

Stock Code: 5410



LEO SYSTEMS, INC.

The Minutes for the 2024 Annual Meeting of  
Shareholders

(English Translation)

# Leo System Inc.

## 2024 Annual Shareholders' Meeting Minutes

Meeting Time: 9 a.m. (Wednesday) 5 June 2024.

Meeting Location: Meeting Hall, 2F., No. 12, Zhouzi St., Neihu Dist., Taipei City

Attending shareholders and proxy representing: 60,719,393 shares (among them, 2,559,316 shares voted via electronic transmission), which accounts for 67.93% of total 89,389,123 outstanding shares.

Director attendees : Chairman Wang,Chau-Chyun, Director Shao,Huey-Jou, Independent director and convener of the audit committee Cheng,Sheng-In, Independent director Chen,Yen-Hui. and Independent director Liao Hsiang-Ruei. , a total of 5 directors attended, more than half of the 7 directors.

Other attendees : Certified Public Accountant Chang, Chih-Yi, Lawyer Peng,Yi-Chen, Financial Director Peng Hung-Chin.

Chairman: Wang,Chau-Chyun

Recorder: Peng Hung-Chin.

1. Commencement of meeting: The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.
2. Chairman's speech: (Omitted)
3. Reported matters
  - (1) 2023 Business Report is submitted for review.  
Illustration: For 2023 Business Report, please refer to Attachment 1.
  - (2) 2023 Audit Committee Audit Report is submitted for review.  
Illustration: For Audit Committee Audit Report, please refer to Attachment 2.
  - (3) 2023 Employee and Director Remuneration Distribution Status Report is submitted for review.
    - A. In accordance with Article 21 of the Company's Articles of Incorporation, depending on the profit of the Company in the current year, 5% shall be distributed as employee remuneration and no more than 2% of the current-year profit shall be distributed as director remuneration. However, if the Company still has accumulated losses, such losses shall be compensated.
    - B. Employee remuneration of NT\$12,272,167 and director remuneration of NT\$4,908,867 are provisioned for 2023, both to be issued in cash.
    - C. The above amounts are consistent with the expense accounted for in 2023.

There are no questions from shareholders regarding the above reports, so please contact us.

#### 4.Approval Matters

Agenda 1 Proposed by Board of Directors

Subject: 2023 Business Report and Financial Statements are submitted for approval

Illustration:

- (1) The Company's 2023 consolidated financial statements and annual parent company only financial statements have been audited by CPAs Chang, Chih-Yi and Shyu,Wen-Yea of Deloitte Taiwan and have submitted to the audit committee for review together with the Business Report. A written audit report has been issued.
- (2) 2023 Business Report, CPA Audit Report, consolidated financial statements and annual parent company only financial statements are included as Attachment 1 and Attachment 3.
- (3) Approval requested.

Resolution:

RESOLVED, There were no questions from shareholders in this case, and the above proposal be and hereby was approved as proposed.

Voting Results: Shares present at the time of voting: 60,717,393 (Including 2,559,316 shares from electronic voting).

Voting Results	% of the represented share present
Votes in favor-50,157,025 votes (electronic votes-998,959 votes)	97.43%
Votes against-40,276 votes (electronic votes-40,276 votes)	0.07%
Invalid Votes-0 votes(electronic votes-0 votes)	0.00%
Votes abstained / Not Voted-1,520,092 votes (electronic votes-1,520,081 votes)	2.50%

Agenda 2 Proposed by Board of Directors

Subject: 2023 Profit Distribution Proposal is submitted for approval.

Illustration:

- (1) The Company's 2023 after-tax profit is NT\$188,446,847. It is proposed that NT\$187,717,158 be distributed as cash dividend. Based on 89,389,123 outstanding shares as of 29 February 2024, cash dividend per share is NT\$2.1. According to the Company Act and Article 20 of the Articles of Incorporation of the Company, Please refer to the Profit Distribution Statement of 2023.
- (2) Among the amount of this profit distribution, 2023 profit shall be distributed first.
- (3) If the number of outstanding shares changes due to subsequent change in the Company's share capital, buyback of the Company's shares, transfer or cancellation of treasury shares, exercise of employee stock options or other reasons, resulting in a change of shareholder dividend distribution ratio, it is proposed that the general shareholders' meeting authorize the chairman to handle the event with full discretion.
- (4) This cash dividend will be calculated up to a minimum of NT\$1 in accordance with the distribution ratio. Any fractional number shall be ignored. The sum of fractional numbers shall be adjusted based on the numbers following the decimal point in descending order and also in the order of registration of shareholder account number to calculate the final total amount of cash dividend to be distributed.
- (5) Upon approval of this proposal by the shareholders' meeting, the chairman is authorized to set relevant matters such as the dividend distribution record date and issue date, etc.
- (6) Approval requested.

Resolution:

RESOLVED, There were no questions from shareholders in this case, and the above proposal be and hereby was approved as proposed.

Voting Results: Shares present at the time of voting: 60,717,393 (Including 2,559,316 shares from electronic voting).

Voting Results	% of the represented share present
Votes in favor-59,155,378 votes (electronic votes-997,312 votes)	97.42%
Votes against-40,278 votes (electronic votes-40,278 votes)	0.07%
Invalid Votes-0 votes(electronic votes-0 votes)	0.00%
Votes abstained / Not Voted-1,521,737 votes (electronic votes-1,521,726 votes)	2.51%

LEO Systems, Inc.  
Profit Distribution Statement of 2023

Unit: NT\$

Item	Amount
Beginning undistributed profit	89,910,556
Actuarial (loss) profit included to retained earnings	(4,599,264)
Undistributed profit after adjustment	85,311,292
Net profit after tax in 2023	188,446,847
Less: 10% of profit withdrawn as statutory surplus reserve	(18,384,758)
Add: Reversal of special surplus reserve in accordance with law	22,416,512
Profit available for distribution	277,789,893
Distribution items	
Shareholders' dividends-NT\$2.1 per share in cash (Note)	(187,717,158)
Undistributed profit at the end of period	90,072,735

Note: The number of shares above is calculated as 89,389,123 outstanding shares as of February 29, 2024.

Chairman:  
Wang,Chau-Chyun

General Manager:  
Wang,Chau-Chyun

Accounting Manager:  
Peng,Hung-Chin

## 5. Discussion Matters

Agenda 1 Proposed by Board of Directors

Subject: Amendment to certain clauses of the Company's Articles of Incorporation is submitted for discussion.

