,684	-	-	-	5,684
Overdue dividends unclaimed by shareholders	6(12)	-	131	-	-	-	131
Balance at December 31, 2022		\$ 1,886,180	\$ 136,511	\$ 18,969	(\$ 129,665)	(\$ 43,845)	\$ 1,868,150

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

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

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit (loss) before tax		\$ 16,306	(\$ 150,566)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(16)	16,018	14,558
Amortization	6(16)	1,069	1,087
(Gain) loss on expected credit impairment	12(3)	(85)	268
Employee share options	6(10)	5,684	7,705
Interest income		(1,047)	(2,207)
Interest expense		2,596	716
Gain on disposal of non-current assets held for sale	6(15)	-	(20,896)
Gain on financial assets at fair value through profit or loss	6(15)	(39,093)	(1,209)
Cost of provisions		3,353	7,819
Liabilities transferred to income		(2,751)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		439,545	(361,682)
Other receivables		(180)	7,436
Inventory		(295,620)	(225,251)
Other current assets		(5,219)	(24,780)
Other non-current assets		(797)	(129)
Changes in operating liabilities			
Current contract liabilities		(8,913)	10,316
Accounts payable		116,781	(25,231)
Accounts payable to related parties		(291,103)	266,922
Other payables		5,298	11,581
Other current liabilities		(59)	(21)
Other non-current liabilities		(5,581)	(1,651)
Cash outflow generated from operations		(43,798)	(485,215)
Interest paid		(2,246)	(678)
Income taxes received		12	137
Income taxes paid		(77)	(9)
Net cash flows used in operating activities		(46,109)	(485,765)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in receivables from raw material purchases		(64,793)	19,353
Acquisition of property, plant and equipment	6(20)	(9,115)	(17,344)
Disposal of non-current assets held for sale	6(20)	-	266,333
Acquisition of intangible assets		(2,930)	-
Decrease in guarantee deposits paid		13,946	826
Interest received		27,249	27,560
Net cash flows (used in) from investing activities		(35,643)	296,728

(Continued)

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

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		\$ 450,000	\$ 66,000
Repayments of short-term borrowings		(261,000)	-
Repayment of lease principal		(3,105)	(3,048)
Overdue dividends unclaimed by shareholders	6(12)	131	337
Others		-	(4)
Net cash flows from financing activities		<u>186,026</u>	<u>63,285</u>
Effect of exchange rate changes		<u>1,225</u>	(<u>60</u>)
Net increase (decrease) in cash and cash equivalents		105,499	(125,812)
Cash and cash equivalents at beginning of year		<u>152,255</u>	<u>278,067</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 257,754</u>	<u>\$ 152,255</u>

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

Attachment II

Details of the duties assumed by the Directors and Independent Directors to be waived of non-competition restrictions

Position	Name	Position in Other Companies	
Director	Representative of Kinpo Electronics, Inc. : CHIEH-LI, HSU	AcBel Electronic(Dong Guan) Co., Ltd. AcBel Electronic (Wuhan) Co., Ltd. AcSacca Solar Energy Co., Ltd. AcTel Power Co.,Ltd. AcGile EV Power Inc. KangYang New Energy Co., Ltd. AcRay Energy Co., Ltd. AcTek Energy Co., Ltd. AcLeap Power Inc. Sumray Power Company Cal-comp Industria De Semicondutores S.A. Cal-Comp Precision (Thailand) Limited Shangbao Enterprise Co., Ltd. Compal Ruifang Health Assets Development Corporation GINZA SAKOH TAIWAN CO., LTD. XYZprinting, Inc. The Third Wednesday Club Chinese National Federation of Industries	Chairman and General Manager Chairman and General Manager Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Director Director Director Director Director Director Director
Director	Representative of Kinpo Electronics, Inc. : CHING-HWA, SHIAU	QBit Semiconductor Ltd. iHELPER Inc. Teleport Access Services, Inc. Kinpo Electronics, Inc.	Chairman Director Director Corporate governance officer
Independent Director	CHI-CHING, FU	Double Flourish Digital Co., Ltd.	General Manager

Details of the duties assumed by the Candidate of Independent Director to be waived of non-competition restrictions

Position	Name	Position in Other Companies	
Independent Director	YI-LING, CHEN	East Surpedia Technologies Development, Ltd.	Director and Owner

4. Appendixes

CastleNet Technology Inc.

