

Stock Code:6160



欣技資訊股份有限公司
CIPHERLAB CO., Ltd.

2023 Annual General Meeting
Meeting Handbook

Notice to readers

This English-version meeting handbook is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Date of the Meeting : June 27, 2023

Venue of the Meeting: R2F., No. 196, Sec. 3, Datong Rd., Xizhi Dist., New Taipei City

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CIPHERLAB CO., Ltd

Procedure for the 2023 Annual Meeting of Shareholders

1. Call the Meeting to Order
2. Chairperson Remarks
3. Reporting Matters
4. Acknowledged Matters
5. Ad Hoc Motions
6. Adjournment

CIPHERLAB CO., Ltd

Year 2023

Agenda of Annual Meeting of Shareholder

Time: 9:00 a.m. on Tuesday, Jun. 27, 2023

Place: R2F., No. 196, Sec. 3, Datong Rd., Xizhi Dist., New Taipei City

1. Convening Method: Physical Meeting
2. Call the Meeting to Order
3. Chairperson Remarks
4. Reporting Matters
 - (1) 2022 Business Report
 - (2) 2022 Audit committee's review report
 - (3) Report on the distribution of employee compensation and director remuneration for the year 2022
 - (4) Amendment on part of the clauses of our company's business ethical conduct
5. Acknowledged Matters
 - (1) Adoption of the 2022 Business Report and Financial Statements
 - (2) Adoption of the proposal for distribution of 2022 Surplus profits
6. Ad Hoc Motions
7. Adjournment

Reporting Matters

Report No. 1

2022 Business Report

Explanation:

- (1) In 2022, the consolidated operations are mainly driven by net operating income of NT\$1,257,962 thousand, which decreased by 11.34% compared to 2021. The net profit after tax attributable to the Company is NT\$32,254 thousand, which is NT\$3,228 thousand less compared to 2021, resulting earnings per share equals to NT\$0.47
- (2) 2022 business report is attached as page 6-12, annex 1.

Report No. 2

2022 Audit Committee's Review Report

Explanation:

2022 Audit Committee's Review Report is attached as page 33, annex 4.

Report No. 3

Report on the distribution of employee compensation and director remuneration for the year 2022

Explanation:

The proposed distribution amounts of employee compensation and director remuneration for the Company's year 2022 are respectively NT\$4,208,598 and NT\$1,262,579, which will both be fully paid in cash. The proposal has been approved by the compensation committee.

Report No. 4

Revise part of the clauses of "Guidelines for Ethical Management and Conduct"

Explanation:

- (1) Revise part of the clauses of "Guidelines for Ethical Management and Conduct" based on the Company's actual responsible unit.
- (2) Revised Comparison Table of "Guidelines for Ethical Management and Conduct" is attached as page 35-40, annex 6.
- (3) Unamended version of "Guidelines for Ethical Management and Conduct" is attached as page 56-65, appendix 3.

Acknowledged Matters

Proposal No. 1

Adoption of the 2022 Business Report and Financial Statements (Proposed by the board)

Explanation:

- (1) CIPHERLAB CO. Ltd.'s Financial Statements, including the balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, were audited by independent auditors, Ruske Ho and Alice Huang of Deloitte & Touche. Also, Business Report and Financial Statements have been approved by the audit committee and the Board on March 29th, 2023.
- (2) 2022 Business Report is attached as page 6-12, annex 1.
- (3) 2022 Financial Statement is attached as page 13-32, annex 2-3.
- (4) Please acknowledge.

Resolution:

Proposal No. 2

Adoption of the proposal for distribution of 2022 Surplus profits (Proposed by the board)

Explanation:

- (1) The surplus distribution plan for fiscal year 2022 has been discussed and approved by the Board on March 29th, 2023.
- (2) The Company's after-tax net profit for year 2022 was NT\$32,253,274, plus the remeasured amount of NT\$2,324,318 for the welfare plan in year 2022, minus the income tax on the loss from the welfare plan of NT\$464,863. According to the law, NT\$3,411,273 was appropriated for legal reserve, and NT\$10,423,661 was appropriated for special reserve, with NT\$439,716 in undistributed earnings at the beginning of the period. Therefore, the available profit for distribution for year 2022 is NT\$41,564,833. It is proposed to distribute a cash dividend of NT\$0.60 per share to shareholders, totaling NT\$41,093,472, and the remaining undistributed earnings at the end of the period is NT\$471,361.
- (3) Surplus Distribution Table is attached as page 34, annex 5.
- (4) Please acknowledge.

Resolution:

Ad Hoc Motions

Adjournment

CIPHERLAB CO., Ltd

2022 Business Report

Dear Shareholders:

To our company, 2022 is a year full of challenges but with infinite possibilities. With global economy being affected by rising inflation and ongoing impact of COVID-19, the outlook of consumer market is yet to be certain; however, the shortage of materials is no longer a factor affecting industrial computer market, and the demand from the business remains strong. Therefore, the industry is unaffected by the economic recession. In the face of the pandemic and material shortage, CIPHERLAB has undergone transformation with a goal of enhancing customer value and creating company value. Our company also promotes USER CASE to connect user proposes and value; besides, we aim at assisting users in their digital transformation and enhancing their operational efficiency, in order to enable users to compare and analyze their performance with their peers, supporting them to expand and transform their business model and content, and thus make CIPHERLAB become a trusted expert assistant in the industry; meanwhile, we will continue to update new software versions of the main products, strengthening the management capabilities of the cloud service, and optimize the warranty service for the purpose of increasing the proportion of service revenue compared to previous years. As the result, it will be helpful in the growth of overall gross margin.

In 2023, we will continue to promote the transformation of our company, and launch Android product solutions which meet the needs of the market and users with enhancing user value as the starting point. On top of that, we will strive to conduct research and development on 5G, WIFI 6E and sensing technology, and apply them to various industries to meet the requirements of new application fields. At the same time, we will collaborate with crucial partners in the market and strengthen our business team construction; in terms of factory operation, we will control inventory levels effectively, improving the product quality, and lay the foundation for the sustainable growth of the Company in order to bring profits to the shareholders.

I. 2022 business report

1. Business Operational Performance

In 2022, the consolidated operations are mainly driven by net operating income of NT\$1,257,962 thousand, which decreased by 11.34% compared to 2021. The net profit after tax attributable to the Company is NT\$32,254 thousand, which is NT\$3,228 thousand compared to 2021, resulting earnings per share equals to NT\$0.47.

2. Budget Execution

As the financial forecast in 2022 is not available to the public, there is no information about budget execution.

3. Revenue & Expenditure and Profitability Analysis

(Resources: consolidated financial statements)

Unit : NT\$ thousand

Year	Item	2022	2021	Difference (%)
Revenue & Expenditure	Operating Revenue	1,257,962	1,418,876	(11.34%)
	Gross Margin	472,077	499,005	(5.40%)
	Profit After Tax	31,194	36,021	(13.40%)
Profitability Analysis (%)	Debt Ratio: (Total Liabilities / Total Assets)	41.33	40.37	2.38%
	Long Term Funds to Fixed Assets : (Long Term Funds / Fixed Assets)	817.71	693.55	17.90%
	Current Ratio : (Current Assets / Current Liabilities)	235.25	224.28	4.89%
	Quick Ratio : (Liquid Assets / Current Liabilities)	107.56	97.48	10.34%
	Return on Equity : (Profit After Tax / Average Shareholder's Equity)	4.05	4.62	(12.34%)
	Profit Margin : (Profit After Tax / Net Sales)	2.56	2.50	2.40%
	Earnings Per Share: (Profit After Tax – Preference Dividend) / Weighted Average Shares Outstanding	0.47	0.52	(9.62%)

4. Research and Development Status

In the year of 2022, which is also the post pandemic era, the domestic restrictions are gradually lifted, and consumption is gradually recovering. Demand for manufacturing, warehousing, logistics and other industries keeps increasing. CIPHERLAB continues to input resources for the purpose of developing sensor module and cloud-based mobile management system. Companies are able to choose the suitable alternative to manage their assets and ensure the temperature requirement is meet while delivering products (including medicine, vaccine). Furthermore, fill the gaps in the products. All the series of Android products comply with Google GMS and AER certification, providing business users automatic data capture products which meet information security requirements.

Main products developed in 2022, including:

1. Added 2564 3000mAH and Extended Range 2D image versions to Scanner in the second half of the year in order to provide richer user experience and to offer products with better price-quality ratio in the competitive scanner market.
2. Completed the proof of concept (POC) for temperature sensing and recording module in the second half of the year. We also work with the customers on driving it towards Minimum Viable Product (MVP), which is a process of optimizing customers filed. The temperature sensing and recording module is able to be used in the growing cold chain logistics and distribution industry. From picking up to dropping off the cold chain products (e.g., vaccine, medicine, and fresh), the module can measure the temperature and upload the record to the head office at the same time. Therefore, it can be helpful for logistics providers to implement proof collection, and solve the long-term problem of proof collection and responsibility

identification difficulties that the logistics providers have encountered.

3. Android products-related software development : a new user interface and added features for the cloud-based mobile device management system, a new input interface for the terminal simulation software, and support for AS/400 new functions, a private cloud mobile device management system, and enterprise application tools. Besides, we also developed Agility Intelligence. These efforts aim to ensure CIPHERLAB commitment to customer product security by providing agile and intelligent data systems
4. AI area: we developed license plate detection and character recognition features using deep learning technology for automatic license plate recognition. We have developed the first-generation prototype by combining this technology with our existing AER products as well.
5. Business Expansion Status:
 1. We are building a localized and experienced business team, enhancing our first-line outstanding sales personnel, developing vertical market cooperation partners and alliances, implementing profit-oriented performance assessment, establishing an agile and sound business organization, and continuously strengthening our business promotion efforts.
 2. We are integrating technical support and on-site application consulting to gain a deeper understanding of user needs, enhancing user engagement on the client-side, assisting enterprise users in improving operational efficiency and customer experience, expanding and transforming business models, establishing a client-side business ecosystem, deepening collaboration with enterprise users, replicating successful models, and discussing the future development direction and mode together.

II. Strategy for 2022 Business Development:

A. Development plan for new products and research :

1. Development plan for public and private cloud enterprise devices management and agile smart data systems.
 - (1) RemoCloud/EndeCloud public and private cloud enterprise devices management systems :

Public and private cloud enterprise devices management systems can include all registered devices into the scope of enterprise management, making IT department and managers can easily get hold of the activity status of company devices, reducing the time required for large-scale deployment and configuration, and restrict company devices for work-related purposes only; strengthen information security with multi-factor authentication (MFA) mechanism, enabling IT to perform configuration and management from anywhere without location restrictions, thereby improving work efficiency.

 - a) The new remote control feature enhances the visibility of remote devices where allowed, allowing IT to provide real-time assistance to scattered devices and significantly reducing work stagnation, thereby improving work efficiency ◦
 - b) The new device tracking feature allows enterprises to effectively manage the geographic location of devices in various locations, restrict work areas, and record trajectories of movement to adjust workflows and improve operational efficiency.

- c) The machine learning feature provides customers with a platform to train neural artificial intelligence on their own, achieving the evolution of artificial intelligence Internet of Things through edge computing, and make the machine applications for repetitive tasks more efficient.
 - d) Implementing the ISO/IEC 27001:2022 BSI standard to reduce the risk of information leaks and stakeholders, and establish brand trust
 - e) Implementing the GDPR (General Data Protection Regulation) to assure human rights and privacy.
- (2) Agility Intelligence: an agile intelligent data system which is able to uses big data analysis to obtain insights of customers' task goals, job requirements, operational capabilities, and future trends. It also provides visualized statistical analysis reports and management dashboard to assist in improving the management efficiency of IT and departmental supervisors, and to identify key reasons for improving business capabilities.
 - (3) EagleEyes: a remote device control system which is able to control devices timelier and further achieve the goal of remote collaborative work through remote operation, device tracking, environmental sound, and remote video functions
 - (4) Contactless payment: providing a third-party payment tool integration platform and complying with the PCI international standard protocol to achieve the transaction function of contactless payment and meet the market demand for the last mile of payment flows.
2. The core technology development team continues to conduct research and development on 5G, WIFI 6E, and sensing technology :
1. 5G: The global industry's demand for data transmission is increasing, and the requirements for user experience are also constantly improving. Therefore, CIPHERLAB CO. must continue to work towards providing solutions that can provide higher data transmission rates, reduce latency, save energy, and reduce costs. 5G is a key technology that CIPHERLAB CO. has adopted to meet the new demands and challenges of the Artificial Intelligence of Things (A-IoT).
 2. WIFI 6E (IEEE 802.11ax): refers to the extension of WIFI 6 to the 6 GHz frequency band, which is different from the limited spectrum used by current channels. The 6 GHz channel does not overlap or interfere with other frequencies. The existing 2.4 GHz and 5 GHz frequency bands have become overcrowded and cannot meet the growing demand for data traffic. The overlap and interference of frequency channels can seriously block network connections, greatly reducing the user experience. Therefore, efficient WIFI 6 with a wider frequency band is needed to solve the problems of high-density usage, more devices, and increasing data traffic. The goal is to support indoor and outdoor usage environments. Compared with 802.11ac, WIFI 6E can increase transmission speed by 37%, reduce latency by 75%, and significantly extend the battery life of WIFI devices, providing a better user experience for advanced applications such as all-wireless offices and IoT.
 3. Temperature sensing and recording module has completed proof of concept (POC) in the second half of 2022 ° This year, we will collaborate with key partners to quickly launch a Minimum Viable Product (MVP) to the actual market,

and confirm the actual usage scenarios of logistics providers. We will then modify the temperature sensing and recording module based on feedback from actual usage by logistics providers, with the goal of making the temperature sensing and recording module a profitable product that meets market demand.