Illustration:

- (1) In order to strengthen corporate governance, some provisions of the company's "Articles of Association" have been revised.
- (2) Clauses of the Articles of Incorporation before and after amendment are listed in Attachment 4.
- (3) Discussion requested.

Resolution:

RESOLVED, There were no questions from shareholders in this case, and the above proposal be and hereby was approved as proposed.

Voting Results: Shares present at the time of voting: 60,717,393 (Including 2,559,316 shares from electronic voting).

Voting Results	% of the represented share present
Votes in favor-59,153,572 votes (electronic votes-995,506 votes)	97.42%
Votes against-42,386 votes (electronic votes-42,386 votes)	0.07%
Invalid Votes-0 votes(electronic votes-0 votes)	0.00%
Votes abstained / Not Voted-1,521,435 votes (electronic votes-1,521,424 votes)	2.51%

## 6. Election Matters

Agenda 1 Proposed by Board of Directors

Subject: Comprehensive re-election of directors and independent directors, proposed for election.

Illustration:

- (1) The term of office of the company's 17th director was originally scheduled to expire on July 25, 2024, in conjunction with the comprehensive re-election at this regular shareholders' meeting.
- (2) According to Article 14 of the Company's Articles of Association, seven directors (including four independent directors) shall be elected through a candidate nomination system. The new director's term will be three years, from June 5, 2024 to June 4, 2027. The term of office of the original directors shall end when this regular meeting of shareholders is completed.
- (3) Independent director candidate Liu, Thu-Hua has served as an independent director of the company for three consecutive terms. According to the provisions of Article 5 of the "Regulations on the Establishment and Compliance of Independent Directors of Publicly Offered Companies", the reasons for his continued nomination as an independent director and all directors should be announced. For the list of candidates (including independent directors) and related information, please refer to Attachment 5.
- (4) Please vote.

Election Results: The list of newly elected directors and independent directors with indication of votes received is as follows:

Nominee categories	Account number or identity document number	Account name or Name	Voting Results(votes)
Director	00000691	University Venture Co., Ltd. Wang,Chau-Chyun	68,358,066
Director	00000691	University Venture Co., Ltd. Chien Leo Ming Tz	61,291,172
Director	00021178	WYC God-loving Foundation for Charity.Wen,Chien-Liang	59,531,320
Independent director	F12088 * * * *	Liu,Thu-Hua	55,676,265
Independent director	R10022 * * * *	Chen,Yen-Hui	55,409,877
Independent director	A22353 * * * *	Cheng,Sheng-In	55,117,300
Independent director	G12078 * * * *	Liao,Hsiang-Ruei	55,032,970

## 7.Other Motions

Agenda 1 Proposed by Board of Directors

Subject: Lifting restrictions on non-competition behavior of the company' s new directors(independent directors) and their representatives for discussion.

Illustration:

- (1) According to Article 209 of the Company Law, if a director commits an act within the scope of the company's business for himself or others, he must explain the important content of his act to the shareholders' meeting and obtain its permission.
- (2) In order to make use of the expertise and relevant experience of the directors of the company, without prejudice to the interests of the company, it is proposed to submit to the regular meeting of shareholders for approval to lift the non-competition restrictions on the newly elected directors(independent directors) and their representatives. Please refer to Appendix 6 for the lifting details.
- (3) Please discuss.

Resolution:

RESOLVED, There were no questions from shareholders in this case, and the above proposal be and hereby was approved as proposed.

Voting Results: Shares present at the time of voting: 60,717,393 (Including 2,559,316 shares from electronic voting).

Voting Results	% of the represented share present
Votes in favor-59,074,209 votes (electronic votes-916,143 votes)	97.29%
Votes against-67,782 votes (electronic votes-67,782 votes)	0.11%

Invalid Votes-0 votes(electronic votes-0 votes)	0.00%
Votes abstained / Not Voted-1,575,402 votes (electronic votes-1,575,391 votes)	2.60%

8.Motions : After the chairman consulted all shareholders present. There were no questions from shareholders in this case, and no extraordinary motion was raised.

9.Adjournment : At 9:22 am on the same day, the chairman announced the adjournment of the meeting.

Chairman: Wang,Chau-Chyun

Recorder: Peng Hung-Chin.



## Attachment 1

### **Leo Systems, Inc. 2023 Business Report**

Looking back on 2023 in the Republic of China, with the end of the COVID-19 epidemic, the impact on the global economy has gradually eased. However, affected by geopolitical conflicts and global inflation, the economic prospects are still difficult to improve, and the momentum of global economic growth has slowed down. In terms of the domestic economy, Taiwan's export growth has slowed down, and manufacturers' investments have turned conservative. Fortunately, the impact of the epidemic has gradually faded, and relevant government measures have gradually opened up. Domestic consumption and related industries have performed better, which has shifted economic support from export sales to domestic demand, and the overall performance has not been stable. produce too much fluctuation. Leo Systems, Inc. is in the information services industry, and its main sales market is in Taiwan. With the efforts of our management team, we are facing the post-epidemic challenges with our customers with a full range of software and hardware services. However, in 2022, due to benefiting from the Ministry of Education's "Program for Promotion of Online Learning in Primary and Secondary Schools", both revenue and profit increased significantly compared with previous years. However, this project will slow down after 2023, so compared with 2022, 2023 will have both revenue and profit decreased significantly.

When looking into the year of 2024, our management team will continually improve the value and efficiency of customer service, promote the Company's digital transformation, and contribute to the global environmental protection while maintaining further business growth in the hope that we can live up to the support and expectations from our shareholders.

#### (I) Business plan and implementation results of 2023

##### A. Business plan and implementation results of 2023

In 2023, the economy was affected by the post-COVID-19 epidemic. Due to the lack of the Ministry of Education's "Program for Promotion of Online Learning in Primary and Secondary Schools", the Leo Systems, Inc.'s business has significantly reduced operating income and net profit. Individual revenue and consolidated revenue in 2023 were 3,248,817 thousand NTD\$ and 3,457,717 thousand NTD\$, which is a significant decrease of 47.62% and 47.97% respectively compared with the individual revenue and consolidated revenue of Leo Systems, Inc. in 2022 which were 6,202,141 thousand NTD\$ and 6,645,116 thousand NTD\$ respectively. The individual statement net profit for the year and the consolidated net profit for the year for this year were 188,447 thousand NTD\$ and 188,582 thousand NTD\$, a significant decrease from 2022 to 96,923 thousand NTD\$ and 96,771 thousand NTD\$ respectively.