Articles of Incorporation

Chapter 1 General

Article 1 : The Company is organized according to the provisions of the Company Act with Chinese name of “凱碩科技股份有限公司” and English name of “CastleNet Technology Inc.”.

Article 2 : The business of the Company is listed as follows :

1. E701030 Controlled Telecommunications Radio-Frequency Devices Installation Engineering
2. F401021 Controlled Telecommunications Radio-Frequency Devices Import
3. CC01101 Controlled Telecommunications Radio-Frequency Devices Manufacturing
4. CC01080 Electronic Components Manufacturing
5. CB01010 Mechanical Equipment Manufacturing
6. CB01020 Affairs Machine Manufacturing
7. CC01010 Manufacture of Power Generation, Transmission and Distribution Machinery
8. CC01020 Electric Wires and Cables Manufacturing
9. CC01110 Computer and Peripheral Equipment Manufacturing
10. CC01060 Wired Communication Mechanics Equipment Manufacturing
11. CC01070 Wireless Communication Mechanics Equipment Manufacturing
12. E604010 Machinery Installation
13. E701040 Simple Telecommunication Equipment Installation
14. E701020 Satellite Television KU Channels and Channel C Equipment Installation
15. F113070 Wholesale of Telecommunication Apparatus
16. F213060 Retail Sale of Telecommunication Apparatus
17. F119010 Wholesale of Electronic Materials
18. F219010 Retail Sale of Electronic Materials
19. F118010 Wholesale of Computer Software
20. F218010 Retail Sale of Computer Software
21. I301010 Information Software Services
22. I301020 Data Processing Services

23. I301030 Electronic Information Supply Services

24. F601010 Intellectual Property Rights

25. F401010 International Trade

26. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3 : The Company may engage in other businesses including external guarantee and reinvestment due to business demands. The total amount of reinvestment is not subject to the restriction of the provision that it shall not exceed forty percent of paid-in capital stock in Article 3, Paragraph 1 of the Company Act.

Article 4 : The headquarters of the Company are located in New Taipei City. The Company may establish branches in other proper places if necessary for business. The establishment, revocation or relocation of such branches shall be handled based on relevant decision made by the board of directors.

Article 5 : The announcement method adopted by the Company shall be handled according to the provisions of Article 28 of the Company Act.

Article 5-1 : When it is planned to revoke the public offering of the stock of the Company, it shall be submitted to the shareholders' meeting for a resolution, and this provision shall not be changed during the period of emerging stock listing and OTC listing.

Chapter 2 Shares

Article 6 : The total registered capital of the Company is determined as NT\$ 3 billion and is divided into 300 million shares with face value per share of NT\$ 10. The shares may be issued by different times. 45 million shares are retained for the purpose of stock warrants or exercise of options of corporate bonds with warrants.

Article 6-1 : The issuance of employee stock warrants with subscription price not restricted the provisions of Article 53 of "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" by the issuer of the Company may be executed only after more than half of shareholders representing the total shares issued attend the meeting and the proposal is approved by more than two thirds of voting rights held by the attending shareholders. Besides, it can be declared and handled by different times within one year since the date when a resolution is made by the shareholders' meeting.

Article 6-2 : Employee stock warrants transferred by the Company to the employees at a price lower than the actual average price for repurchasing of shares, or issued at a subscription price lower than market price (net value per share) shall be executed only after more than half of shareholders representing the total shares issued attend the meeting and the proposal is approved by more than two thirds of voting rights held by the attending shareholders.

