

Stock Code: 5410



LEO SYSTEMS, INC.

2024 General Shareholders' Meeting Meeting Handbook

Convocation Manner: Physical shareholders' meeting

Date: 5 June 2024

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

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Leo System Inc.

2024 General Shareholders' Meeting

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

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

Convocation Manner: Physical shareholders' meeting

1. Commencement of meeting (number of shares represented reported)
2. Chairman's speech
3. Reported matters
 - (1) 2023 Business Report
 - (2) 2023 Audit Committee Audit Report
 - (3) 2023 Employee and Director Remuneration Distribution Status Report
4. Approval matters
 - (1) 2023 Business Report and Financial Statements
 - (2) 2023 Profit Distribution Proposal
5. Discussion matters
 - (1) Amendment to certain clauses of the Company's Articles of Incorporation.
6. Election Matters
 - (1) Comprehensive re-election of directors.
7. Other Motions
 - (1) Lifting restrictions on non-competition behavior of the company's new directors and their representatives.
8. Motions
9. Adjournment

Reported Matters

1. 2023 Business Report is submitted for review.
Illustration: For 2023 Business Report, please refer to Attachment 1 on pages 8-11 of this Handbook.
2. 2023 Audit Committee Audit Report is submitted for review.
Illustration: For Audit Committee Audit Report, please refer to Attachment 2 on page 12 of this Handbook
3. 2023 Employee and Director Remuneration Distribution Status Report is submitted for review.
 - (1) 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.
 - (2) 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.
 - (3) The above amounts are consistent with the expense accounted for in 2023.

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 on pages 8-11 and Attachment 3 on pages 13-32 of this Handbook.
3. Approval requested.

Resolution:

Agenda 2 Proposed by Board of Directors

Subject: 2023 profit distribution proposal is submitted for approval.

Illustration:

1. The Company's 2022 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 the Articles of Incorporation of the Company, 2023 profit distribution table is proposed on page 5 of this Handbook.
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:

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, 2023.

Chairman:
Wang,Chau-Chyun

General Manager:
Wang,Chau-Chyun

Accounting Manager:
Peng,Hung-Chin

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 improve the company's dividend policy and strengthen corporate governance, the company's Article 21-2 dividend policy is revised, and the provision of dividends ranging from 10% to 90% of the accumulated undistributed earnings is revised.
2. Clauses of the Articles of Incorporation before and after amendment are listed in Attachment 4 on page 33 of this Handbook.
3. Discussion requested.

Resolution:

Election Matters

Agenda 1 Proposed by Board of Directors

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

Illustration:

1. The term of office of the company's 17th directors and supervisors originally expired on July 25, 2013, 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 three independent directors) should be elected, and a candidate nomination system is adopted. For the list of candidates for all directors (including independent directors) and related information, please refer to Chapter 1 of this manual. Pages 34 to 36, Appendix 5.
3. The independent director Liu Zuhua in the candidate list of directors (including independent directors) has served as an independent director of the company for three consecutive terms. In accordance with the provisions of Article 5 of the "Regulations on the Establishment and Compliance of Independent Directors of Publicly Offered Companies", an announcement should be made to continue to nominate him. For the reasons for serving as an independent director, please refer to the explanations in Appendix 5 on pages 34 to 36 of this manual.
4. The term of office of the new director is three years, starting from June 5, 113 to June 4, 116. The term of office of the original directors shall end when this regular meeting of shareholders is completed.
5. Please vote.

Election Result:

Other Motions

Agenda 1 Proposed by Board of Directors

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

Illustration:

1. According to Article 209, Paragraph 1 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 and their representatives. Please refer to the lifting details. Appendix 6 on page 37 of this manual.
3. Please discuss.

Resolution:

Motions

Adjournment

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, 2022 and 2021, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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, 2022. 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, 2022 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, 2022 and 2021 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, 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.

The engagement partners on the audits resulting in this independent auditors' report are Shu-Lin Liu and Wen-Yea, Shyu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2023

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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 307,135	7	\$ 221,522	9
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	30,832	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	7,420	-	15,140	-
Notes and accounts receivable, net (Notes 4 and 9)	2,776,453	58	952,986	37
Notes and accounts receivable - related parties (Notes 4, 9 and 34)	51,724	1	50,188	2
Inventories (Notes 4 and 11)	424,629	9	170,163	7
Other financial assets (Notes 4, 10 and 31)	143,911	3	98,598	4
Other current assets (Notes 17, 34 and 35)	<u>72,889</u>	<u>2</u>	<u>46,562</u>	<u>2</u>
Total current assets	<u>3,784,161</u>	<u>80</u>	<u>1,585,991</u>	<u>62</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	13,692	-	24,904	1
Investments accounted for using the equity method (Notes 4 and 13)	184,205	4	182,522	7
Property, plant and equipment (Notes 4, 14 and 35)	82,031	2	159,492	6
Right-of-use assets (Notes 4 and 15)	57,254	1	63,021	3
Computer software (Note 4)	243	-	461	-
Goodwill (Notes 4 and 16)	94,746	2	94,746	4
Deferred tax assets (Notes 4 and 28)	381	-	2,400	-
Refundable deposits (Notes 17 and 34)	383,783	8	289,675	12
Finance lease receivables - non-current (Notes 4 and 10)	144,498	3	131,445	5
Other assets - non-current (Notes 17 and 35)	<u>4,792</u>	<u>-</u>	<u>3,673</u>	<u>-</u>
Total non-current assets	<u>965,625</u>	<u>20</u>	<u>952,339</u>	<u>38</u>
TOTAL	\$ 4,749,786	100	\$ 2,538,330	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 557,397	12	\$ 19,551	1
Notes and accounts payable (Note 19)	2,219,988	47	735,266	29
Accounts payable - related parties (Note 34)	1,365	-	1,365	-
Other payables (Note 20)	224,615	5	188,286	7
Other payables - related parties (Note 34)	501	-	556	-
Current tax liabilities (Notes 4 and 28)	49,272	1	24,841	1
Lease liabilities - current (Notes 4, 15 and 34)	14,753	-	12,628	1
Other current liabilities (Note 20)	<u>129,089</u>	<u>2</u>	<u>113,061</u>	<u>4</u>
Total current liabilities	<u>3,196,980</u>	<u>67</u>	<u>1,095,554</u>	<u>43</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 28)	18,949	1	17,886	1
Lease liabilities - non-current (Notes 4, 15 and 34)	43,398	1	50,459	2
Net defined benefit liabilities (Notes 4 and 21)	52,383	1	60,255	2
Guarantee deposits	<u>1,390</u>	<u>-</u>	<u>1,810</u>	<u>-</u>
Total non-current liabilities	<u>116,120</u>	<u>3</u>	<u>130,410</u>	<u>5</u>
Total liabilities	<u>3,313,100</u>	<u>70</u>	<u>1,225,964</u>	<u>48</u>
EQUITY				
Share capital (Note 22)	882,301	19	873,701	34
Capital collected in advance	209	-	75	-
Capital surplus (Note 22)	15,494	-	10,800	1
Retained earnings (Note 22)				
Legal reserve	155,266	3	134,481	5
Special reserve	45,196	1	76,584	3
Unappropriated earnings	359,654	8	220,667	9
Other equity (Note 22)				
Exchange differences on translation of financial statements of foreign operations	(209)	-	(666)	-
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	<u>(22,208)</u>	<u>(1)</u>	<u>(3,276)</u>	<u>-</u>
Total equity attributable to the owners of the Company	1,435,703	30	1,312,366	52
NON-CONTROLLING INTERESTS	<u>983</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>1,436,686</u>	<u>30</u>	<u>1,312,366</u>	<u>52</u>
TOTAL	\$ 4,749,786	100	\$ 2,538,330	100