Analysis of Financial Revenue and Expenditure & Profitability-Individual

Unit: NT\$1,000

	Item	2023	2022
Financial revenue and expenditure	Operating revenue	3,248,817	6,202,141
	Gross profit	621,594	814,120
	Operating expenses	441,387	531,948
	Profit from operations	180,207	282,172
	Net profit for the year	188,447	285,370
	Profitability	Return on assets (%)	5.06
Return on equity (%)		13.11	20.77
Net profit margin (%)		5.80	4.60
Basic earnings per share (NT\$)		2.12	3.24

Analysis of Financial Revenue and Expenditure & Profitability-Consolidated

Unit: NT\$1,000

	Item	2023	2022
Financial revenue and expenditure	Operating revenue	3,457,717	6,645,116
	Gross profit	649,480	854,261
	Operating expenses	464,554	552,869
	Profit from operations	184,926	301,392
	Net profit for the year	188,582	285,353
	Profitability	Return on assets (%)	4.91
Return on equity (%)		13.11	20.77
Net profit margin (%)		5.45	4.29
Basic earnings per share (NT\$)		2.12	3.24

The business operation of the Company in 2023 is described as follows:

1. Concentration on all-around information communication infrastructure integration services
  2. Promote the integration of smart manufacturing systems
  3. Development of automatic application services for each industry after the epidemic
  4. Continual innovations in products and services by sticking to the spirit of ESG sustainable development
- B. Execution status of budget of 2023: The Company executes the management policy approved by the Board of Directors every year. The Company didn't disclose and issue any financial forecast in 2023, and therefore it is not applicable.
- C. R&D status: The R&D team of the Company has already possessed data information integration capability. In recent years, the R&D team has engaged in the development of AI and machine learning, researched and developed AI

technological integration application platform, established training emulators, and worked on the development of AI preventive medical techniques, etc.

(II) Outline of business plan of 2024

A. Management policy:

The management policy of 2024 will focus on the continual R&D of LEO-ESG sustainable intelligent AIoT system platform and industrial IIoT intelligent manufacturing AIoT value-added technical platform, for the purpose of becoming a specialized AIoT system integration technology team in the field of SI. Additionally, we will also pay attention to service fields including cloud computing, ESG, network communication, IoT and AI.

B. Organizational structure:

The organizational structure of the Company comprises General Manager Office, Operation Department and Administration Department. The Operation Department includes Business Unit 1 (BU1), Business Unit 2 (BU2), Business Unit 3 (BU3), Business Unit 4 (BU4), Business Unit 5 (BU5), Business Unit 7 (BU7), R&D Center. Each department is specialized in relevant professional fields and works together to form concerted efforts with the objective to reinforce the Company's core competitiveness.

C. Influence from external competitive environment, regulatory environment, and overall operation environment

1. Tough challenges are faced regarding information security, and the requirements of customers for information services become increasingly complicated.
2. The supply of information communication products is continuously unstable, and the delivery period required by customers is challenging; due to the shortage of IC raw materials, the delivery period is postponed, which does not benefit delivery and shipment.
3. The Company is seriously lack of software talents with the rising of solutions in the fields of AI and blockchain.
4. The operational strategies for online digital marketing business must be transformed due to the influence of the epidemic and the changes of the original manufacturers' policies.

D. Future development strategies

1. Concentration on all-around information communication infrastructure integration services
2. Continual strengthening of all-area, mobile maintainability and management system
3. Active R&D of ESG sustainable intelligent AIoT system technical platform
4. Continual development of 5G and AIoT factory automation solutions
5. Active development of intelligent medical and healthcare system integration solutions

6. Active cultivation of application software manpower and expansion of financial business application solutions.
- E. Expected sales volume and basis as well as important production and sales policies

Since the Company is specialized in the information service industry with a great many types of products, it is relatively uneasy to estimate the expected sales quantity. Additionally, no financial forecast was issued for the Company in 2024. As for production and sales policies, the Company is not involved in production, and purchases by orders so that our inventory amount is maintained at a relatively low level, and the Company's operation cost can be reduced.

Thanks to the encouragement and support from each shareholder and the cooperative efforts exerted by all employees and teams, the Company will stick to the corporate culture of "Professionalism, Technology, Quality, Service" and the down-to-earth management concept, and advance the deployment and deployment upon the coming of the era of 5G and AIoT and the increasing attention drawn by ESG so that LEO can take a place and create and share profits with shareholders upon maturity of the market applications.

Chairman:  
Wang,Chau-Chyun

General Manager:  
Wang,Chau-Chyun

Accounting Manager:  
Peng,Hung-Chin

Attachment 2

## LEO Systems, Inc. Audit Report of the Audit Committee

The Board of Directors prepared and submitted individual and consolidated financial reports for the year 2023, and these reports have already been verified by CPAs Chang, Chih-Yi and Shyu, Wen-Yea from Deloitte & Touche, Taiwan who issued an audit report. The Audit Committee has reviewed and confirmed that no inconsistency has existed in the aforesaid financial reports together with business report and proposal for profit distribution, and thus reports as above for review according to the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Regards.

Regular Shareholders' Meeting of the Company in 2024

LEO Systems, Inc.  
Audit Committee  
Convener: Cheng, Sheng-In

Date: March 8, 2024

## *Attachment 3*

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Leo Systems, Inc.

#### **Opinion**

We have audited the accompanying consolidated financial statements of Leo Systems, Inc. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the consolidated financial statements for the year ended December 31, 2023 is stated as follows:

#### Revenue Recognition

In accordance with the accounting policy described in Note 4, revenue from the sale of goods is recognized when the customer obtains the control and satisfies the performance obligations. We performed analytical procedures to determine the gross profit margin of the revenue and selected the higher gross profit margin of the product sales, the total amount of which is material to the financial statements were deemed to be a key audit matter.

We understood and tested the effectiveness of the design and implementation of internal controls with respect to revenue recognition and accounting policy. We verified the consistency of related contracts or sales orders between the accounting treatment for sales of goods and the policy on revenue recognition. We selected samples of revenue from the aforementioned products to confirm that revenue transactions had indeed occurred and been met in accordance with the accounting standards.

#### **Other Matters**

We have also audited the parent company only financial statements of Leo Systems, Inc. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified 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 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 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 management and 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 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.