Article 6-3 : The objects to whom the Company issues news shares for employees to

subscribe, employee warrant stock vouchers, new shares restricting employees' rights and transferred employee treasury shares shall may include employees from the Company's controlling or subordinate companies that comply with certain conditions.

Article 7 : All the stock of the company is registered and issued after being signed or sealed by directors acting for and on behalf of the Company and legally certified. Stock printing may be exempted for the shares issued by the Company, but the Company shall engage securities centralized custody public institution to register the shares issued and handle the affair according to the provisions of this institution.

Article 8 : The stock affairs of the Company shall be handled according to the provisions of the Company Act, or "Regulations Governing the Handling of Stock Affairs of Public Companies" as well as other relevant laws and regulations.

Article 9 : No change shall be made to the contents recorded in the register of shareholders within sixty days before convening of a regular shareholders' meeting, or within thirty days before convening of a special shareholders' meeting, or within five days before the benchmark date when the Company decides to distribute stock dividends and bonuses o other interests.

Chapter 3 Shareholders' Meeting

Article 10 : Shareholders' meetings are classified into regular shareholders' meeting and special shareholders' meeting. Regular shareholders' meeting is convened once every year, and is legally convened by the board of directors within six months after end of each accounting year. Special shareholder's meeting may be legally convened as necessary. The meeting shall be convened according to the provisions of relevant laws and regulations.

Article 10-1: The Company's Shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority.

Article 11 : Meeting date, location and reason for convening shall be notified to each shareholder and announced according to law thirty days in advance for a regular shareholder's meeting and fifteen days in advance for a special shareholders' meeting respectively. Shareholders holding less than 1,000 registered shares may be notified in form of announcement.

A convening notice of shareholders' meeting can be served electronically with shareholders' consent.

Article 12 : When a shareholder cannot attend a shareholders' meeting, he/she may issue a proxy form of the Company, specify scope of authorization and sign or stamp on it to entrust a proxy to attend the meeting. Method for shareholders' entrusted attendance shall be handled according to the provisions of Article 177 of the Company Act and "Rules for the Use of Proxy Form for Attendance of

Shareholders' Meetings of Public Companies".

Article 13 : Shareholders' meetings shall be chaired by the chairperson of the board. When the chairperson of the board is absent, the chairperson shall appoint one director to act as chair, or, if there are no director appointed, one of the directors shall be appointed to act as chair. Where other convening party other than the board of directors convenes the meeting, the chair shall be served by this convening party. Where there are more than two convening parties, they shall mutually elect one to serve as chair.

Article 14 : Resolutions of the shareholders' meeting shall be executed only after more than half of shareholders representing the total shares issued attend the meeting and the proposal is approved by more than two thirds of voting rights held by the attending shareholders unless otherwise stipulated in the Company Act.

Article 15 : A shareholder of the Company shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179 of the Company Act.

Article 15-1 : A shareholder holding 1% or more of the total number of issued shares may submit to the Company a written proposal for discussion at a regular shareholders' meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. Additionally, shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The aforesaid work shall be handled according to the Company Act and relevant provisions.

Article 16 : Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting, and the production and distribution of the meeting minutes shall be handled according to the provisions of Article 183 of the Company Act.

The meeting minutes shall record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results. The minutes shall be retained for the duration of the existence of the Company. The attendance book of attending shareholders and proxy form for attendance by proxies shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Chapter 4 Directors

Article 17 : 5-15 directors are appointed in the Company. They will be elected and appointed by the shareholders' meeting from competent personnel. Candidate nomination system is adopted and shareholders shall be elected and appointed

from the list of candidates with tenure of three years. The shareholders can be consecutively elected and appointed.

The total shares held by all the preceding directors shall be handled according to the provisions of securities administrative authority.