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 34)	\$ 6,645,116	100	\$ 3,590,677	100
OPERATING COSTS (Notes 11, 24, 25, 26, and 34)	<u>5,790,855</u>	<u>87</u>	<u>2,979,112</u>	<u>83</u>
GROSS PROFIT	<u>854,261</u>	<u>13</u>	<u>611,565</u>	<u>17</u>
OPERATING EXPENSES (Notes 4, 9, 21, 25, 26, 27 and 34)				
Selling and marketing expenses	415,618	6	324,210	9
General and administrative expenses	80,310	1	68,566	2
Research and development expenses	39,353	1	36,521	1
Expected credit loss	<u>17,588</u>	<u>1</u>	<u>2,369</u>	<u>-</u>
Total operating expenses	<u>552,869</u>	<u>9</u>	<u>431,666</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>301,392</u>	<u>4</u>	<u>179,899</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	7,658	-	5,189	-
Other income (Notes 31 and 34)	33,823	1	35,061	1
Other gains and losses (Note 34)	3,234	-	(1,182)	-
Finance costs (Note 34)	(3,255)	-	(1,071)	-
Share of profit or loss of associates (Note 13)	<u>8,038</u>	<u>-</u>	<u>7,211</u>	<u>-</u>
Total non-operating income and expenses	<u>49,498</u>	<u>1</u>	<u>45,208</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	350,890	5	225,107	6
INCOME TAX EXPENSE (Notes 4 and 28)	<u>(65,537)</u>	<u>(1)</u>	<u>(38,614)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>285,353</u>	<u>4</u>	<u>186,493</u>	<u>5</u>

(Continued)

LEO SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	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)	\$ 7,094	-	\$ (2,151)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income (Note 22)	(18,932)	-	54,687	2
Income tax related to items that will not be reclassified subsequently to profit or loss (Notes 4 and 28)	(1,419)	-	430	-
	<u>(13,257)</u>	<u>-</u>	<u>52,966</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss (Note 22)				
Exchange differences on translating foreign operations	457	-	(221)	-
Other comprehensive loss for the year, net of income tax	<u>(12,800)</u>	<u>-</u>	<u>52,745</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 272,553</u>	<u>4</u>	<u>\$ 239,238</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 285,370	4	\$ 186,493	5
Non-controlling interests	(17)	-	-	-
	<u>\$ 285,353</u>	<u>4</u>	<u>\$ 186,493</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 272,570	4	\$ 239,238	7
Non-controlling interests	(17)	-	-	-
	<u>\$ 272,553</u>	<u>4</u>	<u>\$ 239,238</u>	<u>7</u>
EARNINGS PER SHARE (Note 29)				
From continuing operations				
Basic	<u>\$ 3.24</u>		<u>\$ 2.14</u>	
Diluted	<u>\$ 3.16</u>		<u>\$ 2.10</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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to the Owners of the Company										
	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	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2021	\$ 859,001	\$ -	\$ 4,975	\$ 117,516	\$ 75,480	\$ 178,693	\$ (445)	\$ (34,885)	\$ 1,200,335	\$ -	\$ 1,200,335
Appropriation of 2020 earnings											
Legal reserve	-	-	-	16,965	-	(16,965)	-	-	-	-	-
Special reserve	-	-	-	-	1,104	(1,104)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(147,807)	-	-	(147,807)	-	(147,807)
Changes in percentage of ownership interests in the subsidiary	-	-	5	-	-	-	-	-	5	-	5
Issuance of stock from exercise of employee share options	14,700	75	5,820	-	-	-	-	-	20,595	-	20,595
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	23,078	-	(23,078)	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	186,493	-	-	186,493	-	186,493
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(1,721)	(221)	54,687	52,745	-	52,745
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	184,772	(221)	54,687	239,238	-	239,238
BALANCE AT DECEMBER 31, 2021	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

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 350,890	\$ 225,107
Adjustments for:		
Depreciation expense	98,464	97,596
Amortization expense	463	485
Expected credit loss recognized on accounts receivable	17,588	2,369
Net gain on fair value changes of financial assets at fair value through profit or loss	(2,358)	(66)
Finance costs	3,255	1,071
Interest income	(7,658)	(5,189)
Compensation costs of employee share options	2,533	723
Share of profit or loss of associates	(8,038)	(7,211)
Gain on disposal of property, plant and equipment	-	(62)
Gain on lease modification	(1)	-
Changes in operating assets and liabilities		
Notes and accounts receivable	(1,841,365)	(193,807)
Notes and accounts receivable - related parties	(1,226)	(25,715)
Inventories	(254,797)	246,755
Other current assets	(26,327)	15,994
Other financial assets	859	5,874
Finance lease receivables	(59,225)	(67,749)
Notes and accounts payable	1,484,722	(46,373)
Notes and accounts payable - related parties	-	(1,048)
Other payables	36,329	(19,054)
Other payables - related parties	(55)	38
Other current liabilities	16,028	(137,006)
Net defined benefit liabilities	(778)	(1,010)
Cash (used in) generated from operations	(190,697)	91,722
Interest received	7,658	5,189
Interest paid	(2,636)	(985)
Income tax paid	(39,443)	(36,942)
Net cash (used in) generated from operating activities	<u>(225,118)</u>	<u>58,984</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	42,754
Proceeds from disposal of financial assets at fair value through profit or loss	33,190	-
Payments for property, plant and equipment	(6,017)	(1,982)
Proceeds from disposal of property, plant and equipment	-	149
Increase in refundable deposits	(94,108)	(45,244)
Payments for intangible assets	(245)	(87)

(Continued)

LEO SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Decrease in other assets - non-current	\$ (1,119)	\$ 4,957
Dividend received from associates	<u>6,432</u>	<u>7,638</u>
Net cash (used in) generated from investing activities	<u>(61,867)</u>	<u>8,185</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	537,846	(56,633)
Refund of guarantee deposits received	(420)	(185)
Repayment of the principal portion of lease liabilities	(14,440)	(14,277)
Dividends paid	(162,661)	(147,807)
Proceeds from exercise of employee share options	10,818	19,877
Increase in non-controlling interests	<u>1,000</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>372,143</u>	<u>(199,025)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>455</u>	<u>(221)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	85,613	(132,077)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>221,522</u>	<u>353,599</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 307,135</u>	<u>\$ 221,522</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, 2022 and 2021, 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, 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, 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, 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.

