

Stock Code:6163



HWACOM SYSTEMS INC.

Annual General Shareholders Meeting for 2023

Meeting Handbook

June 30, 2023

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HwaCom Systems Inc.

Procedures for the 2023 Shareholders' Meeting

1. Report on the Number of Shares Present at the Meeting
2. Call the Meeting to Order
3. Chairperson Takes Chair
4. Chairperson Remarks
5. Report Items
6. Ratification Items
7. Discussion Items
8. Election Matters
9. Other Matters to Discuss
10. Questions and Motions
11. Adjournment

HwaCom Systems Inc.

Agenda of the 2023 Shareholders' Meeting

1. Time: 9 am, 30th June (Friday), 2023
2. Place: 18/F, Building B, No. 102, Sec. 1, Xintai 5th Rd., Xizhi District, New Taipei City
3. Report on the Number of Shares Present at the Meeting and Call the Meeting to Order
4. Chairperson Remarks
5. Report Items:
 - Report No.1: 2022 Business Report
 - Report No.2: 2022 Audit Committee's Report on the statements and records of accounts prepared by the Board of Directors that will be presented in the Shareholders' Meeting
 - Report No.3: Status of Distribution of Remunerations among Directors and Employees in 2022
 - Report No.4: Report on the Repurchase of Company Shares
6. Ratification items:
 - Proposal No.1: Submission for ratification of the 2022 "Business Report" and "Financial Statements"
 - Proposal No.2: Submission for ratification of the Report on Distribution of Profits in 2022
7. Discussion Items:
 - Proposal No.1: Amendment on the "Articles of Incorporation" of the Company
8. Election Matters: By-elect a seat of Independent Director
9. Other Matters to Discuss: To Approve the Lifting of Non-Compete Restrictions for Newly Appointed Independent Directors
10. Questions and Motions
11. Adjournment

【Report Items】

Report No.1: 2022 Business Report

Explanation: The 2022 Business Report can be referred to pp.7-8 of this handbook.

Report 2: 2022 Audit Committee's Report on the statements and records of accounts prepared by the Board of Directors that will be presented in the Shareholders' Meeting

Explanation: The Audit Committee's Report on the final reports and statements of the company in 2022 can be referred to p.9 of this handbook.

Report 3: Status of Distribution of Remunerations among Directors and Employees in 2022

Explanation: According to the regulation of Article 20 of the Articles of Incorporation, the provision of remunerations for directors and employees are as follows:

- (1) Remuneration of directors: NTD 1,855,051
- (2) Remuneration of employees: NTD 22,260,617
- (3) All remunerations are distributed in cash.

Report 4: Report on the Repurchase of Company Shares

Explanation: (1) The repurchase of company shares has been approved by the 7th meeting of the 10th Board of Directors Resolution. Its execution is as follows:

Repurchase session	The Fifth Time (Session)
Purpose of repurchase	Transfer shares to employees
Repurchase period	24th March 2020 ~ 21th May 2020
The price range of repurchase	9.00~18.00
Actual types and amount of repurchased shares	Common stock 4,338,000 shares
Value of repurchased shares	NTD 59,797,365
The ratio of the repurchased amount to the planned repurchase amount (%)	86.76%
Amount of shares disposed of and transferred	3,377,000 shares
Accumulated holding of the company's shares	961,000 shares
The ratio of accumulated holding of the company's shares to total issued shares (%)	0.72%

【Ratification items】

Proposal No.1: Submission for ratification of the 2022 "Business Report" and "Financial Statements"
(Proposed by the Board of Directors)

Explanation: (1) The preparation of the 2022 consolidated financial statements and individual financial statements has been completed. They have been audited and certified by BDO Taiwan, and an audit report has been issued and recorded on file. Moreover, the business report has also been finished audit by the company's Audit Committee. It is submitted to the Shareholders' Meeting for ratification. (Please refer to pp.10-25 of this handbook)
(2) Submitted for ratification

Resolution:

Proposal No.2: Submission for ratification of the Report on Distribution of Profits in 2022
(Proposed by the Board of Directors)

Explanation: (1) At the beginning of 2022, the company had undistributed retained earnings of NTD 261,026,180. The net profit for the current period is NTD 138,096,754, and the amount after adjustment is NTD 145,186,876. After the allocation of NTD 14,518,688 to legal reserves, the distributable earnings of the current period are NTD 391,694,368. The Table of Distribution of Profits is as follows:

Table of Distribution of Profits

Item	Year 2022	
	Amount	Unit: NTD Remarks
Undistributed retained earnings at the beginning	261,026,180	
Net Profit of Current Period	138,096,754	
Actuarial (Loss) profits included in the retained earnings	7,090,122	
Net profit of current period after adjustment	145,186,876	
Allocation for legal reserves	(14,518,688)	
Distributable profits of the current period	391,694,368	
Items for distribution:		
Shareholder dividends	(41,817,952)	Cash Dividends TWD 0.3
Undistributed earnings at the end of period	349,876,416	

- (2) Cash dividends of the common stocks will be calculated in the unit of a dollar according to the distribution ratio and rounded down to the nearest whole NTD. Any fraction of less than one NTD will be aggregated and listed as other incomes in the company. In the future, if there are changes in the number of outstanding common shares due to share repurchases, transfers, exchanges, cancellations, capital increases, or other reasons, the total amount of cash dividends planned for distribution will follow the Board of Directors resolution, and the payout ratio will be adjusted by the actual number of outstanding shares of the company at the ex-dividend date.
- (3) Upon approval by the shareholders' meeting, the Chairman is authorized to determine the ex-dividend date, adjust the payout ratio, and handle issues on the distribution of dividends.
- (4) Submitted for deliberation.

Resolution:

【Matters to discuss】

Proposal No.1: Amendment on the "Articles of Incorporation" of the Company

(Proposed by the Board of Directors)

Explanation: (1) To align with the needs of actual operations, some of the articles in the Articles of Incorporation are thus amended, and the Comparison Table of Amended Articles of "Articles of Incorporation" is as follows.

(2) Submitted for a public vote

Article	Before amendment	After amendment	Reason of amendment
Article 2	The company shall appoint one general manager and several deputy managers. Their appointment, dismissal, and remuneration are managed in accordance with Article 29 of the Company Act.	The company shall appoint several managerial officials . Their appointment, dismissal, and remuneration are managed in accordance with Article 29 of the Company Act.	To align with the needs of actual operations
Article 10	If a shareholder cannot be present at the shareholders' meeting due to unforeseen circumstances, he/she should issue a letter of authorization printed by the company to state the scope of authorization and appoint a proxy to attend with a signature and a stamp.	If a shareholder cannot be present at the shareholders' meeting due to unforeseen circumstances, he/she should issue a letter of authorization printed by the company to state the scope of authorization and appoint a proxy to attend with a signature and a stamp. During shareholder meetings, it is permissible to conduct meetings via video conferencing or other methods announced by the central competent authority.	Comply with the amendment of the Company Act
Article 17	77. F601010 Intellectual Property Rights 78. I103060 Management Consulting	77. F601010 Intellectual Property Rights 78. G202010 Parking area Operators 79. I103060 Management Consulting	To align with the needs of actual operations
Article 22	The 27th amendment was revised on 23 rd June, 2022	The 27th amendment was revised on 23 rd June, 2022 The 28th amendment was revised on 30 th June, 2023	

Resolution:

【Election Matters】

Proposal: Agenda on the by-election of directors of the company (Proposed by the Board of Directors)

Explanation: (1) The company currently has nine directors, but since Mr. Guan Min-Zhi (管敏志) has resigned from the post of director due to business planning considerations, its vacancy shall be by-elected at this Shareholders' Meeting.

(2) This by-election complies with the regulations of the competent authority, one independent director is planned to be by-elected, and the terms of office will start from the date of being elected to 22nd June 2025.

(3) The election of independent directors adopts a nomination system, and the list of candidates is as the following table:

(4) Submitted for an election.

Type	Name	Major Education/Experiences	Current Title	Name of government or juridical person being represented	Other relevant information
Independent Director	Lin Jyh-Ling (林智玲)	PhD in Electrical Engineering, National Taiwan University Professor of the Department of Electronic Engineering and the Dean of College of Engineering and Management, Huafan University	Professor of Department of Technology for Smart Living, Huafan University	None	None

Election Results:

【Other Matters to Discuss】

Proposal: Agenda on the lifting of non-compete restrictions for newly appointed independent directors

Explanation: (1) According to the regulation of 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 shareholders' meeting about the essential contents of such an act and secure its approval.

(2) A newly appointed independent director of the company may have investments or businesses in other companies that have the same or similar business scopes of the company, and perform acts of a director or a managerial official. Under the premise of not damaging the interests of the company, it is proposed that non-compete restrictions for newly appointed independent directors shall be lifted.

(3) Submitted for deliberation.

Resolution:

Questions and Motions

Adjournment

Attachment 1

Business Report

1. 2022 Result of operations

(1) Result of the implementation of the operation plan:

The net operating revenue in 2022 is NTD 6,094,449,000, which has a 1.59% decrease compared to the amount of NTD 6,192,732,000 in 2021. The profit after tax is NTD 138,097,000, and the earnings per share is NTD 1.06.

