

Stock Code: 6160



CIPHERLAB CO., Ltd.

2024 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 26, 2024

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

Table of Contents

Page

I. Meeting Procedure.....	1
II. Meeting Agenda	2
1. Reporting Matters	3
2. Acknowledged Matters	4
3. Ad Hoc Motions	5
4. Adjournment.....	5
III. Annex :	
1. 2023 Business Report.....	6
2. 2023 Audit Committee's Review Report	13
3. 2023 Information on Director's Remuneration	14
4. Independent Auditors' Report and 2023 Parent Company Only Financial Statement	16
5. Independent Auditors' Report and 2023 Consolidated Financial Statement	26
6. Deficit Compensation Statement	35
IV. Appendix :	
1. Rules of Procedure for Shareholders' Meetings.....	36
2. Article of Association.....	47
3. Shareholding Status of All Directors	52

CIPHERLAB CO., Ltd.

Procedure for the 2024 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.

2024

Agenda of Annual Meeting of Shareholder

Time: 9:00 a.m. on Wednesday, Jun. 26, 2024

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) 2023 Business Report
 - (2) 2023 Audit Committee's Review Report
 - (3) 2023 Directors' Remuneration Report
5. Acknowledged Matters
 - (1) Adoption of the 2023 Business Report and Financial Statements
 - (2) Adoption of the proposal for 2023 Deficit Compensation
6. Ad Hoc Motions
7. Adjournment

Reporting Matters

Report No. 1

2023 Business Report

Explanation:

(1) In 2023, the consolidated operations are mainly driven by net operating income of NT\$1,359,549 thousand, which increased by 8.08% compared to 2022. The net loss after tax attributable to the Company was a loss of NT\$4,366 thousand, a decrease of NT\$36,620 thousand compared to 2022, resulting in loss per share after tax of NT\$0.06.

(2) 2023 business report is attached as page 6-12, annex 1.

Report No. 2

2023 Audit Committee's Review Report

Explanation:

2023 Audit Committee's Review Report is attached as page 13, annex 2.

Report No. 3

2023 Directors' Remuneration Report

Explanation:

The distribution policy of director remuneration was in accordance with the regulation of the article of association, and the information for the director remuneration, including the remuneration policy, details and the amount of the remuneration is attached as page 14-15, annex 3.

Acknowledged Matters

Proposal No. 1

Adoption of the 2023 Business Report and Financial Statements

(Proposed by the board)

Explanation:

- (1) CIPHERLAB CO., Ltd.'s Financial Statements for year 2023, were audited by independent auditors, Ruske Ho and Alice Huang of Deloitte & Touche. Besides, Business Report and Financial Statements have been approved by the audit committee and the Board on March 13th, 2024.
- (2) 2023 Business Report is attached as page 6-12, annex 1.
- (3) 2023 Financial Statement is attached as page 16-34, annex 4-5.
- (4) Please acknowledge.

Resolution:

Proposal No. 2

Adoption of the proposal for 2023 Deficit Compensation

(Proposed by the board)

Explanation:

- (1) The deficit compensation plan for year 2023 has been discussed and approved by the Board on March 13th, 2024.
- (2) The net loss after tax of the company for year 2023 was NT\$4,366,105. After deducting the remeasured amount of NT\$17,469 for the welfare plan in year 2023, and NT\$437,421 for the change in equity of subsidiary companies, and adding NT\$3,493 for income tax on determined welfare plan losses, NT\$216,927 for reversal of special surplus reserve, and the beginning balance of undistributed earnings of NT\$471,361, the loss to be offset for year 2023 was NT\$4,129,124, which is set to be offset with all the amount of the statutory surplus reserves, and the ending balance of the uncompensated loss would equal to NT\$0 after offsetting.
- (3) Deficit Compensation Statement is attached as page 35, annex 6.
- (4) Please acknowledge.

Resolution:

Ad Hoc Motions

Adjournment

【Annex 1】

CIPHERLAB CO., Ltd. 2023 Business Report

Dear Shareholders,

Due to the impact of rising inflation on the global economic climate in 2023, the central bank adopted tight monetary policies. This led to a downturn on terminal market, impacting on the product sales, especially in developed markets. However, the demand for industry application in emerging markets remained strong, and thus a significant growth has shown in sales compared to previous periods. Despite various adverse factors, CIPHERLAB CO. still actively localized its business operation in regional markets, and conveyed company value to the customers, aiming to enhancing value of both sides.

As for the future goals of 2024, CIPHERLAB CO. will constantly prioritize in enhancing customers value, launching intergrated application solution tailored to the customer's demand, namely Edge Computing AI Solution. The solution intergrated functions including voice, vision, barcode, RFID and more into a single device. Additionally, we will continue to develop 5G, WiFi 6E extension models to address emerging application areas across various industries. Simultaneously, we will strength market team structure in regional markets, and collaborate with key partenrs. In terms of factory operation, we will effectively control inventory levels, enhancing product quality, establishing the foundations for the sustained company growth, and deliver profits to the shareholders.

I. 2023 business report

1. Business Operational Performance

In 2023, the consolidated operations are mainly driven by net operating income of NT\$1,359,549 thousand, which increased by 8.08% compared to 2022. The net loss after tax attributable to the Company was a loss of NT\$4,366 thousand, a decrease of NT\$36,620 thousand compared to fiscal year 2022, resulting loss per share after tax of NT\$0.06

2. Budget Execution

As the financial forecast in 2023 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	2023	2022	Difference (%)
Revenue & Expenditure	Operating Revenue	1,359,549	1,257,962	8.08%
	Operating profit margin	498,478	472,077	5.59%
	Profit After Tax	-4,844	31,194	(115.53%)
Profitability Analysis (%)	Debt Ratio: (Total Liabilities / Total Assets)	37.13	41.33	(10.16%)
	Long Term Funds to Fixed Assets : (Long Term Funds / Fixed Assets)	706.49	817.71	(13.60%)
	Current Ratio : (Current Assets / Current Liabilities)	268.89	235.25	14.30%
	Quick Ratio : (Liquid Assets / Current Liabilities)	110.38	107.56	2.62%

Year	Item	2023	2022	Difference (%)
	Return on Equity : (Profit After Tax / Average Shareholder's Equity)	-0.62	4.05	(115.31%)
	Profit Margin : (Profit After Tax / Net Sales)	-0.36	2.56	(114.06%)
	Earnings Per Share: (Profit After Tax – Preference Dividend)/ Weighted Average Shares Outstanding	-0.06	0.47	(112.77%)

4. Research and Development Status

In the year of 2023, global activities restrictions were completely lifted, and various business activities began to thrive. Demands in manufacture, e-commerce, retail, warehousing, logistics continued to increase. Thus, CIPHERLAB CO. constantly put resources into the research and development of various AIDC mobile devices, sensor modules, device management systems, and various software applications. Users can choose suitable methods to simplify operation process and manage assets effectively based on different requirements. Now, all series of Android models comply with Google GMS and AER certification, providing enterprise users with automatic data capture products which meet information security requirements. Besides, CIPHERLAB CO. began to engage in security-related certifications to provide additional protection for enterprise users.