The key audit matter of the financial statements for the year ended December 31, 2022 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, 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.

The engagement partners on the audits resulting in this independent auditors' report are Shu-Lin Liu and Wen-Yea, Shyu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2023

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, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 206,624	5	\$ 152,368	6
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	10,050	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	7,420	-	15,140	1
Notes and accounts receivable, net (Notes 4 and 9)	2,579,717	57	910,941	36
Notes and accounts receivable - related parties (Notes 4, 9 and 34)	51,890	1	50,352	2
Inventories (Notes 4 and 11)	416,064	9	160,488	6
Other financial assets (Notes 4, 10 and 30)	141,875	3	97,319	4
Other current assets (Notes 16, 34 and 35)	<u>64,983</u>	<u>1</u>	<u>36,908</u>	<u>2</u>
Total current assets	<u>3,468,573</u>	<u>76</u>	<u>1,433,566</u>	<u>57</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	13,692	1	24,904	1
Investments accounted for using the equity method (Notes 4 and 12)	323,629	7	303,492	12
Property, plant and equipment (Notes 4, 13 and 35)	81,909	2	159,384	6
Right-of-use assets (Notes 4 and 14)	57,254	1	63,021	3
Computer software (Note 4)	243	-	461	-
Goodwill (Notes 4 and 15)	94,746	2	94,746	4
Deferred tax assets (Notes 4 and 27)	381	-	2,400	-
Refundable deposits (Notes 16 and 34)	352,472	8	284,576	12
Finance lease receivables - non-current (Notes 4 and 10)	139,947	3	131,445	5
Other assets - non-current (Notes 16 and 35)	<u>4,344</u>	<u>-</u>	<u>3,415</u>	<u>-</u>
Total non-current assets	<u>1,068,617</u>	<u>24</u>	<u>1,067,844</u>	<u>43</u>
TOTAL	\$ 4,537,190	100	\$ 2,501,410	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 550,000	12	\$ -	-
Notes and accounts payable (Note 18)	2,028,513	45	721,462	29
Accounts payable - related parties (Note 34)	1,365	-	1,665	-
Other payables (Note 19)	218,952	5	186,608	8
Other payables - related parties (Note 34)	501	-	556	-
Current tax liabilities (Notes 4 and 27)	46,623	1	24,235	1
Lease liabilities - current (Notes 4, 14 and 34)	14,753	-	12,628	1
Other current liabilities (Note 19)	<u>124,660</u>	<u>3</u>	<u>111,481</u>	<u>4</u>
Total current liabilities	<u>2,985,367</u>	<u>66</u>	<u>1,058,635</u>	<u>43</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 27)	18,949	-	17,886	1
Lease liabilities - non-current (Notes 4, 14 and 34)	43,398	1	50,459	2
Net defined benefit liabilities (Notes 4 and 20)	52,383	1	60,255	2
Guarantee deposits	<u>1,390</u>	<u>-</u>	<u>1,809</u>	<u>-</u>
Total non-current liabilities	<u>116,120</u>	<u>2</u>	<u>130,409</u>	<u>5</u>
Total liabilities	<u>3,101,487</u>	<u>68</u>	<u>1,189,044</u>	<u>48</u>
EQUITY				
Share capital (Note 21)	882,301	20	873,701	35
Capital collected in advance	-	-	75	-
Capital surplus (Note 21)	15,494	-	10,800	-
Retained earnings (Note 21)				
Legal reserve	155,266	3	134,481	5
Special reserve	45,196	1	76,584	3
Unappropriated earnings	359,654	8	220,667	9
Other equity (Note 21)				
Exchange differences on translation of financial statements of foreign operations	-	-	(666)	-
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	<u>(22,208)</u>	<u>-</u>	<u>(3,276)</u>	<u>-</u>
Total equity	<u>1,435,703</u>	<u>32</u>	<u>1,312,366</u>	<u>52</u>
TOTAL	\$ 4,537,190	100	\$ 2,501,410	100

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

LEO SYSTEMS, INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUE (Notes 4, 22 and 34)	\$ 6,202,141	100	\$ 3,397,644	100
OPERATING COSTS (Notes 11, 23, 24 and 34)	<u>5,388,021</u>	<u>87</u>	<u>2,805,030</u>	<u>83</u>
GROSS PROFIT	<u>814,120</u>	<u>13</u>	<u>592,614</u>	<u>17</u>
OPERATING EXPENSES (Notes 4, 9, 20, 24, 25, 26 and 34)				
Selling and marketing expenses	391,887	6	307,296	9
General and administrative expenses	83,836	2	72,296	2
Research and development expenses	39,353	1	36,522	1
Expected credit loss	<u>16,872</u>	<u>-</u>	<u>2,369</u>	<u>-</u>
Total operating expenses	<u>531,948</u>	<u>9</u>	<u>418,483</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>282,172</u>	<u>4</u>	<u>174,131</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	7,569	-	5,114	-
Other income (Notes 30 and 34)	33,106	1	28,040	1
Other gains and losses (Note 34)	1,196	-	(995)	-
Finance costs (Note 34)	(2,590)	-	(509)	-
Share of profit or loss of subsidiaries and associates (Note 12)	<u>26,210</u>	<u>-</u>	<u>17,253</u>	<u>-</u>
Total non-operating income and expenses	<u>65,491</u>	<u>1</u>	<u>48,903</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	347,663	5	223,034	6
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(62,293)</u>	<u>(1)</u>	<u>(36,541)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>285,370</u>	<u>4</u>	<u>186,493</u>	<u>5</u>

(Continued)