(2) Execution of the budget: There are no disclosed financial predictions of the company in 2022

(3) Analysis of Financial Income and Expenditure, and Profitability

Unit: TWD Thousand

Year Item		2022	2021	Increase (Decrease) Ratio%
Financial Income and Expendi- ture	Operating revenue	6,094,449	6,192,732	(1.59)
	operating gross profit	1,224,102	1,371,855	(10.77)
	Operating Profit	117,540	210,937	(44.28)
	Net non-Operating Income and Expenditure	46,080	9,918	364.61
Profitabil- ity	Return on Assets	2.54%	3.36%	(24.40)
	Return on Equity	6.24%	8.62%	(27.61)
	Ratio of net profit before tax to paid-in capital	12.23%	16.52%	(25.97)
	Net profit margin	2.27%	2.77%	(18.05)
	Earnings per share (Dollar)	1.06	1.43	(25.87)
	Net profit after tax	138,097	171,524	(19.49)

(4) Status of research and development (R&D):

The company continuously invests in various related R&D technologies, and the direction of R&D in this fiscal year is as follows:

1. Research and development of the value-added application platform of vehicle-to-everything intelligent transportation and related equipment.
2. Development of cloud services that integrate big data into cybersecurity applications.
3. Development of an integrated monitoring platform for the intelligent operation center in smart cities using artificial intelligence and big data technologies.
4. 5G private network-related internet-based application services.

2. Summary of 2023 Business Plan:

(1) Direction of business operations:

1. We will continue to focus on operating as an "integrated provider of broadband application value-added services" in the industry. We will strengthen our research and development capabilities in integrating artificial intelligence, cloud computing, big data technologies, and application systems.
2. Developing innovative services: prospect on the future Internet-of-Things (IoT). Following the diversified developing trend of information and communication technologies and the mobile market, the company will dedicate to five major developing directions, which include integrated application services in 5G private networks, information networking services, digital multimedia services, integrated application of information security, and smart services. The company will also gradually shift its position to providing integrated services of innovative and value-added applications so that it can satisfy customers' requirements and establish core values.

3. We will drive digital transformation by combining internal organizational adjustments and leveraging external resources. Through our technological integration capabilities, software development initiatives, promotion of service platforms, and digital project management, we aim to establish ourselves as a comprehensive integrated service provider offering complete solution offerings.
 4. We will strengthen our company's brand marketing efforts and establish a positive brand image. Through effective brand value communication, we will gradually enhance the recognition and identification of our company's brand.
 5. We will fulfill our corporate responsibility as a good corporate citizen, guided by the spirit of benefiting from and contributing to society. The company will collaborate with partners and customers, leveraging their resources, to actively participate in social welfare activities. We are committed to fulfilling our obligations as a responsible corporate citizen, making contributions to society, and caring for the community. Focusing on the significant issue of ESG (Environmental, Social, Governance), we uphold corporate responsibilities and demonstrate proper behaviors.
- (2) Expected amount of sales and its foundation, and important production and marketing policies :
1. Profitability is fully enhanced, and the ability to control and manage large-scale projects is strengthened. By advancing the schedule of project acceptance, the costs can be reduced.
 2. To enhance sales capabilities, we are aiming to shift from product sales to business solution-oriented sales, which is called "Solution Sales", so that our target as an "integrated provider of broadband application services" can be achieved.
 3. To strengthen the sales of value-added integrated services in cloud-based Internet of Things (IoT) applications and information security integration services.
 4. To drive profit generation upwards and cost reduction downwards; prioritizing talent development and growth, as well as implementing comprehensive welfare and reward measures.
 5. Continuously promote the establishment of various information exchange platforms within the company, and execute working plans to enhance operational performance effectively.

3. Future development strategies of the company

1. Promoting digital transformations and value-added services of Cloud-based Internet-of-Things (IoT).
2. Establishing a basic construction team of intelligent, information and communications, Internet of Things (IoT), and information security services.
3. Strengthen industry chain partnerships and continue investing in self-research and development of niche products and services, while formulating execution plans for the promotion of market sales.
4. Developing Cloud-based Internet-of-Things (IoT), information security, and big data for governing smart cities for the establishment of sharing innovative services and application platforms.

4. Effects from the external competitive environment, regulatory environment, and overall business environment

In response to future market competition trends, the company will adhere to the spirit of long-term dedication to gain customers' trust. We will strengthen the company's structure, financial condition, record of fulfilling obligations, technological capabilities, and most importantly, service quality. Our goal is to earn customer recognition for our technical capabilities and services, thereby winning projects.

Finally, we would like to express our heartfelt gratitude to the shareholders, customers, suppliers, and all employees who have been supporting our company throughout the years. In the future, we will uphold the belief in sustainable business and strive for excellence. We hope to deliver better results in the coming year.

Lastly,

My best wishes for good health and peace of the family

Chairman Chen Guo-Zhang (陳國章)

《Attachment 2》

HwaCom Systems Inc.
Audit Report of the Audit Committee

The Board of Directors has prepared and submitted the 2022 financial statements (including individual and consolidated financial statements), and has appointed BDO Taiwan to audit and certify. The audit has been completed and an audit report has been issued. The aforementioned submitted documents by the Board of Directors are in compliance and no discrepancies have been found. Therefore, in accordance with Article 219 of the Company Act, a report is hereby prepared.

Requested for review

Regards,

2023 Regular Shareholders' Meeting of the company

Independent Director: Li Hsu-Tung (李旭東)
Independent Director: Li Ming-Jun (李明峻)
Independent Director: Ong Chong-Xiong (翁崇雄)

14th March 2023

Independent Auditors' Report

To HwaCom Systems Inc. :

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of 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 auditing standards generally accepted in 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 parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2022 are stated as follows:

Revenue recognition

Explanations

Please refer to Note 4 to the parent company only financial statements for the accounting policies of revenue recognition ; Please refer to Note 5 for the accounting judgment, estimates and assumptions of revenue recognition.

The Company is engaged in the services, including telecommunication integration system services, IP broadband network service, media industry service, smart city control business, and service for business customers, etc. As the inherent risk of revenue is high, and significant to the financial statements, revenue recognition is identified as one of the key audit matters.

Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below :

1. Obtain an understanding of and test the internal control and the operating effectiveness relevant to revenue transactions.
2. Obtain an understanding the primary types of revenue, contract terms and transaction terms, to evaluate the rationality of the accounting policies of revenue recognition.
3. Perform sample testing to sales contracts or purchase orders, and evaluate the contract terms and transaction terms, etc., to confirm revenue is recognized in the appropriate period in accordance with company policies.
4. Perform cut-off testing as of year-end, to confirm the correctness of the periods that revenue is attributable to.
5. Check the reasons for significant returns or allowances in the current period and in the subsequent period, and evaluate the rationality of the estimates of returns and allowances.

Inventory valuation

Explanations

Please refer to Note 4 to the parent company only financial statements for the accounting policies of inventory valuation ; Please refer to Note 5 for the accounting judgment, estimates and assumptions of inventory valuation.

The Company is a system integration supplier of telecommunication media and internet information. The products distributed and the business developed provides the upstream, midstream, and downstream of industry chain with value-added integration and distribution functions. Based on the classification of communication network frameworks, the Company provided customized product mixes depending on different sales counterparties and projects, from the underlying infrastructure of communication network, layer by layer to broadband utilization. As inventory valuation involves management's judgment, is with highly estimate uncertainty, and significant to the financial statements, inventory valuation is identified as one of the key audit matters.

Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below :

1. Obtain an understanding of and evaluate the estimates and policies adopted by inventory valuation.
2. Acquire the data used for the Company to evaluate the net realizable value of inventories, and select samples to verify the relevant information on sales prices and estimated costs to completion.
3. Perform sample testing to the correctness of inventory age data, and obtain an understanding of the condition of inventories with long age and the possibility of destock in the future.

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 the 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 (including members of the Audit Committee) 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, we are required to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the 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.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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.

BDO Taiwan

CPA : SU-CHEN CHANG

CPA : WINNER HSU

Reference Number of the FSC Approval letter : (86) No. Taiwan-Finance-Securities-VI-74537
(80) No. Taiwan-Finance-Securities-I-51636

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HwaCom Systems Inc.