Main products developed in 2023, including:

1. AER Mobile Data Collector:

Launching a rugged mobile computer, RK26, and a 5.5-inch touchscreen mobile computer, RS36. Both devices feature robust and durable designs, equipped with high-performance processors, high capacity of memory and storage space. With high-grade dust and water resistance ratings and the design which support various scanning heads, along with faster WiFi6 data transmission, these devices are suitable for use in various environments including warehousing logistics, manufacturing, retail, healthcare, and public safety.

2. Scanner device:

CIPHERLAB CO. launched our first wearable scanner WR30 in the second half of the year. It features a light and ergonomic design, and thus users can wear comfortably throughout the day. In addition to inheriting CIPHERLAB CO.'s powerful scanning performance, its long-lasting battery life and support for various Bluetooth devices allow users to collect data without missing any information while keeping their hands free.

3. In the second half of the year, we completed the conceptual verification of the temperature sensing and recording module [Proof of Concept (POC), and together with customers, advanced it to the Minimum Viable Product (MVP: optimize customer field processes)]. The temperature sensing and recording module can be utilized in the increasingly thriving cold chain transportation and distribution industry. Throughout the process from pickup to delivery of cold chain goods (such as vaccines, pharmaceuticals, and fresh produce), the temperature sensing and recording module can measure the temperature and simultaneously upload temperature records to the headquarters. This assists in addressing the need for evidence of the logistics operator, resolving the long-standing difficulties they encounter in evidence collection and liability determination.

4. Relevant Application Development:

RemoCloud/EndeCloud enables registered devices to be included into enterprise management, allowing IT and department managers to easily monitor the activity status of company devices, reducing the time required for large-scale deployment and configuration, and restrict company devices to be used only for work purposes. With multi-factor authentication (MFA) enhancing information security, IT can configure and manage devices from anywhere without being limited by location, thereby improving work efficiency. Additionally, successful adoption of ISO/IEC 27001:2022 BSI standards helps reduce the risk of information leakage and stakeholders, establishing brand trust.

5. AI Assistance:

Building upon automatic license plate recognition, CIPHERLAB CO. has also addressed the needs of retail industry customers. Integrating the Scan Engine of the new generation AER product enables date object recognition for consumer products, swiftly identifying whether items are expired. Emphasizing immediacy and convenience, this reduces errors caused by human judgment and delays from backend data interpretation.:

5. Research and Development 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 2024 Business Development:

i. Development plan for new products and research:

1. Development plan for public and private cloud enterprise devices management and agile smart data systems:
 - A. 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).
 - B. WIFI 6E (IEEE 802.11ax): WiFi 6E is an upgraded version of WiFi 6. In addition to the existing 2.4 GHz and 5 GHz bands, it adds the 6 GHz band. The 6 GHz band offers wider spectrum and less interference, thus providing higher speeds and lower latency. Moreover, this band has more channels, allowing for more devices to be accommodated, addressing the increasing number of devices and data traffic. Compared to 802.11ac, its performance increases transmission speeds by 150% and reduces latency by 75%, providing a better user

experience for advanced applications such as fully wireless offices and the Internet of Things (IoT).

C. Temperature sensing and recording module:

a) Temperature Sensing Module:

This year, we will collaborate with key partners to quickly launch into the actual market in Minimum Viable Product (MVP) mode, confirming the actual usage scenarios for logistics operators. Subsequently, we will refine the temperature sensing and recording module based on feedback from actual usage by operators, aiming for it to become a market-demanded and profitable product.

b) 3D Sensing Module:

This will be applied in the product shipping or receiving process to measure the dimensions of product packaging, providing more precise and digitized information for calculating the volume of shipped items and transport space. We hope to offer accurate and convenient measurement vehicles and services in the future, providing warehouse, manufacturing, and logistics operators with a better user experience and improved work efficiency.

D. AI projects:

a) Tire Number Recognition: Tailoring customized models to specific usage scenarios based on customer requirements, we train the Camera Sensor of existing AER products to develop a real-time tire number recognition system. Emphasizing automation, accurate identification, fast efficiency, and high convenience, this system reduces errors caused by human visual judgment or manual entry of numbers.

b) 7-Segment Recognition: Targeting medical industry customers, we integrate the image from the existing AER product's Scan Engine to recognize 7-Segment digits on instruments, swiftly identifying the numbers on the instrument. Emphasizing real-time capability and convenience, this reduces errors caused by manual entry of numbers by operators.

2. RemoCloud/EndeCloud public and private cloud enterprise devices management systems:

A. 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 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.

b) The machine learning feature provides customers with a platform to train neural artificial intelligence on their own, achieving the evolution of arti-

cial intelligence Internet of Things through edge computing, and make the machine applications for repetitive tasks more efficient.

c) Implementing the EU General Data Protection Regulation (GDPR) to safeguard global human rights and privacy.

B. 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.

C. 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

D. 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.

3. Development plan for Scanner:

The COVID-19 pandemic has accelerated the ongoing digital transformation trend for retailers and has led to a wider adoption of RFID technology. According to global data center statistics, the RFID market is expected to grow at a compound annual growth rate of 20% over the next five years, with the retail, logistics, and warehousing industries being the most prominent beneficiaries. In addition to quickly tracking asset and product location and quantity, there is also a rising demand for applications that collect environmental parameters such as temperature. CIPHERLAB CO. Information will develop next-generation RFID products with ergonomic grip designs, long-term usability, and ease of use without the need for training.

4. 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.

ii. Market Sales Development Plan:

A. 1、Customer Relationship Deepening:

Committed to establishing and maintaining long-term customer relationships. Through regular communication, customer visits, and feedback systems, we understand customers' business challenges and needs deeply, providing customized solutions. Our main clients include system integrators, software developers, and value-added sales agents. We strive to cultivate large customers, thereby establishing a business ecosystem between the supply side and the user side, enhancing the ability and scope of participation in user-side projects.