LEO SYSTEMS, INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	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)	\$ 7,094	-	\$ (2,151)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(18,932)	-	54,687	2
Income tax related to items that will not be reclassified subsequently to profit or loss (Notes 4 and 27)	<u>(1,419)</u>	<u>-</u>	<u>430</u>	<u>-</u>
	<u>(13,257)</u>	<u>-</u>	<u>52,966</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss (Note 21)				
Exchange differences on translating foreign operations	<u>457</u>	<u>-</u>	<u>(221)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(12,800)</u>	<u>-</u>	<u>52,745</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 272,570</u>	<u>4</u>	<u>\$ 239,238</u>	<u>7</u>
EARNINGS PER SHARE (Note 28)				
From continuing operations				
Basic	<u>\$ 3.24</u>		<u>\$ 2.14</u>	
Diluted	<u>\$ 3.16</u>		<u>\$ 2.10</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, 2022 AND 2021
(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, 2021	\$ 859,001	\$ -	\$ 4,975	\$ 117,516	\$ 75,480	\$ 178,693	\$ (445)	\$ (34,885)	\$ 1,200,335
Appropriation of 2020 earnings									
Legal reserve	-	-	-	16,965	-	(16,965)	-	-	-
Special reserve	-	-	-	-	1,104	(1,104)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(147,807)	-	-	(147,807)
Changes in percentage of ownership interests in the subsidiary	-	-	5	-	-	-	-	-	5
Compensation cost of employee share options	14,700	75	5,820	-	-	-	-	-	20,595
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	23,078	-	(23,078)	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	186,493	-	-	186,493
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(1,721)	(221)	54,687	52,745
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	184,772	(221)	54,687	239,238
BALANCE AT DECEMBER 31, 2021	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

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

LEO SYSTEMS, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 347,663	\$ 223,034
Adjustments for:		
Depreciation expense	98,456	97,589
Amortization expense	463	485
Expected credit loss recognized on accounts receivable	16,872	2,369
Net gain on fair value changes of financial assets at fair value through profit or loss	(2,283)	(24)
Finance costs	2,590	509
Interest income	(7,569)	(5,114)
Compensation costs of employee share options	2,468	718
Share of profit or loss of subsidiaries and associates	(26,210)	(17,253)
Gain on disposal of property, plant and equipment	-	(62)
Gain on lease modification	(1)	-
Changes in operating assets and liabilities		
Notes and accounts receivable	(1,685,958)	(236,503)
Notes and accounts receivable - related parties	(1,228)	(25,858)
Inventories	(255,907)	244,410
Other current assets	(28,075)	10,489
Other financial assets	882	5,861
Finance lease receivables	(53,940)	(68,786)
Notes and accounts payable	1,307,051	(28,304)
Notes and accounts payable - related parties	(300)	(748)
Other payables	32,344	(13,696)
Other payables - related parties	(55)	38
Other current liabilities	13,179	(136,315)
Net defined benefit liabilities	(778)	(1,010)
Cash (used in) generated from operations	(240,336)	51,829
Interest received	7,569	5,114
Interest paid	(1,971)	(423)
Income tax paid	(38,242)	(35,228)
Net cash (used in) generated from operating activities	<u>(272,980)</u>	<u>21,292</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments accounted for using the equity method	(9,000)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	42,754
Proceeds from disposal of financial assets at fair value through profit or loss	12,333	-
Payments for property, plant and equipment	(5,997)	(1,982)
Proceeds from disposal of property, plant and equipment	-	149
Increase in refundable deposits	(67,896)	(45,884)
Payments for intangible assets	(245)	(87)

(Continued)

LEO SYSTEMS, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Decrease in other assets - non-current	\$ (929)	\$ 5,075
Dividend received from associates	<u>15,672</u>	<u>12,589</u>
Net cash (used in) generated from investing activities	<u>(56,062)</u>	<u>12,614</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	550,000	(50,000)
Refund of guarantee deposits received	(419)	(186)
Repayment of the principal portion of lease liabilities	(14,440)	(14,277)
Dividends paid	(162,661)	(147,807)
Proceeds from exercise of employee share options	<u>10,818</u>	<u>19,877</u>
Net cash generated from (used in) financing activities	<u>383,298</u>	<u>(192,393)</u>
NET INCREASE (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	54,256	(158,487)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>152,368</u>	<u>310,855</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 206,624</u>	<u>\$ 152,368</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 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. 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. 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 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. 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. 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 These Articles of Incorporation were established on 2 September 1985. ... (omissions) The 24th amendment was made on 8 June 2017. The 25th amendment was made on 10 June 2020. The 26th amendment was made on 26 July 2021. The 27th amendment was made on 2 June 2022. The 28th amendment was made on 7 June 2023. <u>The 29th amendment was made on 5 June 2024.</u></p>	<p>Article 24 These Articles of Incorporation were established on 2 September 1985. ... (omissions) The 24th amendment was made on 8 June 2017. The 25th amendment was made on 10 June 2020. The 26th amendment was made on 26 July 2021. The 27th amendment was made on 2 June 2022. The 28th amendment was made on 7 June 2023</p>	<p>Addition of amendment and date.</p>

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

Nominee categories	Shareholder account number	Candidate name	Education	Main experience	Current position	Current shareholding	Whether you have served as an independent director for three consecutive terms/reasons
Director	691	University Venture Co., Ltd. Wang, Chau-Chyun	MBA of National Chengchi University	Chairman of Leo Systems, Inc.	Chairman of Leo Systems, Inc.	981,399 shares	Not applicable
Director	691	University Venture Co., Ltd. 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.	981,399 shares	Not applicable
Director	21178	WYC God-loving Foundation for Charity 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 Witilogy Technology Company Limited.	7,218,436 shares	Not applicable

Nominee categories	Shareholder account number	Candidate name	Education	Main experience	Current position	Current shareholding	Whether you have served as an independent director for three consecutive terms/reasons
					<p>Director of King' s Sports Co.,Ltd.</p> <p>Director of 3CEMS Corporation.</p> <p>Director of 3CEMS Investment Management Limited.</p> <p>Independent director of Cyberlink Corp.</p> <p>Independent director of Promate Electronic Co.,Ltd.</p>		
Independent director		Liu, Thu-Hua	Doctorate Degree in The University of Iowa Industrial Engineering and Management	<p>President of Ming Chi University of Technology.</p> <p>Independent director of Leo Systems, Inc.</p> <p>Director of Formosa Biomedical Technology Corp.</p> <p>Director of King Car Cultural & Educational Foundation</p> <p>Director of Mingde</p>	<p>President of Ming Chi University of Technology.</p> <p>Independent director of Leo Systems, Inc.</p> <p>Director of Formosa Biomedical Technology Corp.</p> <p>Director of King Car Cultural & Educational Foundation</p> <p>Director of Mingde Charity Foundation.</p>	0	Yes/Before his election at the shareholders' meeting and during his tenure, Mr.Liu,Thu-Hua's professional qualifications and independence were in line with and possessed the knowledge, skills and various overall abilities required to perform the business of

