

Ticker Symbol: **2231**



**CUB ELECPARTS INC.**

# **2024 General Shareholders' Meeting Handbook**

Time of Shareholders' Meeting: 10:00 a.m. (Tuesday), May 21, 2024

Location of shareholders meeting: No. 6, Lane 546, Section 6, Zhanglu Road,  
Fuxing Township, Changhua County (the Company's employee restaurant)

Method for holding shareholders' meeting: Physical shareholders' meeting

# Table of Contents

I.	Meeting Procedure .....	1
II.	Meeting Agenda .....	2
	1. Report .....	3
	2. Approval Item .....	5
	3. Election Item .....	7
	4. Discussion Item .....	7
	5. Extempore Motion .....	9
	6. Adjournment .....	9
III.	Attachment	
	Annex 1. 2023 Annual Business Report .....	10
	Annex 2. 2023 Audit Committee's Report .....	15
	Annex 3. Independent Auditor's Report and 2023 Standalone Financial Statements .....	15
	Annex 4. Independent Auditor's Report and 2023 Consolidated Financial Statements .....	15
	Annex 5. 2023 Earnings Distribution Schedule .....	16
	Annex 6. List of Candidates, Their Education Background, Work Experience, and Shares Held .....	34
	Annex 7. Director and Independent Director Holding Positions Concurrently in Other Companies .....	35
	Annex 8. Equity Evaluation Report of the subsidiary, "3S System Technology Inc." .....	36
IV.	Appendix	
	Appendix 1. Procedures for Election of Directors .....	79
	Appendix 2. Articles of Incorporation .....	84
	Appendix 3. Rules of Procedure for Shareholders' Meetings .....	92
	Appendix 4. Information on profit sharing remuneration for employees and directors and supervisors .....	100
	Appendix 5. Shareholdings of Directors and Supervisors.....	101
	Appendix 6. The Proposed Agenda for this Annual Meeting of Shareholders includes Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate.....	102

# CUB ELECPARTS INC.

## Procedures for 2023 Regular Shareholders' Meeting

- I. Call the Meeting to Order
- II. Chairperson Remarks
- III. Management Presentation (Company Reports)
- IV. Adoption
- V. Election
- VI. Discussion
- VII. Extempore Motions
- VIII. Adjournment

# CUB ELECPARTS INC.

## 2024 Agenda of Annual Meeting of Shareholders

Time: 10:00 a.m., May 21, 2024

Location: No. 6, Lane 546, Section 6, Zhanglu Road, Fuxing Township, Changhua County

I. Call the Meeting to Order

II. Chairperson Remarks

III. Management Presentation (Company Reports)

(I) 2023 Business Report

(II) Audit Committee's Review Report on 2023 Financial Statements

(III) Report on Investment in Mainland China

(IV) Report on endorsement and guarantee in 2023

(V) Report on the distribution of profit sharing remuneration for employees and directors in 2023

IV. Adoption

(I) The 2023 business report and financial statements are hereby submitted for your adoption.

(II) The 2023 earnings distribution proposal is hereby submitted for your adoption.

V. Election

(I) The proposal to by-elect one Independent Director

VI. Discussion

(I) In order to cooperate with the Company's subsidiary, 3S System Technology Inc., in applying for the diversification plan of public offering, the Company intends to proceed with the share release of 3S System Technology Inc. held by the Company.

(II) Release of new directors from non-compete restriction

VII. Extempore Motions

VIII. Adjournment

## [Report]

### No. 1

Cause of motion: The 2023 Business Report is presented for approval.

Please refer to pages 08~12 of this Handbook (Attachment 1) for the Business Report.

### No. 2

Cause of motion: Audit Committee's review report on 2023 financial statements is presented for approval.

Explanation: (1) For the Audit Committee's Review Report, please refer to page 13 (Annex 2) of this handbook.

### No. 3

Subject: Report on Investment in Mainland China

Explanation: (I) Execution report on reinvestment (excluding investees in Mainland China)

Unit: NT\$ thousands/USD thousands

Name of investing company	Name of investee	Its location	Main scope of operation	Original investment amount		Holding at the end of the period			Highest shareholding ratio during the period	Profit (loss) of the investee company for the period	Gain (loss) in investment recognized during the period	Remarks
				End of the period	End of last year	Share(s)	Ratio	Carrying amount				
The Company	Silver Cub Inc.	Samoa	Investment holding	NTD 233,066 (USD 7,110)	NTD 233,066 (USD 7,110)	7,110	100.00%	1,013,962	100.00%	121,926	121,926	Subsidiary (Note)
Silver Cub Inc.	Golden Cub Inc.	Anguilla	Investment holding	USD 7,110	USD 7,110	7,110	100.00%	USD 33,037	100.00%	USD 3,911	USD 3,911	Subsidiary (Note)
The Company	Royal Cub Inc.	Republic of Seychelles	Investment holding	NTD 56,175 (USD 1,919)	NTD 56,175 (USD 1,919)	1,919	70.00%	46,798	70.00%	(13,421)	(9,394)	Subsidiary (Note)
Royal Cub Inc.	Ever Cub Inc.	Republic of Seychelles	Investment holding	USD 2,741	USD 2,741	2,741	100.00%	USD 2177	100.00%	USD (430)	USD (430)	Subsidiary (Note)
Ever Cub Inc.	ITM Engine Components, Inc.	Carson U.S.A.	Auto parts trading	USD 2,807	USD 2,807	2,458	100.00%	USD 2177	100.00%	USD (430)	USD (430)	Subsidiary (Note)
The Company	ITM Autoparts International Inc.	Taiwan	International Trade	10,500	10,500	1,050	70.00%	11,572	70.00%	3,813	2,669	Subsidiary (Note)
The Company	Harbinger Technology Corporation	Taiwan	Telecommunication electronics and government projects	1,500,485	1,500,485	44,534	76.72%	1,568,015	76.72%	122,315	92,126	Subsidiary (Note)
Harbinger Technology Corporation	Harvest Optoelectronics Corporation	Taiwan	Controlled Telecommunications Radio-Frequency Devices and Materials Imports	5,000	5,000	500	100.00%	5,422	100.00%	131	131	Subsidiary (Note)
The Company	CUBTEK INC.	Taiwan	Motor Vehicles and Parts Manufacturing	722,778	596,907	43,741	45.68%	257,126	45.68%	(285,046)	(129,674)	Subsidiary (Note)
CUBTEK INC.	Globe Cub Inc.	Anguilla	Investment holding	NTD271,880 (USD 9,200)	NTD 176,330 (USD 6,200)	9,200	100.00%	(37,452)	100.00%	(173,388)	(173,388)	Subsidiary (Note)
Globe Cub Inc.	Glory Cub Inc.	Republic of Seychelles	Investment holding	USD 9,200	USD 6,200	9,200	100.00%	USD(861)	100.00%	USD (5,561)	USD (5,561)	Subsidiary (Note)
The Company	3S System Technology Inc.	Taiwan	Image monitoring system and communication engineering	942,306	942,306	42,832	73.75%	910,951	73.75%	32,816	16,633	Subsidiary (Note)

Note: Eliminated when the consolidated financial statements were prepared.

## (II) Report on execution of investment in Mainland China

Unit: NT\$ thousands/USD thousands

Name of investee company in Mainland China	Main scope of operation	Paid-up capital	Investment method	Accumulated investment amount remitted from Taiwan at the beginning of current period	Investment amount remitted or recovered for the period		Accumulated investment amount remitted from Taiwan at the end of the period	Profit (loss) of the investee company for the period	Shareholding percentage of the Company's direct or indirect investment	Highest shareholding ratio during the period	Gain (loss) in investment recognized during the period	Carrying amount of investment at the end of the period	Repatriated investment income up to the current period
					Remittance	Recovery							
CUB ELECPARTS INC., Shanghai	Manufacturing, processing and trading automobile parts and motorcycle switches	233,066 (USD 7,110)	Investment in Mainland China through reinvestment in an existing company in a third region	233,066 (USD 7,110)	-	-	233,066 (USD 7,110)	121,926	100%	100.00%	121,926 (Note)	1,013,962	-
CUBTEK INC. (Shanghai)	Motor Vehicles and Parts Manufacturing	271,880 (USD 9,200)	Investment in Mainland China through reinvestment in an existing company in a third region	176,330 (USD 6,200)	95,550 (USD 3,000)	-	271,880 (USD 9,200)	(173,388)	45.68%	45.68%	(79,204) (Note)	(17,110)	-

Note: Eliminated when the consolidated financial statements were prepared.

### 3. Reinvestment limit in Mainland China

Accumulated amount of investment remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by the Investment Commission, Ministry of Economic Affairs (MOEA)	Investment limit in Mainland China according to provisions of the Investment Commission, Ministry of Economic Affairs (MOEA)
NTD\$504,946 (USD\$16,310)	NTD\$504,946 (USD\$16,310)	3,141,679

## No. 4

Subject: Report on endorsement and guarantee in 2023.

Explanation:

Unit: Thousands of NTD (USD)

Serial No.	Name of company for endorser/guarantor	Endorsee/ guarantee		Amount limit of the Company's endorsement and guarantee for a single company	Maximum endorsement and guarantee balance for the period	Endorsement and guarantee balance at the end of period	Actual withdrawal amount	Amount for endorsement and guarantee secured by property	Ratio of accumulated amount for endorsement and guarantee to the net value of the latest financial statement	Maximum amount limit for endorsement and guarantee	Endorsement and guarantee by parent to subsidiary	Endorsement and guarantee by subsidiary to parent	Endorsement and guarantee to Mainland China
0	The Company	ITM Engine Components, Inc	2	4,210,097	48,638 (USD1,500)	46,058	34,697	-	1.09%	4,210,097	Y	N	N
0	The Company	Harbinger Technology Corporation	2	4,210,097	700,000	700,000	487,235	-	16.63%	4,210,097	Y	N	N
0	The Company	3S System Technology Inc.	2	4,210,097	710,000	710,000	454,235	-	16.86%	4,210,097	Y	N	N
1	CUBTEK INC.	CUBTEK INC. (Shanghai)	1	167,479	66,330	64,905	19,611	-	9.62%	167,479	Y	N	Y

Note 1: The amount of the Company's endorsement and guarantee for a single company shall not exceed 100% of the Company's current net worth.

Note 2: The total amount of the Company's external guarantee shall not exceed 100% of the Company's current net worth.

Note 3: The relationship between the endorser/guarantor and the endorsee/guarantee is as follows:

1. Companies with which the Company has a business relationship.
2. Subsidiaries in which the Company directly or indirectly holds more than 50% of the shares.

No. 5

Subject: Report on the distribution of profit sharing remuneration for employees and directors in 2023

Explanation:

1. In accordance with Article 28-1 of the Company's Articles of Incorporation, considering the shareholders' interests and taking into account the industry standard and the overall economic environment, the Company proposes to appropriate NT\$11,161,719 as employees' profit sharing remuneration and NT\$5,580,860 as directors' profit sharing remuneration for 2023.
2. The appropriation of employees' profit sharing remuneration of NT\$11,161,719 and directors' profit sharing remuneration of NT\$5,580,860 will be fully paid in cash.
3. The amount of profit sharing remuneration for employees and directors and the method of payment have been discussed and approved by the Remuneration Committee.

[Adoption]

First Agenda Item (Proposed by the Board of Directors)

Subject: The 2023 business report and financial statements are hereby submitted for your adoption.