4. AI projects :

- a) Automatic license plate detection: Based on customer needs, we will train custom models for specific usage scenarios and incorporate the next-generation Camera Sensor in our AER product to develop a real-time license plate recognition system. The system emphasizes automation, high accuracy, fast processing, and convenience to reduce human errors caused by manual input of license plates by operators.
- b) The bottle cap manufacturing date recognition system: targeted towards retail customers. It integrates the image recognition capabilities of the new generation AER product's Scan Engine to quickly identify if items are expired. The system emphasizes real-time performance and convenience while reducing errors caused by human judgement or delays caused by back-end data interpretation.

3. Development plan for Scanner :

Free up both hands, Scanner allows operators to use both hands for picking, handling, and production operations, which can increase work efficiency by about 30%. Such devices are mostly used in warehousing, manufacturing, retail, and other industries. CIPHERLAB CO. will develop the first Ring scanner product to meet the high expectations of today's workers for wearable devices (they expect a stylish, compact, and comfortable device that can be easily used intuitively without training and with the simplicity of barcode alignment and scanning).

4. The COVID-19 pandemic has forced retailers to accelerate the ongoing trend of digital transformation and to adopt RFID more widely. According to data from global data centers, the RFID market is expected to grow at a compound annual growth rate of 12.6% over the next five years, especially in the retail, logistics, and warehousing industries. In addition to quickly capturing the location and quantity of assets and goods, the application of collecting environmental parameters (such as temperature) has also increased. CIPHERLAB CO. will develop the next generation of RFID guns with ergonomic grip design, long-term use, and easy-to-use without training.
5. Mobile POS and Self-Service Systems: In the post-COVID-19 era, there is a growing demand for contactless payment and self-service systems that reduce crowd gatherings. In response, CIPHERLAB CO. is developing optimized user interfaces and integrating various payment mechanisms to enhance the integration of software and hardware services.
6. Establish information security team: in response to the increasing threat to the Company's operations and customer data in the information market, we establish a team to promote information security strengthening operations to provide a secure operating environment.

B. Market Sales Development Plan :

- 1、The main targets for development are system integrators, software developers, and value-added sales agents, aiming to cultivate large customers and establish a busi-

ness ecosystem on the supply side, enhancing the ability and scope of participating in user-side projects.

- 2、Provide customers with hardware and software equipment solutions, as well as extended remote (cloud) networked mobile management systems, expanding to related operational networks, aiming for comprehensive integration of the business ecosystem.
- 3、Establish database of USER CASE, in order to enhance completeness and win customers' trust through connecting users' value and goals.
 - Gain a deep understanding of user environments and collaborate with IT units to improve IT systems and promote digitalization.
 - Collaborate with operational units to establish processes and procedures, and establish indicators to enhance user experience.
 - Become a collaborative partner with management decision-making units, review and optimize process steps, improve indicators, and expand and transform business models and content.
- 4、Setting up key channel partners and alliances in target markets, and directing the sales team to strengthen cooperation, complement each other, and pursue the Company's maximum revenue and profitability.
- 5、Implement lead generation as the main indicator of marketing performance and improve the conversion rate of potential sales opportunities that contribute to actual revenue.

C. Factory Operation Plan :

- Inventory Preparation Mode: In response to global supply chain restructuring, raw material shortages, and rising costs, we will establish a supply chain management (SCM) communication platform to discuss strategic procurement decisions every week, in addition to preparing inventory based on monthly business forecasts.
- Production Mode: We take the different advantages of in-house and outsourced production to meet the characteristics of business orders and process differences of various models. Besides, we allocate the production capacity configuration of in-house and outsourced production to achieve the most efficient production. Moreover, we also utilize the production capacity and material procurement advantages of ODM factories to reduce production costs and maximize production yield.
- Inventory Rationalization: We strengthen timely control of on-order delivery dates and reduce the minimum order quantity (MOQ) for procurement. We also enhance the quick linkage of Production, Sales, and Inventory (PSI) information to achieve effective inventory reduction.
- Smart Factory :
 1. We continue to integrate information from each stage of the production process to provide product production history inquiry and analysis.
 2. We continuously introduce automated testing for product production to improve production quality and efficiency.

III、Influenced by external competitive environment, regulatory environment and general economic environment:

The covid-19 pandemic has come to an end in 2023, and the restrictions all over the world

have gradually lifted. However, central banks in various countries have adopted monetary tightening policies to curb high inflation, which has raised concerns about a potential market economic downturn. In the face of an extremely uncertain economic outlook, the Company continues to invest resources in its ICT products and services to maintain its competitive advantage in the industry. At the same time, given the shortage of market talent, the Company provides maximum support for the cultivation of its employees. We hope that in the context of economic recovery, we can overcome the challenges faced by the Company one by one and embrace the great opportunities in the market.

Besides above-mentioned business plans and strategies, in the face of rapidly changing market and challenges from computers, the Company will adhere our business philosophy and cautious attitude to face the challenge. We strive to pursue and share fruitful business results with the society, our shareholders, our customers and employees.

We would like to express our deepest gratitude to all the shareholders for their long-term support and care for CIPHERLAB CO. We look forward to your continued encouragement and guidance in the coming year. We wish you all the best and hope that everything goes smoothly for you and your families. Thank you all very much.

Chairman: Mr. Steven Liao General Manager: Mr. Steven Liao Accounting Supervisor: Chang, Chia-Jung

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of CipherLab Co., Ltd

Audit Opinion

We have reviewed the accompanying balance sheets of CiphertLab Co., Inc., as of December 31, 2022 and 2021; the related statement of comprehensive income, the statement of changes in equities, and the statement of cash flows for the period of January 1 to December 31, 2022 and 2021; and notes to the financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying financial statements in all material respects, are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers; and present equitably the financial status of the CiphertLab Co., Inc. as of December 31, 2022 and 2021 and its financial performance and cash flows from January 1 to December 31, 2022 and 2021.

Basis for Opinion

We have conducted our audits in accordance with the Regulations Governing Auditing and auditing standards. Our responsibilities under these terms and conditions will be further elaborated in the section of the Auditors' Responsibilities for the Audit of the Financial Statement in this report. Abiding by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, we have maintained objective and are independent of I and its subsidiaries, and have fulfilled these ethical standards and other responsibilities. We believe that we have obtained sufficient and appropriate evidence as to the basis for our audit opinions

Key Audit Matters

The key audit matter refers to the most important content in our audit of CiphertLab Co., Inc.' financial statements for the year 2022 based on our professional judgment. These matters have been addressed in the process of our audit of the financial statements and in forming of the audit opinions, and we will not provide any additional view on these matters discretely.

The followings are the key audit matters for CiphertLab Co., Inc.'s financial statements for the year 2022:

Key audit matter: veracity of sales revenue recognition

The revenue of CiphertLab Co., Inc. and its subsidiaries from the sales of 2 products, RS 35 and RK 95, for the year 2022 was NT\$ 464,332 thousand, accounting for 39% of the sales revenue, which had a significant impact on the financial statements. Additionally, as the management division was under the pressure of market expectations or expected to obtain the maximum profit return based on business performance, an increase in sale revenue may be a tactic to achieve the business goal. The main risk is the veracity of the sales revenue, which was consequently identified as a key audit matter.

For the accounting policy on the revenue, please refer to Note 4 (11) of the financial statements.

We understood and tested the sales revenue recognition, which is related to the effectiveness of the design and implementation of internal control, by selecting appropriate samples from the details of sales revenue for the 2 products of RS35 and RK 95 to examine the orders, the export declarations, and the consistency between the payment recipients and the objects of the transaction to ensure no material misstatement in the sales revenue.

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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing CiphertLab Co., Inc. and its subsidiaries' 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 CiphertLab Co., Inc. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing CiphertLab Co., Inc.' 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 auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CiphertLab Co., Inc. and its subsidiaries' 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 CiphertLab Co., Inc. and its subsidiaries' 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 CiphertLab Co., Inc. and its subsidiaries 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 CiphertLab Co., Inc. and its subsidiaries to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of CiphertLab Co., Inc. and its subsidiaries' audit. We remain solely responsible for our audit opinion.

We communicate with those in 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 CiphertLab Co., Inc.' 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.

Deloitte & Touche Tohmatsu Limited

Accountant He, Rui-Xuan Accountant, Huang, Hai-Yueh

S Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
Number 0930128050

Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
Number 0920131587

March 29, 2023

CIPHERLAB CO., LTD. AND SUBSIDIARIES
PARENT COMPANY ONLY BALANCE SHEETS

January 1 to December 31, 2022 and 2021

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	\$ 147,224	11	\$ 113,789	9
1150	Notes receivable (Note 7)	803	-	1,483	-
1170	Accounts receivable (Note 4 & 7)	198,964	15	185,088	15
1180	Accounts receivable – related parties (Note 4 & 27)	24,857	2	30,652	2
1200	Other receivables (Note 7 & 27)	56,948	5	29,917	2
130X	Inventories (Note 4 & 8)	507,143	39	512,918	41
1476	Other financial assets – current (Note 4 & 28)	1,500	-	1,500	-
1479	Other current assets (Note 13)	<u>39,193</u>	<u>3</u>	<u>23,575</u>	<u>2</u>
11XX	Total current assets	<u>976,632</u>	<u>75</u>	<u>898,922</u>	<u>71</u>
	Non-current assets				
1550	Investments accounted for using equity method (Note 4 & 9)	99,895	8	142,264	11
1600	Property, plant and equipment (Note 4, 10 & 28)	109,273	8	121,280	10
1755	Right-of-use assets (Notes 4 & 11)	27,976	2	9,848	1
1780	Other intangible assets (Note 4 & 12)	6,088	-	7,443	-
1840	Deferred tax assets (Notes 4, 5 & 21)	75,557	6	73,799	6
1990	Other non-current assets (Note 7 & 13)	<u>9,557</u>	<u>1</u>	<u>9,867</u>	<u>1</u>
15XX	Total non-current assets	<u>328,346</u>	<u>25</u>	<u>364,501</u>	<u>29</u>
1XXX	Total assets	<u>\$ 1,304,978</u>	<u>100</u>	<u>\$ 1,263,423</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Note 14)	\$ 160,000	12	\$ 182,341	14
2150	Notes payable (Note 15)	-	-	125	-
2170	Accounts payable (Note 15 & 27)	107,822	8	129,438	10
2219	Other payables (Note 16 & 27)	121,764	9	107,521	9
2230	Current tax liabilities (Note 21)	6,051	-	2,438	-
2280	Lease liabilities-current (Note 4 & 11)	22,029	2	7,674	1
2320	Long-term borrowing with maturity under 1 year (Note 14)	-	-	5,002	-
2399	Other current liabilities (Note 4, 16 & 19)	<u>20,901</u>	<u>2</u>	<u>7,967</u>	<u>1</u>
21XX	Total current liabilities	<u>438,567</u>	<u>33</u>	<u>442,506</u>	<u>35</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 14)	-	-	3,331	-
2570	Deferred tax liabilities (Note 4 & 21)	3,906	-	2,575	-
2580	Lease liabilities-noncurrent (Note 4 & 11)	6,066	1	2,240	-
2640	Net Defined benefit liability – non-current (Note 4 & 17)	8,764	1	11,597	1
2670	Other non-current liabilities (Note 4, 16 & 19)	<u>42,070</u>	<u>3</u>	<u>16,135</u>	<u>2</u>
25XX	Total non-current liabilities	<u>60,806</u>	<u>5</u>	<u>35,878</u>	<u>3</u>
2XXX	Total liabilities	<u>499,373</u>	<u>38</u>	<u>478,384</u>	<u>38</u>
	Equity (Note 18)				
3110	Ordinary share capital	<u>684,891</u>	<u>53</u>	<u>684,891</u>	<u>54</u>
3210	Capital surplus	<u>1,151</u>	<u>-</u>	<u>1,151</u>	<u>-</u>
	Retained earnings				
3310	Legal reserve	74,587	6	70,936	6
3320	Special reserve	11,508	1	3,062	-
3350	Unappropriated retained earnings	<u>34,552</u>	<u>2</u>	<u>36,507</u>	<u>3</u>
3300	Total retained earnings	<u>120,647</u>	<u>9</u>	<u>110,505</u>	<u>9</u>
	Other equity				
3410	Exchange differences on translation of foreign financial statements	1,096	-	(9,328)	(1)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(2,180)	-	(2,180)	-
3400	Total other equity interest	(1,084)	-	(11,508)	(1)
3XXX	Total equity interest	<u>805,605</u>	<u>62</u>	<u>785,039</u>	<u>62</u>
	Total liabilities and equity	<u>\$ 1,304,978</u>	<u>100</u>	<u>\$ 1,263,423</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen

Accounting : Chang, Chia-Rong

CIPHERLAB CO., LTD. AND SUBSIDIARIES
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

January 1 to December 31, 2022 and 2021

In Thousands of New Taiwan Dollars
Except Earnings per Share

Code		2022		2021	
		Amount	%	Amount	%
	Operating revenues (Note 4, 19 & 27)				
4100	Sales revenue	\$ 1,175,992	98	\$ 1,254,032	98
4600	Service revenue	<u>18,279</u>	<u>2</u>	<u>31,208</u>	<u>2</u>
4000	Total operating revenue	<u>1,194,271</u>	<u>100</u>	<u>1,285,240</u>	<u>100</u>
	Operating costs				
5110	Cost of sales (Note 8,17, 20 & 27)	(771,089)	(65)	(909,762)	(71)
5600	Cost of services	(<u>1,365</u>)	<u>-</u>	(<u>2,025</u>)	<u>-</u>
5000	Total operating costs	(<u>772,454</u>)	(<u>65</u>)	(<u>911,787</u>)	(<u>71</u>)
5900	Operating profit margin	421,817	35	373,453	29
5910	Unrealized Profits on Transactions with subsidiaries (Note4 & 9)	(34,868)	(3)	(23,633)	(2)
5920	Realized Profits on Transactions with subsidiaries (Note4 & 9)	<u>23,633</u>	<u>2</u>	<u>24,714</u>	<u>2</u>
5950	Operating profit margin realized	<u>410,582</u>	<u>34</u>	<u>374,534</u>	<u>29</u>
	Operating expenses (Note 7, 17, 20 & 27)				
6100	Selling expenses	(149,850)	(12)	(156,054)	(12)
6200	Administrative expenses	(48,797)	(4)	(49,181)	(4)
6300	Research and development expenses	(142,232)	(12)	(153,621)	(12)
6450	Expected credit impairment losses (reversal gains)	<u>128</u>	<u>-</u>	(<u>2,578</u>)	<u>-</u>
6000	Total operating expenses	(<u>340,751</u>)	(<u>28</u>)	(<u>361,434</u>)	(<u>28</u>)
6900	Net operating profit	<u>69,831</u>	<u>6</u>	<u>13,100</u>	<u>1</u>
	Non-operating income and expenditures				
7100	Interest income (Note 20)	983	-	104	-
7010	Other income (Note 20 & 27)	2,515	-	5,567	-

(Continue)

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Code		2022		2021	
		Amount	%	Amount	%
7020	Other gains and losses (Note 20)	15,119	1	(1,410)	-
7050	Financial costs (Note 20)	(3,471)	-	(2,148)	-
7070	Subsidiaries' shares of profit and losses accounted for using equity method (Note 4)	(48,362)	(4)	26,842	2
7000	Total non-operating income and expenditures	(33,216)	(3)	28,955	2
7900	Profit from continuing operations before tax	36,615	3	42,055	3
7950	Tax expense (Note 4 & 21)	(4,361)	-	(6,573)	-
8200	Net profit	32,254	3	35,482	3
	Other comprehensive income (Note 17, 18 & 21)				
8310	Items not to be reclassified into profit or loss				
8311	remeasurements of defined benefit plans	2,324	-	1,281	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(465)	-	(256)	-
8360	Items might be reclassified subsequently into profit or loss:				
8361	Exchange differences in conversion of the financial statements of operations	13,030	1	(3,150)	-
8399	Income taxes related to items that may be reclassified to profit or loss	(2,606)	-	630	-
8300	Total other comprehensive income (after tax)	12,283	1	(1,495)	-
8500	Total comprehensive income	\$ 44,537	4	\$ 33,987	3
	Earnings per share (Note 22)				
9710	Basic	\$ 0.47		\$ 0.52	
9810	Diluted	\$ 0.47		\$ 0.52	

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

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen

Accounting : Chang, Chia-Rong

CIPHERLAB CO., LTD. AND SUBSIDIARIES
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
January 1 to December 31, 2022 and 2021

Unit: Thousands of New Taiwan Dollars

Code		Ordinary share capital	Capital Surplus	Retained Earnings			Other Equity		Total equity
				Legal Reserve	Special reserve	Undistributed Earnings (To be made up for losses)	Exchange differences in conversion of the financial statements of foreign operation	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	
A1	Balance at Jan 1, 2021	\$ 684,891	\$ 1,144	\$ 133,053	\$ 3,062	(\$ 62,117)	(\$ 6,808)	(\$ 2,180)	\$ 751,045
B13	Offsetting for losses in 2020 (Note 18) Legal reserve used to cover accumulated deficits "	-	-	(62,117)	-	62,117	-	-	-
C17	Change in other capital surplus: Unclaimed dividends	-	7	-	-	-	-	-	7
D1	Net Profit of 2021	-	-	-	-	35,482	-	-	35,482
D3	Other profit and loss of 2021 (Note 18)	-	-	-	-	1,025	(2,520)	-	(1,495)
D5	Total profit and loss of 2021	-	-	-	-	36,507	(2,520)	-	33,987
Z1	Balance at Dec 31, 2021	684,891	1,151	70,936	3,062	36,507	(9,328)	(2,180)	785,039
	Appropriation and distribution of 2021 earnings (Note 18)								
B1	Legal reserve	-	-	3,651	-	(3,651)	-	-	-
B3	Special reserve	-	-	-	8,446	(8,446)	-	-	-
B5	Cash dividend attributable to shareholders of parent company	-	-	-	-	(23,971)	-	-	(23,971)
D1	Net Profit of 2022	-	-	-	-	32,254	-	-	32,254
D3	Other profit and loss of 2022 (Note 18)	-	-	-	-	1,859	10,424	-	12,283
D5	Total profit and loss of 2022	-	-	-	-	34,113	10,424	-	44,537
Z1	Balance at Dec 31, 2022	\$ 684,891	\$ 1,151	\$ 74,587	\$ 11,508	\$ 34,552	\$ 1,096	(\$ 2,180)	\$ 805,605

The accompanying notes are an integral part of the financial statements

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen

Accounting : Chang, Chia-Rong

CIPHERLAB CO., LTD. AND SUBSIDIARIES
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

January 1 to December 31, 2022 and 2021

Code		Unit: Thousands of New Taiwan Dollars	
		2022	2021
	Cash flows from operating activities		
A10000	Profit before tax	\$ 36,615	\$ 42,055
A20010	Adjustments to reconcile profit (loss)		
A20300	Expected credit impairment losses (reversal gains)	(128)	2,578
A20100	Depreciation expenses	43,880	49,707
A20200	Amortization expenses	3,614	4,957
A22400	Subsidiaries' shares of profit and losses accounted for using equity method	48,362	(26,842)
A21200	Interest income	(983)	(104)
A20900	Financial costs	3,471	2,148
A23700	Inventory Valuation and Obsoles- cence Losses	-	11,582
A22500	Losses on disposal of property, plant, and equipment (gains)	176	(369)
A23900	Unrealized Profits on Transactions with subsidiaries	34,868	23,633
A24000	Realized Profits on Transactions with subsidiaries	(23,633)	(24,714)
A24100	Unrealized foreign exchange gains- Net	(2,895)	(5,223)
A29900	Gains on lease modification	(4)	-
A30000	Changes in operating assets and liabilities - Net		
A31130	Notes receivable	680	(1,481)
A31150	Accounts receivable	(17,325)	(24,418)
A31160	Accounts receivable – related par- ties	5,455	15,722
A31180	Other receivables	(26,915)	(22,820)
A31200	Inventories	5,775	(151,438)
A31240	Other current assets	(15,618)	(2,509)
A32130	Notes payable	(125)	79
A32150	Accounts payable	(20,242)	33,870
A32180	Other accrued expenses	10,825	38,440
A32220	Other current liabilities	13,085	3,431
A32240	Defined benefit liability - net	(509)	(557)
A32990	Other non-current liabilities	<u>21,586</u>	<u>9,677</u>
A33000	Cash flows from business operation	120,015	(22,596)
A33100	Interest receivable	867	107
A33500	Refundable income tax (paid)	(4,246)	<u>7,565</u>
AAAA	Net cash flows from operating ac- tivities (outflow)	<u>116,636</u>	<u>(14,924)</u>

(Continue)

(Previous)

Code		2022	2021
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	(\$ 4,311)	(\$ 9,253)
B02800	Disposal of property, plant and equipment	46	726
B04500	Acquisition of intangible assets	(1,955)	(1,011)
B06500	Increase in other financial assets	-	(913)
B06700	Increase in other non-current assets	(<u>1,698</u>)	(<u>1,939</u>)
BBBB	Net cash outflows used in investing activities	(<u>7,918</u>)	(<u>12,390</u>)
	Cash flows from financing activities		
C00100	Increase (decrease) in short-term borrowings	(22,341)	82,419
C01700	Repayment for long-term borrowings	(8,333)	(1,667)
C04020	Repayment of the principal portion of lease liabilities	(22,623)	(22,764)
C04500	Appropriation of cash dividends	(23,971)	-
C05600	Interest paid	(<u>3,496</u>)	(<u>2,126</u>)
CCCC	Net cash flows from financing activities (in and out)	(<u>80,764</u>)	<u>55,862</u>
DDDD	Effect of changes in exchange rate on cash and cash equivalents	<u>5,481</u>	<u>4,121</u>
EEEE	Increase in cash and cash equivalents	33,435	32,669
E00100	Cash and cash equivalents at beginning of the year	<u>113,789</u>	<u>81,120</u>
E00200	Cash and cash equivalents at end of the year	<u>\$ 147,224</u>	<u>\$ 113,789</u>

The accompanying notes are an integral part of the financial statements

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen

Accounting : Chang, Chia-Rong

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of CipherLab Co., Ltd

Audit Opinion

We have reviewed the accompanying consolidated balance sheets of CiphertLab Co., Inc. and its subsidiaries, as of December 31, 2022 and 2021; the related consolidated statement of comprehensive income, the consolidated statement of changes in equities, and the consolidated statement of cash flows for the period of January 1 to December 31, 2022 and 2021; and notes to the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements in all material respects, are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers; and present equitably the consolidated financial status of the CiphertLab Co., Inc. and its subsidiaries as of December 31, 2022 and 2021 and its consolidated financial performance and cash flows from January 1 to December 31, 2022 and 2021.

Basis for Opinion

We have conducted our audits in accordance with the Regulations Governing Auditing and auditing standards. Our responsibilities under these terms and conditions will be further elaborated in the section of the Auditors' Responsibilities for the Audit of the Financial Statement in this report. Abiding by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, we have maintained objective and are independent of I and its subsidiaries, and have fulfilled these ethical standards and other responsibilities. We believe that we have obtained sufficient and appropriate evidence as to the basis for our audit opinions.

Key Audit Matters

The key audit matter refers to the most important content in our audit of CiphertLab Co., Inc. and its subsidiaries' consolidated financial statements for the year 2022 based on our professional judgment. These matters have been addressed in the process of our audit of the consolidated financial statements and in forming of the audit opinions, and we will not provide any additional view on these matters discretely.

The followings are the key audit matters for CiphertLab Co., Inc. and its subsidiaries' consolidated financial statements for the year 2022:

Key audit matter: veracity of sales revenue recognition

The revenue of CiphertLab Co., Inc. and its subsidiaries from the sales of 2 products, RS 35 and RK 95, for the year 2022 was NT\$470,439 thousand, accounting for 38% of the consolidated sales revenue, which had a significant impact on the consolidated financial statements. Additionally, as the management division was under the pressure of market expectations or expected to obtain the maximum profit return based on business performance, an increase in sale revenue may be a tactic to achieve the business goal. The main risk is the veracity of the sales revenue, which was consequently identified as a key audit matter.

For the accounting policy on the revenue, please refer to Note 4 (11) of the consolidated financial statements.

We understood and tested the sales revenue recognition, which is related to the effectiveness of the design and implementation of internal control, by selecting appropriate samples from the details of sales revenue for the 2 products of RS35 and RK 95 to examine the orders, the export declarations, and the consistency between the payment recipients and the objects of the transaction to ensure no material misstatement in the sales revenue.

Other Matters

We have also audited CiphertLab Co., Inc.'s individual financial statements for the year 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 CiphertLab Co., Inc. and its subsidiaries' 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 CiphertLab Co., Inc. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing CiphertLab Co., Inc. and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CiphertLab Co., Inc. and its subsidiaries' 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 CiphertLab Co., Inc. and its subsidiaries' 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 CiphertLab Co., Inc. and its subsidiaries 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 CiphertLab Co., Inc. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of CiphertLab Co., Inc. and its subsidiaries' audit. We remain solely responsible for our audit opinion.