2、Product Quality and Innovation:

We continue to invest in product research and development to ensure that our products meet industry standards in terms of quality. Additionally, we use innovation and service to address new problems and challenges faced by our customers, providing 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、Value Proposition Strategy:

Establish clear value propositions for customers, highlighting the advantages of products and services and ensuring a satisfying customer experience. Additionally, 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、Sales Channel Development:

Establish and optimize sales channels, including direct sales teams, channel partners, and strategic alliances. Provide training and support to channel and strategic alliance partners to ensure successful and effective delivery of user value to customers. Task the sales teams with strengthening collaborative relationships, mutually benefiting each other, and pursuing the maximum possible revenue and profit for the company.

5、Constant Improvement and Learning:

Encourage a culture of innovation and continuous improvement, motivating employees to continuously learn and enhance their skills. Enhance team skills and efficiency through on-the-job training and professional development opportunities.

6、Sustainable Development and Social Responsibility:

Committed to achieving sustainable business practices and being accountable to society and the environment. Enhance the company's brand value and social impact through environmentally friendly operational processes and social responsibility initiatives.

7、Expected Sales Quantity and Basis:

The main operating income of our company comes from the manufacturing and sale of industrial smart phones, data terminals, and peripheral scanning devices, as well as fee-based technical support and services. These can be categorized by application fields such as warehouse management, manufacturing, retail, transportation logistics, etc. Since our board of directors has not decided to disclose forecast information, there are no statistical values for expected sales quantities.

B. 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:

In the fiscal year 2024, central banks in various countries have gradually eased their monetary tightening policies, some even beginning to lower interest rates in the latter half of the year. With the advent of new AI technologies, various applications are actively developing and gradually expanding to consumer terminals, offering opportunities for the slow recovery of the market economy. To maintain a competitive edge in the industry, CIPHERLAB CO. not only actively invests resources in the integration and development of industry solutions in AI applications but also strengthens the functionality of cloud management systems to meet user demands. With the expectation that the company can overcome operational challenges one by one in the context of economic recovery, we look forward to seizing the great opportunities in the market.

In addition to the abovementioned business strategies and policies, in the face of the rapidly changing market and challenges from competitors, the company will adhere to its consistent business philosophy and cautious attitude to meet these challenges. We aim to pursue fruitful business results for the benefit of society, shareholders, customers, and employees alike.

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

【Annex 2】

2023 Audit Committee's Review Report

The Board has submitted the operating report, financial statements (including consolidated financial statements), and deficit compensation proposal for the year ended December 31, 2023. 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 deficit compensation 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 2024

Independent Director: Mr. HU, CHIU-CHIANG

Independent Director: Ms. CHEN, WEN-YU

Independent Director: Mr. YU, MING-CHANG

Independent Director: Mr. TSAI, YU-PING

March 27th, 2024

【Annex 3】

2023 Information on Director's Remuneration

position	name	Director's Remuneration								The total amount of A, B, C, and D, and the proportion to the net profit after tax.		Remuneration received by part-time employee								The total amount of A to G, and the proportion to the net profit after tax.		Whether received remuneration from subsidiaries or investments outside of the company, or from the parent company.
		Remuneration (A)		Retirement pension (B)		Director's Salary (C)		Operating expenses (D)				Salary, bonuses, and special allowances, etc. (E)		Retirement pension (F)		Employee's Salary (G)						
		CI-PHERLAB CO.	every company in financial report	CI-PHERLAB CO.	every company in financial report	CI-PHERLAB CO.	every company in financial report	CI-PHERLAB CO.	every company in financial report	CIPHERLAB CO.	every company in financial report	CI-PHERLAB CO.	every company in financial report	CI-PHERLAB CO.	every company in financial report	CIPHERLAB CO.		every company in financial report	CIPHERLAB CO.	every company in financial report		
Chairman and CEO	Representative of CIPHER MANAGEMENT INC.: Mr. Steven Liao	0	0	0	0	0	0	60	60	60 thousand dollars -1.37%	60 thousand dollars -1.37%	3,948	3,948	0	0	0	0	0	0	4,008 thousand dollars -91.80%	4,008 thousand dollars -91.80%	None
Director	Mr. TAN, CHEN-HUAN	0	0	0	0	0	0	60	60	60 thousand dollars -1.37%	60 thousand dollars -1.37%	2,748	2,748	0	0	0	0	0	0	2,808 thousand dollars -64.32%	2,808 thousand dollars -64.32%	
Director	Mr. LIN, YUNG-FA	0	0	0	0	0	0	60	60	60 thousand dollars -1.37%	60 thousand dollars -1.37%	0	0	0	0	0	0	0	0	60 thousand dollars -1.37%	60 thousand dollars -1.37%	
Director	Mr. YEN, WEI-CHUN	0	0	0	0	0	0	50	50	50 thousand dollars -1.15%	50 thousand dollars -1.15%	0	0	0	0	0	0	0	0	50 thousand dollars -1.15%	50 thousand dollars -1.15%	
Director	Mr. YANG, KUO-LIANG	0	0	0	0	0	0	60	60	60 thousand dollars -1.37%	60 thousand dollars -1.37%	0	0	0	0	0	0	0	0	60 thousand dollars -1.37%	60 thousand dollars -1.37%	
IndependentDirector	Ms. CHEN, WEN-YU	0	0	0	0	0	0	540	540	540 thousand dollars -12.37%	540 thousand dollars -12.37%	0	0	0	0	0	0	0	0	540 thousand dollars -12.37%	540 thousand dollars -12.37%	
IndependentDirector	Mr. HU, CHIU-CHIANG	0	0	0	0	0	0	780	780	780 thousand dollars -17.87%	780 thousand dollars -17.87%	0	0	0	0	0	0	0	0	780 thousand dollars -17.87%	780 thousand dollars -17.87%	
IndependentDirector	Mr. YU, MING-CHANG	0	0	0	0	0	0	530	530	530 thousand dollars -12.14%	530 thousand dollars -12.14%	0	0	0	0	0	0	0	0	530 thousand dollars -12.14%	530 thousand dollars -12.14%	
IndependentDirector	Mr. TSAI, YU-PING	0	0	0	0	0	0	420	420	420 thousand dollars -9.62%	420 thousand dollars -9.62%	0	0	0	0	0	0	0	0	420 thousand dollars -9.62%	420 thousand dollars -9.62%	