Parent Company Only Balance Sheets
As of December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars													
Code	Assets	Note	December 31, 2022	%	December 31, 2021 (Reclassification)	%	Code	Liabilities and equity	Note	December 31, 2022	%	December 31, 2021 (Reclassification)	%
11XX	Current assets						21XX	Current liabilities					
1100	Cash and cash equivalents	6.1	\$725,438	13.64	\$946,183	17.07	2100	Short-term borrowings	6.12	\$421,318	7.92	\$509,035	9.18
1110	Current financial assets at fair value through profit or loss	6.6	5,019	0.09	5,500	0.10	2130	Current contract liabilities	6.22	897,555	16.87	1,406,232	25.36
1140	Current contract assets	6.22	30,414	0.57	32,469	0.59	2170	Accounts payables	6.13	1,082,873	20.35	766,613	13.83
1150	Notes receivables, net		425	0.01	724	0.01	2200	Other payables	6.14	287,765	5.41	279,565	5.04
1170	Accounts receivables, net	6.2	2,074,507	38.99	1,320,451	23.82	2230	Current tax liabilities		18,547	0.35	50,111	0.90
1200	Other receivables		998	0.02	15,211	0.27	2250	Current provisions	6.15	-	-	2,536	0.05
130X	Inventories	6.3	1,159,038	21.78	1,852,428	33.41	2280	Current lease liabilities	6.10	24,568	0.46	22,415	0.40
1410	Prepayments	6.4	257,320	4.84	232,916	4.20	2300	Other current liabilities		22,311	0.42	17,498	0.33
1470	Other current assets	6.5	213,232	4.01	235,464	4.25	21XX	Subtotal		2,754,937	51.78	3,054,005	55.09
11XX	Subtotal		4,466,391	83.95	4,641,346	83.72	25XX	Non-current liabilities					
								Non-current financial liabilities at fair value through profit or loss	6.6	368	0.01	-	-
							2530	Corporate bonds payables	6.16	115,450	2.17	114,444	2.06
							2540	Long-term borrowings	6.17	26,513	0.50	31,681	0.57
15XX	Non-current assets						2550	Non-current provisions	6.15	12,283	0.23	12,283	0.22
1510	Non-current financial assets at fair value through profit or loss	6.6	-	-	180	-	2570	Deferred tax liabilities	6.28	17,782	0.33	33,523	0.60
	Non-current financial assets at fair value through other comprehensive income	6.7	132,110	2.48	193,588	3.49	2580	Non-current lease liabilities	6.10	23,328	0.44	21,579	0.40
1517							2600	Other non-current liabilities		104,831	1.96	114,936	2.08
	Investments accounted for using equity method	6.8	47,463	0.89	47,779	0.86	25XX	Subtotal		300,555	5.64	328,446	5.93
1600	Property, plant and equipment	6.9	228,922	4.30	236,440	4.26	2XXX	Total liabilities		3,055,492	57.42	3,382,451	61.02
1755	Right-of-use assets	6.10	47,341	0.89	43,484	0.78	31XX	Equity					
1780	Intangible assets		23,038	0.43	20,570	0.37	3100	Share capital	6.19				
1840	Deferred tax assets	6.28	34,825	0.65	45,325	0.82	3110	Ordinary shares		1,337,776	25.14	1,336,934	24.11
1900	Other non-current assets	6.21	340,283	6.41	315,326	5.70	3200	Capital surplus	6.20	359,937	6.77	356,799	6.44
15XX	Subtotal		853,982	16.05	902,692	16.28	3300	Retained earnings	6.21				
							3310	Legal reserve		109,359	2.06	92,192	1.66
							3350	Unappropriated earnings (accumulated deficit)		406,213	7.64	318,301	5.74
							3400	Other equity		64,843	1.22	117,158	2.11
							3500	Treasury shares	6.19	(13,247)	(0.25)	(59,797)	(1.08)
							3XXX	Total equity		2,264,881	42.58	2,161,587	38.98
1XXX	Total assets		\$5,320,373	100.00	\$5,544,038	100.00	3X2X	Total liabilities and equity		\$5,320,373	100.00	\$5,544,038	100.00

Please refer to the notes to the parent company only financial statements.

HwaCom Systems Inc.
Parent Company Only Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of
New Taiwan Dollars

Code Item	Note	2022	%	2021	%
4000 Operating revenue	6.22	\$6,077,095	100.00	\$6,170,285	100.00
5000 Operating costs	6.3, 6.25	(4,860,934)	(79.99)	(4,803,817)	(77.85)
5900 Gross profit		1,216,161	20.01	1,366,468	22.15
5950 Net gross profit		1,216,161	20.01	1,366,468	22.15
6000 Operating expenses	6.25				
6100 Selling expenses		(832,444)	(13.70)	(896,550)	(14.53)
6200 Administrative expenses		(193,348)	(3.18)	(170,277)	(2.76)
6300 Research and development expenses		(58,065)	(0.95)	(54,965)	(0.89)
6450 Expected credit impairment reversal gains (losses)		-	-	(15,951)	(0.26)
6000 Subtotal		(1,083,857)	(17.83)	(1,137,743)	(18.44)
6900 Net operating income (loss)		132,304	2.18	228,725	3.71
7000 Non-operating income and expenses					
7100 Interest revenue		2,827	0.05	1,296	0.02
7010 Other revenue	6.23	57,058	0.94	34,909	0.57
7020 Other gains and losses	6.24	217	-	(13,644)	(0.22)
7050 Financial costs	6.27	(14,048)	(0.23)	(14,731)	(0.24)
7070 Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6.8	(14,738)	(0.25)	(15,700)	(0.26)
7000 Total non-operating income and expenses		31,316	0.51	(7,870)	(0.13)
7900 Profit (loss) before tax		163,620	2.69	220,855	3.58
7950 Income tax benefits (expenses)	6.28	(25,523)	(0.42)	(49,331)	(0.80)
8000 Profit (loss) from continuing operations		\$138,097	2.27	\$171,524	2.78
8200 Profit (loss)		\$138,097	2.27	\$171,524	2.78
8300 Other comprehensive income					
8310 Items not to be reclassified into profit or loss					
8311 Remeasurements of defined benefit plans		\$8,863	0.15	\$179	-
8316 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income		(67,479)	(1.11)	(14,754)	(0.24)
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		(699)	(0.01)	(107)	-
8349 Income tax related to items of other comprehensive income that will not be reclassified to profit or loss		13,969	0.23	1,135	0.02
8360 Items that may be subsequently reclassified into profit or loss					
8361 Exchange differences on translation of foreign financial statements		121	-	46	-
8300 Other comprehensive income, net of tax		\$(45,225)	(0.74)	\$(13,501)	(0.22)
8500 Total comprehensive income		\$92,872	1.53	\$158,023	2.56
Earnings per share (NT\$) :	6.29				
9750 Basic earnings per share (NT\$)		\$1.06		\$1.43	
9850 Diluted earnings per share (NT\$)		\$1.01		\$1.26	

Please refer to the notes to the parent company only financial statements.

HwaCom Systems Inc.
Parent Company Only Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Summary	Ordinary shares	Capital surplus	Retained earnings			Other equity		Treasury shares	Total equity
			Legal reserve	Special reserve	Unappropriated earnings (or accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income		
Balance at January 1, 2021	\$1,228,817	\$281,630	\$92,192	\$6,609	\$140,025	\$(850)	\$131,651	\$(59,797)	\$1,820,277
Appropriation and distribution of 2020 earnings									
Transfer of special reserve to retained earnings	-	-	-	(6,609)	6,609	-	-	-	-
Stock option recognized by issuance of convertible bonds	-	5,118	-	-	-	-	-	-	5,118
Profit of 2021	-	-	-	-	171,524	-	-	-	171,524
Other comprehensive income	-	-	-	-	143	47	(13,691)	-	(13,501)
Transfer of corporate bonds payables to ordinary shares	108,117	70,051	-	-	-	-	-	-	178,168
Rounding to thousands	-	-	-	-	-	1	-	-	1
Balance at January 1, 2022	\$1,336,934	\$356,799	\$92,192	\$0	\$318,301	\$(802)	\$117,960	\$(59,797)	\$2,161,587
Appropriation and distribution of 2021 earnings									
Appropriate of legal reserve	-	-	17,167	-	(17,167)	-	-	-	-
Cash dividend of ordinary shares	-	-	-	-	(40,108)	-	-	-	(40,108)
Stock option recognized by issuance of convertible bonds	-	(60)	-	-	-	-	-	-	(60)
Profit of 2022	-	-	-	-	138,097	-	-	-	138,097
Other comprehensive income	-	-	-	-	7,090	122	(52,437)	-	(45,225)
Transfer of corporate bonds payables to ordinary shares	842	572	-	-	-	-	-	-	1,414
Treasury shares transferred to employees	-	2,626	-	-	-	-	-	46,550	49,176
Balance at December 31, 2022	<u>\$1,337,776</u>	<u>\$359,937</u>	<u>\$109,359</u>	<u>\$0</u>	<u>\$406,213</u>	<u>\$(680)</u>	<u>\$65,523</u>	<u>\$(13,247)</u>	<u>\$2,264,881</u>

Please refer to the notes to the parent company only financial statements.