Nominee categories	Shareholder account number	Candidate name	Education	Main experience	Current position	Current shareholding	Whether you have served as an independent director for three consecutive terms/reasons
				Charity Foundation.			<p>an independent director. He also served as the director of the company. The convener of the company's salary and remuneration committee has repeatedly made suggestions on the company's performance management and corporate governance. He can also make independent professional judgments and provide objective and effective opinions on the company's related matters, so he can help supervise the company and protection of the rights and interests of all</p>

Nominee categories	Shareholder account number	Candidate name	Education	Main experience	Current position	Current shareholding	Whether you have served as an independent director for three consecutive terms/reasons
							shareholders of the company °
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.	0	No
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	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	0	No

Nominee categories	Shareholder account number	Candidate name	Education	Main experience	Current position	Current shareholding	Whether you have served as an independent director for three consecutive terms/reasons
				Sanitar Co., Ltd. 、 Independent director of Leo Systems, Inc.	Leo Systems, Inc.		
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.	0	否

Leo Systems, Inc.

Details of restrictions on lifting non-competition by directors and their representatives

Nominee categories	Candidate name	Concurrent position(s) currently held in the Company and other companies
Corporate 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.
Corporate 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. Wen, Chien-Liang	Director Representative/Chairman of LEO IMAGE INC. Corporate Chairman of Zhanxin Investment Co., Ltd.
Director	WYC God-loving Foundation for Charity 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 Witilogy 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.
Independent director	Liu, Thu-Hua	Director of Formosa Biomedical Technology Corp. Director of King Car Cultural & Educational Foundation Director of Mingde Charity 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.

Appendix 1

Leo Systems, Inc. Procedure for Shareholders Meetings

Article 1	To establish a strong governance system and sound supervisory capabilities for the Company's shareholders meetings, and to strengthen management capabilities, this Procedure 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 the Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
Article3	<p>Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the board of directors.</p> <p>Changes to how this Corporation convenes its shareholders meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders meeting notice.</p> <p>The 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, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, the Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby.</p> <p>This Corporate shall make the meeting agenda and supplemental meeting materials in the preceding paragraph available to shareholders for review in the following manner on the date of the shareholders meeting:</p> <ol style="list-style-type: none"> 1. For physical shareholders meetings, to be distributed on-site at the meeting. 2. For hybrid shareholders meetings, to be distributed on-site at the meeting and shared on the virtual meeting platform. 3. For virtual-only shareholders meetings, electronic files shall be shared on the virtual meeting platform. <p>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.</p> <p>Election or dismissal of directors, 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, surplus profit</p>

	<p>distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the company, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be 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.</p> <p>Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.</p> <p>A shareholder holding one percent or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular shareholders meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. When the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda. A shareholder may propose a recommendation for urging the company to promote public interests or fulfill its social responsibilities, provided procedurally the number of items so proposed is limited only to one in accordance with Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda.</p> <p>Prior to the book closure date before a regular shareholders meeting is held, the 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.</p> <p>Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.</p> <p>Prior to the date for issuance of notice of a shareholders meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.</p>
Article 4	<p>For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.</p> <p>A shareholder may issue only one proxy form and appoint only one proxy for any</p>

	<p>given shareholders meeting, and shall deliver the proxy form to the Company before five days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.</p> <p>After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.</p> <p>If, after a proxy form is delivered to this Corporation, a shareholder wishes to attend the shareholders meeting online, a written notice of proxy cancellation shall be submitted to this Corporation 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.</p>
Article 5	<p>The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.</p> <p>The restrictions on the place of the meeting shall not apply when this Corporation convenes a virtual-only shareholders meeting.</p>
Article 6	<p>This Corporation shall specify in its shareholders meeting notices the time during which attendance registrations for shareholders, solicitors and proxies (collectively "shareholders") will be accepted, the place to register for attendance, and other matters for attention.</p> <p>The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. For virtual shareholders meetings, shareholders may begin to register on the virtual meeting platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed as attend the shareholders meeting in person.</p> <p>Shareholders or proxy holders (hereinafter "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.</p> <p>The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.</p>

	<p>The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.</p> <p>When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.</p> <p>In the event of a virtual shareholders meeting, shareholders wishing to attend the meeting online shall register with this Corporation two days before the meeting date.</p> <p>In the event of a virtual shareholders meeting, this Corporation shall upload the meeting agenda book, annual report and other meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.</p>
Article6-1	<p>To convene a virtual shareholders meeting, this Corporation shall include the follow particulars in the shareholders meeting notice:</p> <ol style="list-style-type: none"> 1. How shareholders attend the virtual meeting and exercise their rights. 2. Actions to be taken if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events, at least covering the following particulars: <ol style="list-style-type: none"> A. To what time the meeting is postponed or from what time the meeting will resume if the above obstruction continues and cannot be removed, and the date to which the meeting is postponed or on which the meeting will resume. B. Shareholders not having registered to attend the affected virtual shareholders meeting shall not attend the postponed or resumed session. C. In case of a hybrid shareholders meeting, when the virtual meeting cannot be continued, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders meeting online, meets the minimum legal requirement for a shareholder meeting, then the shareholders meeting shall continue. The shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, and the shareholders attending the virtual meeting online shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders meeting. D. Actions to be taken if the outcome of all proposals have been announced and extraordinary motion has not been carried out. 3. To convene a virtual-only shareholders meeting, appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders meeting online shall be specified.
Article7	<p>The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.</p>

	<p>The recorded materials of the preceding paragraph 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.</p>
Article 8	<p>The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.</p> <p>The recorded materials of the preceding paragraph 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.</p> <p>Where a shareholders meeting is held online, this Corporation shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by this Corporation, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.</p> <p>The information and audio and video recording in the preceding paragraph shall be properly kept by this Corporation during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.</p>
Article 9	<p>Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by correspondence or electronically.</p> <p>The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting.</p> <p>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. In the event of a virtual shareholders meeting, this Corporation shall also declare the meeting adjourned at the virtual meeting platform.</p> <p>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</p>

	<p>shareholders meeting shall be convened within one month. In the event of a virtual shareholders meeting, shareholders intending to attend the meeting online shall re-register to this Corporation in accordance with Article 6.</p> <p>When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.</p>
Article10	<p>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.</p> <p>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.</p> <p>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.</p> <p>When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.</p> <p>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.</p> <p>After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.</p>
Article11	<p>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.</p> <p>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.</p> <p>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.</p> <p>When an attending shareholder is speaking, other shareholders may not speak</p>

	<p>or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.</p> <p>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.</p> <p>After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.</p> <p>Where a virtual shareholders meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in paragraphs 1 to 5 do not apply.</p>
Article 12	<p>A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.</p> <p>When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.</p> <p>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.</p> <p>After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person or online, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.</p>

	<p>Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.</p> <p>When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.</p> <p>Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.</p> <p>Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.</p>
Article13	<p>A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.</p> <p>When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.</p> <p>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.</p> <p>After a shareholder has exercised voting rights by correspondence or electronic</p>

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

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

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

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

When this Corporation convenes a virtual shareholders meeting, after the chair declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chair announces the voting session ends or will be deemed abstained from voting.