We communicate with those in 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 CiphertLab Co., Inc. and its subsidiaries' 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.

Deloitte & Touche Tohmatsu Limited

Accountant He, Rui-Xuan
Accountant, Huang, Hai-Yueh

S Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
Number 0930128050
March 29, 2023

Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
Number 0920131587

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

January 1 to December 31, 2022 and 2021

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 & 6)	\$ 216,779	16	\$ 189,779	14
1150	Notes receivable (Note 7)	803	-	1,483	-
1170	Accounts receivable (Note 4 & 7)	233,122	17	237,640	18
1200	Other receivables (Note 7)	56,633	4	29,988	2
130X	Inventories (Note 4, 5 & 8)	559,518	41	572,869	44
1476	Other financial assets – current (Note 28)	1,500	-	1,500	-
1479	Other current assets – (Note 13)	44,568	3	25,960	2
11XX	Total current assets	<u>1,112,923</u>	<u>81</u>	<u>1,059,219</u>	<u>80</u>
	Non-current assets				
1600	Property, plant and equipment (Note 4, 10 & 28)	110,016	8	121,901	9
1755	Right-of-use assets (Notes 4 & 11)	51,375	4	32,866	3
1780	Other intangible assets (Note 4 & 12)	9,804	1	15,420	1
1840	Deferred tax assets (Notes 4, 5 & 21)	78,342	5	77,750	6
1990	Other non-current assets (Note 7 & 13)	10,235	1	10,562	1
15XX	Total non-current assets	<u>259,772</u>	<u>19</u>	<u>258,499</u>	<u>20</u>
1XXX	Total assets	<u>\$ 1,372,695</u>	<u>100</u>	<u>\$ 1,317,718</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Note 14)	\$ 160,000	12	\$ 182,341	14
2150	Notes payable (Note 15)	-	-	125	-
2170	Accounts payable (Note 15 & 27)	107,944	8	133,417	10
2219	Other payables (Note 16)	125,650	9	114,332	9
2230	Current tax liabilities (Note 21)	6,051	-	2,438	-
2280	Lease liabilities-current (Note 4 & 11)	24,901	2	10,374	1
2320	Long-term borrowing with maturity under 1 year (Note 14)	724	-	7,505	-
2399	Other current liabilities (Note 16 & 19)	47,812	3	21,737	2
21XX	Total current liabilities	<u>473,082</u>	<u>34</u>	<u>472,269</u>	<u>36</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 14)	3,276	-	4,785	-
2570	Deferred tax liabilities (Note 4 & 21)	3,906	-	2,575	-
2580	Lease liabilities-noncurrent (Note 4 & 11)	29,185	2	24,537	2
2640	Net Defined benefit liability – non-current (Note 4 & 17)	8,764	1	11,597	1
2670	Other non-current liabilities (Note 4, 16 & 19)	49,156	4	16,135	1
25XX	Total non-current liabilities	<u>94,287</u>	<u>7</u>	<u>59,629</u>	<u>4</u>
2XXX	Total liabilities	<u>567,369</u>	<u>41</u>	<u>531,898</u>	<u>40</u>
	Equity attributable to owners of parent company (Note 18)				
3110	Ordinary share capital	684,891	50	684,891	52
3210	Capital surplus	1,151	-	1,151	-
	Retained earnings				
3310	Legal reserve	74,587	5	70,936	6
3320	Special reserve	11,508	1	3,062	-
3350	Unappropriated retained earnings	34,552	3	36,507	3
3300	Total retained earnings	<u>120,647</u>	<u>9</u>	<u>110,505</u>	<u>9</u>
	Other equity				
3410	Exchange differences on translation of foreign financial statements	1,096	-	(9,328)	(1)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(2,180)	-	(2,180)	-
3400	Total other equity interest	(1,084)	-	(11,508)	(1)
31XX	Total equity interest attributable to owners of parent company	805,605	59	785,039	60
36XX	Non-controlling interest	(279)	-	781	-
3XXX	Total equity interest	<u>805,326</u>	<u>59</u>	<u>785,820</u>	<u>60</u>
	Total liabilities and equity	<u>\$ 1,372,695</u>	<u>100</u>	<u>\$ 1,317,718</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen

Accounting : Chang, Chia-Rong

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January 1 to December 31, 2022 and 2021

In Thousands of New Taiwan Dollars
Except Earnings per Share

Code		2022		2021	
		Amount	%	Amount	%
	Operating revenues (Note 4 & 19)				
4100	Sales revenue	\$ 1,228,010	98	\$ 1,382,701	97
4600	Service revenue	<u>29,952</u>	<u>2</u>	<u>36,175</u>	<u>3</u>
4000	Total operating revenue	<u>1,257,962</u>	<u>100</u>	<u>1,418,876</u>	<u>100</u>
	Operating costs				
5110	Cost of sales (Note 8,17, 20 & 27)	(783,697)	(63)	(916,372)	(65)
5600	Cost of services	(<u>2,188</u>)	=	(<u>3,499</u>)	=
5000	Total operating costs	(<u>785,885</u>)	(63)	(<u>919,871</u>)	(65)
5900	Operating profit margin	<u>472,077</u>	<u>37</u>	<u>499,005</u>	<u>35</u>
	Operating expenses (Note 17&20)				
6100	Selling expenses	(226,654)	(18)	(226,335)	(16)
6200	Administrative expenses	(69,739)	(5)	(69,017)	(5)
6300	Research and development expenses	(147,333)	(12)	(157,857)	(11)
6450	Expected credit impairment losses (Note 7)	(<u>1,827</u>)	=	(<u>3,325</u>)	=
6000	Total operating expenses	(<u>445,553</u>)	(35)	(<u>456,534</u>)	(32)
6900	Net operating profit	<u>26,524</u>	<u>2</u>	<u>42,471</u>	<u>3</u>
	Non-operating income and expenditures (Note 20)				
7100	Interest income	1,089	-	363	-
7010	Other income (Note 23)	2,205	-	5,178	-
7020	Other gains and losses	12,042	1	(1,887)	-
7050	Financial costs	(<u>4,890</u>)	=	(<u>3,586</u>)	=
7000	Total non-operating income and expenditures	<u>10,446</u>	<u>1</u>	<u>68</u>	=

(Continue)

(Previous)

Code		2022		2021	
		Amount	%	Amount	%
7900	Profit from continuing operations before tax	\$ 36,970	3	\$ 42,539	3
7950	Tax expense (Note 4 & 21)	(<u>5,776</u>)	(1)	(<u>6,518</u>)	(1)
8200	Net profit	<u>31,194</u>	<u>2</u>	<u>36,021</u>	<u>2</u>
	Other comprehensive income (Note 17, 18 & 21)				
8310	Items not to be reclassified into profit or loss				
8311	remeasurements of defined benefit plans	2,324	-	1,281	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(465)	-	(256)	-
8360	Items might be reclassified subsequently into profit or loss:				
8361	Exchange differences in conversion of the financial statements of operations	13,030	1	(3,150)	-
8399	Income taxes related to items that may be reclassified to profit or loss	(<u>2,606</u>)	-	<u>630</u>	-
8300	Total other comprehensive income (after tax)	<u>12,283</u>	<u>1</u>	(<u>1,495</u>)	-
8500	Total comprehensive income	<u>\$ 43,477</u>	<u>3</u>	<u>\$ 34,526</u>	<u>2</u>
	Profit attributable to:				
8610	Owners of parent company	\$ 32,254	2	\$ 35,482	3
8620	Non-controlling interests	(<u>1,060</u>)	-	<u>539</u>	-
8600		<u>\$ 31,194</u>	<u>2</u>	<u>\$ 36,021</u>	<u>3</u>
	Comprehensive income attributable to:				
8710	Owners of parent company	\$ 44,537	3	\$ 33,987	2
8720	Non-controlling interests	(<u>1,060</u>)	-	<u>539</u>	-
8700		<u>\$ 43,477</u>	<u>3</u>	<u>\$ 34,526</u>	<u>2</u>
	Earnings per share (Note 22)				
9710	Basic	<u>\$ 0.47</u>		<u>\$ 0.52</u>	
9810	Diluted	<u>\$ 0.47</u>		<u>\$ 0.52</u>	

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

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen
Chia-Rong

Accounting : Chang,

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
January 1 to December 31, 2022 and 2021

Unit: Thousands of New Taiwan Dollars

Code		Equities attributable to owners of parent company					Other Equity		Total	Non-controlling interests	Total equity
		Ordinary share capital	Capital Surplus	Retained Earnings			Exchange differences in conversion the financial statements of foreign operation	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income			
				Legal Reserve	Special reserve	Undistributed Earnings (to be made up for losses)					
A1	Balance at Jan 1, 2021	\$ 684,891	\$ 1,144	\$ 133,053	\$ 3,062	(\$62,117)	(\$6,808)	(\$2,180)	\$ 751,045	\$ 242	\$ 751,287
B13	Offsetting for losses in 2020 (Note 18) Legal reserve used to cover accumulated deficits "	-	-	(62,117)	-	62,117	-	-	-	-	-
C17	Change in other capital surplus: Unclaimed dividends	-	7	-	-	-	-	-	7	-	7
D1	Net Profit of 2021	-	-	-	-	35,482	-	-	35,482	539	36,021
D3	Other profit and loss of 2021	=	=	=	=	1,025	(2,520)	=	(1,495)	=	(1,495)
D5	Total profit and loss of 2021	=	=	=	=	36,507	(2,520)	=	33,987	539	34,526
Z1	Balance at Dec 31, 2021	684,891	1,151	70,936	3,062	36,507	(9,328)	(2,180)	785,039	781	785,820
	Appropriation and distribution of 2021 earnings (Note 18)										
B1	Legal reserve	-	-	3,651	-	(3,651)	-	-	-	-	-
B3	Special reserve	-	-	-	8,446	(8,446)	-	-	-	-	-
B5	Cash dividend attributable to shareholders of parent company	-	-	-	-	(23,971)	-	-	(23,971)	-	(23,971)
D1	Net Profit of 2022	-	-	-	-	32,254	-	-	32,254	(1,060)	31,194
D3	Other profit and loss of 2022	=	=	=	=	1,859	10,424	=	12,283	=	12,283
D5	Total profit and loss of 2022	=	=	=	=	34,113	10,424	=	44,537	(1,060)	43,477
Z1	Balance at Dec 31, 2022	<u>\$ 684,891</u>	<u>\$ 1,151</u>	<u>\$ 74,587</u>	<u>\$ 11,508</u>	<u>\$ 34,552</u>	<u>\$ 1,096</u>	<u>(\$2,180)</u>	<u>\$ 805,605</u>	<u>(\$279)</u>	<u>\$ 805,326</u>

The accompanying notes are an integral part of the financial statements

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen

Accounting : Chang, Chia-Rong

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31, 2022 and 2021

Unit: Thousands of New Taiwan Dollars

Code		2022	2021
	Cash flows from operating activities		
A10000	Profit before tax	\$ 36,970	\$ 42,539
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	48,706	53,940
A20200	Amortization expenses	5,265	5,242
A20300	Expected credit impairment loss	1,827	3,325
A20900	Financial costs	4,890	3,586
A21200	Interest income	(1,089)	(363)
A22500	Losses on disposal of property, plant, and equipment (gains)	86	(369)
A23700	Losses on Impairment for inventory value and obsolescence	6,800	11,853
A23500	Impairment losses on intangible as- sets	2,610	-
A24100	Unrealized foreign exchange gains- net	(3,235)	(4,133)
A29900	Gains on lease modification	(5)	-
A30000	Changes in operating assets and liabilities - net		
A31130	Notes receivable	680	(1,481)
A31150	Accounts receivable	6,887	(28,776)
A31180	Other receivables	(26,529)	(22,571)
A31200	Inventories	12,866	(169,169)
A31240	Other current assets	(18,385)	2,797
A32130	Notes payable	(125)	79
A32150	Accounts payable	(24,099)	35,388
A32180	Other accrued expenses	7,897	42,213
A32220	Other current liabilities	26,226	5,912
A32240	Defined benefit liability - net	(509)	(557)
A32990	Other non-current liabilities	<u>32,870</u>	<u>9,677</u>
A33000	Cash flows from business operation (out- flow)	120,604	(10,868)
A33100	Interest receivable	973	376
A33500	Refundable income tax (paid)	(<u>4,245</u>)	<u>7,565</u>
AAAA	Net cash flows from operating ac- tivities (outflow)	<u>117,332</u>	(<u>2,927</u>)
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equip- ment	(4,868)	(9,450)
B02800	Disposal of property, plant and equipment	-	726

(Continue)

(Previous)

<u>Code</u>		<u>2022</u>	<u>2021</u>
B04500	Acquisition of intangible assets	(\$1,955)	(\$9,258)
B06500	Increase in other financial assets	-	(913)
B06700	Increase in other non-current assets	(1,637)	(1,948)
BBBB	Net cash outflows used in investing activities	(8,460)	(20,843)
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	-	81,419
C00200	Decrease in short-term borrowings	(22,341)	-
C01600	Long-term borrowings	-	4,000
C01700	Repayment for long-term borrowings	(8,290)	(2,710)
C04020	Repayment of the principal portion of lease liabilities	(26,677)	(25,848)
C04500	Appropriation of cash dividends	(23,971)	-
C05600	Interest paid	(4,912)	(3,563)
CCCC	Net cash flows from financing activities (in and out)	(86,191)	53,298
DDDD	Effect of changes in exchange rate on cash and cash equivalents	4,319	3,431
EEEE	Increase in cash and cash equivalents	27,000	32,959
E00100	Cash and cash equivalents at beginning of the year	189,779	156,820
E00200	Cash and cash equivalents at end of the year	<u>\$ 216,779</u>	<u>\$ 189,779</u>

The accompanying notes are an integral part of the financial statements

Chairman : Liao, Yi-Yen
Chia-Rong

Manager : Liao, Yi-Yen

Accounting : Chang,

Audit committee's review report

The Board has submitted the annual operating report, financial statements (including consolidated financial statements), and profit distribution proposal for the year ended December 31, 2022. The financial statements (including consolidated financial statements) have been audited by Deloitte & Touche, including auditors Ruske Ho and Alice Huang, who issued an audit report. The abovementioned operating report, financial statements (including consolidated financial statements), and profit distribution proposal have been reviewed by our Audit Committee and deemed compliant. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby report the above. Please review accordingly.