HwaCom Systems Inc.
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Item	Expressed in thousands of New Taiwan Dollars	
	2022	2021 (Reclassification)
Cash flows from operating activities		
Profit (loss) before tax from continuing operations	\$163,620	\$220,855
Consolidated total profit (loss)	163,620	220,855
Adjustments:		
Items of income and expenses		
Depreciation expenses	70,668	63,534
Amortization expenses	20,507	15,476
Expected credit losses (benefits)	-	15,951
Net gains or losses from financial assets (liabilities) at fair value through profit or loss	1,035	(1,037)
Interest expenses	14,048	14,731
Interest revenue	(2,827)	(1,296)
Dividend revenue	(830)	(380)
Share-based payments	6,551	-
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	14,738	15,699
Losses (gains) from disposal and scrap of property, plant and equipment	(206)	(335)
Losses (gains) from disposal of investments	-	(9)
Losses (gains) on lease improvements	(23)	-
Changes in operating assets and liabilities		
Decrease (increase) in contract assets	2,055	9,597
Decrease (increase) in notes receivables	300	(26)
Decrease (increase) in accounts receivables	(754,056)	(139,844)
Decrease (increase) in other receivables	14,324	(1,809)
Decrease (increase) in inventories	707,249	(388,401)
Decrease (increase) in prepaid expenses	2,438	5,151
Decrease (increase) in prepayments	(26,844)	(35,376)
Decrease (increase) in other current assets	22,230	55,365
Increase (decrease) in contract liabilities	(508,676)	748,317
Increase (decrease) in accounts payables	316,261	(218,156)
Increase (decrease) in other payables	7,995	94,723
Increase (decrease) in provisions	(2,536)	1,973
Increase (decrease) in other current liabilities	4,805	1,414
Increase (decrease) in net defined benefit liabilities	286	(61)
Interests received	2,716	1,274
Dividends received	830	380
Interest paid	(11,487)	(11,275)
Income taxes returned (paid)	(48,359)	(9,697)
Net cash inflow (outflow) provided by operating activities	<u>16,812</u>	<u>456,738</u>
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	(6,000)	-
Acquisition of financial assets at fair value through profit or loss	-	(5,000)
Acquisition of investments accounted for using equity method	(15,000)	(30,000)
Acquisition of property, plant and equipment	(49,116)	(44,560)
Disposal of property, plant and equipment	1,902	1,620
Increase in refundable deposits	(410,971)	(409,728)
Decrease in refundable deposits	407,934	358,456
Acquisition of intangible assets	(22,978)	(24,004)
Disposal of intangible assets	3	16
Increase in prepayments for equipment	(37,069)	(4,298)
Decrease in prepayments for equipment	15,149	9,117
Net cash inflow (outflow) provided by investing activities	<u>(116,146)</u>	<u>(148,381)</u>
Cash flows from financing activities		
Increase in short-term borrowings	1,545,876	1,782,334
Decrease in short-term borrowings	(1,633,593)	(2,004,574)
Increase in short-term notes payables	100,000	-
Decrease in short-term notes payables	(100,000)	-
Issuance of corporate bonds	-	295,000
Repayments of long-term borrowings	(5,161)	(5,144)
Increase in guaranteed deposits received	1,532	5,520
Decrease in guaranteed deposits received	(3,061)	(969)
Repayments of lease principal	(29,522)	(25,752)
Decrease in other non-current liabilities	-	(187)
Distribution of cash dividends	(40,108)	-
Treasury shares purchased by employees	42,626	-
Net cash inflow (outflow) provided by financing activities	<u>(121,411)</u>	<u>46,228</u>
Net increase (decrease) in cash and cash equivalents	<u>(220,745)</u>	<u>354,585</u>
Cash and cash equivalents at the beginning of period	<u>946,183</u>	<u>591,598</u>
Cash and cash equivalents at the end of period	<u>\$725,438</u>	<u>\$946,183</u>

Please refer to the notes to the parent company only financial statements.

Independent Auditors' Report

To HwaCom Systems Inc. :

Opinion

We have audited the accompanying financial statements of HwaCom Systems Inc. and subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 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 and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our 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 consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

Revenue recognition

Explanations

Please refer to Note 4 to the consolidated financial statements for the accounting policies of revenue recognition ; Please refer to Note 5 for the accounting judgment, estimates and assumptions of revenue recognition.

The Group is engaged in the services, including telecommunication integration system services, IP broadband network service, media industry service, smart city control business, and service for business customers, etc. As the inherent risk of revenue is high, and significant to the financial statements, revenue recognition is identified as one of the key audit matters.

Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below :

1. Obtain an understanding of and test the internal control and the operating effectiveness relevant to revenue transactions.
2. Obtain an understanding the primary types of revenue, contract terms and transaction terms, to evaluate the rationality of the accounting policies of revenue recognition.
3. Perform sample testing to sales contracts or purchase orders, and evaluate the contract terms and transaction terms, etc., to confirm revenue is recognized in the appropriate period in accordance with company policies.
4. Perform cut-off testing as of year-end, to confirm the correctness of the periods that revenue is attributable to.
5. Check the reasons for significant returns or allowances in the current period and in the subsequent period, and evaluate the rationality of the estimates of returns and allowances.

Inventory valuation

Explanations

Please refer to Note 4 to the consolidated financial statements for the accounting policies of inventory valuation ; Please refer to Note 5 for the accounting judgment, estimates and assumptions of inventory valuation.

The Group is a system integration supplier of telecommunication media and internet information. The products distributed and the business developed provides the upstream, midstream, and downstream of industry chain with value-added integration and distribution functions. Based on the classification of communication network frameworks, the Group provided customized product mixes depending on different sales counterparties and projects, from the underlying infrastructure of communication network, layer by layer to broadband utilization. As inventory valuation involves management's judgment, is with highly estimate uncertainty, and significant to the financial statements, inventory valuation is identified as one of the key audit matters.

Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below :

1. Obtain an understanding of and evaluate the estimates and policies adopted by inventory valuation.
2. Acquire the data used for the Group to evaluate the net realizable value of inventories, and select samples to verify the relevant information on sales prices and estimated costs to completion.

3. Perform sample testing to the correctness of inventory age data, and obtain an understanding of the condition of inventories with long age and the possibility of destock in the future.

Other Matter

We have also audited the parent company only financial statements of HwaCom Systems Inc. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unqualified opinion.

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 (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of the 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 members of the 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, we are required to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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.

BDO Taiwan

CPA : SU-CHEN CHANG

CPA : WINNER HSU

Reference Number of the FSC Approval letter : (86) No. Taiwan-Finance-Securities-VI-74537
(80) No. Taiwan-Finance-Securities-I-51636

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HwaCom Systems Inc. and Subsidiaries

Consolidated Balance Sheets
As of December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars													
Code	Assets	Note	December 31, 2022	%	December 31, 2021 (Reclassification)	%	Code	Liabilities and equity	Note	December 31, 2022	%	December 31, 2021 (Reclassification)	%
11XX	Current assets						21XX	Current liabilities					
1100	Cash and cash equivalents	6.1	\$766,328	14.38	\$988,343	17.80	2100	Short-term borrowings	6.11	\$421,318	7.91	\$509,035	9.17
1110	Current financial assets at fair value through profit or loss	6.6	5,019	0.09	5,500	0.10	2130	Current contract liabilities	6.21	902,641	16.94	1,411,614	25.42
1140	Current contract assets	6.21	30,414	0.57	32,469	0.58	2170	Accounts payables	6.12	1,080,582	20.28	766,186	13.80
1150	Notes receivables, net		425	0.01	724	0.01	2200	Other payables	6.13	291,708	5.47	283,052	5.10
1170	Accounts receivables, net	6.2	2,077,173	38.98	1,321,172	23.79	2230	Current tax liabilities		18,547	0.35	50,111	0.90
1200	Other receivables		1,022	0.02	15,211	0.27	2250	Current provisions	6.14	-	-	2,536	0.05
130X	Inventories	6.3	1,164,059	21.85	1,854,416	33.40	2280	Current lease liabilities	6.9	24,998	0.47	22,415	0.40
1410	Prepayments	6.4	256,761	4.82	238,669	4.30	2300	Other current liabilities		22,548	0.42	17,813	0.32
1470	Other current assets	6.5	213,233	4.00	235,470	4.25	21XX	Subtotal		2,762,342	51.84	3,062,762	55.16
11XX	Subtotal		4,514,434	84.72	4,691,974	84.50	25XX	Non-current liabilities					
								Non-current financial liabilities at fair value through profit or loss	6.6	368	0.01	-	-
							2530	Corporate bonds payables	6.15	115,450	2.17	114,444	2.06
							2540	Long-term borrowings	6.16	26,513	0.50	31,681	0.57
							2550	Non-current provisions	6.14	12,283	0.23	12,283	0.22
							2570	Deferred tax liabilities	6.27	17,782	0.33	33,523	0.60
15XX	Non-current assets						2580	Non-current lease liabilities	6.9	23,879	0.45	21,579	0.39
1510	Non-current financial assets at fair value through profit or loss	6.6	-	-	180	-	2600	Other non-current liabilities		104,926	1.96	115,031	2.07
	Non-current financial assets at fair value through other comprehensive income	6.7	133,295	2.50	195,473	3.52	25XX	Subtotal		301,201	5.65	328,541	5.91
1600	Property, plant and equipment	6.8	230,620	4.33	238,356	4.29	2XXX	Total liabilities		3,063,543	57.49	3,391,303	61.07
1755	Right-of-use assets	6.9	48,315	0.91	43,484	0.78	31XX	Equity					
1780	Intangible assets		23,142	0.43	20,607	0.37		Equity attributable to owners of the parent					
1840	Deferred tax assets	6.27	36,930	0.69	47,431	0.85	3100	Share capital	6.18				
1900	Other non-current assets	6.10	341,688	6.42	315,385	5.69	3110	Ordinary shares		1,337,776	25.11	1,336,934	24.08
15XX	Subtotal		813,990	15.28	860,916	15.50	3200	Capital surplus	6.19	359,937	6.76	356,799	6.43
							3300	Retained earnings	6.20				
							3310	Legal reserve		109,359	2.05	92,192	1.66
								Unappropriated earnings					
							3350	(accumulated deficit)		406,213	7.62	318,301	5.73
							3400	Other equity		64,843	1.22	117,158	2.11
							3500	Treasury shares	6.18	(13,247)	(0.25)	(59,797)	(1.08)
								Total equity attributable to owners of the parent		2,264,881	42.51	2,161,587	38.93
							3XXX	Total equity		2,264,881	42.51	2,161,587	38.93
1XXX	Total assets		\$5,328,424	100.00	\$5,552,890	100.00	3X2X	Total liabilities and equity		\$5,328,424	100.00	\$5,552,890	100.00