The engagement partners on the audits resulting in this independent auditors' report are Chih-Yi Chang and Wen-Yea, Shyu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 8, 2024

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# LEO SYSTEMS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 533,868	18	\$ 307,135	7
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 33)	100,000	3	-	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 33)	11,820	-	7,420	-
Notes and accounts receivable, net (Notes 4 and 9)	841,930	29	2,776,453	58
Notes and accounts receivable - related parties (Notes 4, 9 and 34)	49,269	2	51,724	1
Inventories (Notes 4 and 11)	262,609	9	424,629	9
Other financial assets (Notes 4 and 10)	99,690	3	143,911	3
Other current assets (Notes 17, 34 and 35)	47,500	2	72,889	2
Total current assets	<u>1,946,686</u>	<u>66</u>	<u>3,784,161</u>	<u>80</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 33)	35,188	1	13,692	-
Investments accounted for using the equity method (Notes 4 and 13)	184,935	7	184,205	4
Property, plant and equipment (Notes 4, 14 and 35)	67,250	2	82,031	2
Right-of-use assets (Notes 4 and 15)	43,487	2	57,254	1
Computer software (Note 4)	1,546	-	243	-
Goodwill (Notes 4 and 16)	94,746	3	94,746	2
Deferred tax assets (Notes 4 and 28)	1,189	-	381	-
Refundable deposits (Notes 17 and 34)	405,408	14	383,783	8
Finance lease receivables - non-current (Notes 4 and 10)	149,088	5	144,498	3
Other assets - non-current (Notes 17 and 35)	5,864	-	4,792	-
Total non-current assets	<u>988,701</u>	<u>34</u>	<u>965,625</u>	<u>20</u>
<b>TOTAL</b>	<u>\$ 2,935,387</u>	<u>100</u>	<u>\$ 4,749,786</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 18)	\$ 10,171	-	\$ 557,397	12
Notes and accounts payable (Note 19)	907,464	31	2,219,988	47
Accounts payable - related parties (Note 34)	3,307	-	1,365	-
Other payables (Note 20)	194,739	7	224,615	5
Other payables - related parties (Note 34)	501	-	501	-
Current tax liabilities (Notes 4 and 28)	13,586	-	49,272	1
Lease liabilities - current (Notes 4, 15 and 34)	14,023	1	14,753	-
Other current liabilities (Note 20)	243,733	8	129,089	2
Total current liabilities	<u>1,387,524</u>	<u>47</u>	<u>3,196,980</u>	<u>67</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 28)	18,949	1	18,949	1
Lease liabilities - non-current (Notes 4, 15 and 34)	30,123	1	43,398	1
Net defined benefit liabilities (Notes 4 and 21)	57,618	2	52,383	1
Guarantee deposits	1,390	-	1,390	-
Total non-current liabilities	<u>108,080</u>	<u>4</u>	<u>116,120</u>	<u>3</u>
Total liabilities	<u>1,495,604</u>	<u>51</u>	<u>3,313,100</u>	<u>70</u>
<b>EQUITY (Note 22)</b>				
Equity attributable to owners of the company				
Share capital	891,481	30	882,301	19
Capital collected in advance	2,408	-	209	-
Capital surplus				
Capital surplus - issue premium	14,436	1	11,920	-
Capital surplus - changes in percentage of ownership interests in subsidiaries (Note 4)	201	-	99	-
Capital surplus - changes in net equity from investments in associates accounted for using the equity method	77	-	77	-
Capital surplus - employee share options issued by the Company (Notes 4 and 30)	5,545	-	3,398	-
Retained earnings				
Legal reserve	184,371	6	155,266	3
Special reserve	63,671	2	45,196	1
Unappropriated earnings	273,757	10	359,654	8
Other equity				
Exchange differences on translation of financial statements of foreign operations	(971)	-	(209)	-
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	3,688	-	(22,208)	(1)
Total equity attributable to the owners of the Company	<u>1,438,664</u>	<u>49</u>	<u>1,435,703</u>	<u>30</u>
Non-controlling interests	1,119	-	983	-
Total equity	<u>1,439,783</u>	<u>49</u>	<u>1,436,686</u>	<u>30</u>
<b>TOTAL</b>	<u>\$ 2,935,387</u>	<u>100</u>	<u>\$ 4,749,786</u>	<u>100</u>

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

## LEO SYSTEMS, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 34)	\$ 3,457,717	100	\$ 6,645,116	100
OPERATING COSTS (Notes 11, 24, 25, 26 and 34)	<u>2,808,237</u>	<u>81</u>	<u>5,790,855</u>	<u>87</u>
GROSS PROFIT	<u>649,480</u>	<u>19</u>	<u>854,261</u>	<u>13</u>
OPERATING EXPENSES (Notes 4, 9, 21, 25, 26, 27 and 34)				
Selling and marketing expenses	333,977	10	415,618	6
General and administrative expenses	110,792	3	80,310	1
Research and development expenses	40,021	1	39,353	1
Expected credit (gain) loss	<u>(20,236)</u>	<u>-</u>	<u>17,588</u>	<u>1</u>
Total operating expenses	<u>464,554</u>	<u>14</u>	<u>552,869</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>184,926</u>	<u>5</u>	<u>301,392</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	19,272	-	7,658	-
Other income (Notes 31 and 34)	24,202	1	33,823	1
Other gains and losses (Note 34)	(2,810)	-	3,234	-
Finance costs (Note 34)	(4,641)	-	(3,255)	-
Share of profit of associates (Note 13)	<u>7,859</u>	<u>-</u>	<u>8,038</u>	<u>-</u>
Total non-operating income and expenses	<u>43,882</u>	<u>1</u>	<u>49,498</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	228,808	6	350,890	5
INCOME TAX EXPENSE (Notes 4 and 28)	<u>(40,226)</u>	<u>(1)</u>	<u>(65,537)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>188,582</u>	<u>5</u>	<u>285,353</u>	<u>4</u>

(Continued)

## LEO SYSTEMS, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 21)	\$ (5,749)	-	\$ 7,094	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 22)	25,896	1	(18,932)	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Notes 4 and 28)	<u>1,150</u>	<u>-</u>	<u>(1,419)</u>	<u>-</u>
	<u>21,297</u>	<u>1</u>	<u>(13,257)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss (Note 22)				
Exchange differences on translating foreign operations	<u>(762)</u>	<u>-</u>	<u>457</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>20,535</u>	<u>1</u>	<u>(12,800)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
	<u>\$ 209,117</u>	<u>6</u>	<u>\$ 272,553</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 188,447	5	\$ 285,370	4
Non-controlling interests	<u>135</u>	<u>-</u>	<u>(17)</u>	<u>-</u>
	<u>\$ 188,582</u>	<u>5</u>	<u>\$ 285,353</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 208,982	6	\$ 272,570	4
Non-controlling interests	<u>135</u>	<u>-</u>	<u>(17)</u>	<u>-</u>
	<u>\$ 209,117</u>	<u>6</u>	<u>\$ 272,553</u>	<u>4</u>
EARNINGS PER SHARE (Note 29)				
From continuing operations				
Basic	<u>\$ 2.12</u>		<u>\$ 3.24</u>	
Diluted	<u>\$ 2.05</u>		<u>\$ 3.16</u>	