Note: the audit committee is established

1. Policy, standards, and composition of remuneration, and procedures for establishing remuneration.

- (1) The policy and system for remuneration payment to directors and independent directors of the Company, as well as the standards and structure, are established in accordance with the provisions of Article 16 of the laws and regulations and the Company's articles of association, and the "Organization Regulations of the Compensation Committee" serve as the basis for formulating remuneration policies and assessments.
- (2) Director remuneration, as stipulated in Article 16 of the Company's articles of association, is assessed by the Compensation Committee. The remuneration for directors performing their duties is determined based on the level of participation and contribution of individual directors (including the risks assumed and time invested), taking into account the usual industry standards and overall operational performance, as well as external market factors. It is regularly reviewed and approved by the Compensation Committee and the Board of Directors to ensure reasonable compensation. Performance evaluations and salary alignment are reviewed by the Compensation Committee and the Board of Directors, and remuneration is periodically reviewed based on actual circumstances and relevant laws and regulations to achieve a balance between sustainable business operations and risk management.
- (3) Director salary, as stipulated in Article 20 of the company's articles of association, should not exceed 3% of the profits for the year, if any. Independent directors do not participate in the distribution of director remuneration. The company regularly evaluates director remuneration according to the "Board of Directors Performance Evaluation Method." Performance assessments and the reasonableness of compensation are reviewed by the Compensation Committee and the Board of Directors.
- (4) The remuneration of managers in our company is determined according to the salary guidelines, with clear provisions for various allowances and bonuses, aiming to appreciate and reward employees' efforts in their work. The related bonuses are also granted based on the company's annual operating performance, financial condition, operational status, and individual work performance. Additionally, if the company is profitable for the year, 0.5% to 10% of the profits are allocated for employee compensation in accordance with Article 20 of our company's articles of association.
- (5) The composition of remuneration paid by our company, as stipulated in the Organization Regulations of the Compensation Committee, includes cash compensation, stock options, dividend shares, retirement benefits or severance payments, various allowances, and other measures with substantial incentives. Its scope aligns with the guidelines for disclosure of director and manager remuneration in the annual reports of publicly listed companies.
- (6) In addition to the disclosed information in the table above, the remuneration received by directors for services provided during the recent fiscal year (such as serving as consultants for the parent company/all companies in the financial reports/and non-employee consultants for invested enterprises): 0 dollars.

2. The Relationship with Business Performance and Future Risks:

- (1) The review of the company's remuneration policy, relevant payment standards, and system is primarily based on the overall operating condition of the company. The payment standards are determined based on the achievement rate of performance and contribution to enhance the overall organizational effectiveness of the Board of Directors and managers. Reference is made to industry salary standards to ensure that the compensation for the company's management is competitive in the industry, aiming to retain outstanding management talents.
- (2) The performance goals of the company's managers are all combined with "risk management" to ensure that potential risks within their scope of responsibility are managed and prevented. Ratings are given based on actual performance, linking to relevant human resources and related salary remuneration policies. Important decisions made by the company's management are balanced after considering various risk factors. The performance of these decisions is reflected in the company's profitability, thereby correlating the management's compensation with the effectiveness of risk management.

【Annex 4】

Independent Auditors' Report and 2023 Parent Company Only Financial Statement

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

Audit Opinion

We have audited the accompanying balance sheets of CipherLab Co., Ltd., as of December 31, 2023 and 2022; 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, 2023 and 2022; 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 CipherLab Co., Ltd. as of December 31, 2023 and 2022 and its financial performance and cash flows from January 1 to December 31, 2023 and 2022.

Basis for Opinion

We have conducted our audits entrusted by CipherLab Co., Ltd. in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under 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 CipherLab Co., Ltd., 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 CipherLab Co., Ltd.'s financial statements for the year 2023 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 CiphetaLab Co., Ltd.'s financial statements for the year 2023:

Key audit matter: veracity of sales revenue recognition

The revenue of CiphetaLab Co., Ltd. from the sales of 3 products, RS 36, RK 25 and RK 26, for the year 2023 was NT\$384,785 thousand, accounting for 31% 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 sales 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 3 products of RS 36, RK 25 and RK 26, 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 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 CiphetaLab Co., Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate CiphetaLab Co., Ltd. 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 CiphetaLab Co., Ltd.'s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CipherLab Co., Ltd.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CipherLab Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause CipherLab Co., Ltd. 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 CipherLab Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of CipherLab Co., Ltd.'s 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 CipherLab Co., Ltd.'s financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche Tohmatsu Limited

Accountant Ruske Ho, Accountant Alice Huang

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 27, 2024

CIPHERLAB CO., LTD.

BALANCE SHEETS

December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 & 6)	\$ 135,389	12	\$ 147,224	11
1136	Financial assets at amortized cost (Note 4 & 28)	1,500	-	1,500	-
1150	Notes receivable (Note 7 & 19)	2,485	-	803	-
1170	Accounts receivable (Note 4, 7 & 19)	151,070	13	198,964	15
1180	Accounts receivable – related parties (Note 4, 19 & 27)	6,300	1	24,857	2
1200	Other receivables (Note 7 & 27)	29,154	3	56,948	5
1220	Current tax assets (Note 21)	5,882	-	-	-
130X	Inventories (Note 4 & 8)	486,098	42	507,143	39
1479	Other current assets (Note 13)	<u>41,848</u>	<u>4</u>	<u>39,193</u>	<u>3</u>
11XX	Total current assets	<u>859,726</u>	<u>75</u>	<u>976,632</u>	<u>75</u>
	Non-current assets				
1550	Investments accounted for using equity method (Note 4 & 9)	69,807	6	99,895	8
1600	Property, plant and equipment (Note 4, 10 & 28)	119,781	10	109,273	8
1755	Right-of-use assets (Note 4 & 11)	7,903	1	27,976	2
1780	Intangible assets (Note 4 & 12)	4,041	-	6,088	-
1840	Deferred tax assets (Note 4, 5 & 21)	77,493	7	75,557	6
1990	Other non-current assets (Note 13)	<u>7,241</u>	<u>1</u>	<u>9,557</u>	<u>1</u>
15XX	Total non-current assets	<u>286,266</u>	<u>25</u>	<u>328,346</u>	<u>25</u>
1XXX	Total assets	<u>\$ 1,145,992</u>	<u>100</u>	<u>\$ 1,304,978</u>	<u>100</u>
Code	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Note 14)	\$ 80,000	7	\$ 160,000	12
2170	Accounts payable (Note 15 & 27)	120,683	11	107,822	8
2219	Other payables (Note 16)	94,649	8	121,764	9
2230	Current tax liabilities (Note 21)	-	-	6,051	-
2280	Lease liabilities – current (Note 4 & 11)	7,351	1	22,029	2
2399	Other current liabilities (Note 4, 16 & 19)	<u>26,708</u>	<u>2</u>	<u>20,901</u>	<u>2</u>
21XX	Total current liabilities	<u>329,391</u>	<u>29</u>	<u>438,567</u>	<u>33</u>
	Non-current liabilities				
2570	Deferred tax liabilities (Note 4 & 21)	4,343	-	3,906	-
2580	Lease liabilities – non-current (Note 4 & 11)	618	-	6,066	1
2640	Net defined benefit liabilities – non-current (Note 4 & 17)	8,366	1	8,764	1
2670	Other non-current liabilities (Note 4, 9, 16 & 19)	<u>43,363</u>	<u>4</u>	<u>42,070</u>	<u>3</u>
25XX	Total non-current liabilities	<u>56,690</u>	<u>5</u>	<u>60,806</u>	<u>5</u>
2XXX	Total liabilities	<u>386,081</u>	<u>34</u>	<u>499,373</u>	<u>38</u>
	Equity (Note 18)				
3110	Ordinary share capital	<u>684,891</u>	<u>60</u>	<u>684,891</u>	<u>53</u>
3210	Capital surplus	<u>1,151</u>	<u>-</u>	<u>1,151</u>	<u>-</u>
	Retained earnings				
3310	Legal reserve	77,998	7	74,587	6
3320	Special reserve	1,084	-	11,508	1
3350	(Accumulated deficit) Unappropriated retained earnings	<u>(4,346)</u>	<u>(1)</u>	<u>34,552</u>	<u>2</u>
3300	Total retained earnings	<u>74,736</u>	<u>6</u>	<u>120,647</u>	<u>9</u>
	Other equity				
3410	Exchange differences on translation of foreign financial statements	1,313	-	1,096	-
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	<u>(2,180)</u>	<u>-</u>	<u>(2,180)</u>	<u>-</u>
3400	Total other equity interest	<u>(867)</u>	<u>-</u>	<u>(1,084)</u>	<u>-</u>
3XXX	Total equity	<u>759,911</u>	<u>66</u>	<u>805,605</u>	<u>62</u>
	Total liabilities and equity	<u>\$ 1,145,992</u>	<u>100</u>	<u>\$ 1,304,978</u>	<u>100</u>