Explanation:

- (I) The financial statements of the Company for the year ended December 31, 2023, including the balance sheet, statement of comprehensive income, statement of changes in equity, and statement of cash flows, have been audited by CPAs Cheng-Hsueh Chen and Yen-Hui Chen from KPMG Taiwan, together with the business report have been reviewed by the Audit Committee, who has issued a written review report on record and are hereby submitted for your adoption.
- (II) For the independent auditor's report, the 2023 Business Report, and the financial statements, please refer to pages 08 to 29 (Attachments 1 to 4) of the Handbook.

Resolution:

Second Agenda Item (proposed by the Board of Directors)

Subject: The 2023 earnings distribution proposal is hereby submitted for your adoption.

Explanation:

- (I) The Company's 2023 net income was NTD 443,788,931, less the remeasurement of the defined benefit plan of NTD 846,284, less the equity less the additional provision of special surplus reserve of NTD 19,194,194, which was appropriated in accordance with the law After adding the undistributed earnings of NTD 747,252,194 from the previous period to the 10% legal reserve of NTD 44,294,265, the surplus available for distribution in the current period is NTD 1,126,706,382 (see the Balance Sheet and Income Statement for details).
- (II) It is proposed to distribute dividends to shareholders of NTD 140,917,608 from the distributable earnings in the period, with priority to be distributed from the net profit after tax in 2023. After the distribution, there is undistributed earnings of NTD 985,788,774.
- (III) Pursuant to Article 241 of the Company Act, to authorize the Board meeting to distribute the capital reserve in cash by a resolution adopted by a majority votes of the directors in attendance at a meeting attended by two-thirds or more of the directors.
- (IV) The Company intends to appropriate NTD 281,835,216 from the capital reserve, and distribute cash dividends of NTD 2 per share to shareholders.
- (V) Please refer to page 30 (Attachment 5) of the Handbook for the earnings distribution schedule.
- (VI) After the proposal is approved by the general shareholders' meeting, it is proposed that the chairman be authorized by the general shareholders' meeting to set the ex-dividend date and other related matters.
- (VII) In the event that the number of outstanding shares is affected by subsequent changes in the Company's capital stock and the shareholders' dividend distribution rate needs to be changed, it is proposed that the Chairman be authorized by the regular shareholders' meeting to handle the matters at its sole discretion. The cash payment is based on the percentage of shares held by shareholders as recorded in the shareholder registry on the record date. Distribution of capital reserve is rounded off to the nearest NTD 1, and any fraction less than NTD 1 is recognized in the Company's



other income.

[Election]

First Agenda Item (Proposed by the Board of Directors)

Cause of motion: The proposal to by-elect one Independent Director

Explanation:

1. Due to the resignation of the Company's former independent director, Chen, Kuang-Lung, the by-election of the 14th independent director of the Company was planned to be held at the 2024 general shareholders' meeting.
2. The new independent directors will take office immediately after the shareholders' meeting and their term of office shall be from May 21, 2024 to May 25, 2025.
3. In accordance with Article 17-1 of the Company's Articles of Incorporation, directors and independent directors shall be elected based on the candidate nomination system by the Annual Meeting of Shareholders from a list of candidates.

[Discussion]

First Agenda Item (Proposed by the Board of Directors)

Cause of motion: In order to cooperate with the Company's subsidiary, 3S System Technology Inc., in applying for the diversification plan of public offering, the Company intends to proceed with the share release of 3S System Technology Inc. held by the Company.

Explanation:

1. The Company cooperates with the subsidiary, 3S System Technology Inc., in the Company's application for a public offering plan, and the Company may issue shares of the Company's shares held by it.
2. The price for liquidating 3S System Technology Inc. to be disposed of shall not be lower than the net worth per share of 3S System Technology Inc.'s most recent financial statements that has been audited and certified or reviewed by a CPA. Considering the shareholding structure of the Company after the release of shares, the Company intends to dispose of 7,328,000 shares of 3S System Technology Inc. at NTD 30 per share. The Company has commissioned Chief Consultant Co., Ltd. to issue an equity evaluation for the disposal price report, please refer to Annex 8.
3. For the trading counterparties of the proposed disposal of the Company's shares, priority shall be given to all shareholders of the Company.

Shareholders on the roster as of the most recent date of suspension of share transfer, with the same number of shares held at the time of subscription, are prioritized for subscription. Based on the Company's current outstanding stock of 140,917,608 shares, approximately 52 shares of the Company can be subscribed for each thousand shares. Shareholders who are eligible to subscribe for 1,000 shares or more of the Company's shares have the right to participate in the subscription. Shareholders who have subscribed for less than 1,000 shares of the company also have the right to participate in the subscription of the company's shares. It is intended to authorize the Chairman of the Company to negotiate with specific persons to subscribe for the shares that are waived by the shareholders or the insufficient subscription.

4. The share release operation intends to dispose of the shares of 3S System Technology Inc., which will reduce the Company's shareholding in 3S System Technology Inc. to 57.05%.
5. In the event of a subsequent release of shares for 3S System Technology Inc.'s emergent registration or listing on the Taipei Exchange, the Company shall make provision for subscription by securities dealers and over-allotment in accordance with relevant laws and regulations and procedures for listing on Taipei Exchange. The Company shall negotiate with the underwriters in accordance with the relevant laws and regulations, relevant regulations for TPEx listing, the prevailing market conditions, and the operation of 3S System Technology Inc.
6. For the above disposal of counter-parties of the Company's shares, priority shall be given to all shareholders of the Company, or for other matters not covered in this case, it is intended to be submitted to the annual shareholders' meeting to authorize the Board of Directors to handle related matters with full discretion, and to authorize the chairperson to stipulate the suspension of transfers, share subscriptions Base date and payment period.

Resolution:

Second Agenda Item (proposed by the Board of Directors)

Subject: Release of new directors from non-compete restriction

Explanation:

1. In accordance with Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. The Company intends to agree to lift the non-compete restriction on the directors to be by-elected by the 2024 shareholders' meeting who operate companies for themselves or for other persons in the same or similar scope of business as the Company and act as directors, provided that the Company's interests are not harmed.

Resolution:

[Extempore Motions]

[Adjournment]

## Business Report

Hello, ladies and gentlemen!

First of all, welcome to this year's shareholders' meeting during your busy schedule. On behalf of the Company and its subsidiaries, we would like to express our highest appreciation for your support and encouragement. We would like to report the 2023 operating status and future outlook of the Company and its subsidiaries as follows:

### I. 2023 Business Results

#### 1. Implementation results of 2023 Business Plan

The Company's and its subsidiaries' 2023 net operating revenues were NTD 4,397,594 thousand, an increase of 11% from the previous year; net income before tax for the period was NTD 461,757 thousand, a decrease of 27.23% from the previous year.

In the past year, the Company and its subsidiaries adhered to their business priorities, actively expanding their business, on the one hand, strengthening cost control on the other, and investing in new product development in the hope of bringing greater performance and business growth.

Unit: NT\$ thousands

Item \ Year	Year 2023	2022
Operating revenues	4,397,594	3,957,949
Operating gross profits	1,748,116	1,644,068
Net operating profits (losses)	441,833	452,714
Net profits after tax attributable to shareholders of the parent company	443,789	629,723
Earnings per share (NTD)	3.15	4.70

#### 2. Budget Implementation Status:

In accordance with the current regulations, the Company did not disclose its financial forecast for 2023, so it is not applicable.

#### 3. Analysis of financial income, expenses and profitability

(1)

Unit: NT\$ thousands

Item	Year 2023	2022	Increase (decrease) in amount	Increase (decrease) in percentage %
Cash flows from operating activities	-601,526	1,155,283	-1,756,809	-152.07
Cash flows from investing activities	-827,377	-884,472	57,095	-6.46
Cash flows from financing activities	282,334	-426,561	708,895	-166.19

Analysis of cash flows for the most recent year:

- Operating activities: Net cash outflow of \$601,526 thousand for the period was mainly due to a subsidiary's investment in TWSE/TPEX and the Company's new plant construction, resulting in a significant increase in capital expenditures.
- Investing activities: The net cash outflow of NTD 827,377 thousand for the current period is

mainly due to the construction of the plant and the subsidiary's investment in listed stocks.

3. Financing activities: The net cash inflow of NTD 282,334 thousand for the current period is mainly due to the reduction of short-term borrowings and the repayment of short-term borrowings.

## (2) Profitability

Profitability (return on assets, return on equity, net profit margin, earnings per share, etc.): Although revenue has gradually recovered due to the impact of the COVID-19 pandemic in the current period, the profitability was slightly lower than that of the previous year, mainly due to the decrease in gains from foreign currency exchange and the loss from the valuation of financial assets.

Item		Year 2023	2022
Return on assets (%)		3.64%	5.19%
Return on equity (%)		6.11%	9.53%
As a percentage of paid-in capital (%)	Operating profits	31.35%	48.61%
	Net profits after tax	32.77%	47.78%
Net profit margin		7.23%	11.83%
Earnings per share (NTD)		3.15	4.70

## 4. Research and development

The sales of products of the Company and its subsidiaries have mainly been for export for a long time. Therefore, for the timeliness of product development, product manufacturing quality requirements and delivery accuracy, we adopt high standards for self-requirement, and also maintain a conscientious attitude towards strengthening the R&D personnel's software and hardware design capability, mold design and development capability, electromechanical integration capability, modularization capability, and high-frequency RF design and development capability, and constantly ask for improvement, as well as constantly replenish the outstanding talents in the related technology fields to improve the Company's own research and development capabilities. In addition, due to the diversification of products, the Company and its subsidiaries need to be more cautious in investment and development of product development. We will focus on the development and maintenance of products or models with potential in order to maintain a high degree of competitive advantage. In addition, we will deepen the research and development of Universal TPMS (tire pressure monitoring system), and strengthen the decoding rate and simplification of tools for the replacement of European and American TPMS vehicles. For the market in China, we started to invest R&D resources to develop TPMS products for local vehicles in China, effectively utilizing the existing advantages of the Company and its subsidiaries to gradually enter the TPMS market in China.

The Company and its subsidiaries have independently developed automotive millimeter-wave radar and non-automotive millimeter-wave radar. They have high-end 24GHz, 60GHz, 77GHz and 79GHz millimeter-wave radar core technologies and a number of core key technologies such as phased antenna technology Wave circuit technology, 3D wave guide antenna technology is further introduced into the radar antenna design, which is applied to imaging radar and the next generation of sensing systems that will improve vehicle safety and autonomous driving in the future. Millimeter-wave radar modules (24GHz, 77GHz and 79GHz millimeter-wave radar, 60GHz in-car life detection radar), and use of this module to develop various ADAS systems, including blind spot detection (BSD), rear cross traffic warning system

(RCTA), Door Open Warning (DOW), Lane Change Warning (LCA), Forward Collision Warning (FCW), Pedestrian Detection (PD), Automatic Emergency Braking (AEB), Automatic cruise control (ACC), Stop-and-go system, Child Presence Detection (CPD), UAV Obstacle Avoidance Radar System, Level Crossing Obstacle Detection System, Inner Wheel Difference Active Warning, Radar and Image Fusion Development and integration of applications such as FCW/LDW Fusion. The Company's Blind Spot Detection (BSD) and Forward Collision Warning (FCW) have been tested by TUV NORD, an international certification body, and become the first local manufacturer to pass the ISO 15623 and GB/T 33577 standard tests in the field of cross-strait vehicles. The blind spot monitoring radar for large vehicles in compliance with EU regulations (UNECE R151) has passed the certification test of the international certification body, German TUV. Through the existing and newly developed radar AM and OEM market channels, strive for general passenger cars, Pick ups, RV campers, work vehicles, logistics vehicles, electric logistics vehicles, commercial trucks, heavy-duty motorcycles, motorcycles, school buses and other large and buses).