To the Shareholders' Meeting of CIPHERLAB CO., LTD. in the Year 2023

Independent Director: Mr. HU, CHIU-CHIANG

Independent Director: Ms. CHEN, WEN-YU

Independent Director: Mr. YU, MING-CHANG

Independent Director: Mr. TSAI, YU-PING

【Annex 5】

CIPHERLAB CO., Ltd
Surplus Distribution Table
For the year ended Dec. 31. 2022

Unit: NT dollar

Item	Amount	Note
Undistributed Retained Earnings of Previous Years	439,716	
Add: Net Profit after tax in 2022	32,253,274	
Add: Recognition of the remeasurement of the defined benefit plan recorded in retained earnings	2,324,318	
Add: Reverse Special Surplus Reserve	10,423,661	
Less: Tax on actuarial gains and losses of defined benefit plan	(464,863)	
Less: Record statutory reserves (10%)	(3,411,273)	
Total distributable earnings for 2022	41,564,833	
Distribution Items		
Shareholders' Dividends	(41,093,472)	Cash dividends NT\$0.60
Ending Balance of Undistributed Retained Earning	471,361	
Note:		
<p>1. In the event of a share buyback, transfer or cancellation of treasury shares, conversion of convertible bonds, or exercise of employee stock options, which affects the outstanding shares, the dividend distribution ratio may be adjusted accordingly. The Board is authorized to handle such matters.</p> <p>2. After the resolution of this cash dividend distribution proposal is passed at the shareholders' meeting, the Chairman is proposed to be authorized to set the ex-dividend date.</p>		

Chairman: Mr. Steven Liao General Manager: Mr. Steven Liao Accounting Supervisor: Chang, Chia-Jung

Amendment Comparison Table of “Guidelines for Ethical Management and Conduct”

Article	Amended	Unamended	Basis and Reasons for the Amendment
2	<p>The term “personnel of the Company” in these Procedures and Guidelines refers to the directors, executives, employees, appointees, and persons with substantial control of the Company and its group enterprises and organizations.</p> <p>Any provision, promise, request, or acceptance of illicit benefits by any personnel of the Company through a third party will be deemed as an act by the personnel of the Company.</p>	<p>The term “personnel of the Company” in these Procedures and Guidelines refers to the directors, supervisors, executives, employees, appointees, and persons with substantial control of the Company and its group enterprises and organizations.</p> <p>Any provision, promise, request, or acceptance of illicit benefits by any personnel of the Company through a third party will be deemed as an act by the personnel of the Company.</p>	<p>As prescribed in Article 14-4 and 181-2 of the Securities and Exchange Act.</p>
3	<p>The term "dishonest conduct" in these procedures and guidelines means that any personnel of the Company, in the course of business, whether directly or indirectly, including providing, receiving, promising, or requesting any illicit benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty in order to acquire or maintain benefits.</p> <p>The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staff, as well as any government-owned or private-owned enterprises or institutions and their directors, managerial officers, employees, persons with substantial control, or other interested parties.</p> <p>The term "benefits" in these procedures and guidelines refers to any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.</p>	<p>The term "dishonest conduct" in these procedures and guidelines means that any personnel of the Company, in the course of business, whether directly or indirectly, including providing, receiving, promising, or requesting any illicit benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty in order to acquire or maintain benefits.</p> <p>The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staff, as well as any government-owned or private-owned enterprises or institutions and their directors, supervisors, managerial officers, employees, persons with substantial control, or other interested parties.</p> <p>The term "benefits" in these procedures and guidelines refers to any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.</p>	<p>As prescribed in Article 14-4 and 181-2 of the Securities and Exchange Act</p>

Article	Amended	Unamended	Basis and Reasons for the Amendment
4	<p>The Company shall designate the chairman's office as the solely responsible unit (hereinafter referred to as the "company's responsible unit") under the Board, and it is responsible for amending, implementing, interpreting, and providing advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and submit reports to the Board regularly as well:</p> <ol style="list-style-type: none"> 1. Assisting in incorporating integrity and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in accordance with the requirements of laws and regulations. 2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business. 3. Planning the internal organization, structure, and allocation of responsibilities and establishing check-and-balance mechanisms for mutual supervision of business activities with high risk of unethical behavior within the scope of operations. 4. Promoting and coordinating awareness and educational activities with respect to ethics policy. 5. Developing a whistleblowing system to ensure its effectiveness. 6. Assisting the Board and management in auditing and evaluating the effectiveness of the prevention measures established for implementing ethical management, and reporting on regular assessment of compliance with ethical management in operating procedures. 	<p>The Company shall designate the audit unit as the solely responsible unit (hereinafter referred to as the "company's responsible unit") under the Board, and it is responsible for amending, implementing, interpreting, and providing advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and submit reports to the Board regularly as well:</p> <ol style="list-style-type: none"> 1. Assisting in incorporating integrity and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in accordance with the requirements of laws and regulations. 2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business. 3. Planning the internal organization, structure, and allocation of responsibilities and establishing check-and-balance mechanisms for mutual supervision of business activities with high risk of unethical behavior within the scope of operations. 4. Promoting and coordinating awareness and educational activities with respect to ethics policy. 5. Developing a whistleblowing system to ensure its effectiveness. 6. Assisting the Board and management in auditing and evaluating the effectiveness of the prevention measures established for implementing ethical management, and reporting on regular assessment of compliance with ethical management in operating procedures. 	Amend the actual responsible unit

Article	Amended	Unamended	Basis and Reasons for the Amendment
10	<p>Directors, managers, and other stakeholder of the Company attending or presenting in board meetings, or the juristic person represented thereby, has a stake in a matter under discussion in the meeting, that director, supervisor, manager or stakeholder shall state the important aspects of the stake in the meeting. Besides, if there is a likelihood that the interests of the Company would be prejudiced, they may not participate in the discussion or vote on that proposal, shall recuse themselves from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The director shall exercise discipline among themselves, and may not support each other in an inappropriate manner.</p> <p>If in the course if conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain illicit benefits the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions. No personnel of the Company may use company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.</p>	<p>Directors, supervisors, managers, and other stakeholder of the Company attending or presenting in board meetings, or the juristic person represented thereby, has a stake in a matter under discussion in the meeting, that director, supervisor, manager or stakeholder shall state the important aspects of the stake in the meeting. Besides, if there is a likelihood that the interests of the Company would be prejudiced, they may not participate in the discussion or vote on that proposal, shall recuse themselves from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The director shall exercise discipline among themselves, and may not support each other in an inappropriate manner.</p> <p>If in the course if conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain illicit benefits the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.</p> <p>No personnel of the Company may use company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.</p>	As prescribed in Article 14-4 and 181-2 of the Securities and Exchange Act
14	<p>As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, a reward will be given depending the seriousness of the circumstance concerned. However, if any insider falsely reports or makes malicious accusations shall be subject to disciplinary action, and they may be dismissed from their position if the circumstance concerned is material.</p> <p>The Company shall internally establish</p>	<p>As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, a reward will be given depending the seriousness of the circumstance concerned. However, if any insider falsely reports or makes malicious accusations shall be subject to disciplinary action, and they may be dismissed from their position if the circumstance concerned is material.</p> <p>The Company shall internally establish and publicly announce on its website and</p>	As prescribed in Article 14-4 and 181-2 of the Securities and Exchange Act

Article	Amended	Unamended	Basis and Reasons for the Amendment
	<p>and publicly announce on its website and intranet, or provide through an independent external institution, an independent mailbox, or hotline, for insiders and outsiders of the Company to submit reports. A whistleblower shall provide at least the following information:</p> <ol style="list-style-type: none"> 1. The name, I.D. number, and an address, telephone number and e-mail address where it can be reached of the whistleblower. 2. The informed party's name or other information sufficient to distinguish its identifying features. 3. Specific evidence available for investigation. <p>Personnel of the Company handling of whistle-blowing matters shall provide a written statement promising to keep the whistleblowers identify and contents of information confidential. The Company also promises to protect whistleblowers from any improper treatment as a result of their whistleblowing.</p> <p>The responsible unit of the Company will handle the whistle-blowing matters in accordance with the following procedures:</p> <ol style="list-style-type: none"> 1. An information shall be reported to the department head if involving the rank and file and to an independent director if involving a director or a senior executive. 2. The responsible unit of the Company and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the relevant facts and, where necessary, with the assistance of the legal compliance or other related department. 3. If it is confirmed that a person being informed has indeed violated the applicable laws and regulations or the Company's policies and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will report to the competent authority, refer 	<p>intranet, or provide through an independent external institution, an independent mailbox, or hotline, for insiders and outsiders of the Company to submit reports. A whistleblower shall provide at least the following information:</p> <ol style="list-style-type: none"> 1. The name, I.D. number, and an address, telephone number and e-mail address where it can be reached of the whistleblower. 2. The informed party's name or other information sufficient to distinguish its identifying features. 3. Specific evidence available for investigation. <p>Personnel of the Company handling of whistle-blowing matters shall provide a written statement promising to keep the whistleblowers identify and contents of information confidential. The Company also promises to protect whistleblowers from any improper treatment as a result of their whistleblowing.</p> <p>The responsible unit of the Company will handle the whistle-blowing matters in accordance with the following procedures:</p> <ol style="list-style-type: none"> 1. An information shall be reported to the department head if involving the rank and file and to an independent director or supervisor if involving a director or a senior executive. 2. The responsible unit of the Company and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the relevant facts and, where necessary, with the assistance of the legal compliance or other related department. 3. If it is confirmed that a person being informed has indeed violated the applicable laws and regulations or the Company's policies and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will report to the competent authority, refer said person to judicial authority for 	

Article	Amended	Unamended	Basis and Reasons for the Amendment
	<p>said person to judicial authority for investigation, or institute legal proceedings and seek damages to protect its reputation and its rights and interests.</p> <p>4. Case acceptance, investigation process, and investigation results shall all be documented in writing and kept for five years and may be retained electronically. If a lawsuit related to the whistle-blowing case occurs before the retention period expires, the relevant information shall continue to be retained until the litigation is concluded.</p> <p>5. If the whistle-blowing matters are confirmed, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures, and proposing corrective measures to prevent recurrence.</p> <p>6. The responsible unit of the Company shall submit a report on the whistle-blowing case, the handling process, and the subsequent reviews and corrective measures to the Board.</p> <p>If any personnel of the Company discovers that another party has engaged in unethical conduct towards the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; if such conduct involves a public service agency or public official, the Company shall also additionally notify the governmental anti-corruption agency.</p> <p>The responsible unit shall organize awareness sessions each year, and arrange for the chairman, general manager, or senior management to convey the importance of ethics to the its directors, employees, and mandataries.</p> <p>The Company shall link ethical management to employee performance assessments and human resource policy, and establish clear and effective systems for rewards, penalties, and complaints.</p>	<p>investigation, or institute legal proceedings and seek damages to protect its reputation and its rights and interests.</p> <p>4. Case acceptance, investigation process, and investigation results shall all be documented in writing and kept for five years and may be retained electronically. If a lawsuit related to the whistle-blowing case occurs before the retention period expires, the relevant information shall continue to be retained until the litigation is concluded.</p> <p>5. If the whistle-blowing matters are confirmed, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures, and proposing corrective measures to prevent recurrence.</p> <p>6. The responsible unit of the Company shall submit a report on the whistle-blowing case, the handling process, and the subsequent reviews and corrective measures to the Board.</p> <p>If any personnel of the Company discovers that another party has engaged in unethical conduct towards the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; if such conduct involves a public service agency or public official, the Company shall also additionally notify the governmental anti-corruption agency.</p> <p>The responsible unit shall organize awareness sessions each year, and arrange for the chairman, general manager, or senior management to convey the importance of ethics to the its directors, employees, and mandataries.</p> <p>The Company shall link ethical management to employee performance assessments and human resource policy, and establish clear and effective systems for rewards, penalties, and complaints.</p> <p>For any personnel seriously breaching ethical conduct, the Company shall dismiss the personnel from his or her</p>	

Article	Amended	Unamended	Basis and Reasons for the Amendment
	<p>For any personnel seriously breaching ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company.</p> <p>The Company shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.</p>	<p>position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company.</p> <p>The Company shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.</p>	
15	<p>These Procedures and Guideline, and any amendments hereto, shall be implemented after adopting by resolution of the Board, and shall be reported the shareholders' meeting.</p> <p>When presenting these Procedures and Guidelines to the board for discussion, the opinions of each independent director shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the board meeting. An independent director that is unable to attend a board meeting to express objection or reservation, unless there is a legitimate reason to do otherwise, shall provide a written opinion in advance, and the opinion shall be recorded in the minutes of the board meeting.</p>	<p>These Procedures and Guideline, and any amendments hereto, shall be implemented after adopting by resolution of the Board, and shall be reported to each supervisor and the shareholders' meeting.</p> <p>When presenting these Procedures and Guidelines to the board for discussion, the opinions of each independent director shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the board meeting. An independent director that is unable to attend a board meeting to express objection or reservation, unless there is a legitimate reason to do otherwise, shall provide a written opinion in advance, and the opinion shall be recorded in the minutes of the board meeting.</p>	As prescribed in Article 14-4 and 181-2 of the Securities and Exchange Act

【Appendix 1】

CIPHERLAB CO., Ltd Rules of Procedure for Shareholders' meetings

Article 1. The Board of CIPHERLAB CO. is required to comply with this regulation unless otherwise provided by law.