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

January 1 to December 31, 2023 and 2022

In Thousands of New Taiwan Dollars
Except (Losses) Earnings per Share

Code		2023		2022	
		Amount	%	Amount	%
	Operating revenues (Note 4, 19 & 27)				
4100	Sales revenue	\$ 1,260,304	98	\$ 1,175,992	98
4600	Service revenue	<u>29,733</u>	<u>2</u>	<u>18,279</u>	<u>2</u>
4000	Total operating revenue	<u>1,290,037</u>	<u>100</u>	<u>1,194,271</u>	<u>100</u>
	Operating costs				
5110	Cost of sales (Note 8,17, 20 & 27)	(843,494)	(66)	(771,089)	(65)
5600	Cost of services	(<u>1,688</u>)	(<u>-</u>)	(<u>1,365</u>)	(<u>-</u>)
5000	Total operating costs	(<u>845,182</u>)	(<u>66</u>)	(<u>772,454</u>)	(<u>65</u>)
5900	Operating profit margin	444,855	34	421,817	35
5910	Unrealized Profits on Transactions with subsidiaries (Note 4 & 9)	(36,635)	(3)	(34,868)	(3)
5920	Realized Profits on Transactions with subsidiaries (Note 4 & 9)	<u>34,868</u>	<u>3</u>	<u>23,633</u>	<u>2</u>
5950	Operating profit margin realized	<u>443,088</u>	<u>34</u>	<u>410,582</u>	<u>34</u>
	Operating expenses (Note 7, 17, 20 & 27)				
6100	Selling expenses	(189,360)	(14)	(149,850)	(12)
6200	Administrative expenses	(47,482)	(4)	(48,797)	(4)
6300	Research and development expenses	(184,079)	(14)	(142,232)	(12)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	<u>83</u>	<u>-</u>	<u>128</u>	<u>-</u>
6000	Total operating expenses	(<u>420,838</u>)	(<u>32</u>)	(<u>340,751</u>)	(<u>28</u>)
6900	Net operating profit	<u>22,250</u>	<u>2</u>	<u>69,831</u>	<u>6</u>

(Continue)

(Previous)

Code		2023		2022	
		Amount	%	Amount	%
	Non-operating income and expenses				
7100	Interest income (Note 20)	\$ 2,848	-	\$ 983	-
7010	Other income (Note 20 & 27)	2,454	-	2,515	-
7020	Other gains and losses (Note 20)	5,562	1	15,119	1
7050	Financial costs (Note 20)	(2,369)	-	(3,471)	-
7070	Subsidiaries' shares of profit and loss accounted for using equity method (Note 4)	(<u>36,867</u>)	(<u>3</u>)	(<u>48,362</u>)	(<u>4</u>)
7000	Total non-operating income and expenses	(<u>28,372</u>)	(<u>2</u>)	(<u>33,216</u>)	(<u>3</u>)
7900	Profit (loss) before tax	(6,122)	-	36,615	3
7950	Income tax benefits (expenses) (Note 4 & 21)	<u>1,756</u>	<u>-</u>	(<u>4,361</u>)	<u>-</u>
8200	Profit (loss) for the year	(<u>4,366</u>)	<u>-</u>	<u>32,254</u>	<u>3</u>
	Other comprehensive income (Note 17, 18 & 21)				
8310	Items not to be reclassified into profit or loss:				
8311	Remeasurements of defined benefit plans	(18)	-	2,324	-
8349	Income tax related to items that will not be reclassified to profit or loss	3	-	(465)	-
8360	Items that may be reclassified to profit or loss::				
8361	Exchange differences in translation of financial statements of foreign operations	271	-	13,030	1
8399	Income tax related to items that will be reclassified to profit or loss	(<u>54</u>)	<u>-</u>	(<u>2,606</u>)	<u>-</u>
8300	Total other comprehensive income (after tax)	<u>202</u>	<u>-</u>	<u>12,283</u>	<u>1</u>
8500	Total comprehensive income	(<u>\$ 4,164</u>)	<u>-</u>	<u>\$ 44,537</u>	<u>4</u>
	Earnings (losses) per share (Note 22)				
9710	Basic	(<u>\$ 0.06</u>)		<u>\$ 0.47</u>	
9810	Diluted	(<u>\$ 0.06</u>)		<u>\$ 0.47</u>	

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
January 1 to December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