In response to the future application of electric vehicles and new energy markets, we independently develop and produce high-precision DC shunt resistors for large-current applications, as well as multi-functional current sensors. The Company's current sensors are high-precision, function-enhanced current measuring modules. Shunt resistor-based digital multi-function sensor for current, voltage, power, energy, temperature, and insulation resistance monitoring, suitable for Electric Vehicle Battery Management System (BMS), Battery Monitoring Unit (BMU)/Battery Disconnection Unit (BDU), charging stations, Energy Storage System (ESS), Uninterruptible Power Supply (UPS), and other power management and monitoring systems. This series of products will help win orders in the electric vehicle field and the new energy market.

## II. Overview of 2023 Business Plan

Item	Description of Contents
Product Direction	<ol style="list-style-type: none"> <li>1. Continue to develop products in emerging areas, increase the completeness of the product series, and add new models (such as Korean and European models) to reduce the procurement cost of customers and meet the needs of customers for one-stop purchase.</li> <li>2. Related derivative applications of TPMS tire pressure monitoring system products</li> <li>3. Gradually increase the launch of electronic products, develop towards higher margin and higher technology categories, and enhance the depth of products.</li> <li>4. Develop parts for original manufacturers and take the initiative to launch more competitive products in the market.</li> <li>5. Actively participate in the system development after TPMS and ADAS legislation.</li> <li>6. Strengthen the design capability of vehicle switches, sensors and vehicle electronics, and command the key technologies of automotive components.</li> <li>7. Strengthen engineering management and information integration, and bring in electromechanical talents to respond to new technologies.</li> <li>8. Independent research and development of automotive/non-automotive millimeter-wave radar, with high-end 24GHz, 60GHz, 77GHz and 79GHz millimeter-wave radar core technology and radar and image fusion.</li> <li>9. In addition to traditional passenger car applications, expand the</li> </ol>

	<p>application of ADAS technology and introduce ADAS-related application innovations into many new vehicle models and new product applications, such as school buses, heavy motorcycles, motorcycles, RV campers, and other large vehicles (e.g., tour buses, commuter buses, and linkage vehicles).</p> <p>10. Millimeter wave radar is used in non-vehicle applications such as intelligent transportation, public constructions, security, water conservancy, industry, and drones.</p> <p>11. Electric vehicle and new energy market applications, and development of new products with high technology and high gross profit related to energy management and detection.</p>
Production Strategy	<ol style="list-style-type: none"> <li>1. Implement scheduling and mass production point inspection to ensure the quality of production and reduce unnecessary rework and waste in production process.</li> <li>2. Continuously carry out COST DOWN in response to the increase of raw material prices.</li> <li>3. Strengthen product manufacturing specification standards and verification capabilities.</li> <li>4. Enhance automatic production capability and increase production value.</li> <li>5. Reduce the quantity and amount of inventory to prevent the stock from becoming obsolete and respond early.</li> </ol>
Scale of Operations	<ol style="list-style-type: none"> <li>1. In addition to consolidating the U.S., Central and South American markets, developing the European market as the business objective</li> <li>2. Expand millimeter wave radar AM application products and millimeter wave radar OEM products for automakers, and strengthen the self-developed technology and application of millimeter wave radar. In addition to the application of ADAS systems (BSD, FCW, AEB, etc.) in general passenger cars, it also introduces more innovations into new vehicle model markets and applications, such as school buses, drones, public transportation and traffic facilities (e.g., level crossings), large commercial vehicles, etc. ...and other markets.</li> <li>3. Ensure the quality of existing products to consolidate the existing market, and enhance the accuracy and timeliness of delivery to respond to the sales pattern of small volume and multiple SKU.</li> <li>4. Expand the Company's product sales channels and generate higher revenue through the integration of resources from affiliates and the development and cooperation with new and existing channel vendors to generate higher revenue results.</li> </ol>

### III. Future Development Strategy of the Company

Since its establishment, the Company has been adhering to an active and steady management policy, gradually recruiting outstanding talents in various related fields to create maximum profits for the Company and all employees. In addition to our own demands for speed of product development and quality of products, we also continue to maintain stable and good cooperative relationships with our existing customers, and expand our product sales channels or increase the diversity of our products through reinvestment, etc. We are striving for stable profitability year after year to create the best return on investment.

### IV. Effect of the external competitive environment, regulatory environment and general business environment

The Company has been responding to changes in the external competitive environment, regulations and the general business environment through a sound and effective internal control system, and has steadily gone through each economic cycle. Only institutionalized management can lead the Company to sustainable business development. In addition, the Company is constantly recruiting talents in various fields to enrich our human resources, so that we can flexibly adjust the pace of our development and move forward toward our established goals in response to the rapidly changing external factors.

1. Maintain a complete supply system: The Company and its subsidiaries have formed a complete supply network with various suppliers, so that the Company's production is flexible enough to cope with changes in market demand in the face of cyclical fluctuations in the economy.
2. Strengthen research and development capabilities: The Company and its subsidiaries focus on product development and cultivation of research and development personnel, actively strengthening the Company's research and development capabilities, improving process and product quality, and actively developing related diverse products in line with market trends and developing niche products with higher technological thresholds to increase the Company's product breadth, which can mitigate the impact of the economic cycle on the Company's business.
3. Strengthen customer relationships and actively explore new sources of customers: the Company and its subsidiaries, in addition to actively strengthening customer relationships, continue to explore new markets and gain channel benefits through new channel development and cooperation or reinvestment, which can increase the sales visibility of the Company's products and reduce the impact on the Company's business caused by fluctuations in the economic conditions of individual regions or operational risks arising from individual sales customers.
4. Strengthen the Company's financial structure: In the face of the global economic cycle and the impact of COVID-19 on the global economy, the Company and its subsidiaries maintain good relationships with major cooperative banks in order to obtain better interest rates and reduce interest expenses, and use capital market resources to strengthen the Company's financial structure in a timely manner.
5. Talent cultivation and development: The Company strengthens the education and training of its employees, actively cultivates professional talents, and provides related welfare measures to strengthen the motivation of the employees and the Company's ability to respond to changes in the economic climate.

Finally, we would like to thank our enthusiastic and dedicated colleagues for their long-standing support and encouragement of the Company. And I wish you all

Good health and the best in all of your endeavors

Chairperson: Yu,  
Shan-Chuan



Managerial  
Officer, Yu,  
Shan-Chuan



Accounting  
Officer: Liu,  
Wan-Hua





## Audit Committee's Report

The Board of Directors prepared the Company's 2023 financial statements, business report, and proposal for earnings distribution. The 2023 financial statements were audited by KPMG, which has issued an audit report. The above-mentioned 2023 Financial Statements, Business Report, and Earnings Distribution Proposal have been reviewed by the Audit Committee and no discrepancies have been found. In accordance with the provisions of the Securities and Exchange Act and the Company Act, we hereby report the above for your review.

To  
2024 General Shareholders' Meeting

CUB ELECPARTS INC.

Convener of the Audit Committee: Chang Chuan-Li



March 4, 2024

## Independent Auditors' Report

To the Board of Directors of CUB ELECPARTS INC. :

### Opinion

We have audited the financial statements of CUB ELECPARTS INC.( “the Company” ), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### 1. Revenue recognition

Please refer to note 4(m) “Revenue recognition” for the accounting policy on revenue recognition; note 6(v) “Revenues from contracts with customers” for revenue recognition of contract.

Description of key audit matter:

Revenue is the key performance indicator to evaluate the performance by the investors and management. Since the revenue is recognized based on each sale order and contract terms to be identified, for expanding the sales market, the management is devoted to developing a new distributor; therefore, the test for revenue recognition is one of the important assessment items performed by the accountants for the purpose of auditing the financial statements of the Company.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include testing the controls surrounding revenue recognition; Analyzing there is any significant abnormality in a change in customers between the current year and the prior year, sampling the top ten customers, and reviewing the contracts and sales orders to evaluate the influence on revenue recognition and assess the accounting treatment of related contracts is applied appropriately, performing a sample test on sales transactions that took place before and after the balance sheet date, reviewing the relevant documents, and assessing the accuracy of the timing of revenue recognition.

## 2. Assessment of accounts receivable impairment

Please refer to Note 4(f) “Financial Instruments” for accounting policy of assessment of accounts receivable impairment, Note 5(a) for accounting assumption, judgments and estimation uncertainty of assessment of accounts receivable impairment, and Note 6(c) for the disclosure of assessment of accounts receivable.

Description of key audit matter:

The Company's accounts receivable are mainly from automobile component customers and are concentrated on certain customers. The impairment loss of accounts receivable assessment is based on management's subjective judgment. Thus, the assessment of accounts receivable impairment is one of the most important evaluations in performing our audit procedures.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include analyzing the aging of accounts receivable; sampling and reviewing the relevant documents as well as calculating the accuracy of the aging of accounts receivable; understanding and evaluating the management's consideration relating to overdue receivables, considering the receipt of cash after the year end, and understanding the possibility of remaining receivables collection. In addition, the reasonableness of the provision for impairment losses is understood and assessed based on the customer's historical receipt status, industrial economic condition, and the concentration of the credit risk.

## 3. Assessment of impairment of investments (Goodwill) accounted for using equity method

Please refer to Note 4(l) “Impairment of non-derivative financial assets” for the accounting policies. Note 5(b) for accounting assumptions, judgments and estimation uncertainty of assessment of impairment of investments accounted for using equity method and Note 6(f) for details.

Description of key audit matter:

The management evaluates whether there is any impairment of goodwill included in the subsidiaries accounted for using the equity method on each balance sheet date. This evaluates is based on the estimated recoverable amount from the discounted cash flow of the future operational forecast of the invested company. We list Equity method investments as one of our key audit matters because it is significant uncertainty and contains the significant subjective judgment of the management.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include: assessing whether the cash-generating unit and its related tested assets that the management has identified to impair show possible signs of impairment and further understanding and testing the evaluation models and key assumptions such as future cash flow projections, use period and a weighted average cost of capital that the management use in the impairment test, and assessing the accuracy of previous management forecasts; and carrying out sensitivity analysis of results. In addition to the above assessment process, reviewing and assessing the reasonability of assumptions through the report of the assessment of impairment loss of goodwill provided by the evaluation expert; evaluating the qualifications and independence of the evaluator, and assessing whether the accounting policies for goodwill impairment test and other relevant information have been appropriately disclosed.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

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

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

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

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

4. Conclude on the appropriateness of management' s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen, Cheng-Hsueh and Chen, Yen-Hui.