Please refer to the notes to the consolidated financial statements.

HwaCom Systems Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Expressed in thousands
of New Taiwan Dollars

Code Item	Note	2022	%	2021	%
4000 Operating revenue	6.21	\$6,094,449	100.00	\$6,192,732	100.00
5000 Operating costs	6.3, 6.24	(4,870,347)	(79.91)	(4,820,877)	(77.85)
5900 Gross profit		1,224,102	20.09	1,371,855	22.15
5950 Net gross profit		1,224,102	20.09	1,371,855	22.15
6000 Operating expenses	6.24				
6100 Selling expenses		(852,280)	(13.98)	(915,658)	(14.79)
6200 Administrative expenses		(195,324)	(3.20)	(172,598)	(2.79)
6300 Research and development expenses		(58,958)	(0.98)	(56,453)	(0.91)
6450 Expected credit impairment reversal gains (losses)		-	-	(16,209)	(0.25)
6000 Subtotal		(1,106,562)	(18.16)	(1,160,918)	(18.74)
6900 Net operating income (loss)		117,540	1.93	210,937	3.41
7000 Non-operating income and expenses					
7100 Interest revenue		2,922	0.05	1,336	0.02
7010 Other revenue	6.22	57,042	0.94	36,957	0.60
7020 Other gains and losses	6.23	180	-	(13,644)	(0.22)
7050 Financial costs	6.26	(14,064)	(0.24)	(14,731)	(0.24)
7000 Total non-operating income and expenses		46,080	0.75	9,918	0.16
7900 Profit (loss) before tax		163,620	2.68	220,855	3.57
7950 Income tax benefits (expenses)	6.27	(25,523)	(0.41)	(49,331)	(0.80)
8000 Profit (loss) from continuing operations		\$138,097	2.27	\$171,524	2.77
8200 Profit (loss)		\$138,097	2.27	\$171,524	2.77
8300 Other comprehensive income					
8310 Items not to be reclassified into profit or loss					
8311 Remeasurements of defined benefit plans		\$8,863	0.15	\$179	-
8316 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income		(68,178)	(1.12)	(14,862)	(0.24)
8349 Income tax related to items of other comprehensive income that will not be reclassified to profit or loss		13,969	0.23	1,135	0.02
8360 Items that may be subsequently reclassified into profit or loss					
8361 Exchange differences on translation of foreign financial statements		121	-	47	-
8300 Other comprehensive income, net of tax		\$(45,225)	(0.74)	\$(13,501)	(0.22)
8500 Total comprehensive income		\$92,872	1.53	\$158,023	2.55
8600 Profit (loss) attributable to :					
8610 Owner of the parent		138,097	2.27	171,524	2.77
Total		138,097	2.27	171,524	2.77
8700 Total comprehensive income attributable to :					
8710 Owner of the parent		92,872	1.53	158,023	2.55
Total		\$92,872	1.53	\$158,023	2.55
Earnings per share (NT\$) :	6.28				
9750 Basic earnings per share (NT\$)		\$1.06		\$1.43	
9850 Diluted earnings per share (NT\$)		\$1.01		\$1.26	

Please refer to the notes to the consolidated financial statements.

HwaCom Systems Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Summary	Equity attributable to owners of the parent										
	Ordinary shares	Capital surplus	Retained earnings			Other equity		Treasury shares	Total equity attributable to owners of the parent	Non-control ling interests	Total equity
			Legal reserve	Special reserve	Unappropriated earnings (or accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income				
Balance at January 1, 2021	\$1,228,817	\$281,630	\$92,192	\$6,609	\$140,025	\$(850)	\$131,651	\$(59,797)	\$1,820,277	\$0	\$1,820,277
Appropriation and distribution of 2020 earnings											
Transfer of special reserve to retained earnings	-	-	-	(6,609)	6,609	-	-	-	-	-	-
Stock option recognized by issuance of convertible bonds	-	5,118	-	-	-	-	-	-	5,118	-	5,118
Profit of 2021	-	-	-	-	171,524	-	-	-	171,524	-	171,524
Other comprehensive income	-	-	-	-	143	47	(13,691)	-	(13,501)	-	(13,501)
Transfer of corporate bonds payables to ordinary shares	108,117	70,051	-	-	-	-	-	-	178,168	-	178,168
Rounding to thousands	-	-	-	-	-	1	-	-	1	-	1
Balance at January 1, 2022	\$1,336,934	\$356,799	\$92,192	\$0	\$318,301	\$(802)	\$117,960	\$(59,797)	\$2,161,587	\$0	\$2,161,587
Appropriation and distribution of 2021 earnings											
Appropriate of legal reserve	-	-	17,167	-	(17,167)	-	-	-	-	-	-
Cash dividend of ordinary shares	-	-	-	-	(40,108)	-	-	-	(40,108)	-	(40,108)
Stock option recognized by issuance of convertible bonds	-	(60)	-	-	-	-	-	-	(60)	-	(60)
Profit of 2022	-	-	-	-	138,097	-	-	-	138,097	-	138,097
Other comprehensive income	-	-	-	-	7,090	122	(52,437)	-	(45,225)	-	(45,225)
Transfer of corporate bonds payables to ordinary shares	842	572	-	-	-	-	-	-	1,414	-	1,414
Treasury shares transferred to employees	-	2,626	-	-	-	-	-	46,550	49,176	-	49,176
Balance at December 31, 2022	\$1,337,776	\$359,937	\$109,359	\$0	\$406,213	\$(680)	\$65,523	\$(13,247)	\$2,264,881	\$0	\$2,264,881

Please refer to the notes to the consolidated financial statements.

HwaCom Systems Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Item	Expressed in thousands of New Taiwan Dollars	
	2022	2021 (Reclassification)
Cash flows from operating activities		
Profit (loss) before tax from continuing operations	\$163,620	\$220,855
Consolidated total profit (loss)	163,620	220,855
Adjustments:		
Items of income and expenses		
Depreciation expenses	72,139	65,132
Amortization expenses	20,545	15,504
Expected credit losses (benefits)	-	16,208
Net gains or losses from financial assets (liabilities) at fair value through profit or loss	1,035	(1,037)
Interest expenses	14,065	14,731
Interest revenue	(2,922)	(1,336)
Dividend revenue	(830)	(380)
Share-based payments	6,551	-
Losses (gains) from disposal and scrap of property, plant and equipment	(219)	(336)
Losses (gains) from disposal of investments	-	(9)
Losses (gains) on lease improvements	(23)	-
Changes in operating assets and liabilities		
Decrease (increase) in contract assets	2,055	9,597
Decrease (increase) in notes receivables	300	(26)
Decrease (increase) in accounts receivables	(756,000)	(140,478)
Decrease (increase) in other receivables	14,324	(1,808)
Decrease (increase) in inventories	704,215	(389,456)
Decrease (increase) in prepaid expenses	2,420	5,178
Decrease (increase) in prepayments	(20,513)	(29,248)
Decrease (increase) in other current assets	22,236	55,706
Increase (decrease) in contract liabilities	(508,973)	741,387
Increase (decrease) in accounts payables	314,396	(220,766)
Increase (decrease) in other payables	8,451	93,884
Increase (decrease) in provisions	(2,536)	662
Increase (decrease) in other current liabilities	4,728	1,415
Increase (decrease) in net defined benefit liabilities	286	(61)
Interests received	2,786	1,318
Dividends received	830	380
Interest paid	(11,504)	(11,275)
Income taxes returned (paid)	(48,358)	(9,696)
Net cash inflow (outflow) provided by operating activities	<u>3,104</u>	<u>436,045</u>
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	(6,000)	-
Acquisition of financial assets at fair value through profit or loss	-	(5,000)
Acquisition of property, plant and equipment	(50,045)	(44,770)
Disposal of property, plant and equipment	1,915	1,854
Increase in refundable deposits	(415,201)	(411,585)
Decrease in refundable deposits	410,819	360,369
Acquisition of intangible assets	(23,083)	(24,034)
Disposal of intangible assets	3	52
Increase in prepayments for equipment	(37,069)	(4,298)
Decrease in prepayments for equipment	15,149	9,116
Net cash inflow (outflow) provided by investing activities	<u>(103,512)</u>	<u>(118,296)</u>
Cash flows from financing activities		
Increase in short-term borrowings	1,545,876	1,782,334
Decrease in short-term borrowings	(1,633,593)	(2,004,574)
Increase in short-term notes payables	100,000	-
Decrease in short-term notes payables	(100,000)	-
Issuance of corporate bonds	-	295,000
Repayments of long-term borrowings	(5,161)	(5,144)
Increase in guaranteed deposits received	1,532	5,520
Decrease in guaranteed deposits received	(3,061)	(969)
Repayments of lease principal	(29,839)	(25,752)
Decrease in other non-current liabilities	-	(187)
Distribution of cash dividends	(40,108)	-
Treasury shares purchased by employees	42,625	-
Net cash inflow (outflow) provided by financing activities	<u>(121,729)</u>	<u>46,228</u>
Effect of movements in exchange on cash and cash equivalents	122	48
Net increase (decrease) in cash and cash equivalents	(222,015)	364,025
Cash and cash equivalents at the beginning of period	<u>988,343</u>	<u>624,318</u>
Cash and cash equivalents at the end of period	<u>\$766,328</u>	<u>\$988,343</u>