Code		Ordinary share capital	Capital surplus	Retained Earnings			Other Equity		Total equity
				Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	
A1	Balance at January 1, 2022	\$ 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 appropriated	-	-	3,651	-	(3,651)	-	-	-
B3	Special reserve appropriated	-	-	-	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 comprehensive income of 2022 (Note 18)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,859</u>	<u>10,424</u>	<u>-</u>	<u>12,283</u>
D5	Total comprehensive income of 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,113</u>	<u>10,424</u>	<u>-</u>	<u>44,537</u>
Z1	Balance at December 31, 2022	684,891	1,151	74,587	11,508	34,552	1,096	(2,180)	805,605
	Appropriation and distribution of 2022 earnings (Note 18)								
B1	Legal reserve appropriated	-	-	3,411	-	(3,411)	-	-	-
B5	Cash dividend attributable to shareholders of parent company	-	-	-	-	(41,093)	-	-	(41,093)
B17	Reversal of special reserve	-	-	-	(10,424)	10,424	-	-	-
D1	Net loss of 2023	-	-	-	-	(4,366)	-	-	(4,366)
D3	Other comprehensive income of 2023 (Note 18)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>217</u>	<u>-</u>	<u>202</u>
D5	Total comprehensive income of 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,381)</u>	<u>217</u>	<u>-</u>	<u>(4,164)</u>
M7	Changes in ownership of interests in subsidiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(437)</u>	<u>-</u>	<u>-</u>	<u>(437)</u>
Z1	Balance at December 31, 2023	<u>\$ 684,891</u>	<u>\$ 1,151</u>	<u>\$ 77,998</u>	<u>\$ 1,084</u>	<u>(\$ 4,346)</u>	<u>\$ 1,313</u>	<u>(\$ 2,180)</u>	<u>\$ 759,911</u>

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD.

STATEMENTS OF CASH FLOWS

January 1 to December 31, 2023 and 2022

		In Thousands of New Taiwan Dollars	
Code		2023	2022
	Cash flows from operating activities		
A10000	Profit (loss) before tax	(\$ 6,122)	\$ 36,615
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	39,915	43,880
A20200	Amortization expenses	3,627	3,614
A20300	Expected credit impairment reversal gains	(83)	(128)
A20400	Gains on financial assets at fair value through profit or loss	(4)	-
A20900	Financial costs	2,369	3,471
A21200	Interest income	(2,848)	(983)
A22400	Subsidiaries' shares of profit and loss accounted for using equity method	36,867	48,362
A22500	Losses on disposal of property, plant, and equipment	299	176
A23700	Inventory valuation and obsolescence losses	5,811	-
A23900	Unrealized gains on transactions with subsidiaries	36,635	34,868
A24000	Realized gains on transactions with subsidiaries	(34,868)	(23,633)
A24100	Unrealized foreign exchange gains	(1,933)	(2,895)
A29900	Gains on lease modification	-	(4)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily measured at fair value through profit or loss	4	-
A31130	Notes receivable	(1,682)	680
A31150	Accounts receivable	46,481	(17,325)
A31160	Accounts receivable – related parties	18,760	5,455
A31180	Other receivables	27,385	(26,915)
A31200	Inventories	15,234	5,775
A31240	Other current assets	(2,655)	(15,618)
A32130	Notes payable	-	(125)
A32150	Accounts payable	14,313	(20,242)
A32180	Other payables	(26,081)	10,825
A32220	Other current liabilities	5,807	13,085
A32240	Net defined benefit liabilities	(416)	(509)
A32990	Other non-current liabilities	(419)	21,586
A33000	Cash flows from operations	176,396	120,015

(Continue)

(Previous)

Code		2023	2022
A33100	Interest received	\$ 2,964	\$ 867
A33500	Income tax paid	(11,727)	(4,246)
AAAA	Net cash flows generated from operating activities	<u>167,633</u>	<u>116,636</u>
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	(16,219)	(4,311)
B02800	Disposal of property, plant and equipment	16	46
B04500	Acquisition of intangible assets	(1,580)	(1,955)
B06700	Increase in other non-current assets	(10,049)	(1,698)
BBBB	Net cash flows used in investing activities	<u>(27,832)</u>	<u>(7,918)</u>
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	(80,000)	(22,341)
C01700	Repayment for long-term borrowings	-	(8,333)
C04020	Repayment of lease liabilities	(22,914)	(22,623)
C04500	Cash dividends paid	(41,093)	(23,971)
C05400	Acquisition of equity of subsidiaries	(7,000)	-
C05600	Interest paid	(2,361)	(3,496)
CCCC	Net cash flows used in financing activities	<u>(153,368)</u>	<u>(80,764)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>1,732</u>	<u>5,481</u>
EEEE	Net increase (decrease) in cash and cash equivalents	(11,835)	33,435
E00100	Cash and cash equivalents at beginning of the year	<u>147,224</u>	<u>113,789</u>
E00200	Cash and cash equivalents at end of the year	<u>\$ 135,389</u>	<u>\$ 147,224</u>

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

【Annex 5】

Independent Auditors' Report and 2023 Consolidated Financial Statement

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

Audit Opinion

We have audited the accompanying consolidated balance sheets of CipherLab Co., Ltd. and its subsidiaries (hereinafter “the Group”), as of December 31, 2023 and 2022; 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, 2023 and 2022; 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 Group as of December 31, 2023 and 2022 and its consolidated financial performance and cash flows from January 1 to December 31, 2023 and 2022.

Basis for Opinion

We have conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under 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 the Group, 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 the Group's consolidated financial statements for the year 2023 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 the Group's consolidated financial statements for the year 2023:

Key audit matter: veracity of sales revenue recognition

The revenue of the Group from the sales of 3 products, RS 36, RK 25 and RK 26, for the year 2023 was NT\$370,672 thousand, accounting for 28% 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 sales 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 3 products of RS 36, RK 25 and RK 26, 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 CipherLab Co., Ltd.'s parent company only financial statements for the year ended December 31, 2023 and 2022, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group's 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 the Group's consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche Tohmatsu Limited