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

(Concluded)

**LEO SYSTEMS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to the Owners of the Company										Total Equity
	Share Capital	Capital Collected in Advance	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity Attributable to Owners of the Company	Non-controlling Interests	
				Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2022	\$ 873,701	\$ 75	\$ 10,800	\$ 134,481	\$ 76,584	\$ 220,667	\$ (666)	\$ (3,276)	\$ 1,312,366	\$ -	\$ 1,312,366
Appropriation of 2021 earnings											
Legal reserve	-	-	-	20,785	-	(20,785)	-	-	-	-	-
Special reserve	-	-	-	-	(31,388)	31,388	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(162,661)	-	-	(162,661)	-	(162,661)
Changes in percentage of ownership interests in the subsidiary	-	-	65	-	-	-	-	-	65	-	65
Changes in associates accounted for using the equity method	-	-	77	-	-	-	-	-	77	-	77
Non-controlling interests	-	-	-	-	-	-	-	-	-	1,000	1,000
Issuance of stock from exercise of employee share options	8,600	134	4,552	-	-	-	-	-	13,286	-	13,286
Net profit for the year ended December 31, 2022	-	-	-	-	-	285,370	-	-	285,370	(17)	285,353
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	5,675	457	(18,932)	(12,800)	-	(12,800)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	291,045	457	(18,932)	272,570	(17)	272,553
BALANCE AT DECEMBER 31, 2022	882,301	209	15,494	155,266	45,196	359,654	(209)	(22,208)	1,435,703	983	1,436,686
Appropriation of 2022 earnings											
Legal reserve	-	-	-	29,105	-	(29,105)	-	-	-	-	-
Special reserve	-	-	-	-	18,475	(18,475)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(222,165)	-	-	(222,165)	-	(222,165)
Changes in percentage of ownership interests in the subsidiary	-	-	102	-	-	-	-	-	102	1	103
Other changes in capital surplus											
Issuance of stock from exercise of employee share options	9,180	2,199	4,663	-	-	-	-	-	16,042	-	16,042
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	-	188,447	-	-	188,447	135	188,582
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	(4,599)	(762)	25,896	20,535	-	20,535
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	183,848	(762)	25,896	208,982	135	209,117
BALANCE AT DECEMBER 31, 2023	\$ 891,481	\$ 2,408	\$ 20,259	\$ 184,371	\$ 63,671	\$ 273,757	\$ (971)	\$ 3,688	\$ 1,438,664	\$ 1,119	\$ 1,439,783

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

# LEO SYSTEMS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 228,808	\$ 350,890
Adjustments for:		
Depreciation expense	32,887	98,464
Amortization expense	114	463
Expected credit (gain) loss recognized on accounts receivable	(20,236)	17,588
Net gain on fair value changes of financial assets at fair value through profit or loss	-	(2,358)
Finance costs	4,641	3,255
Interest income	(19,272)	(7,658)
Dividend income	(99)	-
Compensation costs of employee share options	3,332	2,533
Share of profit or loss of associates	(7,859)	(8,038)
Loss on disposal of property, plant and equipment	375	-
Gain on lease modification	(13)	(1)
Changes in operating assets and liabilities		
Notes and accounts receivable	1,954,734	(1,841,365)
Notes and accounts receivable - related parties	2,480	(1,226)
Inventories	162,020	(254,797)
Other current assets	27,024	(26,327)
Other financial assets	(1,953)	859
Finance lease receivables	41,584	(59,225)
Notes and accounts payable	(1,312,524)	1,484,722
Notes and accounts payable - related parties	1,942	-
Other payables	(29,876)	36,329
Other payables - related parties	-	(55)
Other current liabilities	114,644	16,028
Net defined benefit liabilities	(514)	(778)
Cash generated from (used in) operations	1,182,239	(190,697)
Interest received	19,259	7,658
Interest paid	(4,641)	(3,255)
Income tax paid	(77,192)	(39,443)
Net cash generated from (used in) operating activities	<u>1,119,665</u>	<u>(225,737)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through profit or loss	(100,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	-	33,190
Payments for property, plant and equipment	(4,707)	(6,017)
Proceeds from disposal of property, plant and equipment	734	-
Increase in refundable deposits	(21,625)	(94,108)
Payments for intangible assets	(1,417)	(245)
		(Continued)

## LEO SYSTEMS, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

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	2023	2022
Increase in other assets - non-current	\$ (1,072)	\$ (1,119)
Dividend received from associates	<u>7,228</u>	<u>6,432</u>
Net cash used in investing activities	<u>(120,859)</u>	<u>(61,867)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(547,226)	537,846
Refund of guarantee deposits received	-	(420)
Repayment of the principal portion of lease liabilities	(14,755)	(13,821)
Dividends paid	(222,165)	(162,661)
Proceeds from exercise of employee share options	12,812	10,818
Increase in non-controlling interests	<u>1</u>	<u>1,000</u>
Net cash (used in) generated from financing activities	<u>(771,333)</u>	<u>372,762</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(740)</u>	<u>455</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	226,733	85,613
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>307,135</u>	<u>221,522</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 533,868</u>	<u>\$ 307,135</u>

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

(Concluded)

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Leo Systems, Inc.

### **Opinion**

We have audited the accompanying financial statements of Leo Systems, Inc. (the “Company”), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, 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, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 financial statements for the year ended December 31, 2023. 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.



The key audit matter of the financial statements for the year ended December 31, 2023 is stated as follows:

#### Revenue Recognition

In accordance with the accounting policy described in Note 4, revenue from the sale of goods is recognized when the customer obtains the control and satisfies the performance obligations. We performed analytical procedures to determine the gross profit margin of the revenue and selected the higher gross profit margin of the product sales, the total amount of which is material to the financial statements were deemed to be a key audit matter.

We understood and tested the effectiveness of the design and implementation of internal controls with respect to revenue recognition and accounting policy. We verified the consistency of related contracts or sales orders between the accounting treatment for sales of goods and the policy on revenue recognition. We selected samples of revenue from the aforementioned products to confirm that revenue transactions had indeed occurred and been met in accordance with the accounting standards.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

Those charged with governance, including management and the audit committee, are responsible for overseeing the Company's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2023 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.

The engagement partners on the audits resulting in this independent auditors' report are Chih-Yi Chang and Wen-Yea, Shyu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 8, 2024

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# LEO SYSTEMS, INC.

## BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 475,062	16	\$ 206,624	5
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	100,000	4	-	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 32)	11,820	-	7,420	-
Notes and accounts receivable, net (Notes 4 and 9)	805,957	28	2,579,717	57
Notes and accounts receivable - related parties (Notes 4, 9 and 33)	49,290	2	51,890	1
Inventories (Notes 4 and 11)	256,446	9	416,064	9
Other financial assets (Notes 4 and 10)	94,824	3	141,875	3
Other current assets (Notes 16, 33 and 34)	37,904	1	64,983	1
Total current assets	<u>1,831,303</u>	<u>63</u>	<u>3,468,573</u>	<u>76</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 32)	35,188	1	13,692	1
Investments accounted for using the equity method (Notes 4 and 12)	311,331	11	323,629	7
Property, plant and equipment (Notes 4, 13 and 34)	67,137	2	81,909	2
Right-of-use assets (Notes 4 and 14)	43,487	2	57,254	1
Computer software (Note 4)	1,546	-	243	-
Goodwill (Notes 4 and 15)	94,746	3	94,746	2
Deferred tax assets (Notes 4 and 27)	1,189	-	381	-
Refundable deposits (Notes 16 and 33)	370,959	13	352,472	8
Finance lease receivables - non-current (Notes 4 and 10)	146,880	5	139,947	3
Other assets - non-current (Notes 16 and 34)	5,839	-	4,344	-
Total non-current assets	<u>1,078,302</u>	<u>37</u>	<u>1,068,617</u>	<u>24</u>
<b>TOTAL</b>	<u>\$ 2,909,605</u>	<u>100</u>	<u>\$ 4,537,190</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ -	-	\$ 550,000	12
Notes and accounts payable (Note 18)	886,969	31	2,028,513	45
Accounts payable - related parties (Note 33)	15,688	1	1,365	-
Other payables (Note 19)	189,904	7	218,952	5
Other payables - related parties (Note 33)	501	-	501	-
Current tax liabilities (Notes 4 and 27)	13,295	-	46,623	1
Lease liabilities - current (Notes 4, 14 and 33)	14,023	-	14,753	-
Other current liabilities (Note 19)	242,481	8	124,660	3
Total current liabilities	<u>1,362,861</u>	<u>47</u>	<u>2,985,367</u>	<u>66</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 27)	18,949	1	18,949	-
Lease liabilities - non-current (Notes 4, 14 and 33)	30,123	1	43,398	1
Net defined benefit liabilities (Notes 4 and 20)	57,618	2	52,383	1
Guarantee deposits	1,390	-	1,390	-
Total non-current liabilities	<u>108,080</u>	<u>4</u>	<u>116,120</u>	<u>2</u>
Total liabilities	<u>1,470,941</u>	<u>51</u>	<u>3,101,487</u>	<u>68</u>
<b>EQUITY (Note 21)</b>				
Share capital	891,481	30	882,301	20
Capital collected in advance	2,408	-	209	-
Capital surplus				
Capital surplus - issue premium	14,436	1	11,920	-
Capital surplus - changes in percentage of ownership interests in subsidiaries	201	-	99	-
Capital surplus - changes in net equity from investments in associates accounted for using the equity method	77	-	77	-
Capital surplus - employee share options issued by the company (Notes 4 and 29)	5,545	-	3,398	-
	<u>20,259</u>	<u>1</u>	<u>15,494</u>	<u>-</u>
Retained earnings				
Legal reserve	184,371	6	155,266	3
Special reserve	63,671	2	45,196	1
Unappropriated earnings	273,757	10	359,654	8
Other equity				
Exchange differences on translation of financial statements of foreign operations	(971)	-	(209)	-
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	3,688	-	(22,208)	-
Total equity	<u>1,438,664</u>	<u>49</u>	<u>1,435,703</u>	<u>32</u>
<b>TOTAL</b>	<u>\$ 2,909,605</u>	<u>100</u>	<u>\$ 4,537,190</u>	<u>100</u>

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

## LEO SYSTEMS, INC.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 33)	\$ 3,248,817	100	\$ 6,202,141	100
OPERATING COSTS (Notes 11, 23, 24 and 33)	<u>2,627,223</u>	<u>81</u>	<u>5,388,021</u>	<u>87</u>
GROSS PROFIT	<u>621,594</u>	<u>19</u>	<u>814,120</u>	<u>13</u>
OPERATING EXPENSES (Notes 4, 9, 20, 24, 25, 26 and 33)				
Selling and marketing expenses	307,708	9	391,887	6
General and administrative expenses	112,808	4	83,836	2
Research and development expenses	40,022	1	39,353	1
Expected credit (gain) loss	<u>(19,151)</u>	<u>(1)</u>	<u>16,872</u>	<u>-</u>
Total operating expenses	<u>441,387</u>	<u>13</u>	<u>531,948</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>180,207</u>	<u>6</u>	<u>282,172</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	18,762	-	7,569	-
Other income (Notes 30 and 33)	24,436	1	33,106	1
Other gains and losses (Note 33)	(2,747)	-	1,196	-
Finance costs (Note 33)	(4,387)	-	(2,590)	-
Share of profit or loss of subsidiaries and associates (Note 12)	<u>11,991</u>	<u>-</u>	<u>26,210</u>	<u>-</u>
Total non-operating income and expenses	<u>48,055</u>	<u>1</u>	<u>65,491</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	228,262	7	347,663	5
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(39,815)</u>	<u>(1)</u>	<u>(62,293)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>188,447</u>	<u>6</u>	<u>285,370</u>	<u>4</u>

(Continued)

## LEO SYSTEMS, INC.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 20)	\$ (5,749)	-	\$ 7,094	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	25,896	-	(18,932)	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Notes 4 and 27)	<u>1,150</u>	-	<u>(1,419)</u>	-
	<u>21,297</u>	-	<u>(13,257)</u>	-
Items that may be reclassified subsequently to profit or loss (Note 21)				
Exchange differences on translating foreign operations	<u>(762)</u>	-	<u>457</u>	-
Other comprehensive income (loss) for the year, net of income tax	<u>20,535</u>	-	<u>(12,800)</u>	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 208,982</u>	<u>6</u>	<u>\$ 272,570</u>	<u>4</u>
EARNINGS PER SHARE (Note 28)				
From continuing operations				
Basic	<u>\$ 2.12</u>		<u>\$ 3.24</u>	
Diluted	<u>\$ 2.05</u>		<u>\$ 3.16</u>	

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

(Concluded)