In the event of a virtual shareholders meeting, votes shall be counted at once after the chair announces the voting session ends, and results of votes and elections shall be announced immediately.

When this Corporation convenes a hybrid shareholders meeting, if shareholders who have registered to attend the meeting online in accordance

	<p>with Article 6 decide to attend the physical shareholders meeting in person, they shall revoke their registration two days before the shareholders meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders meeting online.</p> <p>When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders meeting online, except for extraordinary motions, they will not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the original proposal.</p>
Article 14	<p>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.</p> <p>The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.</p> <p>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), and disclose the number of voting rights won by each candidate in the event of an election of directors. The minutes shall be retained for the duration of the existence of the Company.</p>
Article 15	<p>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.</p> <p>The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.</p> <p>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), and disclose the number of voting rights won by each candidate in the event of an election of directors. The minutes shall be retained for the duration of the existence of the Company.</p> <p>Where a virtual shareholders meeting is convened, in addition to the particulars to be included in the meeting minutes as described in the preceding paragraph, the start time and end time of the shareholders meeting, how the meeting is convened, the chair's and secretary's name, and actions to be taken in the event of disruption to the virtual meeting platform or participation in the meeting online due to natural disasters, accidents or other force majeure events, and how issues are dealt with shall also be included in the minutes.</p>

	<p>When convening a virtual-only shareholder meeting, other than compliance with the requirements in the preceding paragraph, this Corporation shall specify in the meeting minutes alternative measures available to shareholders with difficulties in attending a virtual-only shareholders meeting online</p>
Article16	<p>On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies and the number of shares represented by shareholders attending the meeting by correspondence or electronic means, and shall make an express disclosure of the same at the place of the shareholders meeting. In the event a virtual shareholders meeting, this Corporation shall upload the above meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.</p> <p>During this Corporation's virtual shareholders meeting, when the meeting is called to order, the total number of shares represented at the meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes is released during the meeting.</p> <p>If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or Taipei Exchange Market) regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.</p>
Article17	<p>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.</p> <p>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.</p> <p>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.</p>
Article 18	<p>This Procedure shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.</p>
Article19	<p>In the event of a virtual shareholders meeting, this Corporation shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.</p>
Article20	<p>When this Corporation convenes a virtual-only shareholders meeting, both the chair and secretary shall be in the same location, and the chair shall declare the</p>

	address of their location when the meeting is called to order.
Article21	<p>In the event of a virtual shareholders meeting, this Corporation may offer a simple connection test to shareholders prior to the meeting, and provide relevant real-time services before and during the meeting to help resolve communication technical issues.</p> <p>In the event of a virtual shareholders meeting, when declaring the meeting open, the chair shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under Article 44-20, paragraph 4 of the Regulations Governing the Administration of Shareholder Services of Public Companies, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.</p> <p>For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders who have not registered to participate in the affected shareholders meeting online shall not attend the postponed or resumed session.</p> <p>For a meeting to be postponed or resumed under the second paragraph, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders meeting and have successfully signed in the meeting, but do not attend the postpone or resumed session, at the affected shareholders meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed session.</p> <p>During a postponed or resumed session of a shareholders meeting held under the second paragraph, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced, or list of elected directors.</p> <p>When this Corporation convenes a hybrid shareholders meeting, and the virtual meeting cannot continue as described in second paragraph, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders meeting online, still meets the minimum legal requirement for a shareholder meeting, then the shareholders meeting shall continue, and not postponement or resumption thereof under the second paragraph is required.</p> <p>Under the circumstances where a meeting should continue as in the preceding paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed abstaining from voting on all proposals on</p>

	meeting agenda of that shareholders meeting.
Article 22	When convening a virtual-only shareholders meeting, this Corporation shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders meeting online.
Article 23	These rules will come into force after being approved by the shareholders' meeting, and the same will apply when they are amended.
Article 24	This standard of procedure was established on June 26, 2002. The first revision was on June 18, 2012 The second revision was on July 26, 2021 The third revision was on June 7, 2023

Leo Systems Inc. Articles of Incorporation (before amendment)

Chapter 1 General

Article 1: The Company is organized in accordance with the Company Act and is named Leo Systems, Inc.

Article 2: The Company operates the following businesses:

1. F113050 Wholesale of Computers and Clerical Machinery Equipment
2. F113020 Wholesale of Electrical Appliances
3. F113070 Wholesale of Telecommunication Apparatus
4. F118010 Wholesale of Computer Software
5. F119010 Wholesale of Electronic Materials
6. F213010 Retail Sale of Electrical Appliances
7. F213030 Retail Sale of Computers and Clerical Machinery Equipment
8. F213060 Retail Sale of Telecommunication Apparatus
9. F218010 Retail Sale of Computer Software
10. F219010 Retail Sale of Electronic Materials
11. F213110 Retail Sale of Batteries
12. F401021 Importation of Telecommunications Controlled Emission Equipment
13. CC01110 Computer and Peripheral Equipment Manufacturing
14. E605010 Computer Equipment Installation
15. F401010 International Trade
16. I301030 Electronic Information Supply Services
17. E601010 Electric Appliance Construction
18. E603010 Cable Installation Engineering
19. E603050 Automatic Control Equipment Engineering
20. E701010 Telecommunications Engineering
21. EZ05010 Instrument and Meters Installation Engineering
22. EZ99990 Other Engineering
23. E603080 Traffic Signs Installation Engineering
24. F113030 Wholesale of Precision Instruments
25. F213040 Retail Sale of Precision Instruments
26. I301010 Information Software Services
27. I301020 Data Processing Services
28. JE01010 Rental and Leasing
29. I103060 Management Consulting
30. I401010 General Advertisement Service
31. I599990 Other Designing
32. JB01010 Conference and Exhibition Services
33. F108031 Wholesale of Medical Devices
34. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1: The Company may serve as a limited-liability shareholder of another company through board resolution. Unless otherwise provided by law, the total investment amount may be exempt from the limit of 40% of the Company's paid-in capital, provide that it shall not exceed the Company's paid-in capital. The board resolution under the previous paragraph shall be approved by the majority of directors attending a meeting that is attended by 2/3 or more directors.