Please refer to the notes to the consolidated financial statements.

《Appendix 1》

HwaCom Systems Inc. Rules of Procedure for Shareholders' Meetings

Article 1 To establish a strong governance system and sound supervisory capabilities for this company's shareholders' meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 2 The Rules of procedures for this company's shareholders' meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

Article 3 Unless otherwise provided by law or regulation, this company's shareholders' meetings shall be convened by the Board of Directors.

This company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) 30 days before the date of a regular shareholders' meeting or 15 days before the date of a special shareholders' meeting. This company shall prepare electronic versions of the shareholders' meeting handbook and supplemental meeting materials and upload them to the MOPS 21 days before the date of the regular shareholders' meeting or 15 days before the date of the special shareholders' meeting. This company shall also have prepared the shareholders' meeting handbook and supplemental meeting materials and made them available for review by shareholders at any time. The handbook and supplemental materials shall also be displayed at this company and the professional shareholder services agent designated thereby, and shall be distributed on-site at the meeting.

The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors or supervisors, amendments to the Articles of Incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, capitalization of retained earnings, capitalization of statutory reserves, the dissolution, merger, or demerger of the company, or any matters 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 set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion. The essential contents should be displayed at the competent authority of securities or designated websites, with the address of the website stated in the notice.

The notice of the reasons for convening the shareholders' meeting states the re-election of all directors and supervisors, as well as their inauguration date. Once the re-election is completed during the meeting, this inauguration date cannot be altered by any extraordinary motion or otherwise during the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit to this company a proposal for discussion at a regular shareholders' meeting. The number of items proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. But in case of a shareholder proposing a recommendation for urging the company to promote public interests or fulfill its social responsibilities, the Board of Directors still has to include it in an 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, this company shall

publicly announce its acceptance of shareholder proposals in writing or electronically, 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 the discussion of the proposal.

Prior to the date for issuance of notice of a shareholders' meeting, this 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 the exclusion of any shareholder proposals not included in the agenda.

Article 4 For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this 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' meeting, and shall deliver the proxy form to this company 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 this company, if the shareholder intends to attend the meeting in person or to exercise voting rights in written form or electronically, a written notice of proxy cancellation shall be submitted to this company 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 5 The venue for a shareholders' meeting shall be the premises of this 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 6 This company shall furnish the attending shareholders or proxies entrusted by shareholders (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.

This company shall furnish attending shareholders with the meeting handbook, 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.

Shareholders or proxies appointed by shareholders (referred to as "shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. This company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. A solicitor seeking a solicitation of proxy shall also bring identification documents for verification.

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 a proxy, it may designate only one person to represent it in the meeting.

Article 7 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 vice-chairperson shall act in place of the chairperson; if there is no vice-chairperson or the vice-chairperson also is on leave or for any reason unable to exercise the powers of the vice-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 chaired by the

chairperson of the Board in person and attended by a majority of the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

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

This 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 8 This company shall make an uninterrupted audio and/or video recording of the proceedings of the shareholders' meeting, and the recorded materials 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.

Article 9 Attendance at shareholders' meetings shall be calculated based on the number of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and the sign-in cards handed in, plus the number of shares whose voting rights are exercised in written form 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, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one-third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month.

When, prior to the 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' meeting pursuant to Article 174 of the Company Act.

Article 10 If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). 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 the 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.

The chair shall allow ample opportunities 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 closing of the discussion, call for a vote, and schedule sufficient time for voting.

Article 11 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 who 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 12 Voting at a shareholders' meeting shall be calculated based on the number of shares.

With respect to resolutions of shareholders' meetings, 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 jeopardize the interests of this company, that shareholder may not vote on that item, and may not exercise his voting rights as a proxy from any other shareholders.

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 authority of securities, when one person is concurrently appointed as a 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 13 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted or are deemed non-voting under Article 179, paragraph 2 of the Company Act.

When this company holds a shareholders' meeting, it shall adopt the exercise of voting rights by both electronic means and writing. When voting rights are exercised by electronic means or writing, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by writing 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; it is therefore advisable that this company avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by writing or electronic means under the preceding paragraph shall deliver a written declaration of intent to this company 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 writing 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 under the preceding paragraph shall be submitted two business days before the date of the shareholders' meeting, by the same means as which the voting rights were exercised. If the notice of retraction is submitted after that time, the voting rights already exercised by writing or electronic means shall prevail. When a shareholder has exercised voting rights by writing or electronic means and also appointed 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 this company's Articles of Incorporation, the passing 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 case-by-case voting of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, which include the number of votes for and against and the number of abstentions, shall be entered into the Market Observation Post System (MOPS).

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 it 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 are shareholders of this company.

Vote counting shall be conducted in public at the place of the shareholders' meeting. The results of the voting shall be announced on-site at the meeting, and made into a record.

Article 14 The election of directors or supervisors at a shareholders' meeting shall be held in accordance with the relevant election and appointment rules adopted by this 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 15 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.

This company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the Market Observation Post System (MOPS).

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 voting results (including the number of voting rights). The number of voting rights won by each candidate shall be disclosed in the event of an election of directors or supervisors. The minutes shall be retained for the duration of the existence of this company.

Article 16 On the day of a shareholders' meeting, this 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. The statement shall be explicitly disclosed at the place of the shareholders' meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws and regulations or provisions by Taiwan Stock Exchange Corporation (Taipei Exchange), this company shall upload the content of such resolutions to the Market Observation Post System (MOPS) within the prescribed time period.

Article 17 Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or armbands.

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 this company, the chair may prevent the shareholder from doing so.

When a shareholder violates the Rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed the prohibitions, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18 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 19 These Rules shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

《Appendix 2》

Article of Incorporation of HwaCom Systems Inc.

Chapter 1 General Provisions

Article 1: The company shall be incorporated under the Company Act of the Republic of China, and its name shall be HwaCom Systems Inc.

Article 2: The operating businesses of the company are as follows:

- 1.CA02010 Manufacture of Metal Structure and Architectural Components
- 2.CB01010 Mechanical Equipment Manufacturing
- 3.CB01030 Pollution Controlling Equipment Manufacturing
- 4.CB01990 Other Machinery Manufacturing
- 5.CC01010 Manufacture of Power Generation, Transmission, and Distribution Machinery
- 6.CC01020 Electric Wires and Cables Manufacturing
- 7.CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing
- 8.CC01040 Lighting Equipment Manufacturing
- 9.CC01060 Wired Communication Equipment and Apparatus Manufacturing
- 10.CC01070 Telecommunication Equipment and Apparatus Manufacturing
- 11.CC01080 Electronics Components Manufacturing
- 12.CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
- 13.CC01110 Computer and Peripheral Equipment Manufacturing
- 14.CC01120 Data Storage Media Manufacturing and Duplicating
- 15.CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
- 16.CD01020 Rail Vehicle and Parts Manufacturing
- 17.CD01060 Aircraft and Parts Manufacturing
- 18.CD01990 Other Transport Equipment and Parts Manufacturing
- 19.E502010 Fuel Catheter Installation Engineering
- 20.E599010 Piping Engineering
- 21.E601010 Electric Appliance Construction
- 22.E601020 Electric Appliance Installation
- 23.E603010 Cable Installation Engineering
- 24.E603040 Fire Fighting Equipment Installation
- 25.E603050 Automatic Control Equipment Engineering
- 26.E603080 Traffic Signs Installation Engineering
- 27.E603090 Lighting Equipment Installation Engineering
- 28.E603100 Electric Welding Engineering
- 29.E604010 Machinery Installation
- 30.E605010 Computer Equipment Installation
- 31.E701010 Telecommunications Construction
- 32.E701020 Satellite Television KU Channels and Channel C Equipment Installation
- 33.E701030 Restrained Telecommunications Radio-Frequency Devices Installation Engineering
- 34.E701040 Simple Telecommunications Equipment Installation
- 35.E801010 Indoor Decoration
- 36.E901010 Painting Engineering
- 37.EZ05010 Instrument and Meters Installation Engineering
- 38.EZ06010 Traffic Marking Engineering
- 39.EZ15010 Warming and Cooling Maintenance Construction
- 40.EZ99990 Other Engineering
- 41.F108031 Wholesale of Medical Apparatus
- 42.F113010 Wholesale of Machinery
- 43.F113020 Wholesale of Electrical Appliances
- 44.F113030 Wholesale of Precision Instruments