Article 17-1 : There shall be at least two independent directors in the quota of directors of the Company and the number of independent directors shall not be less than one fifth of all directors.

Professional qualification, shareholding status, part-time restrictions, nomination, election and appointment methods, and other due matters regarding independent directors shall be handled according to the relevant statutory provisions of the Company Act and the Securities Exchange Act.

Article 17-2 : When the vacancy of directors reaches one third of all directors and all independent directors are dismissed, the board of directors shall convene a special shareholder's meeting within sixty days for by-election with tenure sufficiently supplementing the tenure of former directors.

Article 17-3 : In order to improve supervision function and strengthen management mechanism, the board of directors may set up various functional committees and the organization procedures of these committees shall be formulated separately according to the provisions of relevant laws and regulations as well as rules and regulations of the Company.

The audit committee established by the Company according to the provisions of the Securities Exchange Act comprises all independent directors and there shall be at least three members. The responsibilities, organizational rules and other due matters of the audit committee shall be handled according to the provisions of the competent authority.

Article 18 : For the organization of a board meeting, more than two thirds of directors shall attend the meeting, and a chairperson shall be elected with consent from more than half of attending directors.

Article 19 : The chairperson takes general charge of all business of the Company on behalf of the Company. When the chairperson cannot execute the duties, the chairperson shall designate a director to act on his/her behalf. When no director is designated, the directors shall mutually select a director to act on behalf of the chairperson.

Article 20 : The Company's business policy and other main matters are decided by the board of directors. Except the first meeting of each board of directors that shall be convened and chaired by the director with votes representing the most voting rights, the chairperson shall convene and chair all other meetings of the board of director unless otherwise stipulated in the Company Act. When the chairperson cannot attend a meeting for certain reason, the chairperson shall designate a director to act on his/her behalf. When no director is designated, the

directors shall mutually select a director to act on behalf of the chairperson.

Article 20-1 : Resolutions of the board of directors may be executed only after more than half number of directors attend the meeting and these resolutions are approved by more than half of attending directors. Meeting minutes shall be signed or sealed by the chair, and then distributed to each director within twenty days after the meeting. The production and distribution of the meeting minutes can be carried out electronically.

Article 21 : Board meeting is convened once periodically. The chairperson may convene a special board meeting as necessary. If a director cannot attend a board meeting for certain reason, he/she may entrust another director as proxy in writing. But, each director can only serve as proxy for one director.

When a board meeting is convened online, directors who attend the meeting online are deemed as attending the meeting in person.

Article 21-1 : For convening of a board meeting, the reason for convening shall be specified and notified to each director in advance. However, a board meeting can be convened at any time in case of emergency.

The convening in the preceding paragraph can be notified to each director by correspondence, fax or email.

Article 22 : The board of directors is authorized to negotiate and determine the remuneration of chairperson and directors of the Company according to the degree of involvement in the corporate operation and contributed value and in consideration of normal level in the industry.

The Company shall purchase liability insurance for directors so as to lower the risk of directors being accused by shareholders or other stakeholders due to execution of duties according to law.

Chapter 5 Managers

Article 23 : The Company may appoint several managers and their appointment, dismissal, removal and remuneration shall be handled according to the provisions of Article 29 of the Company Act.

Chapter 6 Accounting

Article 24 : The accounting year of the Company starts from January 1 and ends on December 31.

Article 25 : The board of directors of the Company shall prepare the following statistical forms after end of each accounting year. These forms shall be submitted to the audit committee for verification and then submitted to the regular shareholders' meeting for the request of recognition thirty days before convening of the regular shareholder's meeting.

1. Business report
2. Financial statements

3. Surplus distribution or loss compensation proposal

Article 26 : If the Company earns profits in current year, it shall appropriate at least two percent of the profits as employees' remuneration and no more than two percent of the profits as directors' remuneration respectively.

When the Company still has accumulated loss, amount used to make up the accumulated loss shall be reserved in advance.