Accountant Ruske Ho, Accountant Alice Huang

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 27, 2024

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 & 6)	\$ 182,770	15	\$ 216,779	16
1136	Financial assets at amortized cost (Note 4 & 28)	1,500	-	1,500	-
1150	Notes receivable (Note 7 & 19)	2,485	-	803	-
1170	Accounts receivable (Note 4, 7 & 19)	176,098	15	233,122	17
1200	Other receivables (Note 7)	29,162	2	56,633	4
1220	Current tax assets (Note 21)	5,882	-	-	-
130X	Inventories (Note 4, 5 & 8)	527,417	44	559,518	41
1479	Other current assets (Note 13)	43,971	4	44,568	3
11XX	Total current assets	969,285	80	1,112,923	81
	Non-current assets				
1600	Property, plant and equipment (Note 4, 10 & 28)	119,989	10	110,016	8
1755	Right-of-use assets (Notes 4 & 11)	27,214	2	51,375	4
1780	Other intangible assets (Note 4 & 12)	4,041	-	9,804	1
1840	Deferred tax assets (Notes 4, 5 & 21)	80,022	7	78,342	5
1990	Other non-current assets (Note 13)	7,642	1	10,235	1
15XX	Total non-current assets	238,908	20	259,772	19
1XXX	Total assets	\$ 1,208,193	100	\$ 1,372,695	100
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Note 14)	\$ 80,000	7	\$ 160,000	12
2170	Accounts payable (Note 15 & 27)	121,129	10	107,944	8
2219	Other payables (Note 16)	97,478	8	125,650	9
2230	Current tax liabilities (Note 21)	-	-	6,051	-
2280	Lease liabilities – current (Note 4 & 11)	9,251	1	24,901	2
2320	Long-term borrowing with maturity under 1 year (Note 14)	983	-	724	-
2399	Other current liabilities (Note 16 & 19)	51,642	4	47,812	3
21XX	Total current liabilities	360,483	30	473,082	34
	Non-current liabilities				
2540	Long-term borrowings (Note 14)	2,295	-	3,276	-
2570	Deferred tax liabilities (Note 4 & 21)	4,343	-	3,906	-
2580	Lease liabilities – non-current (Note 4 & 11)	21,190	2	29,185	2
2640	Net defined benefit liability – non-current (Note 4 & 17)	8,366	1	8,764	1
2670	Other non-current liabilities (Note 16 & 19)	51,925	4	49,156	4
25XX	Total non-current liabilities	88,119	7	94,287	7
2XXX	Total liabilities	448,602	37	567,369	41
	Equity attributable to owners of parent company (Note 18)				
3110	Ordinary share capital	684,891	57	684,891	50
3210	Capital surplus	1,151	-	1,151	-
	Retained earnings				
3310	Legal reserve	77,998	6	74,587	5
3320	Special reserve	1,084	-	11,508	1
3350	(Accumulated deficit) Unappropriated retained earnings	(4,346)	-	34,552	3
3300	Total retained earnings	74,736	6	120,647	9
	Other equity				
3410	Exchange differences on translation of foreign financial statements	1,313	-	1,096	-
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(2,180)	-	(2,180)	-
3400	Total other equity interest	(867)	-	(1,084)	-
31XX	Total equity interest attributable to owners of parent company	759,911	63	805,605	59
36XX	Non-controlling interest	(320)	-	(279)	-
3XXX	Total equity interest	759,591	63	805,326	59
	Total liabilities and equity	\$ 1,208,193	100	\$ 1,372,695	100

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

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

January 1 to December 31, 2023 and 2022

In Thousands of New Taiwan Dollars
Except (Losses) Earnings per Share

Code		2023		2022	
		Amount	%	Amount	%
	Operating revenues (Note 4 & 19)				
4100	Sales revenue	\$ 1,310,531	96	\$ 1,228,010	98
4600	Service revenue	<u>49,018</u>	<u>4</u>	<u>29,952</u>	<u>2</u>
4000	Total operating revenue	<u>1,359,549</u>	<u>100</u>	<u>1,257,962</u>	<u>100</u>
	Operating costs				
5110	Cost of sales (Note 8,17, 20 & 27)	(859,383)	(63)	(783,697)	(63)
5600	Cost of services	(<u>1,688</u>)	<u>-</u>	(<u>2,188</u>)	<u>-</u>
5000	Total operating costs	(<u>861,071</u>)	(<u>63</u>)	(<u>785,885</u>)	(<u>63</u>)
5900	Operating profit margin	<u>498,478</u>	<u>37</u>	<u>472,077</u>	<u>37</u>
	Operating expenses (Note 17&20)				
6100	Selling expenses	(256,120)	(19)	(226,654)	(18)
6200	Administrative expenses	(67,409)	(5)	(69,739)	(5)
6300	Research and development expenses	(188,133)	(14)	(147,333)	(12)
6450	Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9 (Note 7)	<u>3,237</u>	<u>1</u>	(<u>1,827</u>)	<u>-</u>
6000	Total operating expenses	(<u>508,425</u>)	(<u>37</u>)	(<u>445,553</u>)	(<u>35</u>)
6900	Net operating profit (loss)	(<u>9,947</u>)	<u>-</u>	<u>26,524</u>	<u>2</u>
	Non-operating income and expenses (Note 20)				
7100	Interest income	3,139	-	1,089	-
7010	Other income (Note 23)	2,245	-	2,205	-
7020	Other gains and losses	1,996	-	12,042	1
7050	Financial costs	(<u>3,777</u>)	<u>-</u>	(<u>4,890</u>)	<u>-</u>
7000	Total non-operating income and expenses	<u>3,603</u>	<u>-</u>	<u>10,446</u>	<u>1</u>
7900	Profit (loss) before tax	(6,344)	-	36,970	3
7950	Income tax benefits (expense) (Note 4 & 21)	<u>1,500</u>	<u>-</u>	(<u>5,776</u>)	(<u>1</u>)
8200	Profit (loss) for the year	(<u>4,844</u>)	<u>-</u>	<u>31,194</u>	<u>2</u>

(Continue)

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Code		2023		2022	
		Amount	%	Amount	%
	Other comprehensive income (Note 17, 18 & 21)				
8310	Items not to be reclassified into profit or loss:				
8311	Remeasurements of defined benefit plans	(\$ 18)	-	\$ 2,324	-
8349	Income tax related to items that will not be reclassi- fied to profit or loss	3	-	(465)	-
8360	Items that may be reclassi- fied to profit or loss::				
8361	Exchange differences in translation of financial statements of foreign oper- ations	271	-	13,030	1
8399	Income tax related to items that will be reclassified to profit or loss	(54)	-	(2,606)	-
8300	Total other comprehensive income (after tax)	<u>202</u>	-	<u>12,283</u>	<u>1</u>
8500	Total comprehensive income	(\$ <u>4,642</u>)	-	\$ <u>43,477</u>	<u>3</u>
	Profit (loss) attributable to:				
8610	Owners of parent company	(\$ 4,366)	-	\$ 32,254	2
8620	Non-controlling interests	(478)	-	(1,060)	-
8600		(\$ <u>4,844</u>)	-	\$ <u>31,194</u>	<u>2</u>
	Comprehensive income attributa- ble to:				
8710	Owners of parent company	(\$ 4,164)	-	\$ 44,537	3
8720	Non-controlling interests	(478)	-	(1,060)	-
8700		(\$ <u>4,642</u>)	-	\$ <u>43,477</u>	<u>3</u>
	Earnings (losses) per share (Note 22)				
9710	Basic	(\$ <u>0.06</u>)		\$ <u>0.47</u>	
9810	Diluted	(\$ <u>0.06</u>)		\$ <u>0.47</u>	