Article 2. Shareholders attending the shareholders' meeting shall sign the attendance book, and the number of shares they hold will be calculated based on the attendance register or the sign-in card they submit, as well as the number of shares reported through the virtual meeting platform. The number of shares exercised by written or electronic means shall also be counted.

Article 2-1. Shareholders may issue a power of attorney form, printed by the Company, specifying the scope of authorization at each shareholders' meeting, and the authorized agent may attend the shareholders' meeting.

Each shareholder is limited to issue one power of attorney form and authorize one agent, and it shall be sent to the Company five days before the shareholders' meeting. If there are multiple power of attorneys delivered, the first one received shall prevail. However, this does not apply to the person who revokes the previous power of attorney. Once the power of attorney form is received, shareholders intending to attend the shareholders' meeting in person or exercise their voting rights by written or electronic means shall submit a written notice to the Company to revoke the power of attorney at least two days before the shareholders' meeting. If fail to make the revocation by the deadline, the authorize agent exercise of voting rights on behalf of the shareholder shall prevail.

After the power of attorney form is delivered to the Company, shareholders intending to attend the shareholders' meeting online shall submit a written notice to the Company to revoke the power of attorney; if fail to make revocation by the deadline, the authorize agent exercise of voting rights on behalf of the shareholder shall prevail.

Article 3. The attendance and voting at the shareholders' meeting shall be based on the number of shares held.

Article 3-1. 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.

When the Company convene shareholders' meeting, electronic, as well as written means shall be adopted to exercise voting rights; when exercising voting rights by written or electronic means, the method of exercise shall be stated in the notice of the shareholders' meeting. Shareholders who exercise their voting rights by written and electronic means is considered attending the shareholders' meeting in person.

However, with respect to the extraordinary motions and amendments to the original motions for the shareholders' meeting, they will be deemed as abstentions, so the

Company shall avoid proposing extraordinary motions and amendments to the original motions.

Shareholders who exercise their voting rights by written and electronic means shall submit their statement two days before the shareholders' meeting. If there are multiple statements delivered, the first one received shall prevail. However, this does not apply to the person who revokes the previous statement.

After shareholders exercised their voting rights by written or electronic means, if they intend to attend the shareholders' meeting in person or online, they shall revoke the statement with the same way they exercised voting rights at least two days before the shareholders' meeting; if fail to make the revocation by the deadline, the vote exercised in writing or electronically shall prevail. If a shareholder authorizes an agent to attend the shareholder' meeting on his behalf and exercise voting rights in writing or electronically, the vote exercised by the agent attending the shareholders' meeting shall prevail. Voting on proposals, unless otherwise provided by the Company Act or articles of association, shall be deemed approved with the consent of more than half of the voting rights of the shareholders present. During the vote, the total number of voting rights of the attending shareholders shall be announced by the chairman or a designated person for each proposal, and the shareholders shall vote on each proposal. The results of the shareholders' agreement, objection, and abstention shall be input into the MOPS (Market Observation Post System) on the day of the shareholders' meeting.

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.

The supervisors and vote counters for the voting on proposals shall be designated by the chairperson, but the supervisors shall be a shareholder. The vote counting process for the voting or election proposals at the shareholders' meeting shall be conducted in public at the meeting venue and the voting results, including the total number of votes, shall be announced on the spot and recorded.

In the case of a virtual shareholders' meeting, shareholders who participate online shall vote on each proposal and election proposal through the virtual meeting platform after the chairperson announces the start of the shareholders' meeting and shall be completed before the chairperson announces the end of the voting period. Those who fail to do so within the specified time shall be deemed to have forfeited their voting rights.

For a virtual-only meeting, the vote count and the results of the voting and election shall be announced after a single tally after the chairman announced the end of the voting period.

For a hybrid meeting, shareholders who have registered to attend the shareholders' meeting online in accordance with Article 5-1, but intend to attend the physical shareholders' meeting in person, shall cancel their registration in the same way as the regis-

tration process no later than two days prior to the shareholders' meeting. If the cancellation is made after the deadline, the shareholder can only attend the shareholders' meeting online.

For shareholders who have exercised their voting rights in writing or electronically and have not made revocation and have participated in the shareholders' meeting online, they shall not exercise their voting rights or propose amendments to the original proposal or any revised proposals, except for any extraordinary motions.

Article 4. Unless otherwise provided by law, the shareholders' meeting of the Company shall be convened by the Board.

Any change in the manner of convening the shareholders' meeting shall be resolved by the Board and made before the notice of the shareholders' meeting is sent out.

The Company shall prepare the notice of the shareholders' meeting, the power of attorney form, the reasons and explanatory materials related to proposals, discussion, election or discharge of directors and other matters for submission to the MOPS in electronic file format 30 days before the regular shareholders' meeting or 15 days before the special shareholders' meeting. The Company shall also prepare the meeting agenda handbook and supplemental materials for submission to the MOPS in electronic file format 21 days before the regular shareholders' meeting or 15 days before the special shareholders' meeting. However, in case the aggregated shareholding percentage of foreign investors and Mainland Chinese investors reached 30% or more as recorded in the shareholders' register at the time of holding of the regular shareholders' meeting in the most recent fiscal year, it shall upload the electronic file as in the preceding paragraph by 30 days prior to the day on which the regular shareholders' meeting is to be held. The meeting agenda handbook and supplemental materials shall be prepared and made available to shareholders 15 days before the shareholders' meeting. In addition, they shall be displayed at the Company and its designated stock registrar and transfer agent. Meeting agenda handbook and supplemental materials as in the preceding paragraph shall be provided to shareholders for review by the following means on the day the shareholders' meeting is convened:

1. If the company convenes a physical shareholder meeting, it shall distribute them on-site at the shareholder's meeting.
2. If the company convenes a hybrid shareholder meeting, it shall distribute them on-site at the shareholder meeting and upload the electronic files to the virtual meeting platform.
3. If the company convenes a virtual-only shareholder meeting, it shall upload the electronic files to the virtual meeting platform.

The notice and announcement shall state the reason for the call; if the notice is agreed by the relative person, it can be done electronically.

Matters pertaining to election or discharge of directors, alteration of the articles of association, 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 distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters set forth in Article 185, paragraph 1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, matters as set forth in Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extraordinary motions.

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.

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 proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances set forth in Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board may exclude it from the agenda. Shareholders may submit proposals urging the Company to promote public interests or fulfill its social responsibilities; however, the number of items proposed is limited to one only regulated by Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda.

Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders' meeting, the Company shall give a public notice announcing acceptance of proposal in writing or by way of electronic transmission, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten days. The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.

The Company shall inform shareholders who submitted proposals the proposals screening results prior to preparing and delivering the shareholders' meeting notice, and shall list the proposals conforming to the requirements set forth in this Article in the shareholders' meeting notice. With regard to the proposals submitted by shareholders but not included in the meeting agenda, the cause of exclusion of such proposals and explanation shall be made by the Board at the shareholders' meeting.

Article 5. 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 written or electronic means.

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.

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; for virtual-only meeting, the Company shall also declare the meeting adjourned at the virtual meeting platform.

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 in accordance with Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month. In the event of a virtual shareholders' meeting, shareholders intending to attend the meeting online shall re-register to the Company in accordance with Article 6.

When, the attending shareholders represent a majority of the total number of issued shares prior to conclusion of the meeting, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 5-1. The Company shall specify in its shareholders' meeting notices the time during which attendance registrations for shareholders, solicitors and proxies (hereinafter referred to as the "shareholders") will be accepted, the place to register for attendance, and other matters for attention.

Time during which attendance registrations for shareholders as in the preceding paragraph will be accepted shall be at least 30 minutes prior to the start of the meeting; the place to register for attendance shall be clearly marked, and shall assign sufficient suitable personnel to handle registration. For a virtual shareholders' meeting, the attendance registrations shall begin 30 minutes prior to the meeting starts on the virtual meeting platform. Shareholders finishing attendance registration will be deemed as attending the shareholders' meeting in person.

Shareholders shall attend shareholders' meetings with 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. Solicitors soliciting

power of attorney forms shall also bring identification documents for verification.

The Company shall provide shareholders with attendance book to sign, or attending shareholders may hand in sign-in cards in lieu of signing in.

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

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

For a virtual shareholding meeting, shareholders intending to attend the meeting online shall register with this company two days before the meeting date.

In the event of a virtual shareholders' meeting, the Company shall upload the meeting agenda handbook, 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.

Article 5-2. To convene a virtual-only shareholders' meeting, the following shall be stated in the shareholders' meeting notice:

1. How shareholders attend the virtual-only 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:
 - (1) 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.
 - (2) Shareholders not having registered to attend the affected virtual shareholders' meeting shall not attend the postponed or resumed session.
 - (3) For 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 quorum, 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.
 - (4) Actions to be taken if the outcome of all proposals has been announced and extraordinary motion has not been carried out.

3. For a virtual-only meeting, appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online shall be specified.

Article 6. If a shareholders' meeting is convened by the Board, the meeting agenda shall be determined by the Board, and votes shall be cast on separate proposal in the agenda. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions as in the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a party with the power to convene other than the Board.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by the resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other attending shareholders may elect a new chair by agreement of a majority of the votes represented by the attending shareholders, and resume the meeting.

After the meeting adjourned, shareholders may not elect a new chair and continue the meeting at the same or a different place.

Article 7. Before speaking, an attending shareholder must specify the subject of the speech on a speaker's slip, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be determined by the chair.

Attending shareholders submitting speaker's slip but yet to speak will be deemed to have not spoken. When the content does not correspond with the subject specified on the speaker's slip, the spoken content shall prevail. 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.

Article 8. 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.

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.

If the attending shareholder's speech violates the rules regulated by the preceding two paragraphs, exceeding the scope of the agenda item, or disrupt the order of the meeting, the chair may terminate the speech.

For a virtual shareholders' meeting, shareholders attending the 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 3 do not apply.

As long as questions so raised in accordance with the preceding paragraph are not in vio-

lation of the regulations or beyond the scope of a proposal, it is advisable the questions be disclosed to the public at the virtual meeting platform.

Article 9. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond. The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair determines that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, calling for a vote, and schedule sufficient time for voting.

Article 10. Except for otherwise provided by the Company Act and in the Company's articles of association, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.

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.

Article 11. The election of directors and independent directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and independent directors and the numbers of votes with which they were elected, and the names of directors and independent directors not elected and number of votes they received.

Article 12. 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.

The recorded materials of the preceding paragraph shall be retained for at least one year. However, if a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

The chair shall designate supervisors and vote counters for voting on proposals, but the supervisors shall be shareholders. The results of the vote shall be reported on-site and recorded.

For a virtual-only shareholders' meeting, the Company shall keep shall records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.

The information and audio and video recording in the preceding paragraph shall be properly kept by the Company 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.

For a virtual shareholders' meeting, the Company is advised to audio and video record the back-end operation interface of the virtual meeting platform.

Article 13. 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.

The restrictions on the place of the meeting shall not apply to a virtual-only shareholders' meeting.

Article 14. The Company may appoint lawyers, accountants and other related personnel to attend the shareholders' meeting. Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

Article 15. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

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

Article 16. When the meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

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

If an air raid warning is encountered when the meeting is in progress, the meeting shall be stopped and the attendee shall evacuate immediately. The meeting will be resumed an hour after the warning is lifted.