The profits in current years mentioned in the preceding paragraph refer to income acquired before deduction of amount distributed for employees' remuneration and directors' remuneration.

The determination of distribution ratios of employees' remuneration and directors' remuneration as well as the payment of employees' remuneration in stock or cash may be executed with the attendance of more than two thirds of directors and consent from more than half of attending directors, and reported to the shareholders' meeting.

The objects of payment of employees' remuneration in stock or cash may include employees from the Company's controlling or subordinate companies that comply with certain conditions.

Article 26-1 : Surplus in the annual final accounts of the Company shall be used to pay taxes and make up accumulated loss first if any. Then, if there is still a remaining amount, ten percent of the surplus shall be drawn as legal surplus as well as special reserve presented or reversed according to laws and regulations or the provisions of the competent department. If there is still a surplus, and the sum of its balance as well as the adjusted amount of undistributed surplus at the beginning of the same period and in current year is used by the board of directors for the surplus withdrawal distribution proposal based on actual demands and the surplus is thus distributed to issue new shares, they shall be distributed after being passed in a resolution made by the shareholders' meeting. When the Company distributes all or a part of distributable stock dividends, bonuses, capital reserve or legal surplus in cash, it may be distributed only after more than two thirds of directors attend the meeting and more than half of attending directors pass a resolution, and then it shall be reported to the shareholders' meeting.

As for the distribution of dividends mentioned above, the distributable surplus in current year shall be distributed in full in consideration of factors including finance, business and operation aspects. The cash dividends shall not be lower than ten percent of total amount of cash and stock dividends granted in current year.

Chapter 7 Supplementary Provisions

Article 27 : The organizational procedures and detailed rules of procedure of the Company shall be determined by the board of directors for resolution.

Article 28 : Matters not mentioned herein shall be handled according to the Company Act and other relevant laws and regulations.

Article 29 : The Articles of Incorporation were first formulated on June 8, 1998.

The first amendment was made on August 19, 1998.

The second amendment was made on May 26, 1999.

The third amendment was made on April 28, 2000.

The fourth amendment was made on May 23, 2001.

The fifth amendment was made on June 17, 2002.

The sixth amendment was made on June 14, 2005.

The seventh amendment was made on June 14, 2006.

The eighth amendment was made on March 21, 2008.

The ninth amendment was made on June 13, 2008.

The tenth amendment was made on June 19, 2009.

The eleventh amendment was made on June 15, 2010.

The twelfth amendment was made on June 12, 2012.

The thirteenth amendment was made on June 11, 2013.

The fourteenth amendment was made on May 11, 2016.

The fifteenth amendment was made on June 13, 2017.

The sixteenth amendment was made on June 24, 2019.

The seventeenth amendment was made on November 13, 2019.

The eighth amendment was on June 27, 2022.



CastleNet Technology Inc.



Chairperson : Ying Chang

CastleNet Technology Inc.

Rules of Procedure for Shareholders' Meetings

Article 1 The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulation, or the articles of Incorporation, shall be as provided in these Rules.

Article 2 Unless otherwise provided by law or regulation, the Company's shareholders' meetings shall be convened by the board of directors.

To convene a regular shareholders' meeting, the Company shall prepare a meeting handbook and notify each shareholder thirty days in advance.

Shareholders holding less than 1,000 registered shares may be notified in form of announcement entered in the declaration website designated by the competent authority thirty days in advance; the convening of a special shareholders' meeting shall be notified to each shareholder fifteen days in advance. Shareholders holding less than 1,000 registered shares may be notified in form of announcement entered in the declaration website designated by the competent authority fifteen days in advance. The notice and announcement shall specify reason for convening; with the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors, amendments to the articles of Incorporation, corporate dissolution, merger or separation or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" shall be listed in the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.