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
January 1 to December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

		Equities attributable to owners of parent company					Other Equity				
		Ordinary share capital	Capital surplus	Retained Earnings		Unappropriated earnings (accumulated deficit)	Exchange differences oin translation of foreign financial state-ments	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Non-controlling interests	Total equity
Code				Legal reserve	Special reserve						
A1	Balance at January 1, 2022	\$ 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 appropriated	-	-	3,651	-	(3,651)	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,859</u>	<u>10,424</u>	<u>-</u>	<u>12,283</u>	<u>-</u>	<u>12,283</u>
D5	Total profit and loss of 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,113</u>	<u>10,424</u>	<u>-</u>	<u>44,537</u>	<u>(1,060)</u>	<u>43,477</u>
Z1	Balance at December 31, 2022	684,891	1,151	74,587	11,508	34,552	1,096	(2,180)	805,605	(279)	805,326
	Appropriation and distribution of 2022 earnings (Note 18)										
B1	Legal reserve appropriated	-	-	3,411	-	(3,411)	-	-	-	-	-
B5	Cash dividend attributable to shareholders of parent company	-	-	-	-	(41,093)	-	-	(41,093)	-	(41,093)
B17	Reversal of special reserve	-	-	-	(10,424)	10,424	-	-	-	-	-
D1	Net loss of 2023	-	-	-	-	(4,366)	-	-	(4,366)	(478)	(4,844)
D3	Other comprehensive income of 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>217</u>	<u>-</u>	<u>202</u>	<u>-</u>	<u>202</u>
D5	Total comprehensive income of 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,381)</u>	<u>217</u>	<u>-</u>	<u>(4,164)</u>	<u>(478)</u>	<u>(4,642)</u>
M7	Changes in ownership of interests in subsidiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(437)</u>	<u>-</u>	<u>-</u>	<u>(437)</u>	<u>437</u>	<u>-</u>
Z1	Balance at December 31, 2023	<u>\$ 684,891</u>	<u>\$ 1,151</u>	<u>\$ 77,998</u>	<u>\$ 1,084</u>	<u>(\$ 4,346)</u>	<u>\$ 1,313</u>	<u>(\$ 2,180)</u>	<u>\$ 759,911</u>	<u>(\$ 320)</u>	<u>\$ 759,591</u>

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

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

January 1 to December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

Code		2023	2022
	Cash flows from operating activities		
A10000	Profit (loss) before tax	(\$ 6,344)	\$ 36,970
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	43,854	48,706
A20200	Amortization expenses	4,598	5,265
A20300	Expected credit impairment loss		
	(reversal gain)	(3,237)	1,827
A20400	Gains on financial assets at fair value through profit or loss	(4)	-
A20900	Financial costs	3,777	4,890
A21200	Interest income	(3,139)	(1,089)
A22500	Losses on disposal of property, plant, and equipment	577	86
A23500	Losses on impairment of intangible assets	2,745	2,610
A23700	Inventory valuation and obsolescence losses	10,798	6,800
A24100	Unrealized foreign exchange gains	(2,022)	(3,235)
A29900	Gains on lease modification	(3)	(5)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily measured at fair value through profit or loss	4	-
A31130	Notes receivable	(1,682)	680
A31150	Accounts receivable	60,631	6,887
A31180	Other receivables	27,355	(26,529)
A31200	Inventories	21,643	12,866
A31240	Other current assets	569	(18,385)
A32130	Notes payable	-	(125)
A32150	Accounts payable	14,637	(24,099)
A32180	Other payables	(27,139)	7,897
A32220	Other current liabilities	3,830	26,226
A32240	Net defined benefit liabilities	(416)	(509)
A32990	Other non-current liabilities	2,769	32,870
A33000	Cash flows from operations	153,801	120,604
A33100	Interest received	3,255	973
A33500	Income tax paid	(11,727)	(4,245)
AAAA	Net cash flows generated from operating activities	<u>145,329</u>	<u>117,332</u>

(Continue)

(Previous)

Code		2023	2022
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	(\$ 16,293)	(\$ 4,868)
B02800	Disposal of property, plant and equipment	16	-
B04500	Acquisition of intangible assets	(1,580)	(1,955)
B06700	Increase in other non-current assets	(9,772)	(1,637)
BBBB	Net cash flows used in investing activities	(27,629)	(8,460)
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	(80,000)	(22,341)
C01700	Repayment for long-term borrowings	(722)	(8,290)
C04020	Repayment of lease liabilities	(26,035)	(26,677)
C04500	Cash dividends paid	(41,093)	(23,971)
C05600	Interest paid	(3,769)	(4,912)
CCCC	Net cash flows used in financing activities	(151,619)	(86,191)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(90)	4,319
EEEE	Net increase (decrease) in cash and cash equivalents	(34,009)	27,000
E00100	Cash and cash equivalents at beginning of the year	216,779	189,779
E00200	Cash and cash equivalents at end of the year	\$ 182,770	\$ 216,779

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

Chairman: Liao, Yi-Yan

Manager: Liao, Yi-Yan

Accounting: Chang, Chia-Jung

【Annex 6】

CIPHERLAB CO., Ltd.
Deficit Compensation Statement
For the year ended Dec. 31, 2023

Unit: NT dollar

Item	Amount	Note
Undistributed Retained Earnings of Previous Years	471,361	
Less: Net Loss after tax in 2023	(4,366,105)	
Less: Recognition of the remeasurement of the defined benefit plan recorded in retained earnings	(17,469)	
Less: change in equity of subsidiary companies	(437,421)	
Add: Reverse Special Surplus Reserve	216,927	
Add: Tax on actuarial gains and losses of defined benefit plan	3,493	
Total distributable loss	(4,129,214)	
Distribution Items		
Loss offsetted by the statutory surplus reserves	4,129,214	
Ending Balance of Undistributed Retained Earning	0	
Note: 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. 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.		

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

【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 share-

holders' meeting in person, shall cancel their registration in the same way as the registration 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 at-

tending 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 share-

holders 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 paragraph, 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 violation 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.
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 28, 2024 to June 26, 2024.

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 : 2024.4.28

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. TSAI, YU-PING	0	0.00%
Total		15,794,525	23.03%