KPMG

Taipei, Taiwan (Republic of China)  
March 4, 2024

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)  
CUB ELECPARTS INC.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Assets</b>											
<b>Current assets:</b>											
1100	Cash and cash equivalents (Note 6(a))	\$ 268,700	4	513,194	7	2100	Short-term borrowings (Notes 6(l))	\$ 426,500	6	670,000	9
1113	Current financial assets at fair value through profit or loss (Notes 6(b) and (o))	260	-	1,430	-	2130	Current contract liabilities (Note 6(v))	34,689	-	32,634	1
1150	Notes receivable, net (Note 6(c))	1,279	-	67	-	2170	Accounts payable	127,346	2	223,913	3
1170	Accounts receivable, net (Note 6(c))	696,161	9	1,152,839	15	2180	Accounts payable to related parties (Note 7)	3,184	-	15,404	-
1180	Accounts receivable due from related parties, net (Notes 6(c) and 7)	127,342	2	38,095	1	2200	Other payables (Note 6(q))	146,775	2	149,808	2
1200	Other receivables (Note 6(d))	10,464	-	9,837	-	2220	Other payables to related parties (Note 7)	2,942	-	25,747	-
1210	Other receivables due from related parties, net (Note 6(d) and 7)	9,633	-	10,785	-	2230	Current tax liabilities	108,087	1	180,313	3
1310	Inventories (Note 6(e))	606,099	8	642,890	8	2280	Current lease liabilities (Note 6(p))	7,658	-	2,933	-
1470	Other current assets (Note 6(k))	114,624	2	120,899	2	2300	Other current liabilities (Note 6(m))	2,555	-	2,151	-
1476	Other current financial assets (Note 6(k) and 8)	69,234	-	2	-	2320	Long-term liabilities, current portion (Note 6(n) and 8)	94,310	1	255,417	3
		1,903,796	25	2,490,038	33			954,046	12	1,558,320	21
<b>Non-current assets:</b>											
1550	Investments accounted for using equity method, net (Note 6(f) and (g))	3,808,424	50	3,664,563	48	2531	Bonds payable (Note 6(o))	1,278,925	17	1,262,816	17
1600	Property, plant and equipment (Note 6(h), 7 and 8)	1,803,661	23	1,300,842	17	2540	Long-term borrowings (Notes 6(n) and 8)	1,189,309	16	647,083	8
1755	Right-of-use assets (Note 6(i))	26,379	-	4,750	-	2570	Deferred tax liabilities (Notes 6(r))	915	-	8,794	-
1780	Intangible assets (Notes 6(j))	47,574	1	51,887	1	2580	Non-current lease liabilities (Note 6(p))	18,984	-	1,809	-
1840	Deferred tax assets (Notes 6(r))	21,144	-	8,829	-	2640	Defined benefit liability (Note 6(q))	5,810	-	5,383	-
1920	Refundable deposits	542	-	721	-	2645	Guarantee deposits received	143	-	134	-
1990	Other non-current assets, others (Note 6(k))	46,709	1	58,106	1			2,494,086	33	1,926,019	25
		5,754,433	75	5,089,698	67			3,448,132	45	3,484,339	46
<b>Total assets</b>		<b>\$ 7,658,229</b>	<b>100</b>	<b>7,579,736</b>	<b>100</b>	<b>Liabilities and Equity</b>					
						<b>Current liabilities:</b>					
						<b>Non-Current liabilities:</b>					
						3100	Ordinary shares	1,409,176	18	1,341,082	18
						3200	Capital surplus (Notes 6(g) and (s))	703,436	9	705,032	9
						3300	Retained earnings	2,143,353	28	2,075,956	27
						3400	Other equity interest	(45,868)	-	(26,673)	-
							<b>Total equity</b>	4,210,097	55	4,095,397	54
							<b>Total liabilities and equity</b>	<b>\$ 7,658,229</b>	<b>100</b>	<b>7,579,736</b>	<b>100</b>

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)<sup>↗</sup>  
CUB ELECPARTS INC.<sup>↗</sup>

Statements of Comprehensive Income<sup>↗</sup>

For the years ended December 31, 2023 and 2022<sup>↗</sup>

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)<sup>↗</sup>

		2023 <sup>↗</sup>		2022 <sup>↗</sup>	
		Amount <sup>↗</sup>	% <sup>↗</sup>	Amount <sup>↗</sup>	% <sup>↗</sup>
4000	Operating revenue (Notes 6(v) and 7) <sup>↗</sup>	\$ 2,003,331	100	2,705,428	100
5000	Operating costs (Notes 6(e), (j), (w), and 7) <sup>↗</sup>	1,145,009	57	1,515,706	56
	<b>Gross profit<sup>↗</sup></b>	858,322	43	1,189,722	44
	<b>Operating expenses (Notes 6(j), (q), (t), (w) and 7):<sup>↗</sup></b>				
6100	Selling expenses <sup>↗</sup>	66,651	3	88,712	3
6200	Administrative expenses <sup>↗</sup>	126,338	6	125,887	5
6300	Research and development expenses <sup>↗</sup>	181,494	9	183,321	7
6450	Gain on reversal and loss of Impairment determined in accordance with IFRS 9 (Note 6(c)) <sup>↗</sup>	14,640	1	(7,304)	-
		389,123	19	390,616	15
	<b>Operating income<sup>↗</sup></b>	469,199	24	799,106	29
	<b>Non-operating income and expenses (Note 6(y)):<sup>↗</sup></b>				
7100	Interest income <sup>↗</sup>	6,468	-	5,665	-
7010	Other income (Note 7) <sup>↗</sup>	19,956	1	18,734	1
7020	Other gains and losses <sup>↗</sup>	668	-	133,211	5
7050	Finance costs (Note 6(p) and 7) <sup>↗</sup>	(49,234)	(2)	(35,414)	(1)
7070	Share of loss of associates and joint ventures accounted for using equity method <sup>↗</sup>	94,286	5	(103,251)	(4)
		72,144	4	18,945	1
7900	<b>Profit before income tax<sup>↗</sup></b>	541,343	28	818,051	30
7950	<u>Income tax</u> expenses (Note 6(r)) <sup>↗</sup>	97,554	5	188,328	7
	<b>Net profit<sup>↗</sup></b>	443,789	23	629,723	23
8300	<b>Other comprehensive income: <sup>↗</sup></b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss<sup>↗</sup></b>				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 6(q)) <sup>↗</sup>	(802)	-	1,051	-
8331	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss <sup>↗</sup>	(44)	-	1,291	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss <sup>↗</sup>	-	-	-	-
		(846)	-	2,342	-
8360	<b>Items that may be reclassified subsequently to profit or loss<sup>↗</sup></b>				
8361	Exchange differences on translation of foreign financial statements <sup>↗</sup>	(19,195)	(1)	20,675	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss <sup>↗</sup>	-	-	-	-
		(19,195)	(1)	20,675	1
8300	<b>Other comprehensive income (after tax)<sup>↗</sup></b>	(20,041)	(1)	23,017	1
8500	<b>Total comprehensive income<sup>↗</sup></b>	<u>\$ 423,748</u>	<u>22</u>	<u>652,740</u>	<u>24</u>
	<b>Earnings per share (in dollars) (Note 6(u))<sup>↗</sup></b>				
9750	<b>Basic earnings per share<sup>↗</sup></b>	<u>\$</u>	<u>3.15</u>	<u>\$</u>	<u>4.70</u>
9850	<b>Diluted earnings per share<sup>↗</sup></b>	<u>\$</u>	<u>3.04</u>	<u>\$</u>	<u>4.62</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
CUB ELECPARTS INC.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	Retained earnings						Total other equity interest	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total equity
Balance at January 1, 2022	\$ 1,219,166	666,220	811,565	39,196	836,963	1,687,724	(47,348)	3,525,762
Profit (loss) for the period	-	-	-	-	629,723	629,723	-	629,723
Other comprehensive income for the period	-	-	-	-	2,342	2,342	20,675	23,017
Total comprehensive income for the period	-	-	-	-	632,065	632,065	20,675	652,740
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	51,712	-	(51,712)	-	-	-
Special reserve	-	-	-	8,151	(8,151)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(121,917)	(121,917)	-	(121,917)
Stock dividends of ordinary share	121,916	-	-	-	(121,916)	(121,916)	-	-
Other changes in capital surplus:								
Expenses of share option	-	18,659	-	-	-	-	-	18,659
Changes in net equity of subsidiaries accounted for using equity method	-	9,203	-	-	-	-	-	9,203
Other changes in capital surplus	-	45,313	-	-	-	-	-	45,313
The difference in net equity resulting from the subscription of new shares not in proportion	-	(34,363)	-	-	-	-	-	(34,363)
Balance at December 31, 2022	\$ 1,341,082	705,032	863,277	47,347	1,165,332	2,075,956	(26,673)	4,095,397
Balance at January 1, 2023	\$ 1,341,082	705,032	863,277	47,347	1,165,332	2,075,956	(26,673)	4,095,397
Profit (loss) for the period	-	-	-	-	443,789	443,789	-	443,789
Other comprehensive income for the period	-	-	-	-	(846)	(846)	(19,195)	(20,041)
Total comprehensive income for the period	-	-	-	-	442,943	442,943	(19,195)	423,748
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	63,207	-	(63,207)	-	-	-
Reversal of special reserve	-	-	-	(20,674)	20,674	-	-	-
Cash dividends of ordinary share	-	-	-	-	(308,484)	(308,484)	-	(308,484)
Stock dividends of ordinary share	67,062	-	-	-	(67,062)	(67,062)	-	-
Other changes in capital surplus:								
Expenses of share option	-	5,759	-	-	-	-	-	5,759
Changes in ownership interests in subsidiaries	-	14,098	-	-	-	-	-	14,098
Exercise Employee Stock options	1,025	14,111	-	-	-	-	-	15,136
Conversion of convertible bonds	7	90	-	-	-	-	-	97
The difference in net equity resulting from the subscription of new shares not in proportion	-	(35,654)	-	-	-	-	-	(35,654)
Balance at December 31, 2023	\$ 1,409,176	703,436	926,484	26,673	1,190,196	2,143,353	(45,868)	4,210,097



(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)<sup>42</sup>CUB ELECPARTS INC.<sup>42</sup>Statements of Cash Flows<sup>42</sup>For the years ended December 31, 2023 and 2022<sup>42</sup>(Expressed in Thousands of New Taiwan Dollars, Except for Earning Per Common Share)<sup>42</sup>