A shareholder holding one percent or more of the total number of issued shares may submit to the Company a written proposal for discussion at a regular shareholders' meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. When the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda. Prior to the book closure date before a regular shareholders' meeting is held, the Company shall publicly announce its acceptance of shareholder proposals, and the location and time period for their submission; the period for submission of

shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders' meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders' meeting, the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

Article 3 For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization. A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meetings, and shall deliver the proxy form to the Company before five days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail

Article 4 The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

Article 5 The Company shall furnish the attending shareholders or proxies entrusted by the shareholders (hereinafter referred to as shareholders) with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The attending shares will be calculated according to the attendance book or sign-in card handed in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be

represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 6 If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

It is advisable that shareholders' meetings convened by the board of directors be attended by a majority of the director.

If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.

Article 7 The Company shall make an uninterrupted audio or video recording of the meeting convening process and retain it for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 8 Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time.

However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meetings pursuant to Article 174 of

the Company Act.

Article 9 If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

After the meeting is adjourned, shareholders shall not elect a chair to continue the meeting in the original venue or another venue.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, and call for a vote.

Article 10 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed

may speak on the same proposal. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 11 Attendance and voting at a shareholders' meeting shall be calculated based the number of shares.

With respect to resolutions of the shareholders' meeting, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 12 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179 of the Company Act.

When the Company holds a shareholders' meeting, it shall adopt exercise of voting rights by correspondences or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting

in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

A proposal will be deemed as passed after the chair inquiries all attending shareholders and confirms no objection is raised, which has same effect as voting; in case of any objection, it shall be voted as stipulated in the preceding paragraph.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. The votes shall be announced within the venue of the shareholders' meeting, and the voting results shall be reported on the spot and made into minutes.

Article 13 The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 14 Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form. Meeting minutes shall be made and distributed according to the provisions of Article 183 of the Company Act.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results. The minutes shall be retained for the duration of the existence of the Company.

In respect to the preceding methods by which resolutions were adopted, "the proposal is passed after the chair inquires all attending shareholders who later raise an objection to it" shall be recorded after the chair inquires shareholders' opinions and shareholders raise no objection to the proposals; if any shareholder has an objection to the proposal, voting method as well as ratio of concurring voting rights in total voting rights shall be specified.

Article 15 On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (The Gre Tai Securities Market of the Republic of China) regulations, the Company shall upload the content of such resolution to the designated declaration website of the competent authority within the prescribed time period.

Article 16 Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place.

When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor". At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing. When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 17 When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

Article 18 These Rules shall take effect after having been submitted to and approved by shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

CastleNet Technology Inc. Procedures for Election of Directors

- Article 1 Election of directors (including independent directors) shall be handled according to the provisions of these Procedures.
- Article 2 Election of directors shall be executed by the shareholders' meeting.
- Article 3 Those with capacity for conduct may be elected as directors of the Company according to the provisions of these Procedures.
- Article 3-1 The overall setting of the board of directors shall be considered in the election of directors of the Company. Diversification shall be considered in the composition of the board of directors. Also, appropriate diversification policy shall be drafted based on the operation, mode of operation and development needs of the board of directors, which shall include but not be limited to the following two aspects :
1. Basic conditions and values: Gender, age, nationality and culture.
 2. Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience, etc.
- Members of the board of directors shall generally have the necessary knowledge, skills and qualities to perform their duties. The overall ability requirements are as follows:
1. Operation judgment
 2. Accounting and financial analysis
 3. Operation and management
 4. Crisis management
 5. Industrial knowledge
 6. International market outlook
 7. Leadership
 8. Decision-making power
- Directors shall occupy more than half of the seats, which shall not be taken by their spouse or second degree relatives, etc. The directors of the Company shall consider the adjustment of members of the board of directors according to the results of performance evaluation.
- Article 4 Registered cumulative voting is adopted for election of directors of the Company. The registration of voters may be replaced by attendance

certificate numbers printed on the votes. Each share may have the same voting rights of number of directors that shall be elected according to law. It is allowed to centrally elect one person or several persons distributed.