Article 17. For a virtual-only shareholders' meeting, the Company shall disclose the result of the vote and election after the end of every voting session on the virtual meeting platform in accordance with the regulations. This disclosure shall continue until at least 15 minutes after the chair has announced the meeting adjourned.

Article 18. When the Company convenes a virtual-only shareholders' meeting, both the chair and secretary shall be in the same location, and the chair shall declare the address of their location when the meeting is called to order.

Article 19. For a virtual shareholders' meeting, the Company 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.

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.

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.

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.

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 and supervisors.

When the Company 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 quorum for a shareholders' meeting, then the shareholders' meeting shall continue, and no postponement or resumption thereof under the second paragraph is required.

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 meeting agenda of that shareholders' meeting.

When postponing or resuming a meeting according to the second paragraph, the Company shall handle the preparatory work based on the date of the original shareholders' meeting in accordance with the requirements listed under Article 44-20, paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

For dates or period set forth under Article 12, second half, and Article 13, paragraph 3 of Regulations Governing the Use of Proxies for Attendance at Shareholders' meetings of Public Companies, and Article 44-5, paragraph 2, Article 44-15, and Article 44-17, paragraph 1 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall handle the matter based on the date of the shareholders' meeting that is postponed or resumed under the second paragraph.

Article 20. Any matter not be provided by these rules shall be as provided in the Company Act, the article of association and other related laws.

Article 21. These Rules shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments shall be taken effect in the same manner.

【Appendix 2】

Article of Association of CIPHERLAB CO., Ltd

Chapter 1. General Principle

Article 1. The Company is organized in accordance with the Company Act with the name CIPHERLAB CO., LTD.

Article 2. The business scope of the Company is as the following:

1. CB01010 Mechanical Equipment Manufacturing
2. CB01020 Affairs Machine Manufacturing
3. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
4. CE01010 General Instrument Manufacturing
5. F113010 Wholesale of Machinery
6. F113030 Wholesale of Precision Instruments
7. F113050 Wholesale of Computers and Clerical Machinery Equipment
8. F118010 Wholesale of Computer Software
9. F119010 Wholesale of Electronic Materials
10. F213030 Retail Sale of Computers and Clerical Machinery Equipment
11. F213040 Retail Sale of Precision Instruments
12. F213080 Retail Sale of Machinery and Tools
13. F218010 Retail Sale of Computer Software
14. F219010 Retail Sale of Electronic Materials
15. I301010 Information Software Services
16. I031020 Data Processing Services
17. JA02010 Electric Appliance and Electronic Products Repair
18. F401021 Restrained Telecom Radio Frequency Equipment's and Materials Import
19. CC01100 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
20. I301040 The Third-Party Payment
21. 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 provide external guarantees.

Article 2-2. The Company's investment in subsidiaries may exceed 40% of its paid-in capital.

Article 3. The headquarter of the Company is located in Taipei City, and, if necessary, the Company may establish branches or offices at home or abroad with the approval of the Board.

Article 4. The Company's announcement method shall be handled in accordance with the Company Act and the regulations of the competent authority.

Chapter 2. Shares

Article 5. The capital of the Company is set at NT\$900 million, divided into 90 million shares with a par value of NT\$10 per share, to be issued in stages. The issuance of any unissued shares will be determined by the Board based on actual needs. NT\$100 million of the registered capital will be reserved for the issuance of employee stock option certificates in the future, totaling 10 million shares with a par value of NT\$10 per share, to be issued in stages according to the decision of the Board.

Article 5-1. The price of employee stock option certificates issued by the Company is not subject to restrictions under the applicable laws, but it must be approved by a majority of the total issued shares represented by shareholders present at the meeting, with at least two-thirds of the voting rights in favor. The Company may apply for the issuance of such certificates in stages within one year from the date of the shareholders' meeting resolution.

Article 5-2. The shares repurchased by the Company may be transferred to employees at a price lower than the average repurchase price, but it must be done in accordance with the applicable laws and with the approval of the shareholders' meeting.

Article 6. The stocks issued by the Company are registered and shall be signed or stamped by at least three directors and issued after being certified in accordance with the law. The Company's issued shares may be exempt from printing stock certificates and shall be registered with a centralized securities depository institution.

Article 7. Transfer registration of shares may not be made within 60 days before the regular shareholders' meeting or within 30 days before a special shareholders' meeting, or within five days before the record date for the distribution of dividends, bonuses, or other benefits determined by the Company.

Chapter 3. Shareholders' meeting

Article 8. There are two types of shareholders' meeting, respectively regular and special shareholders' meeting. The regular shareholders' meeting is held within 6 months after every fiscal year ends, and the special shareholders' meeting is held based on the needs.

Article 9. During the shareholders' meeting, video conferencing or other methods announced by the competent authority may be used. Shareholders who participate in the meeting online shall be deemed as present in person. If a shareholder cannot attend the shareholders' meeting due to certain reasons, he/she may issue a power of attorney form printed by the Company specifying the scope of authorization to authorize an agent to attend on his/her behalf. The method of authorizing attendance by shareholders shall be handled in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholders' meetings of Public Companies" promulgated by the competent authority, in addition to the provisions of Article 177 of the Company Act.

Article 10. A shareholder shall be entitled to one vote for each share held, except when the shares are deemed non-voting shares under Article 179, of the Company Act.

Article 11. The resolution of the shareholders' meeting shall require the attendance of more than half of the shares represented by the shareholders, and the passage of a resolution shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders, unless otherwise provided by the applicable laws. In accordance with the regulations of the competent authority, the shareholders of the Company may also exercise their voting rights electronically, and shareholders who exercise their voting rights electronically shall be deemed to be present in person. The relevant matters shall be handled in accordance with laws.

Chapter 4. The Board and The Audit Committee

Article 12. The Board consists of seven to nine members, with a term of three years. The Company shall adopt a nomination system for candidates, and the board members shall be elected from the list of candidates by the shareholders' meeting. Reelection is allowed

Article 13. In accordance with Article 14-2 of Securities and Exchange Act, among the directors set forth in the previous article, at least three persons must be independent directors, and the number of independent directors shall not be less than one-fifth of the total number of directors. The selection shall adopt the candidate nomination system specified in Article 192-1 of the Company Act.

Article 14. The Board is organized by the directors. The chairman of the board shall be elected by mutual recommendation of the directors with the attendance of more than two-thirds of the directors and approved by a majority of the attending directors. The chairman of the board shall represent the Company externally.

Article 14-1. When a director is unable to attend the board meeting, he/she may authorize other directors to attend on his/her behalf. The independent directors may only authorize other independent directors to attend on their behaves.

Article 14-2. The notice of the board meeting may be sent out in written, by email or by fax.

Article 15. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, his representative shall be as Article 208 of the Company Act.

Article 16. The remuneration of all directors shall be determined by the shareholders' meeting. Directors engaging in business operations may receive salaries based on the customary level of their peers, regardless of the Company's profitability.

Article 17. The Company may purchase liability insurance for all directors during their tenure for the scope of their duties.

Article 17-1. The Board of the Company may establish various functional committees, and their members' qualifications, exercise of powers, and related matters shall be handled in accordance with the applicable laws and regulations and as determined by the Board.

The Company has established an audit committee to replace the supervisor's duties.

The audit committee is composed of all independent directors, with a minimum of three

members, one of whom serves as the convener.

Chapter 5. Manger

Article 18. The Company may appoint one general manger and one or more vice presidents. Their appointment, dischargement, and compensation shall be handled in accordance with Article 29 of the Company Act.

Chapter 6. Accounting

Article 19. The Company shall prepare and submit a business report, financial statements, and proposals for the distribution of profits or the offset of losses to the shareholders' meeting for approval at the end of each fiscal year.

Article 20. The Company shall allocate 0.5% to 10% of its annual profits for employee compensation, and no more than 3% for director compensation, if any profit is made in the fiscal year.

However, if the Company has accumulated losses, the losses must be made up first, and then employee and director compensation can be allocated according to the percentage as in the preceding paragraph.

Employee compensation as in the preceding paragraph can be paid in the form of stocks or cash, and it includes employees of subsidiary companies meeting certain criteria. Director compensation can only be paid in cash.

The provisions of proceeding two paragraphs shall be resolved by the Board and reported to the shareholders' meeting.

Article 21. If there is a surplus in the annual settlement of the Company, it shall pay taxes, making up for the accumulated losses, and then allocate 10% as statutory surplus reserves in accordance with the law. However, if the statutory surplus reserves have reached the actual paid-in capital of the Company, they may not be allocated again. The remaining amount shall be allocated or reversed as special surplus reserves according to the provisions of laws and regulations, and if there is still a balance, the Board shall propose a profit distribution proposal and submit it to the shareholders' meeting for approval of the distribution of dividends to the shareholders from the accumulated undistributed profits.

Article 22. The dividend policy of this company will take into account the Company's environment, future capital needs, long-term financial planning, and shareholders' requirements for current cash flow. The actual distribution of profits for the year will not be less than 50% of the distributable profits. Currently, the Company operates in a growing industry, with sustained profitability and a sound financial structure. While maintaining stable earnings per share, the cash dividend payment should not be less than 10% of the total dividend amount.

Chapter 7. By-laws

Article 23. Any matters not provided in this article shall be as provided in the Company Act and other related laws and regulations.

Article 24. The article is set on October 4th, 1988.

The 1st amendment was made on June 5th, 1994.

The 2nd amendment was made on September 1st, 1994.

The 3rd amendment was made on March 9th, 1996.

The 4th amendment was made on September 3rd, 1996.

The 5th amendment was made on August 20th, 1997.

The 6th amendment was made on April 5th, 1998.

The 7th amendment was made on September 3rd, 1998.

The 8th amendment was made on June 16th, 1999.

The 9th amendment was made on June 22nd, 2000.

The 10th amendment was made on May 3rd, 2001.

The 11th amendment was made on June 5th, 2002.

The 12th amendment was made on May 28th, 2003.

The 13th amendment was made on May 28th, 2003.

The 14th amendment was made on June 15th, 2004.

The 15th amendment was made on May 25th, 2005.

The 16th amendment was made on May 25th, 2005.

The 17th amendment was made on April 25th, 2006.

The 18th amendment was made on May 15th, 2007.

The 19th amendment was made on May 16th, 2008.

The 20th amendment was made on May 15th, 2009.

The 21st amendment was made on May 11th, 2010.

The 22nd amendment was made on May 18th, 2011.

The 23rd amendment was made on June 25th, 2015.

The 24th amendment was made on June 21st, 2016.

The 25th amendment was made on June 25th, 2019.

The 26th amendment was made on August 24th, 2021.

The 27th amendment was made on June 21st, 2022.

【Appendix 3】

CIPHERLAB CO., Ltd **Unamended Version of “Guidelines for Ethical Management and Conduct”**

Article 1. Purpose of Adoption and Scope of Application

The Company engages in business activities following the principles of fairness, honesty, faithfulness, and transparency. In order to fully implement the policy of ethical management and actively prevent unethical behavior, these Procedures and Guidelines are adopted in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the applicable laws and regulations where the Company and group enterprises and organizations operate, with a view to providing all personnel of the Company with clear directions for the performance of their duties.

The scope of application of these Procedures and Guidelines includes the subsidiaries of the Company, any incorporated foundation in which the Company's accumulated contributions, direct or indirect, exceed 50 percent of the total funds of the foundation, and other group enterprises and organizations, such as institutions or juristic persons, substantially controlled by this Corporation.

Article 2. Applicable Subjects

The term “personnel of the Company” in these Procedures and Guidelines refers to the directors, supervisors, executives, employees, appointees, and persons with substantial control of the Company and its group enterprises and organizations.

Any provision, promise, request, or acceptance of illicit benefits by any personnel of the Company through a third party will be deemed as an act by the personnel of the Company.

Article 3. Definition

The term "dishonest conduct" in these procedures and guidelines means that any personnel of the Company, in the course of business, whether directly or indirectly, including providing, receiving, promising, or requesting any illicit benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty in order to acquire or maintain benefits.

The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staff, as well as any government-owned or private-owned enterprises or institutions and their directors, supervisors, managerial officers, employees, persons with substantial control, or other interested parties.

The term "benefits" in these procedures and guidelines refers to any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

Article 4. Responsible Unit

The Company shall designate the audit unit as the solely responsible unit (hereinafter referred to as the "company's responsible unit") under the Board, and it is responsible for amending, implementing, interpreting, and providing advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and submit reports to the Board regularly as well:

1. Assisting in incorporating integrity and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in accordance with the requirements of laws and regulations.
2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.
3. Planning the internal organization, structure, and allocation of responsibilities and establishing check-and-balance mechanisms for mutual supervision of business activities with high risk of unethical behavior within the scope of operations.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistleblowing system to ensure its effectiveness.
6. Assisting the Board and management in auditing and evaluating the effectiveness of the prevention measures established for implementing ethical management, and reporting on regular assessment of compliance with ethical management in operating procedures.