- 45.F113050 Wholesale of Computers and Clerical Machinery Equipment
- 46.F113060 Wholesale of Measuring Instruments
- 47.F113070 Wholesale of Telecommunication Apparatus
- 48.F113090 Wholesale of Traffic Sign Equipment and Materials
- 49.F113100 Wholesale of Pollution Controlling Equipment
- 50.F113110 Wholesale of Batteries
- 51.F114010 Wholesale of Automobiles
- 52.F114030 Wholesale of Motor Vehicle and Motorcycle Parts and Accessories
- 53.F114070 Wholesale of Aircraft and Parts
- 54.F114080 Wholesale of Rail Vehicles and Parts
- 55.F114990 Wholesale of Other Transport Equipment and Parts
- 56.F118010 Wholesale of Computer Software
- 57.F119010 Wholesale of Electronic Materials
- 58.F208031 Retail sale of Medical Equipment
- 59.F209060 Retail Sale of Culture, Education, Musical Instruments, and Educational Entertainment Supplies
- 60.F213010 Retail Sale of Electrical Appliances
- 61.F213030 Retail Sale of Computers and Clerical Machinery Equipment
- 62.F213040 Retail Sale of Precision Instruments
- 63.F213050 Retail Sale of Measuring Instruments
- 64.F213060 Retail Sale of Telecommunication Apparatus
- 65.F213080 Retail Sale of Machinery and Equipment
- 66.F213090 Retail Sale of Traffic Sign Equipment and Materials
- 67.F213100 Retail Sale of Pollution Controlling Equipment
- 68.F214010 Retail Sale of Motor Vehicles
- 69.F214030 Retail Sale of Motor Vehicle and Motorcycle Parts, Accessories
- 70.F214070 Retail Sale of Aircraft and Parts
- 71.F214080 Retail Sale of Rail Vehicles and Parts
- 72.F214090F114990 Retail Sale of Other Transport Equipment and Parts
- 73.F218010 Retail Sale of Computer Software
- 74.F219010 Retail Sale of Electronic Materials
- 75.F401010 International Trade
- 76.F401021 Restrained Telecommunications Radio-Frequency Equipment and Materials Import
- 77.F601010 Intellectual Property Rights
- 78.I103060 Management Consulting
- 79.I301010 Information Software Services
- 80.I301020 Data Processing Services
- 81.I301030 Electronic Information Supply Services
- 82.I401010 General Advertising Services
- 83.I501010 Product Designing
- 84.IE01010 Telecommunications Number Agencies
- 85.IG02010 Research and Development Service
- 86.IG03010 Energy Technical Services
- 87.IZ03010 Clipping
- 88.IZ12010 Manpower Services
- 89.IZ13010 Internet Certificates Service
- 90.IZ15010 Market Research and Public Opinion Polling
- 91.JA02010 Electric Appliance and Electronic Products Repair
- 92.JE01010 Rental and Leasing
- 93.ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The company shall have its head office in New Taipei City, the Republic of China, and may, pursuant to a resolution adopted at the meeting of the Board of Directors, set up branch offices within or outside the territory of the Republic of China when deemed necessary.

Article 4: Public announcements of the company shall be made according to Article 28 of the Company Act.

Article 4-1: The company may make a shift in investments to other businesses pursuant to business needs, provided that the total investment amount does not exceed 40% of the company's paid-in capital.

Article 4-2: The company may endorse and guarantee external parties.

Chapter 2 Capital Stock

Article 5: The total capital of the company shall be in the amount of NTD 2 billion, divided into 200 million shares, at NTD 10 each, and to be issued in installments. For unissued shares, the Board of Directors is authorized to determine their issuance based on actual needs. NTD 50,000,000 of the total capital in the first item is reserved for the issuance of employee stock option certificates, totaling 5,000,000 shares at a price of NTD10 per share. The issuance may be conducted in multiple installments based on the resolution of the Board of Directors.

Article 5-1: The company may issue employee stock option certificates at a price not restricted by relevant regulations. However, such issuance requires the attendance of shareholders representing over half of the total issued shares, and approval by a two-thirds majority of the voting rights present at the shareholders' meeting. The company may submit multiple applications for issuance within one year from the date of the shareholders' meeting resolution. The recipients of the employee stock option certificates issued by the company may include employees of the controlling or subsidiary companies, and the specific conditions and recipients shall be deliberated by the Board of Directors in accordance with the Company Act.

Article 5-2: After the company repurchases the treasury stocks, it may transfer to employees at a price lower than the average repurchase price. However, it is subject to the provision of relevant laws and regulations and the approval from a shareholders' meeting, in which the attendance of shareholders representing over half of the total issued shares, and with a majority vote of two-thirds of the voting rights present at the shareholders' meeting. The transfer of treasury stocks by the company to employees may include employees of the controlling or subsidiary companies, and the specific conditions and recipients shall be deliberated by the Board of Directors in accordance with the Company Act.

Article 5-3: When the company issues new shares, the employees who subscribe for shares may include employees of the controlling or subsidiary companies, and the specific conditions and recipients shall be deliberated by the Board of Directors in accordance with the Company Act.

Article 5-4: The recipients of the restricted stock awards issued by the company may include employees of the controlling or subsidiary companies, and the specific conditions and recipients shall be deliberated by the Board of Directors in accordance with the Company Act.

Article 6: Deleted

Article 7: The share certificates of the Company shall be in registered form, and before they are issued, shall be signed by or affixed with the seals of no less than three Directors of the Company, and be certified pursuant to the law. After the public issuance of the company's shares, the issued shares may be exempted from the printing of physical stock certificates. When issuing new shares, the company may combine the printing of the total

number of shares for that issuance, but it should be registered or safeguarded by a centralized securities depository enterprise.

Article 8: The transfer of stock ownership due to a change of name shall be suspended within sixty days prior to the regular shareholders' meeting, within thirty days prior to the extraordinary shareholders' meeting, or within five days prior to the record date for the distribution of dividends, bonuses, or other benefits, as determined by the company.

Chapter 3 Shareholders' Meeting

Article 9: Shareholders' meetings of the Company are of two kinds: Regular meetings and Special meetings. Regular meetings shall be convened once within six months after the end of every fiscal year, by the Board of Directors according to the laws and regulations. Special meetings shall be convened whenever necessary according to the laws and regulations.

Article 10: If a shareholder cannot be present at the shareholders' meeting due to unforeseen circumstances, he/she may issue a letter of authorization printed by the company to state the scope of authorization and appoint a proxy to attend with a signature and a seal.

Article 11: A shareholder of the Company shall be entitled to one vote for each share held, except occurring circumstances under the provision of Article 179 of the Company Act.

Article 12: Unless otherwise provided for in the Company Act, a resolution of the shareholders' meeting shall be adopted only if attended by shareholders representing more than one-half of the total issued shares of the Company, and with a majority of affirmative votes by the shareholders present at the meeting.

Chapter 4 Directors and Audit Committee

Article 13: The Company shall have 7-9 Directors, with at least two independent directors. The election of directors adopts a nomination system, with a term of office of three years. Directors are elected at the shareholders' meeting from among the individuals of legal capacity, and all directors shall be eligible for re-election.

The election of directors of the Company is pursuant to Article 198 of the Company Act, and the election of independent directors and directors is also pursuant to Article 198 of the Company Act. The elections of independent directors and non-independent directors shall be held together, and the number of votes for positions to be elected shall be counted separately. Candidates with the highest voting rights represented by the number of votes shall be elected as independent directors and non-independent directors.

Article 13-1: An Audit Committee is established by the Company in accordance with Article 14-4 of the Securities and Exchange Act, and is composed of all independent directors.

Article 14: The Directors shall constitute the Board of Directors and shall elect one Chairman of the Board from among themselves by a majority at a meeting attended by at least two-thirds of the Directors. The Vice-Chairman is also elected using the same method. The Chairman shall externally represent the Company.

Article 14-1: When a Board of Directors meeting is convened, directors shall attend in person. If a director cannot be present at the Board of Directors meeting in person due to unforeseen circumstances, he/she may appoint a proxy from other directors to attend the meeting in accordance with the law. The proxy stated above is limited to being appointed by one person only.