**LEO SYSTEMS, INC.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)**

	Share Capital	Capital Collected in Advance	Capital Surplus	Retained Earnings			Other Equity		Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2022	\$ 873,701	\$ 75	\$ 10,800	\$ 134,481	\$ 76,584	\$ 220,667	\$ (666)	\$ (3,276)	\$ 1,312,366
Appropriation of 2021 earnings									
Legal reserve	-	-	-	20,785	-	(20,785)	-	-	-
Special reserve	-	-	-	-	(31,388)	31,388	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(162,661)	-	-	(162,661)
Changes in percentage of ownership interests in the subsidiary	-	-	65	-	-	-	-	-	65
Changes in associates accounted for using the equity method	-	-	77	-	-	-	-	-	77
Compensation cost of employee share options	8,600	134	4,552	-	-	-	-	-	13,286
Net profit for the year ended December 31, 2022	-	-	-	-	-	285,370	-	-	285,370
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	5,675	457	(18,932)	(12,800)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	291,045	457	(18,932)	272,570
BALANCE AT DECEMBER 31, 2022	882,301	209	15,494	155,266	45,196	359,654	(209)	(22,208)	1,435,703
Appropriation of 2022 earnings									
Legal reserve	-	-	-	29,105	-	(29,105)	-	-	-
Special reserve	-	-	-	-	18,475	(18,475)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(222,165)	-	-	(222,165)
Changes in percentage of ownership interests in the subsidiary	-	-	102	-	-	-	-	-	102
Compensation cost of employee share options	9,180	2,199	4,663	-	-	-	-	-	16,042
Net profit for the year ended December 31, 2023	-	-	-	-	-	188,447	-	-	188,447
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	(4,599)	(762)	25,896	20,535
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	183,848	(762)	25,896	208,982
BALANCE AT DECEMBER 31, 2023	\$ 891,481	\$ 2,408	\$ 20,259	\$ 184,371	\$ 63,671	\$ 273,757	\$ (971)	\$ 3,688	\$ 1,438,664

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

# LEO SYSTEMS, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 228,262	\$ 347,663
Adjustments for:		
Depreciation expense	32,880	98,456
Amortization expense	114	463
Expected credit (gain) loss recognized on accounts receivable	(19,151)	16,872
Net gain on fair value changes of financial assets at fair value through profit or loss	-	(2,283)
Finance costs	4,387	2,590
Interest income	(18,762)	(7,569)
Dividend income	(99)	-
Compensation costs of employee share options	3,230	2,468
Share of profit or loss of subsidiaries and associates	(11,991)	(26,210)
Loss on disposal of property, plant and equipment	375	-
Gain on lease modification	(13)	(1)
Changes in operating assets and liabilities		
Notes and accounts receivable	1,792,886	(1,685,958)
Notes and accounts receivable - related parties	2,625	(1,228)
Inventories	159,618	(255,907)
Other current assets	27,092	(28,075)
Other financial assets	483	882
Finance lease receivables	39,635	(53,940)
Notes and accounts payable	(1,141,544)	1,307,051
Notes and accounts payable - related parties	14,323	(300)
Other payables	(29,048)	32,344
Other payables - related parties	-	(55)
Other current liabilities	117,821	13,179
Net defined benefit liabilities	(514)	(778)
Cash generated from (used in) operations	1,202,609	(240,336)
Interest received	18,749	7,569
Interest paid	(4,387)	(2,590)
Income tax paid	(72,801)	(38,242)
Net cash generated from (used in) operating activities	<u>1,144,170</u>	<u>(273,599)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through profit or loss	(100,000)	-
Increase in investments accounted for using the equity method	-	(9,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	12,333
Payments for property, plant and equipment	(4,687)	(5,997)
Proceeds from disposal of property, plant and equipment	734	-
Increase in refundable deposits	(18,487)	(67,896)
Payments for intangible assets	(1,417)	(245)

(Continued)



## LEO SYSTEMS, INC.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

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	2023	2022
Increase in other assets - non-current	\$ (1,495)	\$ (929)
Dividend received from associates	<u>23,728</u>	<u>15,672</u>
Net cash used in investing activities	<u>(101,624)</u>	<u>(56,062)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(550,000)	550,000
Refund of guarantee deposits received	-	(419)
Repayment of the principal portion of lease liabilities	(14,755)	(13,821)
Dividends paid	(222,165)	(162,661)
Proceeds from exercise of employee share options	<u>12,812</u>	<u>10,818</u>
Net cash (used in) generated from financing activities	<u>(774,108)</u>	<u>383,917</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	268,438	54,256
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>206,624</u>	<u>152,368</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 475,062</u>	<u>\$ 206,624</u>

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

(Concluded)

## Leo Systems, Inc.

## Clauses of Articles of Incorporation before and after amendment

After Amendment	Before Amendment	Reason for Amendment
<p>Article 21-2: Dividend Policy</p> <p>In consideration of the Company's operating needs and maximization of shareholder interest, the Company's dividend policy shall be determined in accordance with the long-term and short-term funding requirements in the future.</p> <p>The Company is in the information service industry and is in the phase of industrial growth. In the future, continuous injection of funds will be required to engage in research and development and business expansion activities to ensure market competitive advantage.</p> <p>Dividend distribution policy shall take into consideration future capital budget plans and reinforcement of financial structure and shall duly satisfy shareholders' cash flow requirements, etc. And allocate 10% to 90% of accumulated unallocated surplus. The board of directors will prepare a distribution proposal and submit it to the shareholders' meeting in accordance with the law. Dividend distribution may be made in cash or in stock, provided that cash dividend distributed shall be not less than 30% of the total shareholder dividend distributed in the current year. (The following is abbreviated.)</p>	<p>Article 21-2: Dividend Policy</p> <p>In consideration of the Company's operating needs and maximization of shareholder interest, the Company's dividend policy shall be determined in accordance with the long-term and short-term funding requirements in the future.</p> <p>The Company is in the information service industry and is in the phase of industrial growth. In the future, continuous injection of funds will be required to engage in research and development and business expansion activities to ensure market competitive advantage.</p> <p>Dividend distribution policy shall take into consideration future capital budget plans and reinforcement of financial structure and shall duly satisfy shareholders' cash flow requirements, etc. Current-year distributable profit may be distributed in full. The board of directors will prepare a distribution proposal and submit it to the shareholders' meeting in accordance with the law. Dividend distribution may be made in cash or in stock, provided that cash dividend distributed shall be not less than 30% of the total shareholder dividend distributed in the current year. (The following is abbreviated.)</p>	<p>To cooperate with the company's operation and development needs</p>
<p>Article 24</p> <p>These Articles of Incorporation were established on 2 September 1985. ... (omissions)</p> <p>The 24<sup>th</sup> amendment was made on 8 June 2017. The 25<sup>th</sup> amendment was made on 10 June 2020. The 26<sup>th</sup> amendment was made on 26 July 2021. The 27<sup>th</sup> amendment was made on 2 June 2022. The 28<sup>th</sup> amendment was made on 7 June 2023. <u>The 29<sup>th</sup> amendment was made on 5 June 2024.</u></p>	<p>Article 24</p> <p>These Articles of Incorporation were established on 2 September 1985. ... (omissions)</p> <p>The 24<sup>th</sup> amendment was made on 8 June 2017. The 25<sup>th</sup> amendment was made on 10 June 2020. The 26<sup>th</sup> amendment was made on 26 July 2021. The 27<sup>th</sup> amendment was made on 2 June 2022. The 28<sup>th</sup> amendment was made on 7 June 2023</p>	<p>Addition of amendment and date.</p>