Article 5. Exceptions Clause

When the personnel of the Company directly or indirectly provide, receive, promise, or request money, gifts, services, preferential treatment, entertainment, hospitality, and other benefits, they shall comply with the provisions of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and these procedures and guidelines, and relevant procedures shall be carried out, except under one of the following circumstances:

1. The conduct is undertaken to meet and as in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of foreign guests, promotion of business and communication and coordination.
2. The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.

3. Invitation to guests or attendance at specific business activities or factory visits in accordance with business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
4. Attendance at folk festivals and events that are open to and invite the attendance of the general public
5. Rewards, emergency assistance, condolence payment, or honorariums for the management.
6. Providing or accepting money, property, or other benefits with the market value less than NT\$ 3,000 to or from a person other than relatives or close friends; or gifts of property with a total market value less than NT\$5,000 given by another party to the majority of the personnel of the Company, however, the market value of property offered to the same counterparty or coming from the same source within a single fiscal year shall be limited to NT\$60,000.
7. Property with a market value of NT\$ 5,000 or less received due to engagement, marriage, maternity, relocation, employment, promotion or transfer, retirement, resignation, severance, injury, illness, or death of the recipient or the recipient's spouse or lineal relative.
8. Other conduct that complies with the rules of the Company.

Article 6. Handling Procedures

When company personnel are directly or indirectly offered or promised money, gratuity, services, preferential treatment, entertainment, dining and other benefits by others, except under any of the circumstances set forth in the preceding article, the matter shall be handled in accordance with the following procedures:

1. If there is no relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the responsible unit shall be notified if necessary.
2. If a relationship of interest does exist between the party providing or offering the return or refuse, and shall report to his or her immediate supervisor and notify responsible unit. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the responsible unit for handling

"A relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel" in the preceding paragraph refers to one of the following circumstances:

1. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.

2. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
3. Other circumstances in which a decision regarding the Company's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The responsible unit of the Company shall make a proposal based on the nature and value of the benefit under paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. After reporting to and approved by the chairman of the board, the proposal shall be implemented.

Article 7. Handling of Coercion

The Company shall neither provide nor promise any facilitation payment.

If company personnel are coerced or threatened to providing or promising facilitation payments, they shall record the process and report to their immediate supervisor, as well as notify the responsible unit.

Upon receiving the report under the preceding paragraph, the responsible unit shall handle it immediately, review the relevant matters to minimize the risk of recurrence. If any illegal activity is found, it shall be immediately reported to the relevant judicial agency.

Article 8. Political Contributions

In terms of providing political donations, the Company shall comply with the following regulations, submitting a report to the supervisor in charge for approval and notify the Company's responsible unit. When the amount reaches NT\$100,000 or more, it shall be reported to the board for approval before the political contributions are made:

1. It shall be ascertained that the political contribution is in compliance with the laws and regulations governing political contributions in the country in which the recipient is located, including the maximum amount and the form in which a contribution may be made.
2. A written record of the decision-making process shall be kept.
3. Account entries shall be made for all political contributions in accordance with applicable laws and regulations and relevant procedures for accounting treatment.
4. In making political contributions, commercial dealings, applications for permits, or carrying out other matters involving the interests of the Company with related government agencies shall be avoided.

Article 9. Charitable Donations

Charitable donations or sponsorships by the Company shall be provided in accordance with the following provisions and reported them to supervisor in charge for approval and shall notify the Company's responsible unit. For the amount exceeding NT\$100,000, the donation or sponsorship shall be submitted to the Company's board for adoption before it is made:

1. It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where the Company is operating business.
2. Decision making process shall be documented in writing.
3. A charitable donation shall be made to a valid charitable institution and may not be a disguised form of bribery.
4. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest.
5. After making a charitable donation or sponsorship, the Company shall confirm that the destination to which the money flows is consistent with the purpose of the contribution.

Article 10. Recusal

Directors, supervisors, managers, and other stakeholder of the Company attending or presenting in board meetings, or the juristic person represented thereby, has a stake in a matter under discussion in the meeting, that director, supervisor, manager or stakeholder shall state the important aspects of the stake in the meeting. Besides, if there is a likelihood that the interests of the Company would be prejudiced, they may not participate in the discussion or vote on that proposal, shall recuse themselves from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The director shall exercise discipline among themselves, and may not support each other in an inappropriate manner.

If in the course of conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain illicit benefits the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.

No personnel of the Company may use company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.

Article 11. Special Unit for Handling Business Secrets

The legal department of the Company is the special unit for handling business secrets. It is responsible for developing and implementing management, preservation, and confidentiality procedures for the Company's trade secrets, trademarks, patents, copyrights, and other intellectual property. It shall regularly review the implementation results to ensure the sustained effectiveness of its operating procedures

All personnel of this company shall faithfully follow the operational directions related pertaining to intellectual properties as mentioned in the preceding paragraph, and may not disclose any trade secrets, trademarks, patents, copyrights or other intellectual properties of the Company of which they have learned to any other party, nor may they inquire about or collect any trade secrets, trademarks, patents, or other intellectual property of the Company unrelated to their individual duties.

In conducting business activities, the Company shall comply with the Fair-Trade Act and applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories or lines of commerce

The Company shall collect and understand the applicable laws and international standards governing its products and services which it all shall observe and gather and publish all guidelines to cause personnel of the Company to ensure the transparency of information about, and safety of the products and services in the course of their research and development, procurement, manufacture provision, or sale of products and services.

The Company shall adopt and publish on its website a policy in the protection of the rights and interests of consumers or other keyholdersers to prevent its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.

If it is reported by the media or if there are sufficient facts to determine that company's products or services may put the safety and health of consumers or other stakeholders in jeopardy, the Company shall immediately recall those products or suspend the services, verify the facts and present a review and improvement plan.

The responsible unit of the Company shall report the event as in the preceding paragraph, actions taken and the subsequent reviews and corrective measures to the Board.

All personnel of the company shall comply with the Securities and Exchange Act and shall not en-gage in insider trading using undisclosed information of they have learned. Personnel are also pro-hitbited from disclosing it to any other party to prevent other party from engaging in insider trading using such undisclosed information.

Institutions or individuals outside of the company involved in any merger, demerger, acquisition, share transfer, major memorandum of understanding, strategic alliance, other business paternership plan, or the signing of a major contract by the company shall be required to sign a non-disclosure agreement in which they undertake not to disclose any of trade secret or other material information of the company acquired as a result, and that they may not use such information without the com-pany's consent.

The company shall disclose its policy of ethical management in its internal rules, annual reports, on company websites, and in other promotional materials. It shall also timely

announce its policy in events held for outside parties such as product launches or investor press conferences, in order to make suppliers, customers, or other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.

Article 12. Evaluation Prior to Development of Commercial Relationships

Before developing a commercial relationship with another party, such as agent, supplier, customer, or other counterparty in commercial dealings, the Company shall evaluate the legality, integrity, and ethical management policy of the party, and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner, and free from requesting, offering, or accepting bribes.

When conducting the evaluation under the preceding paragraph, the Company may adopt appropriate audit procedures for a review of the counterparty with which it will have commercial dealings with respect to the following matter, in order to gain a comprehensive knowledge of its ethical management:

1. Nationality, location of business operations, organizational structure, management policies of the enterprise, and place where it will make payment.
2. Whether the enterprise has adopted an ethical management policy, and its implementation status.
3. Whether enterprise's business operations are located in a country with a high risk of corruption.
4. Whether the business operated by the enterprise is in an industry with a high risk of bribery.
5. The long-term business condition and reputation of the enterprise.
6. Consultation with the enterprise's business partners on their opinion of the enterprise.
7. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

In the process of engaging in commercial activities, all personnel of the Company shall make a statement to the Company's ethical management policy and related rules to the trading counterparty, and shall clearly refuse to, promise, request, or accept, directly or indirectly provide, any illicit benefits in whatever form or name.

All personnel of the Company shall avoid business transactions with an agent, supplier, customer or other counterparty in commercial interactions that have been involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately terminate dealing with the counterparty and list them as rejected business partner, in order to implement the Company's ethical management policy.

Article 13. Entering Into a Business Transaction Contracts

Before entering into a contract with another party, the Company shall gain a comprehensive knowledge of the status of the other part's ethical management, and shall make observance of the ethical management policy of the Company part of the terms and conditions of the contract. At least the following items shall be clearly specified in the contract:

1. When either party becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of receipt of commissions, rebates or other illicit benefits, the party shall immediately inform the other party of the identity of such personnel, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other illicit benefit that was provided, promised, requested, or accepted. The party shall also provide to the other party with relevant evidence and cooperate fully the other party's investigation; meanwhile, the compensation shall be clearly specified in the terms and conditions of the contract.
2. When either party is discovered to be involved in unethical conduct in commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
3. Specific and reasonable payment terms, including the place and method of payment and the requirement for compliance with related tax laws and regulations.

Article 14. Handling of Violations

As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, a reward will be given depending the seriousness of the circumstance concerned. However, if any insider falsely reports or makes malicious accusations shall be subject to disciplinary action, and they may be dismissed from their position if the circumstance concerned is material.

The Company shall internally establish and publicly announce on its website and intranet, or provide through an independent external institution, an independent mailbox, or hotline, for insiders and outsiders of the Company to submit reports. A whistleblower shall provide at least the following information:

1. The name, I.D. number, and an address, telephone number and e-mail address where it can be reached of the whistleblower.
2. The informed party's name or other information sufficient to distinguish its identifying features.
3. Specific evidence available for investigation.

Personnel of the Company handling of whistle-blowing matters shall provide a written statement promising to keep the whistleblowers identify and contents of information confidential. The Company also promises to protect whistleblowers from any improper treatment as a result of their whistleblowing.

The responsible unit of the Company will handle the whistle-blowing matters in accordance with the following procedures:

1. An information shall be reported to the department head if involving the rank and file and to an independent director or supervisor if involving a director or a senior executive.
2. The responsible unit of the Company and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the relevant facts and, where necessary, with the assistance of the legal compliance or other related department.
3. If it is confirmed that a person being informed has indeed violated the applicable laws and regulations or the Company's policies and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will report to the competent authority, refer said person to judicial authority for investigation, or institute legal proceedings and seek damages to protect its reputation and its rights and interests.
4. Case acceptance, investigation process, and investigation results shall all be documented in writing and kept for five years and may be retained electronically. If a lawsuit related to the whistle-blowing case occurs before the retention period expires, the relevant information shall continue to be retained until the litigation is concluded.
5. If the whistle-blowing matters are confirmed, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures, and proposing corrective measures to prevent recurrence.
6. The responsible unit of the Company shall submit a report on the whistle-blowing case, the handling process, and the subsequent reviews and corrective measures to the Board. If any personnel of the Company discovers that another party has engaged in unethical conduct towards the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; if such conduct involves a public service agency or public official, the Company shall also additionally notify the governmental anti-corruption agency.

The responsible unit shall organize awareness sessions each year, and arrange for the chairman, general manager, or senior management to convey the importance of ethics to the its directors, employees, and mandataries.

The Company shall link ethical management to employee performance assessments and human resource policy, and establish clear and effective systems for rewards, penalties, and complaints.

For any personnel seriously breaching ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with

applicable laws and regulations or the personnel policy and procedures of the Company. The Company shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.

Article 15. Enforcement

These **Procedures** and Guideline, and any amendments hereto, shall be implemented after adopting by resolution of the Board, and shall be reported to each supervisor and the shareholders' meeting.

When presenting these Procedures and Guidelines to the board for discussion, the opinions of each independent director shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the board meeting. An independent director that is unable to attend a board meeting to express objection or reservation, unless there is a legitimate reason to do otherwise, shall provide a written opinion in advance, and the opinion shall be recorded in the minutes of the board meeting.

【Appendix 4】

CIPHERLAB CO., Ltd
**The Total Number of Shares Held by All Directors and The Minimum
Required Number of Shareholding**

I. Minimum required number of shares held by all directors and the total number of shares recorded in the shareholders' register table.

Note: Book closure period is April 29, 2023 to June 27, 2023.

Unit: share

Title	Minimum Required Combined Shareholding of All Directors	Shareholdings Recorded in the Shareholders' Register
Director	5,479,129	15,794,525

II. Shareholding of director table

Book Closure Date : 2023.4.29

Unit : share ; %

Title	Name	At the time of suspension of share transfer (68,489,120 shares)	
		shares	ratio
Chairman	Representative of CIPHER MANAGEMENT INC.: Mr. Steven Liao	6,706,934	9.79%
Director	Mr. LIN, YUNG-FA	6,613,376	9.65%
Director	Mr. TAN, CHEN-HUAN	1,386,215	2.02%
Director	Mr. YANG, KUO-LIANG	532,000	0.77%
Director	Mr. YEN, WEI-CHUN	16,000	0.02%
Independent Director	Mr. HU, CHIU-CHIANG	0	0.00%
Independent Director	Ms. CHEN, WEN-YU	0	0.00%
Independent Director	Mr. YU, MING-CHANG	540,000	0.78%
Independent Director	Mr. TASI, YU-PING	0	0.00%
Total		15,794,525	15,794,525