Directors shall be notified of the convening of the Board of Directors meeting seven days prior to the date of the meeting. However, in case of urgent matters, the meeting may be convened at any time. The reasons for the meeting specified in the meeting notice under the preceding paragraph shall be delivered in written form, E-mail, or fax.

Article 15: When the chairperson of the Board is on leave or undergoes any unforeseen circumstances and cannot exercise his/her powers and duties, its proxy procedure shall be conducted in accordance with the provisions in Article 208 of the Company Act.

Article 16: The Board of Directors is authorized to determine the remunerations of directors (including independent directors) according to their participation in business operations of the Company and the value of their contribution, and also by referencing the industry standards.

Chapter 5 Managerial Officials

Article 17: The Company may appoint one general manager and several deputy general managers. The appointment, dismissal, and remuneration of the managerial officers shall be pursuant to Article 29 of the Company Act.

Chapter 6 Accounting

Article 18: After the end of each fiscal year, a business report, financial statements, and a compilation of statements concerning the appropriation of net profits or making up losses shall be prepared by the Board of Directors, and shall be submitted to the regular shareholders' meeting for acceptance in accordance with the law.

Article 19: Deleted

Article 20: If there is profit at the end of the fiscal year, a ratio of 10-20% of the profits that year shall be appropriated as employees' remunerations, and the remunerations for directors and supervisors shall not exceed 1% of the profits that year. However, if the Company has accumulated losses, the profits shall be retained to make up for the losses first. The recipient of the distribution of remunerations by the company includes employees of controlling or subsidiary companies, and the specific conditions and recipients are determined by the resolution of the Board of Directors in accordance with Article 202 of the Company Law.

If there are net profits in the annual general final accounts of the company, firstly they are appropriated for taxes and making up accumulated losses, secondly, 10% of them are appropriated as statutory reserves, and special reserves are allocated in accordance with the law. When necessary, part of the profits may be retained after consideration, and the remaining amount is set as shareholder dividends.

The industry of the company is undergoing a growing phase, and in consideration of the future capital needs of the company and to meet shareholders' demands for cash flow, if the company has a surplus in its annual final financial statements, the distribution of shareholder dividends for that year shall consist of cash dividends not less than 10 percent, with the remainder distributed in the form of stock dividends. If the distribution shall be carried out through the issuance of new shares, it shall be distributed after the resolution of the shareholders' meeting.

In accordance with Article 240, Paragraph 5 of the Company Act, the Board of Directors is authorized that after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by at least two-thirds of the total number of directors, all or portion of the distributable dividends and bonuses may be paid in cash, and this act is reported to the shareholders' meeting.

Article 20-1: The company shall distribute all or a portion of the statutory reserves and capital reserves to shareholders in the form of new shares or cash, in proportion to their original shareholdings. When distributing in cash, the Board of Directors is authorized to adopt the resolution with the attendance of at least two-thirds of the directors and a majority vote of the attending directors, in accordance with the provisions of the Company Act, and report to the shareholders' meeting.

Chapter 7: Supplementary Provisions

Article 21: Any matters not covered in this Article of Incorporation shall be handled in accordance

with the provisions of the Company Law.

Article 22: This Articles of Incorporation was established on 25th April 1994.

The first amendment was revised on 4th August 1997.

The second amendment was revised on 8th September 1997.

The third amendment was revised on 4th June 1998.

The 4th amendment was revised on 11th November 1999.

The 5th amendment was revised on 29th February 2000.

The 6th amendment was revised on 6th April 2000.

The 7th amendment was revised on 30th May 2000.

The 8th amendment was revised on 13th June 2001.

The 9th amendment was revised on 18th June 2002.

The 10th amendment was revised on 10th June 2003.

The 11th amendment was revised on 24th June 2004.

The 12th amendment was revised on 16th June 2005.

The 13th amendment was revised on 23rd June 2006.

The 14th amendment was revised on 27th June 2008.

The 15th amendment was revised on 10th June 2009.

The 16th amendment was revised on 18th June 2010.

The 17th amendment was revised on 22nd June 2011.

The 18th amendment was revised on 18th June 2012.

The 19th amendment was revised on 25th June 2013.

The 20th amendment was revised on 27th June 2014.

The 21st amendment was revised on 12th June, 2015.

The 22nd amendment was revised on 21st June, 2016.

The 23rd amendment was revised on 28th June, 2017.

The 24th amendment was revised on 28th June, 2019.

The 25th amendment was revised on 24th June, 2020.

The 26th amendment was revised on 2nd August, 2021.

The 27th amendment was revised on 23rd June, 2022.

《Appendix 3》

HwaCom Systems Inc. Procedures for Director and Supervisor Elections

1. The election of directors and supervisors of the company shall be conducted in accordance with these Procedures.
2. The election of directors and supervisors of the company adopts a nominee cumulative voting method. The Board of Directors shall prepare ballots for the election, and the name of the voter is replaced by the attendance card number printed on the ballot. And according to the number of the attendance card, the number of voting rights is thereby added. Each share will have voting rights in number equal to the directors and supervisors to be elected, and may be cast for a single candidate or split among multiple candidates.
3. In the election of directors and supervisors of the company, the number of positions is stipulated by the Articles of Incorporation. The results are calculated according to the votes, and the candidate who has the highest voting rights represented by the votes win the election. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner. The chair will draw lots on behalf of any person not in attendance. If the same person was elected both director and supervisor, he/she shall decide to serve as a director or a supervisor. Among the elected directors and supervisors, if there are any discrepancies in personal information after verification, or the election becomes invalid according to the regulation, the vacancy will be filled by the candidate with the second most votes.
4. When the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel.
5. During the election, the voter shall write the name of the candidate on the ballot and may include the shareholder account number of the candidate before placing it into the ballot box. The voter must fill in the name of the candidate and indicate the shareholder account number in the "Candidate" field of the ballot. If the candidate is not a shareholder but a juridical person shareholder, the "Candidate" field on the ballot should indicate the name of the juridical person and the name of its representative.
6. A ballot is invalid under any of the following circumstances:
 - (1) The ballot used does not align with the regulation of these Procedures.
 - (2) Besides the name of the candidate and his/her shareholder account No., other words or marks are written.
 - (3) The writing is unclear and indecipherable.
 - (4) The candidate name entered does not conform to the shareholders' list.
 - (5) The name of the candidate entered is the same as that of another shareholder but has not entered the shareholder account number for identification.
 - (6) The number of candidates entered exceeds the stipulated number of positions to be elected. (7) A ballot that has not been placed into the ballot box or an unwritten blank ballot is placed.
7. After all the ballots are placed into the ballot box, it shall be opened by the vote monitoring personnel.
8. If there are any doubts about a ballot, it shall be verified by the vote monitoring personnel to determine if it is invalid. The invalidated ballots should be set aside separately. After the completion of vote counting, the number of invalid votes and their representing voting rights are calculated, and the vote monitoring personnel shall endorse the invalidation of the ballots with signatures and seals.
9. After verifying the total of valid and invalid votes without any discrepancies, the vote monitoring personnel will enter the number of valid and invalid vote counts, and their corresponding voting rights, into a record sheet separately. The chairperson will then announce the names of the elected candidates and their shareholder account numbers. For any incompliance with the provision of Article 26-3, Paragraph 4 of the Securities and Exchange Act, the election result will be deemed invalid.
10. Matters not provided for in this regulation shall be handled in accordance with the regulations of the company.

These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders' meeting.

《Appendix 3》

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

The proposal and adaption of the current profit distribution plan do not involve stock dividend distribution.

《Appendix 4》

HwaCom Systems Inc. Shareholding of Directors and Supervisors of the Company

1. Types of shares issued and the total number of shares: Common stock 140,354,175 shares
2. The minimum statutory shareholding requirement for all directors: 8,421,250 shares
3. The minimum statutory shareholding requirement for all supervisors: 842,125 shares
4. The directors were elected and appointed on 23rd June 2022, with a total of six directors and three independent directors being elected. Their term of office is from 23rd June 2022 to 22nd June 2025, with a duration of three years.

Book closure date: 2nd May 2023

Title	Name or Name of juridical person	Shareholding at the book closure date	
		No. of shares	Ratio(%)
Chairman	Chen Guo-Zhang (陳國章)	6,063,097	4.32%
Director	Advantech Co., Ltd. Representative: Huang Zi-Zhe (黃子哲)	24,575,000	17.51%
Director	Guan Min-Zhi (管敏志)	Remark 1	
Director	Huang Ying-Jian (黃英健)	225,975	0.16%
Director	Weng Shua-Hong (翁刷鴻)	90,688	0.06%
Independent Director	Li Hsu-Tung (李旭東)	0	0.00%
Independent Director	Li Ming-Jun (李明峻)	0	0.00%
Independent Director	Weng Chong-Xiong (翁崇雄)	0	0.00%
Total		30,954,760	22.05%

Remark 1: Director Guan Min-Zhi (管敏志) has resigned on 17th April 2023.