Article 3: The Company may provide guarantees as required for business.

Article 4: The Company has its headquarters in Taipei City and may set up domestic or overseas branches or representative offices as required through board resolutions.

Article 5: The Company makes public announcements in accordance with Article 28 of the Company Act.

Chapter 2 Shares

Article 6: The Company's total capital is NT\$2,500,000,000 (including NT\$130,000,000 for employee stock options), divided into 250,000,000 shares with a face value of NT\$10 per share. The board of directors is authorized to issue the non-issued portion of the above shares.

Article 6-1: The Company is not obliged to print share certificates for the shares it issues, provided that the shares issued in accordance with this paragraph shall be registered with a securities depository institution and shares issued shall be handled in accordance with the rules of such institution.

Article 6-2: When the Company buys treasury shares in accordance with the Company Act, the targets of transfer may include employees of controlled companies or subsidiaries meeting certain conditions. The board of directors is authorized to determine such certain conditions by resolution.

The targets for distribution of employee stock options by the Company may include employees of controlled companies or subsidiaries meeting certain conditions. The board of directors is authorized to determine such certain conditions by resolution.

When the Company issues new shares, employees subscribing to the shares may include employees of controlled companies or subsidiaries meeting certain conditions. The board of directors is authorized to determine such certain conditions by resolution.

When the Company issues new shares with restricted employee rights, the targets may include employees of controlled companies or subsidiaries meeting certain conditions. The board of directors is authorized to determine such certain conditions by resolution.

Article 7: All of the Company shares are registered shares, issued after affixation of signatures or seals by directors representing the Company and after certification by a bank that

may serve as the certifying agent for the issuance of shares in accordance with the law.

Article 8: Public listing of the Company's shares shall not be cancelled unless there is a resolution of the shareholders' meeting.

Article 9: Change to shareholders register pursuant to share transfer shall be suspended during a period of 60 days before any general shareholders' meeting, 30 days before any extraordinary shareholders' meeting and 5 days before the record date for the distribution of dividend, bonus or other benefit determined by the Company.

Chapter 3 Shareholders' Meeting

Article 10: Shareholders' meetings are divided into general meetings and extraordinary meetings. General meetings are held once a year and convened by the board of directors in accordance with the law within 6 months from the end of each accounting year. Extraordinary meetings are convened in accordance with the law as required.

Article 11: For each shareholders' meeting, shareholders may issue proxies printed by the Company, specifying the scope of authorization, for a representative to attend the meeting on the shareholders' behalf.

Article 12: Shareholders are entitled to one voting right per share, except restrictions or no voting right in accordance with applicable laws.

Article 13: When the Company convenes a shareholders' meeting and electronic manner is one of the channels to exercise voting right, shareholders exercising voting rights in electronic manner shall be deemed to have attended the shareholders' meeting in person. Matters related to such exercise shall be in accordance with existing legislations.

Unless otherwise provided by applicable laws, shareholder resolutions shall be approved by shareholders representing the majority of voting rights represented in a meeting that is attended by shareholders representing the majority of all outstanding shares. Shareholders resolutions shall be recorded in minutes and shall be governed by Article 183 of the Company Act.

Article 13-1: When the company's shareholders' meeting is held, it may be held by video conference or other means announced by the central competent authority.

Chapter 4 Directors

Article 14: The Company has 7-9 directors, serving terms of 3 years and elected under the candidate nomination system by shareholders' meeting from a list of director candidates. The same person may be re-elected after expiry of the term.

Among the number of directors under the previous paragraph, at least 3 persons and at least 1/5 of the board seats shall be independent directors. The nomination of candidates shall be in accordance with Article 192-1 of the Company Act.

The minimum total number of registered shares held by all directors of the Company shall be in accordance with applicable laws.

The Company has an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee shall be composed of all independent directors. The audit committee and its members are responsible for performing the duties of supervisors in accordance with the Company Act, the Securities and Exchange Act and other legislations.

Article 15 The board of directors is composed of directors and one person shall be elected as chairman by the directors from among themselves through approval by the majority of directors attending a meeting that is attended by 2/3 or more directors. Directors shall attend board meetings in person. Any director who cannot attend a meeting in person may designate another director as his/her representative. When a director attends a board meeting through representation by another director, a proxy shall be issued for each instance, listing the scope of authorization for the agenda. Board meetings may be held through video conference. Directors attending a meeting through video conference shall be deemed to have attended the meeting in person.

Article 15-1: Deleted

Article 15-2: Board meetings shall be held at least once every quarter. A notice with agenda shall be given to each director 7 days in advance. However, a meeting may be convened at any time in case of emergency.

Notice to convene board meetings may be given in writing, by email or by fax.

Article 16: When the chairman is on leave or cannot perform his/her duties due to any reason, the representation shall be in accordance with Article 208 of the Company Act.

Article 17: Deleted

Article 18: The Company may purchase liability insurance for all directors to protect the interest of all shareholders and to lower the operating risk. The board of directors is authorized to determine director remuneration based on the level of participation in the Company's operation and the value of contribution, as well as in reference to the common standard of the same industry.

Chapter 5 Officers

Article 19: The Company may have several officers and may have technical, legal, accounting and financial experts as advisors as required for business, the hiring, dismissal and remuneration of which shall be in accordance with Article 29 of the Company Act.

Chapter 6 Accounting

Article 20: The Company's accounting year is from 1 January to 31 December of each year. At the end of each accounting year, the board of directors shall prepare business report, financial statement and profit distribution or loss compensation proposal and submit them to the general shareholders' meeting for approval.

Article 21: The Company shall distribute 5% of the current-year profit as employee remuneration and no more than 2% as director remuneration, provided that, if the Company still has accumulated losses, the losses shall be compensated.

Current-year profit referred to in this previous paragraph means after-tax profit of the current year before deduction for distribution of employee remuneration and director remuneration.

The distribution of employee remuneration and director remuneration is subject to resolution approved by the majority of directors attending a meeting that is attended by 2/3 or more director and reporting to the shareholders' meeting.

Employee remuneration may be paid in stock or in cash. The target of distribution may include employees of subsidiaries meeting certain conditions.