	2023 <sup>42</sup>	2022 <sup>42</sup>
<b>Cash flows from (used in) operating activities:</b> <sup>42</sup>		
Profit before tax <sup>42</sup>	\$ 541,343	818,051 <sup>42</sup>
Adjustments: <sup>42</sup>		
Adjustments to reconcile profit (loss): <sup>42</sup>		
Depreciation expense <sup>42</sup>	104,483	87,589 <sup>42</sup>
Amortization expense <sup>42</sup>	19,734	15,261 <sup>42</sup>
Gain on reversal and loss of Impairment determined in accordance with IFRS 9 <sup>42</sup>	14,640	(7,304) <sup>42</sup>
Net loss on financial assets or liabilities at fair value through profit or loss <sup>42</sup>	1,170	390 <sup>42</sup>
Interest expense <sup>42</sup>	49,234	35,414 <sup>42</sup>
Interest income <sup>42</sup>	(6,468)	(5,665) <sup>42</sup>
Share-based payments <sup>42</sup>	5,759	18,659 <sup>42</sup>
Share of (profits) losses of subsidiaries, associates and joint ventures accounted for using equity method <sup>42</sup>	(94,286)	103,251 <sup>42</sup>
Gains on disposals of property, <u>plant</u> and equipment <sup>42</sup>	(23)	(31) <sup>42</sup>
Losses on disposals of intangible assets <sup>42</sup>	4	10 <sup>42</sup>
<b>Total adjustment</b> <sup>42</sup>	<b>94,247</b>	<b>247,574</b> <sup>42</sup>
<b>Changes in operating assets and liabilities:</b> <sup>42</sup>		
Changes in operating assets: <sup>42</sup>		
(Increase) decrease in notes receivable <sup>42</sup>	(1,212)	5,912 <sup>42</sup>
Decrease (increase) in accounts receivable including related parties <sup>42</sup>	352,791	(228,262) <sup>42</sup>
Decrease in other receivables (including related parties) <sup>42</sup>	525	1,428 <sup>42</sup>
Decrease in inventories <sup>42</sup>	36,791	42,033 <sup>42</sup>
Decrease in other current assets <sup>42</sup>	6,275	27,668 <sup>42</sup>
<b>Net changes in operating assets</b> <sup>42</sup>	<b>395,170</b>	<b>(151,221)</b> <sup>42</sup>
Changes in operating liabilities: <sup>42</sup>		
Increase (decrease) in notes payable <sup>42</sup>	2,055	(8,717) <sup>42</sup>
Decrease in accounts payable (including related parties) <sup>42</sup>	(108,787)	(87,307) <sup>42</sup>
(Decrease) increase in other payables (including related parties) <sup>42</sup>	(34,794)	27,748 <sup>42</sup>
Increase (decrease) in other current liabilities <sup>42</sup>	404	(1,671) <sup>42</sup>
Decrease in defined benefit liabilities <sup>42</sup>	(375)	(358) <sup>42</sup>
<b>Net changes in operating liabilities</b> <sup>42</sup>	<b>(141,497)</b>	<b>(70,305)</b> <sup>42</sup>
<b>Total changes in operating assets and liabilities</b> <sup>42</sup>	<b>253,673</b>	<b>(221,526)</b> <sup>42</sup>
<b>Total adjustments</b> <sup>42</sup>	<b>347,920</b>	<b>26,048</b> <sup>42</sup>
Cash inflows generated from operations <sup>42</sup>	889,263	844,099 <sup>42</sup>
Interest received <sup>42</sup>	6,468	5,665 <sup>42</sup>
Interest paid <sup>42</sup>	(33,028)	(30,057) <sup>42</sup>
Income taxes paid <sup>42</sup>	(189,974)	(120,745) <sup>42</sup>
<b>Net cash flows from operating activities</b> <sup>42</sup>	<b>672,729</b>	<b>698,962</b> <sup>42</sup>
<b>Cash flows from (used in) investing activities:</b> <sup>42</sup>		
Acquisition of investments accounted for using equity method <sup>42</sup>	(125,871)	(530,752) <sup>42</sup>
Dividends received <sup>42</sup>	35,501	- <sup>42</sup>
Acquisition of property, <u>plant</u> and equipment <sup>42</sup>	(566,458)	(277,179) <sup>42</sup>
Proceeds from disposal of property, <u>plant</u> and equipment <sup>42</sup>	72	453 <sup>42</sup>
Increase in restricted assets <sup>42</sup>	(69,053)	(694) <sup>42</sup>
Acquisition of intangible assets <sup>42</sup>	(14,423)	(7,592) <sup>42</sup>
Increase in prepayment for plant and equipment <sup>42</sup>	(11,996)	(23,164) <sup>42</sup>
<b>Net cash flows used in investing activities</b> <sup>42</sup>	<b>(752,228)</b>	<b>(838,928)</b> <sup>42</sup>
<b>Cash flows from (used in) financing activities:</b> <sup>42</sup>		
Increase in short-term borrowings <sup>42</sup>	3,679,500	7,654,375 <sup>42</sup>
Decrease in short-term borrowings <sup>42</sup>	(3,923,000)	(8,964,375) <sup>42</sup>
Proceeds from issuing bonds <sup>42</sup>	-	1,300,952 <sup>42</sup>
Proceeds from long-term borrowings <sup>42</sup>	1,166,550	235,625 <sup>42</sup>
Repayments of long-term borrowings <sup>42</sup>	(785,833)	(351,458) <sup>42</sup>
Increase in guarantee deposits received <sup>42</sup>	9	(3) <sup>42</sup>
Payments of lease liabilities <sup>42</sup>	(8,883)	(1,689) <sup>42</sup>
Cash dividends paid <sup>42</sup>	(308,484)	(121,917) <sup>42</sup>
Retroactive adjustment due to issuance of new shares for a merger <sup>42</sup>	15,136	- <sup>42</sup>
<b>Net cash outflows from financing activities</b> <sup>42</sup>	<b>(165,005)</b>	<b>(248,490)</b> <sup>42</sup>
Effect of exchange rate changes on cash and cash equivalents <sup>42</sup>	10	(19) <sup>42</sup>
<b>Net decrease in cash and cash equivalents</b> <sup>42</sup>	<b>(244,494)</b>	<b>(388,475)</b> <sup>42</sup>
Cash and cash equivalents at beginning of period <sup>42</sup>	513,194	901,669 <sup>42</sup>
<b>Cash and cash equivalents at end of period</b> <sup>42</sup>	<b>\$ 268,700</b>	<b>513,194</b> <sup>42</sup>

## Representation Letter

The entities that are required to be included in the combined financial statements of CUB Elecparts Inc. as of and for the year ended December 31, 2023 under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CUB Elecparts Inc. and its subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: CUB Elecparts Inc.

Chairman: YU,SAN-CHUAN

Date: March 4, 2024

## Independent Auditors' Report

To the Board of Directors of CUB ELECPARTS INC. :

### Opinion

We have audited the consolidated financial statements of CUB ELECPARTS INC. and its subsidiaries ( “the Group” ), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ( “IFRSs” ), International Accounting Standards ( “IASs” ), Interpretations developed by the International Financial Reporting Interpretations Committee ( “IFRIC” ) or the former Standing Interpretations Committee ( “SIC” ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this report are as follows:

#### 1. Revenue recognition

Please refer to note 4(q) “Revenue recognition” for the accounting policy on revenue recognition; note 5(c) for accounting assumptions and estimation uncertainty; note 6(y) “Revenues from contracts with customers” for revenue recognition of contract.

Description of key audit matter:

Revenue is the key performance indicator to evaluate the performance by the investors and management. Since the revenue is recognized based on each sale order and contract terms to be identified, and the Group is devoted to developing a new distributor, the timing and amount of revenue recognition have a significant impact on the financial statement. Therefore, the test for revenue recognition is one of the important assessment items performed by the accountants for the purpose of auditing the financial statements of the Group.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include testing the controls surrounding revenue recognition; Analyzing there is any significant abnormality in a change in customers between the current year and the prior year, sampling the top ten customers, and reviewing the contracts and sales orders to evaluate the influence on revenue recognition and assess the Group's accounting treatment of related contracts is applied appropriately, performing a sample test on sales transactions that took place before and after the balance sheet date, reviewing the relevant documents, and assessing the accuracy of the timing of revenue recognition.

2. Assessment of accounts receivable impairment

Please refer to Note 4(g) "Financial Instruments" for accounting policy of assessment of accounts receivable impairment, Note 5(a) for accounting assumption, judgments and estimation uncertainty of assessment of accounts receivable impairment, and Note 6(d) for the disclosure of assessment of accounts receivable.

Description of key audit matter:

The Group's accounts receivable are mainly automobile component customers and are concentrated on certain specific customers. The impairment loss of accounts receivable assessment is based on management's subjective judgment. Thus, the assessment of accounts receivable impairment is one of the most important evaluations in performing our audit procedures.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include analyzing the aging of accounts receivable; sampling and reviewing the relevant documents as well as calculating the accuracy of the aging of accounts receivable; understanding and evaluating the management's consideration relating to overdue receivables, considering the receipt of cash after the year end, and understanding the possibility of remaining receivables collection. In addition, the reasonableness of the provision for impairment losses is understood and assessed based on the customer's historical receipt status, industrial economic condition, and the concentration of the credit risk.

3. Assessment of goodwill impairment

Please refer to Note 4(o) "Impairment of non-derivative financial assets" for the accounting policies. Note 5(b) for accounting assumptions, judgments and estimation uncertainty of assessment of impairment and Note 6(l) for details.

Description of key audit matter:

The Group's goodwill arising from the acquisition is significant. The assessment process of goodwill impairment requires identifying the cash-generating unit and the estimation of the future cash flow of the operation to determine the recoverable amount. We list impairment of goodwill as one of our key audit matters because it is significant uncertainty and contains the significant subjective judgment of the management.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include: assessing whether the cash-generating unit and its related tested assets that the management has identified to impair show possible signs of impairment and further understanding and testing the evaluation models and key assumptions such as future cash flow projections, use period and a weighted average cost of capital that the management use in the impairment test, and assessing the accuracy of previous management forecasts; and carrying out sensitivity analysis of results. In addition to the above assessment process, reviewing and assessing the reasonability of assumptions through the report of the assessment of impairment loss of goodwill provided by the evaluation expert; evaluating the qualifications and independence of the evaluator, and assessing whether the accounting policies for goodwill impairment test and other relevant information have been appropriately disclosed.

### **Other Matter**

CUB ELECPARTS INC. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified audit 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 with the IFRS, IAS, IFRIC, 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 auditor's 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 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 the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen, Cheng-Hsueh and Chen, Yen-Hui.

KPMG

Taipei, Taiwan (Republic of China)  
March 4, 2024

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)<sup>42</sup>  
CUB ELECPARTS INC. AND SUBSIDIARIES<sup>42</sup>