Article 5 Candidate nomination system is adopted for the election of directors of the Company. The shareholders shall be elected and appointed from the list of candidates according to duly elected quota. The voting rights of independent directors and non-independent directors shall be calculated separately according to the quota stipulated in the articles of incorporation of the Company. Those who have more votes will be elected as independent directors and non-independent directors in order separately. If there are more than two persons with same votes but the stipulated quota is surpassed, they shall draw lots and then a decision will be made. If one of them does not attend the meeting, the chairperson will draw lots for him/her.

Article 6 The board of directors shall prepare ballots for the election with same number as the number of directors to be elected, and fill out the votes and then distribute to the attending shareholders.

Article 7 Before election begins, the chairperson shall design several shareholders to serve as monitoring, counting recording personnel and handle the relevant matters.

Article 8 Ballot cabinet shall be prepared by the board of directors and opened by the monitoring personnel on the spot for inspection before voting.

Article 9 If a person to be elected is a shareholder, the voters shall specify the account name of the person to be elected in the column of "Person to be elected" on the ballots. If a person to be elected is a government or institutional shareholder, the name of this government or legal person shall be filled out in the column of account name of "Person to be elected" on the ballots. Also, name of this government or legal person as well as name of its representative shall be filled out. Where there are several representatives, their names shall be filled out separately. If a person to be elected is not a shareholder, his/her name shall be filled out.

Article 10 A ballot is deemed as invalid under any of the following circumstances :

- (1) Failure to use ballot prepared by the board of directors;
- (2) A blank ballot is put into the ballot box;
- (3) The handwriting on the ballot is illegible or the vote is altered;
- (4) The person to be elected is inconsistent with the list of candidates for directors after checking;
- (5) Other irrelevant text is secretly filled out on the ballot besides distributed voting right number.

Article 11 Votes shall be announced on the spot after voting, and the voting results

shall be announced by the chair or a designated person on-site immediately, including list of elected directors and votes for election.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 12 Elected directors will be notified by the board of directors of the Company respectively.

Article 13 Matters not stipulated herein shall be handled according to the provisions of the Company Act and the articles of incorporation of the Company.

Article 14 These Procedures shall take effect after having been submitted to and approved by shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

CastleNet Technology Inc.

Shareholdings by the Company's Directors

Book closure date: April 1, 2023

1. Requirements as expressly provided for in Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies: The total shareholding of all directors except independent directors shall be no less than 11,317,080 issued shares of the Company.
2. As of the book closure date of the Shareholders' Meeting, the Company's Directors, whose number of shares are cataloged in the Register of Shareholders, is as below:

Position title	Name	The number of shares	Shareholding ratio
Director	Representative of Kinpo Electronics, Inc.: YING, CHANG	129,958,907	68.90%
Director	Representative of Kinpo Electronics, Inc.: WEI-YANG, HSU	129,958,907	68.90%
Director	Representative of Kinpo Electronics, Inc.: TAI-CHANG, CHIANG	129,958,907	68.90%
Director	Representative of Kinpo Electronics, Inc.: CHIEH-LI, HSU	129,958,907	68.90%
Director	Representative of Kinpo Electronics, Inc.: CHING-HWA, SHIAU	129,958,907	68.90%
Director	Representative of Kinpo Electronics, Inc.: YU-HUI, HUANG	129,958,907	68.90%
Independent Director	SHENG-HAUR, HSU	0	0%
Independent Director	CHIEN-WEN, TSAI	0	0%
Independent Director	CHI-CHING, FU	0	0%
The number and percentage of shares held by all directors except independent directors		129,958,907	68.90%

Note 1: The Shareholders' Meeting shall be convened on May 30, 2023. (The book closure period is from April 1, 2023 to May 30, 2023.)

Note 2: As of April 1, 2023, the aggregate outstanding shares came to a total of 188,618,000 shares.