## Attachment 5

Leo Systems, Inc.  
List of candidates for directors and independent directors

Nominee categories	Candidate name	Education	Main experience	Current position	Name of the government or legal person represented	Whether you have served as an independent director for three consecutive terms/reasons	Current shareholding
Director	University Venture Co., Ltd. Wang, Chau-Chyun	MBA of National Chengchi University	Chairman of Leo Systems, Inc.	Chairman of Leo Systems, Inc.	University Venture Co., Ltd.	Not applicable	981,399 shares
Director	University Venture Co., Ltd. Chien Leo Ming Tz	Master of Electrical Engineering, University of California, Los Angeles	Chairman of FIC Global, Inc. Chairman of First International Computer, Inc.	Chairman of FIC Global, Inc. Chairman of First International Computer, Inc. Chairman of UBIQCONN TECHNOLOGY, INC. Chairman of RuggON Corporation. Director of Witolgy Technology Company Limited. Director of King' s Sports Co., Ltd. Director of 3CEMS Corporation.	University Venture Co., Ltd.	Not applicable	981,399 shares

				Director of 3CEMS Investment Management Limited. Independent director of Cyberlink Corp. Independent director of Promate Electronic Co., Ltd.			
Director	WYC God-loving Foundation for Charity. Wen, Chien-Liang	Special Master Continuing Education Course of Department of Department of Business Administration, National Taipei University	Co-COO of Leo Systems, Inc.	Co-COO of Leo Systems, Inc.	WYC God-loving Foundation for Charity	Not applicable	7,218,436 shares
Independent director	Liu, Thu-Hua	Doctorate Degree in The University of Iowa Industrial Engineering and Management	President of Ming Chi University of Technology. Independent director of Leo Systems, Inc. Director of Formosa Biomedical Technology Corp. Director of King	President of Ming Chi University of Technology. Independent director of Leo Systems, Inc. Director of Formosa Biomedical Technology Corp. Director of King Cultural & Educational	No	Yes/ Mr. Liu, Thu-Hua was professional and independent before being elected at the shareholders' meeting and during his tenure. He has	0 shares

			Car Cultural & Educational Foundation Director of Mingde Charity Foundation.	Foundation Director of Mingde Charity Foundation.		provided the company with suggestions on governance many times, so he can help and protect the rights and interests of shareholders.	
Independent director	Chen, Yen-Hui	Doctorate Degree in Political Science of the University of Göttingen, Germany	Inheritance Chair Professor of Department of Electrical Engineering, National Taiwan Ocean University、 Director and Professor of the Institute of Political Science, National Taiwan Normal University、 Independent director of Leo Systems, Inc.	Independent director of Leo Systems, Inc.	No	No	0 shares

Independent director	Cheng, Sheng-In	MBA of the University of Southern California	VP of TAIWAN SECOM CO., LTD. 、 Independent director of Welgene Biotech Co., Ltd. Independent director of NWW Manufacturing CO., Ltd. Independent director of Sanitar Co., Ltd. 、 Independent director of Leo Systems, Inc.	Independent director of Welgene Biotech Co., Ltd. Independent director of NWW Manufacturing CO., Ltd. Independent director of Sanitar Co., Ltd. 、 Director of SiliconStrongCo., Ltd. Independent director of Leo Systems, Inc.	No	No	0 shares
Independent director	Liao, Hsiang-Ruei	Ph. D., Institute of Pharmacology, National Taiwan University	Assistant Professor of Chang Gung University Full-time associate professor of Chang Gung University Professor of Chang Gung University 、 Independent director of Leo Systems, Inc.	Professor of Chang Gung University 、 Independent director of Leo Systems, Inc.	No	No	0 shares

## Attachment 6

## Leo Systems, Inc.

## Details of restrictions on lifting non-competition by directors(independent directors) and their representatives

Categories	Name	Concurrent position(s) currently held in the Company and other companies
Director	University Venture Co., Ltd.	Director of FIRST COMMUNICATION INC. Chairman and Director of GeoIntelligence Systems, Inc. Director of POWER RADIO CO., LTD. Chairman and Director of ANITIME CO., LTD.
Director	WYC God-loving Foundation for Charity	Chairman of FIC Global, Inc.
Director	University Venture Co., Ltd. Wang, Chau-Chyun	Director Representative of FORMOLIGHT TECHNOLOGIES, INC. Director Representative of ANNO-DOMINI TECHNOLOGY INC. Director Representative of LOTRICH INFORMATION CO., LTD. Director of CGCH Foundation for Education
Director	University Venture Co., Ltd. Chien Leo Ming Tz	Chairman of FIC Global, Inc. Chairman of First International Computer, Inc. Chairman of UBIQCONN TECHNOLOGY, INC. Chairman of RuggON Corporation. Director of Witalogy Technology Company Limited. Director of King's Sports Co., Ltd. Director of 3CEMS Corporation. Director of 3CEMS Investment Management Limited. Independent director of Cyberlink Corp. Independent director of Promate Electronic Co., Ltd.
Director	WYC God-loving Foundation for Charity. Wen, Chien-Liang	Director Representative/Chairman of LEO IMAGE INC. Corporate. Chairman of Zhanxin Investment Co., Ltd.
Independent director	Liu, Thu-Hua	Director of Formosa Biomedical Technology Corp. Director of King Car Cultural & Educational Foundation.
Independent director	Cheng, Sheng-In	Independent director of Welgene Biotech Co., Ltd. Independent director of NWW Manufacturing CO., Ltd. Independent director of Sanitar Co., Ltd. 、 Director of SiliconStrongCo., Ltd.