Consolidated Balance Sheets<sup>42</sup>

December 31, 2023 and 2022<sup>42</sup>

(Expressed in Thousands of New Taiwan Dollars)<sup>42</sup>

Assets <sup>42</sup>	December 31, 2023 <sup>42</sup>		December 31, 2022 <sup>42</sup>		Liabilities and Equity <sup>42</sup>	December 31, 2023 <sup>42</sup>		December 31, 2022 <sup>42</sup>	
	Amount <sup>42</sup>	% <sup>42</sup>	Amount <sup>42</sup>	% <sup>42</sup>		Amount <sup>42</sup>	% <sup>42</sup>	Amount <sup>42</sup>	% <sup>42</sup>
<b>Current assets:</b> <sup>42</sup>					<b>Current liabilities:</b> <sup>42</sup>				
1100 Cash and cash equivalents (Note 6(a)) <sup>42</sup>	\$ 1,003,986	10	2,164,014	22	2100 Short-term borrowings (Notes 6(n)) <sup>42</sup>	\$ 967,385	10	773,825	8
1113 Current financial assets at fair value through profit or loss (Notes 6(b) and (q)) <sup>42</sup>	182,723	2	1,430	-	2130 Current contract liabilities (Note 6(y)) <sup>42</sup>	56,140	-	180,495	2
1140 Current contract assets (Note 6(y)) <sup>42</sup>	983,368	10	109,587	1	2150 Notes payable <sup>42</sup>	12	-	9,658	-
1141 Current contract assets due from related parties (Note 6(y) and 7) <sup>42</sup>	28,552	-	-	-	2170 Accounts payable <sup>42</sup>	479,441	5	497,763	5
1150 Notes receivable, net (Note 6(c)) <sup>42</sup>	122,744	1	47,162	-	2180 Accounts payable to related parties (Note 7) <sup>42</sup>	3,594	-	5,241	-
1160 Notes receivable due from related parties, net (Notes 6(c) and 7) <sup>42</sup>	38	-	72	-	2200 Other payables (Note 6(o)) <sup>42</sup>	413,736	4	321,327	4
1170 Accounts receivables, net (Notes 6(c)) <sup>42</sup>	1,693,304	17	1,565,563	16	2220 Other payables to related parties (Note 6(o) and 7) <sup>42</sup>	93	-	495	-
1180 Accounts receivable due from related parties, net (Notes 6(c) and 7) <sup>42</sup>	74	-	50,167	1	2230 Current tax liabilities <sup>42</sup>	136,183	2	191,452	2
1200 Other receivables, net (Notes 6(d)) <sup>42</sup>	16,679	-	18,408	-	2250 Current Provisions (Note 6(s)) <sup>42</sup>	107,621	1	109,092	1
1220 Current income tax assets <sup>42</sup>	1,943	-	8	-	2280 Current lease liabilities (Note 6(r) and 7) <sup>42</sup>	26,954	-	24,846	-
1310 Inventories (Note 6(e)) <sup>42</sup>	1,279,866	12	1,421,275	15	2300 Other current liabilities (Note 6(o)) <sup>42</sup>	6,370	-	11,699	-
1461 Non-current assets held for sale (Note 6(k)) <sup>42</sup>	240,342	2	-	-	2320 Long-term liabilities, current portion (Note 6(p) and 8) <sup>42</sup>	248,845	3	271,000	3
1470 Other current assets (Note 6(m)) <sup>42</sup>	387,846	4	210,542	2		2,446,374	25	2,396,893	25
1476 Other current financial assets (Note 6(m) and 8) <sup>42</sup>	188,363	2	585	-	<b>Non-Current liabilities:</b> <sup>42</sup>				
	6,129,828	60	5,588,813	57	2531 Bonds payable (Note 6(q)) <sup>42</sup>	1,278,925	12	1,262,816	13
<b>Non-current assets:</b> <sup>42</sup>					2540 Long-term borrowings (Notes 6(p) and 8) <sup>42</sup>	1,234,309	12	845,319	9
1510 Non-current financial assets at fair value through profit or loss (Note 6(b)) <sup>42</sup>	55,511	-	54,174	-	2570 Deferred tax liabilities <sup>42</sup>	2,761	-	13,382	-
1600 Property, plant and equipment (Note 6(h) and 8) <sup>42</sup>	2,549,077	25	2,100,958	22	2580 Non-current lease liabilities (Note 6(r) and 7) <sup>42</sup>	37,717	-	20,813	-
1755 Right-of-use assets (Note 6(i)) <sup>42</sup>	75,914	1	58,439	1	2640 Net defined benefit liability, non-current (Note 6(t)) <sup>42</sup>	13,059	-	12,602	-
1760 Investment property, net (Notes 6(j) and 8) <sup>42</sup>	-	-	240,608	2	2645 Guarantee deposits received <sup>42</sup>	4,543	-	4,152	-
1780 Intangible assets (Notes 6(l)) <sup>42</sup>	737,041	7	775,056	8		2,571,314	24	2,159,084	22
1840 Deferred tax assets (Note 6(u)) <sup>42</sup>	178,864	2	185,295	2	<b>Total liabilities:</b> <sup>42</sup>	5,017,688	49	4,555,977	47
1920 Refundable deposits (Note 6(m)) <sup>42</sup>	469,378	5	646,648	7	<b>Equity attributable to owners of parent:</b> (Note 6(v)) <sup>42</sup>				
1990 Other non-current assets, others (Note 6(m)) <sup>42</sup>	58,206	-	73,078	1	3100 Ordinary shares <sup>42</sup>	1,409,176	13	1,341,082	14
	4,123,991	40	4,134,256	43	3200 Capital surplus (Notes 6(f) and (q)) <sup>42</sup>	703,436	7	705,032	7
					3300 Retained earnings <sup>42</sup>	2,143,353	21	2,075,956	21
					3400 Other equity interest <sup>42</sup>	(45,868)	-	(26,673)	-
					<b>Total equity attributable to owners of parent:</b> <sup>42</sup>	4,210,097	41	4,095,397	42
					36XX Non-controlling interests (Notes 6(g)) <sup>42</sup>	1,026,034	10	1,071,695	11
					<b>Total equity:</b> <sup>42</sup>	5,236,131	51	5,167,092	53
<b>Total assets:</b> <sup>42</sup>	\$ 10,253,819	100	9,723,069	100	<b>Total liabilities and equity:</b> <sup>42</sup>	\$ 10,253,819	100	9,723,069	100

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

## CUB ELECPARTS INC. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2023		2022	
		Amount	%	Amount	%
4000	Total operating revenue (Notes 6(y) and 7)	\$ 4,397,594	100	3,957,949	100
5000	<b>Operating costs</b> (Notes 6(e),(l), (t), (v), (z), and 7)	2,649,478	60	2,313,881	58
	<b>Gross profit</b>	1,748,116	40	1,644,068	42
	<b>Operating expenses</b> (Notes 6(l), (s), (t), (w) and (z)):				
6100	Selling expenses	377,905	9	298,081	8
6200	Administrative expenses	349,603	8	326,211	8
6300	Research and development expenses	554,764	13	548,152	14
6450	Gain on reversal and loss of Impairment determined in accordance with IFRS 9 (Note 6(c))	24,011	1	18,910	-
		1,306,283	31	1,191,354	30
	<b>Operating income</b>	441,833	9	452,714	12
	<b>Non-operating income and expenses</b> (Note 6(aa)):				
7100	Interest income	32,459	1	19,750	-
7010	Other income	36,242	1	39,694	1
7020	Other gains and losses	8,801	-	163,473	4
7050	Finance costs (Note 6(q), (r), (aa) and 7)	(57,578)	(1)	(41,019)	(1)
		19,924	1	181,898	4
7900	<b>Profit before income tax</b>	461,757	10	634,612	16
7950	Income tax expenses (Note 6(u))	143,906	3	166,482	4
	<b>Net profit</b>	317,851	7	468,130	12
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 6(t))	(859)	-	2,734	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(859)	-	2,734	-
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(19,849)	-	25,299	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		(19,849)	-	25,299	-
8300	<b>Other comprehensive income</b>	(20,708)	-	28,033	-
8500	<b>Total comprehensive income</b>	<b>\$ 297,143</b>	<b>7</b>	<b>496,163</b>	<b>12</b>
	<b>Profit attributable to:</b>				
8610	Owners of the parent	\$ 443,789	10	629,723	16
8620	Non-controlling interests	(125,938)	(3)	(161,593)	(4)
		<b>\$ 317,851</b>	<b>7</b>	<b>468,130</b>	<b>12</b>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of the parent	\$ 423,748	10	652,740	16
8720	Non-controlling interests	(126,605)	(3)	(156,577)	(4)
		<b>\$ 297,143</b>	<b>7</b>	<b>496,163</b>	<b>12</b>
	<b>Earnings per share (NT dollar) (Note 6(x))</b>				
9750	<b>Basic earnings per share</b>	<b>\$ 3.15</b>		<b>4.70</b>	
9850	<b>Diluted earnings per share</b>	<b>\$ 3.04</b>		<b>4.62</b>	



CUB ELECPARTS INC. AND SUBSIDIARIES<sup>↕</sup>Consolidated Statements of Changes in Equity<sup>↕</sup>For the years ended December 31, 2023 and 2022<sup>↕</sup>(Expressed in Thousands of New Taiwan Dollars)<sup>↕</sup>↕  
↕

	Equity attributable to owners of parent <sup>↕</sup>						Total other equity interest <sup>↕</sup>			
	Retained earnings <sup>↕</sup>									
	↓ ↓ Ordinary shares <sup>↕</sup>	↓ ↓ Capital surplus <sup>↕</sup>	↓ ↓ Legal reserve <sup>↕</sup>	↓ ↓ Special reserve <sup>↕</sup>	↓ ↓ Unappropriated retained earnings <sup>↕</sup>	↓ ↓ Total <sup>↕</sup>	Exchange differences on translation of foreign financial statements <sup>↕</sup>	↓ ↓ Total <sup>↕</sup>	↓ ↓ Non-controlling interests <sup>↕</sup>	↓ ↓ Total equity <sup>↕</sup>
Balance at January 1, 2022 <sup>↕</sup>	\$ 1,219,166	666,220	811,565	39,196	836,963	1,687,724	(47,348)	3,525,762	1,135,261	4,661,023 <sup>↕</sup>
Profit (loss) for the period <sup>↕</sup>	-	-	-	-	629,723	629,723	-	629,723	(161,593)	468,130 <sup>↕</sup>
Other comprehensive income for the period <sup>↕</sup>	-	-	-	-	2,342	2,342	20,675	23,017	5,016	28,033 <sup>↕</sup>
Total comprehensive income for the period <sup>↕</sup>	-	-	-	-	632,065	632,065	20,675	652,740	(156,577)	496,163 <sup>↕</sup>
Appropriation and distribution of retained earnings: <sup>↕</sup>										
Legal reserve <sup>↕</sup>	-	-	51,712	-	(51,712)	-	-	-	-	- <sup>↕</sup>
Special reserve <sup>↕</sup>	-	-	-	8,151	(8,151)	-	-	-	-	- <sup>↕</sup>
Cash dividends of ordinary shares <sup>↕</sup>	-	-	-	-	(121,917)	(121,917)	-	(121,917)	-	(121,917) <sup>↕</sup>
Stock dividends of ordinary shares <sup>↕</sup>	121,916	-	-	-	(121,916)	(121,916)	-	-	-	- <sup>↕</sup>
Other changes in capital surplus: <sup>↕</sup>										
Expenses of share option <sup>↕</sup>	-	27,862	-	-	-	-	-	27,862	-	27,862 <sup>↕</sup>
Due to recognition of equity component of convertible bonds issued <sup>↕</sup>	-	45,313	-	-	-	-	-	45,313	-	45,313 <sup>↕</sup>
The difference in net equity resulting from the subscription of new shares not in proportion <sup>↕</sup>	-	(34,363)	-	-	-	-	-	(34,363)	34,363	- <sup>↕</sup>
Changes in non-controlling interests <sup>↕</sup>	-	-	-	-	-	-	-	-	58,648	58,648 <sup>↕</sup>
Balance at December 31, 2022 <sup>↕</sup>	\$ 1,341,082	705,032	863,277	47,347	1,165,332	2,075,956	(26,673)	4,095,397	1,071,695	5,167,092 <sup>↕</sup>
Balance at January 1, 2023 <sup>↕</sup>	\$ 1,341,082	705,032	863,277	47,347	1,165,332	2,075,956	(26,673)	4,095,397	1,071,695	5,167,092 <sup>↕</sup>
Profit (loss) for the period <sup>↕</sup>	-	-	-	-	443,789	443,789	-	443,789	(125,938)	317,851 <sup>↕</sup>
Other comprehensive income for the period <sup>↕</sup>	-	-	-	-	(846)	(846)	(19,195)	(20,041)	(667)	(20,708) <sup>↕</sup>
Total comprehensive income for the period <sup>↕</sup>	-	-	-	-	442,943	442,943	(19,195)	423,748	(126,605)	297,143 <sup>↕</sup>
Appropriation and distribution of retained earnings: <sup>↕</sup>										
Legal reserve <sup>↕</sup>	-	-	63,207	-	(63,207)	-	-	-	-	- <sup>↕</sup>
Special reserve <sup>↕</sup>	-	-	-	(20,674)	20,674	-	-	-	-	- <sup>↕</sup>
Cash dividends of ordinary share <sup>↕</sup>	-	-	-	-	(308,484)	(308,484)	-	(308,484)	(11,317)	(319,801) <sup>↕</sup>
Stock dividends of ordinary share <sup>↕</sup>	67,062	-	-	-	(67,062)	(67,062)	-	-	-	- <sup>↕</sup>
Other changes in capital surplus: <sup>↕</sup>										
Expenses of share option <sup>↕</sup>	-	19,857	-	-	-	-	-	19,857	504	20,361 <sup>↕</sup>
Exercise of employee stock options <sup>↕</sup>	1,025	14,111	-	-	-	-	-	15,136	-	15,136 <sup>↕</sup>
Conversion of convertible bonds <sup>↕</sup>	7	90	-	-	-	-	-	97	-	97 <sup>↕</sup>
The difference in net equity resulting from the subscription of new shares not in proportion <sup>↕</sup>	-	(35,654)	-	-	-	-	-	(35,654)	35,654	- <sup>↕</sup>
Changes in non-controlling interests <sup>↕</sup>	-	-	-	-	-	-	-	-	56,103	56,103 <sup>↕</sup>
Balance at December 31, 2023 <sup>↕</sup>	\$ 1,409,176	703,436	926,484	26,673	1,190,196	2,143,353	(45,868)	4,210,097	1,026,034	5,236,131 <sup>↕</sup>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