Article 21-1: If the Company has profit at annual closing, taxes shall be first paid and accumulated losses from prior years shall first be compensated. Then 10% shall be provisioned as legal reserve and special reserve shall be provisioned or recycled in accordance with the law or the requirement of the competent authority. The remaining amount, if any, together with accumulated non-distributed profit from previous years, shall be subject to a distribution proposal to be prepared by the board of directors for submission to the shareholders' meeting for resolution before distribution.

Article 21-2: Dividend Policy

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.

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.

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.

Chapter 7 Miscellaneous

Article 22: The organizational charter and bylaws of the Company and the board of directors shall be further established by the board of directors.

Article 23: Anything that is not stipulated in these Articles of Incorporation shall be governed by the Company Act and applicable legislations.

Article 24: These Articles of Incorporation was made on 2 September 1985.

The first amendment was on November 25, 1988.

The second amendment was on January 8, 1990.

The third amendment was on March 8, 1990.

The fourth amendment was on March 27, 1990.

The fifth amendment was on June 30, 1993.

The sixth amendment was on August 17, 1994.

The seventh amendment was on January 10, 1995

The eighth amendment was on July 31, 1995.

The ninth amendment was on November 27, 1995.

The tenth amendment was on July 31, 1995.

The eleventh amendment was on April 30, 1998.

The twelfth amendment was on May 23, 2000.

The thirteenth amendment was on June 12, 2001.

The fourteenth amendment was on June 26, 2002.

The fifteenth amendment was on June 17, 2003.

The sixteenth amendment was on June 1, 2004.

The seventeenth amendment was on June 13, 2007.

The eighteenth amendment was on June 19, 2009.

The nineteenth amendment was on June 15, 2010.

The twentieth amendment was on June 10, 2011.

The twenty-first amendment was on June 18, 2012.

The twenty-second amendment was on June 24, 2014.

The twenty-third amendment was on June 7, 2016.

The twenty-fourth amendment was on June 8, 2017.

The twenty-fifth amendment was on June 10, 2020.

The twenty-sixth amendment was on July 26, 2021.

The twenty-seventh amendment was on June 2, 2022.

The twenty-eighth amendment was on June 7, 2023.

Leo Systems Inc.

Director election method

Last Established/Revised on: 26 July 2021

Article 1: The election of directors of the company shall be handled in accordance with these Regulations.

Article 2: The election of directors of the company shall be held at the meeting of shareholders.

Article 3: The election of directors of the company shall be in accordance with the procedures for the nomination of candidates stipulated in Article 192-1 of the Company Act.

The professional qualifications, shareholding, part-time job restrictions, nomination and election methods, and other compliance matters of independent directors are handled in accordance with the relevant laws and regulations of the Company Act and the Securities and Exchange Law.

Article 4: The election of the directors of the company adopts the cumulative voting system, Each share has the same voting rights as the number of directors to be elected, and one person may be elected collectively or several persons may be elected separately.

Article 5: The company shall calculate the voting rights of independent directors and non-independent directors separately according to the quota stipulated in the company's articles of association.

Article 6: Delete

Article 7: The ballots shall be issued by the person who has the right to convene, and shall be numbered according to the number of the attendance card and the number of voting rights shall be filled in.

Article 8: At the beginning of the election, the chairman shall designate a number of scrutineers and counters to perform various related duties. The scrutineers shall have the status of shareholders.

Article 9: The ballot box shall be prepared by the person with the right to convene, and shall be inspected by the scrutineers in public before voting.

Article 10: If the elected person is a shareholder, the elector must fill in the elected person's account name and shareholder account number in the elected person column of the ballot; if he is not a shareholder, the elector's name and identity certificate should be filled in serial number. However, when the government or juristic person shareholder is the elected person, the name of the elector should be filled in the name of the government or juristic person in the voter's account column, and the name of the government or juristic person and the name of its representative may also be filled in; if there are several representatives, The name of the representative should be added separately.

Article 11: Ballots are invalid if one of the following conditions occurs:

1. Those who do not use ballot papers prepared by persons with the right to convene.
2. Those who put blank ballot papers into the ballot box.
3. The handwriting is illegible or altered.
4. The list of elected candidates and director candidates has been verified to be inconsistent.
5. In addition to filling in the number of allocated voting rights, other words are inserted.

Article 12: After the voting is over, votes will be counted and recorded on the spot, under the supervision of the scrutineers, and the results of the counting will be announced by the chairman on the spot.

Article 13: The elected directors shall be notified separately by the company after the shareholders' meeting.

Article 14: Matters not stipulated in these measures shall be handled in accordance with the Company Act and other relevant laws and regulations.

Article 15: These measures shall come into force after the resolution of the shareholders' meeting is passed, and the same shall apply when amended.

Article 16: This regulation was enacted on June 26, 2002.
The first revision was on June 10, 2011.
The second revision was on June 24, 2014.
The third revision was on July 26, 2021.

Leo Systems Inc. Director Shareholding

1. The Company's paid-in capital is NT\$893,891,230 and has 89,389,123 outstanding shares.
2. The Company has 3 independent directors. According to the ratio stipulated in Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies promulgated by the Securities and Futures Commission, Financial Supervisory Commission, when there are two or more independent directors, the statutory minimum shareholding held by all directors other than independent directors and supervisors may be lowered to 80%. Therefore, the statutory shares to be held by all directors of the Company are 7,151,129 shares (8%).
3. The shares held by all directors have satisfied the statutory requirement.
4. The Company has an audit committee. Therefore, shareholding requirement by supervisors does not apply.
5. As of the share-transfer cutoff date for this ordinary shareholders meeting, individual and all director shareholdings registered in the shareholders register are as follows:

Share-Transfer Cutoff Date: 7 April 2024

Title	Name	Shareholding at the time of election		Shareholding recorded in shareholders register on the share-transfer cutoff date	
		No. of shares	%	No. of shares	%
Chairman	University Venture Co., Ltd.Chairman: Wang,Chau-Chyun	981,399	1.12%	981,399	1.10%
Director	WYC God-loving Foundation for Charity Chairman: Chien,Lambert Ming Long	7,218,436	8.26%	7,218,436	8.08%
Director	WYC God-loving Foundation for Charity Chairman: Jou,Shao-Huey	7,218,436	8.26%	7,218,436	8.08%
Independent Director	Liu,Thu-Hua	0	0%	0	0%
Independent Director	Chen,Yen-Hui	0	0%	0	0%
Independent Director	Cheng, Sheng-In	0	0%	0	0%
Independent Director	Liao,Hsiang-Ruei	0	0%	0	0%
Total shareholding by directors		8,199,835	9.38%	8,199,835	9.20%