## CUB ELECPARTS INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2023	2022
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 461,757	634,612
Adjustments:		
Adjustments to reconcile profit (loss):	220,222	199,852
Depreciation expense	63,082	62,355
Amortization expense	24,011	18,910
Gain on reversal and loss of Impairment determined in accordance with IFRS 9	40,066	(279)
Net loss on financial assets or liabilities at fair value through profit or loss	57,578	41,019
Net gains on financial assets	(32,459)	(19,750)
Dividend income	20,361	27,862
Share of loss of associates and joint ventures accounted for using equity method	73	278
Loss on disposal of investment properties	6	10
Gain on disposal of other assets	(49,928)	-
Total adjustment	343,012	330,257
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in contract assets (including related parties)	(902,333)	319,164
(Increase) decrease in notes receivable (including related parties)	(75,548)	82,236
Increase in accounts receivable (including related parties)	(101,659)	(7,553)
(Increase) decrease in other receivables (including related parties)	(4,996)	3,684
Decrease (increase) in inventories	141,409	(69,868)
(Increase) decrease in other financial assets	(177,304)	64,561
Net changes in operating assets	(1,120,431)	392,224
Changes in operating liabilities:		
Decrease in contract liabilities	(124,355)	(3,381)
(Decrease) increase in notes payable	(9,646)	9,549
Decrease in accounts payable (including related parties)	(19,969)	(159,274)
Increase in other payables (including related parties)	100,243	46,402
(Decrease) increase in other current liabilities	(5,329)	3,872
Decrease in defined benefit liabilities	(402)	(3,181)
(Decrease) increase in provisions	(1,471)	38,927
Net changes in operating liabilities	(60,929)	(67,086)
Total changes in operating assets and liabilities	(1,181,360)	325,138
Total adjustments	(838,348)	655,395
Cash (outflows) inflows generated from operations	(376,591)	1,290,007
Interest received	39,184	15,812
Interest paid	(58,819)	(40,982)
Income taxes paid	(205,300)	(109,554)
Net cash flows (used in) from operating activities	(601,526)	1,155,283
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through profit or loss, designated as upon initial recognition	(516,740)	-
Proceeds from disposal of financial assets at fair value through profit or loss, designated as upon initial recognition	343,972	-
Acquisition of property, plant and equipment	(603,030)	(330,460)
Proceeds from disposal of property, plant and equipment	509	2,358
Decrease (increase) in refundable deposits	177,270	(504,103)
Acquisition of intangible assets	(23,011)	(25,059)
(Increase) decrease in other financial assets	(187,778)	11,638
Increase in prepayment for equipment	(18,569)	(38,846)
Net cash flows used in investing activities	(827,377)	(884,472)
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	4,198,951	8,078,508
Decrease in short-term borrowings	(4,005,391)	(9,592,121)
Proceeds from issuing bonds	-	1,300,952
Proceeds from long-term borrowings	1,166,953	235,625
Repayments of long-term borrowings	(800,520)	(367,042)
Increase (decrease) in deposits received	391	(677)
Payments of lease liabilities	(29,488)	(18,537)
Cash dividends paid	(319,801)	(121,917)
Issuance of shares for cash	56,103	58,648
Exercise of employee stock options	15,136	-
Net cash inflows (outflows) form financing activities	282,334	(426,561)
Effect of exchange rate changes on cash and cash equivalents	(13,459)	18,631
Net decrease in cash and cash equivalents	(1,160,028)	(137,119)
Cash and cash equivalents at beginning of period	2,164,014	2,301,133
Cash and cash equivalents at end of period	\$ 1,003,986	2,164,014

# CUB ELECTRIC PARTS INC.

## Earnings Distribution Schedule

Year 2023

Unit: NTD \$

Item	Amount
Undistributed retained earnings at the beginning of the period	\$ 747,252,194
Add: net profit after tax for the year	443,788,931
Less: Remeasurement of defined benefit plan	846,284
Less: Increase in provision from special surplus reserve	19,194,194
Less: Provision of 10% of legal reserve	44,294,265
Earnings available for distribution	\$ 1,126,706,382
Distributable items:	
Shareholders' bonuses - cash dividends (NT\$1 per share)	140,917,608
Dividend to shareholders - stock dividend (NTD per share)	-
Undistributed earnings at end of term	
	\$ 985,788,774
Note: Distributed up to NT\$1, with an amount less than NT\$! rounded off.	

Note 1: Priority in the distribution of 2023 earnings.

Chairperson:  
Yu, Shan-Chuan



Managerial Officer:  
Yu, Shan-Chuan



Accounting Officer:  
Liu, Wan-Hua



Candidate list and educational background, professional experience, and number of shares held by each candidate

Candidate list	Educational background and professional experience	Number of Shares Held
Ying-Hong Chou	Education: Master of Law, University of Washington, Seattle Visiting Scholar, Harvard University Experience: Secretary of the Director-General's College for Judges, Ministry of Justice; Prosecutor of National Taiwan High Prosecutors Office; Prosecutor of Taichung High Commission of Prosecution; Prosecutors of Taichung and Kaohsiung District Courts; Chief of Administrative Enforcement Department of Taichung, Tainan, Chiayi, and Yilan; Executive Yuan Elite Leadership Class, Model Civil Servant of Ministry of Justice, Adjunct Lecturer of National Chung Hsing University and National Chung Cheng University	0

Concurrent positions held by the independent directors in other companies

Name	Position	Concurrent positions in other companies
Ying-Hong Chou	Candidate of Independent director, CUB ELECPARTS INC.	No

## Equity of 3S System Technology Inc. Fair value evaluation report

Client: Cub Elecparts Inc.

Report recipient: Cub Elecparts Inc.

Subject of evaluation: 3S System Technology Inc.

Indicated use in the evaluation report: Reference for the fair value of the Company's shareholdings of 3S System Technology Inc.

Report Type: Detailed Evaluation Report

The premise of the value: This report is based on the continuing operation of 3S System Technology Inc. The equity evaluation is conducted on the assumption that the target company will continue as a going concern

Evaluation base date: March 20, 2024

Independent expert: Chief Consultant Co., Ltd.

Address: 9F-5, No.52, Gongyi Rd., Taichung City



**Please refer to Disclaimer for restrictions on this report.**

**Recipient:** The Board of Directors of Cub Elecparts Inc.

**Subject:** Submit the evaluation report of equity fair value of 3S System Technology Inc.

**Explanation:** In response to the future listing application of our subsidiary, 3S System Technology Inc., Cub Elecparts Inc. plans to lower its stake in 3S System Technology Inc. as part of the related equity diversification plan. In order to establish a basis for the share price release, Cub Elecparts Inc. has appointed our company to evaluate the equity value of 3S System Technology Inc., for consideration by the board of directors. Our company, maintaining an independent and impartial stance, and exercising due professional care, has prepared a fair value appraisal report. Thank you.

## Report Summary

- I. Recipient:** Cub Elecparts Inc.
- II. Subject of evaluation:** 3S System Technology Inc.
- III. Purpose of the evaluation:** Reference of the fair value of the shares of 3S System Technology Inc.
- IV. Value standard:** Fair value.
- V. The premise of value:** This report is based on the assumption that the Company will continue to operate and the target company will continue to operate for the equity evaluation.
- VI. Valuation date:** March 20, 2024 (the same applies hereinafter).
- VII. Material assumptions:**
  - 1. The industry in which the 3S System Technology Inc. operates is expected to grow stably without any significant change.
  - 2. The financial statements provided by the Principal, including but not limited to the information on assets, have not been subjected to on-site inspection or adjustment by the Company, and are assumed to be correct and appropriate to reflect the normal operating conditions of the subject of evaluation.
  - 3. Public information, industry, and statistical data obtained from public information, industry, and statistical data were obtained from sources believed to be reliable based on mutual understanding, including but not limited to whether there were significant changes in the political and economic environment, industry environment, relevant laws and regulations, and industry development in line with expectations, etc. The common knowledge of the principal and the user does not require verification, and its correctness and completeness are assumed to be true and reliable.
  - 4. The conclusion of this evaluation is based on the above assumptions and the information provided by the client. The conclusion may be different if the situation changes.
- VIII. Material restrictions:**
  - 1. This report is for the reference of the Principal, subject to the purpose stated in the report and the specific user restrictions. Therefore, the change of purpose or user may change the amount of the evaluation. Therefore, this report cannot be applied to other purposes and different users. User's reference.
  - 2. This report is prepared under the assumption that the Company has taken into consideration. The principal or report user should be aware of the relevant conditions (including restrictive conditions) and assumptions stated in the report, in order to avoid misapplying the equity



valuation amount stated in this report.

**IX. The methods and procedures adopted to form the evaluation:**

For the assessment of the fair value of the equity of 3S System Technology Inc., the valuation methods considered in this report include the market approach, income approach, and asset approach. After comprehensive consideration of the operational nature, business characteristics, availability of information, and the applicability and limitations of each valuation method to the subject of evaluation, this report adopts the market approach and income approach as the valuation methods for assessing the fair value of the equity of 3S System Technology Inc. This report performs the following procedures:

1. Obtain the audited financial statements of 3S System Technology Inc. for the years 2023, 2022, and 2021.
2. Analyze the historical financial information of the target company and the subject of evaluation through the financial statements provided by the management.
3. Based on the operating items, business model, industry research information, etc., of the target company, discussions with the management were conducted to identify publicly listed or over-the-counter companies with similar operating nature for comparison.
4. Referring to Market Observation Post System (MOPS) and Taiwan Economic News Database for collecting comparable business items, financial statements, stock price information and market multiplier.
5. Obtaining the five-year financial forecast provided by the management, and conducting interviews with the management to understand the adequacy and reasonableness of the assumptions of the prospective financial information.

**X. Value Conclusion:**

This report separately adopts the market approach and income approach to conduct a fair value assessment of the equity of 3S System Technology Inc. Based on the valuation methods, assumptions, and limitations attached in this report, the calculated reference range for the fair value of the equity of 3S System Technology Inc. is between NTD 25.93 and NTD 35.93.

**XI. Report Issued: March 20, 2024**

## Disclosures

- I. The Company and its evaluators have conducted this work in a rigorous and fair attitude and the spirit of independence and objectivity, followed relevant laws and regulations and evaluation standards and bulletins, and used due care as a professional.
- II. The information quoted or adopted in this report is assumed to be correct and true. The term “correct” in this statement means that appropriate and reasonable information has been used from the information source. “Accurate” means that the information used is from reliable and credible sources to the best of the Company’s professional knowledge.
- III. The analysis, evaluation and conclusion of this report are based on the assumptions and restrictions in the report; such analysis, evaluation and conclusion represent the Company’s neutral professional opinion. This report is not intended to make the evaluation and value conclusions an investment recommendation in any way. Users of this report must carefully read the assumptions and limitations of this report, and adjust the value conclusion based on the actual situation and their own subjective judgments.
- IV. The Company has no existing or expected financial or non-financial interest in the subject of evaluation and the client of the case, and does not perform regular work and receive fixed salaries from the related parties of the case.
- V. The public remuneration in this report is based on the legitimate remuneration for professional services, and there is no contingent remuneration related to the results of the report.
- VI. This report and its conclusions are provided solely for this purpose and may not be used for other purposes.
- VII. There is no pre-set evaluation conclusion for this evaluation case.
- VIII. The whole or any part of this report may not be disclosed to any third party in any form without the prior written consent of the evaluator. Any violation of this rule may result in any financial or non-financial loss to the third party. The Appointer shall be responsible and the Evaluator shall not bear any responsibility.
- IX. After the delivery of this report, the Company does not undertake the responsibility to update the value and conclusion of the report according to subsequent events, except for the entrustment of the principal.

## Table of Contents

<b>One.</b>	<b>Basic information .....</b>	<b>1</b>
<b>I.</b>	<b>Reporter.....</b>	<b>1</b>
<b>II.</b>	<b>Report recipient .....</b>	<b>1</b>
<b>III.</b>	<b>Purpose of evaluation .....</b>	<b>1</b>
<b>IV.</b>	<b>Subject matter of evaluation.....</b>	<b>1</b>
<b>V.</b>	<b>Valuation base date .....</b>	<b>1</b>
<b>VI.</b>	<b>Premise of value .....</b>	<b>1</b>
<b>VII.</b>	<b>Significant assumptions.....</b>	<b>1</b>
<b>VIII.</b>	<b>Material restriction.....</b>	<b>2</b>
<b>Two.</b>	<b>3S System Technology Inc. Introduction .....</b>	<b>3</b>
<b>I.</b>	<b>Basic Information .....</b>	<b>3</b>
<b>II.</b>	<b>Company history.....</b>	<b>6</b>
<b>III.</b>	<b>Historical financial information of 3S System Technology Inc.....</b>	<b>6</b>
<b>Three.</b>	<b>Analysis of Industry and Economic Situation .....</b>	<b>8</b>
<b>I.</b>	<b>Industry introduction .....</b>	<b>8</b>
<b>II.</b>	<b>Market overview .....</b>	<b>8</b>
<b>III.</b>	<b>Correlation between upstream, midstream and downstream of the industry .....</b>	<b>10</b>
<b>IV.</b>	<b>Industry development trends.....</b>	<b>11</b>
<b>Four.</b>	<b>Selection of evaluation model .....</b>	<b>13</b>
<b>I.</b>	<b>Introduction to evaluation methods.....</b>	<b>13</b>
<b>II.</b>	<b>Selection of evaluation method.....</b>	<b>16</b>
<b>Five.</b>	<b>3S System Technology Inc. equity valuation.....</b>	<b>18</b>
<b>I.</b>	<b>Market approach .....</b>	<b>18</b>
<b>II.</b>	<b>Income approach .....</b>	<b>22</b>
<b>III.</b>	<b>Adjustment of liquidity discount factor.....</b>	<b>34</b>
<b>IV.</b>	<b>Final reasonable price range and evaluation conclusion .....</b>	<b>35</b>

**One. Basic information****I. Reporter**

CUB ELECPARTS INC.

**II. Report recipient**

CUB ELECPARTS INC.

**III. Purpose of evaluation**

In response to the relevant shareholding diversification planning operations of the subsidiary, the TPEx listed in the future, the Company intends to reduce the shareholding ratio of the Company, and the Company was commissioned to evaluate the equity value of 3S System Technology Inc. as a reference for the decision-making of the Board of Directors.

**IV. Subject matter of evaluation**

Equity of 3S System Technology Inc.

**V. Valuation base date**

March 20, 2024.

**VI. Premise of value**

The value premise is based on the assumption of the most likely transaction, such as going concern or liquidation assumption. The value premise determines the value environment for the subject matter of evaluation. Considering that the subject matter of this appraisal is the fair value of equity, its value should reflect the Company's operations and This report adopts the going concern assumption as the value premise.

**VII. Significant assumptions**

- (I) The main industry in which the 3S System Technology Inc. operates is expected to grow stably without any significant change.
- (II) The information provided by the Principal, including but not limited to the Company's assets, has not been inspected or adjusted by the Company. It is assumed that it is correct and can appropriately and reasonably reflect the normal operating conditions of the subject of evaluation.
- (III) Public information, industry, and statistical data obtained from public information, industry, and statistical data were obtained from sources believed to be reliable based on mutual understanding, including but not limited to whether there were significant changes in the political and economic environment, industry environment, relevant laws and regulations, and industry development in line with expectations, etc. The common knowledge of the principal and the user does not require verification, and its correctness and completeness are assumed to be true and reliable.

- (IV) The conclusion of this evaluation is based on the above assumptions and based on the information provided by the commissioning unit. If the situation changes, the conclusion may be different.

VIII. Material restriction

- (I) The conclusions of this report are provided as a reference for the principal, subject to the purposes stated in the report and the restrictions on specific users. Therefore, the change of purpose and user may change the amount of evaluation. Therefore, this report cannot be applied to other purposes and different users for reference.
- (II) This report is prepared under certain assumptions considered by the Company. The principal or report user should understand the relevant conditions and assumptions stated in the report to avoid misapplying the equity valuation amount stated in this report.

**Two. 3S System Technology Inc. Introduction****I. Basic Information**

(I) Date of establishment: Jul. 6, 2005

(II) Address: 6F., No. 5, Lane 16, Sec. 2, Sichuan Rd., Banqiao Dist., New Taipei City

(III) Paid-in capital: NTD 580,736,230









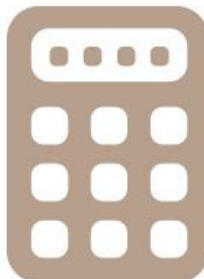
(IV) Main business contents:

According to the business registered by 3S System Technology Inc. with the Ministry of Economic Affairs, the business scope includes:

1. Power Generation, Transmission and Distribution Machinery Manufacturing
2. Electrical Appliances and Audiovisual Electronic Products Manufacturing
3. Electronics Components Manufacturing
4. Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
5. Computer and Peripheral Equipment Manufacturing
6. Medical Devices Manufacturing
7. Manufacture of Other Industrial Products Not Elsewhere Classified
8. Electric Appliance Construction
9. Electric Appliance Installation
10. Automatic Control Equipment Engineering
11. Machinery Installation
12. Computer Equipment Installation
13. Telecommunications Engineering
14. Controlled Telecommunications Radio-Frequency Devices Installation Engineering
15. Wholesale of Hardware
16. Wholesale of Medical Devices
17. Wholesale of Machinery
18. Wholesale of Electrical Appliances
19. Wholesale of Precision Instruments
20. Wholesale of Computers and Clerical Machinery Equipment
21. Wholesale of Telecommunication Apparatus
22. Wholesale of Computer Software
23. Wholesale of Electronic Materials
24. Other Wholesale Trade
25. Retail Sale of Hardware

26. Retail Sale of Medical Apparatus
27. Retail Sale of Electrical Appliances
28. Retail Sale of Computers and Clerical Machinery Equipment
29. Retail Sale of Precision Instruments
30. Retail Sale of Telecommunication Apparatus
31. Retail Sale of Machinery and Tools
32. Retail Sale of Computer Software
33. Retail Sale of Electronic Materials
34. Retail Sale of Other Products
35. International Trade
36. Export and Import of Guns, Ammunition and Knives
37. Information Software Services
38. Data Processing Services
39. Electronic Information Supply Services
40. Product Designing
41. Energy Technical Services
42. Electric Appliance and Electronic Products Repair
43. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

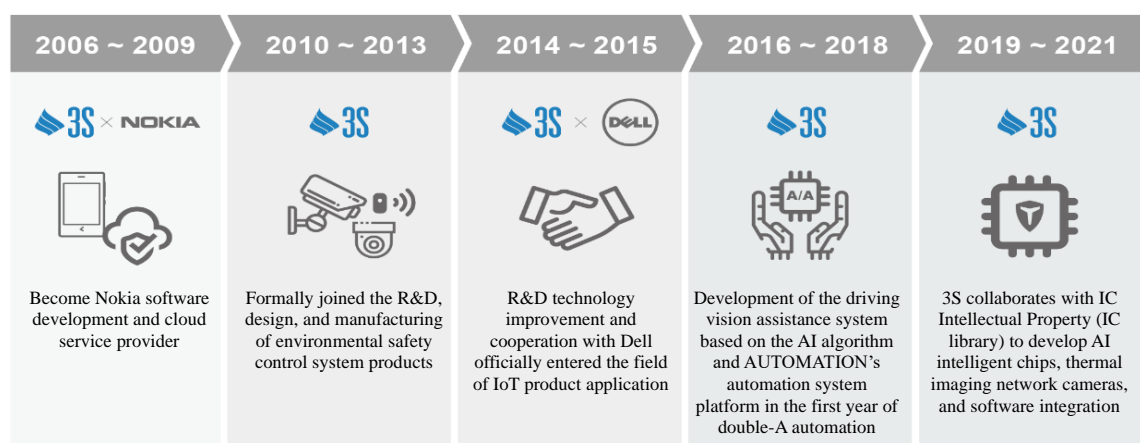
3S System Technology Inc. is committed to providing network intelligent environmental security control solutions, providing a full range of network monitoring products and system solutions and integrated application solutions for enterprises, public utilities, business and home users. The main products include smart image management software, network, analog cameras, video hosts and servers, smart vehicle systems, access control management systems and system solutions.

<p>Analog camera AHD9007</p> 	
<p>Embedded NVR / DVR (XVR)</p>	
<p>Embedded hybrid DVR (XVR) X10041-A</p> 	<p>Embedded NVR R10041-A</p> 
<p>NVR C Class R20041</p> 	<p>NVR E Class R60321</p> 
<p>Access control management system</p>	
<p>Control unit</p>  <p>Network-based card reading access control system unit</p> 	<p>Controller</p>  <p>3Smart-AC (application software)</p> 

Source: 3S System Technology Inc. website



## II. Company history



Source: 3S System Technology Inc.

## III. Historical financial information of 3S System Technology Inc.

### (I) Condensed balance sheets for the most recent three years

Unit: In thousands of NTD

	December 31, 2023	December 31, 2022	December 31, 2021
<b>Current assets</b>			
Cash and cash equivalents	59,964	243,030	6,684
Notes and accounts receivable	6,523	4,838	3,832
Accounts receivable - related parties	-	-	48,109
Inventory	287,842	210,154	142,577
Prepayments	194,949	30,220	19,178
Other prepayments - related parties	-	-	458
Contract assets	806,362	365,800	10,935
Other current assets	40,153	1,089	1,500
<b>Total current assets</b>	<b>1,395,793</b>	<b>855,131</b>	<b>233,273</b>
<b>Non-current assets</b>			
Real estate, plant and equipment	117,712	111,783	116,567
Right-of-use assets	25,448	11,091	1,383
Intangible asset	134,227	144,414	154,600
Deferred income tax assets	-	9,201	13,090
Refundable deposits	10,971	43,537	8,256
Other non-current assets	3,332	6,649	1,392
<b>Total non-current assets</b>	<b>291,690</b>	<b>326,675</b>	<b>295,288</b>
<b>Total assets</b>	<b>1,687,483</b>	<b>1,181,806</b>	<b>528,561</b>
<b>Current liability</b>			
Short-term borrowings	454,473	-	-
Contract liabilities - current	4,466	733	1,490
Notes and accounts payable	21,243	34,996	8,649
Other payables	30,676	24,036	16,529

	December 31, 2023	December 31, 2022	December 31, 2021
Income tax liabilities	763	-	
Lease liabilities - current	9,070	6,425	1,399
Other current liabilities	6,415	6,518	1,708
<b>Total of current liabilities</b>	<b>527,106</b>	<b>72,708</b>	<b>29,775</b>
<b>Non-current Liabilities</b>			
Long-term borrowings	45,000	45,000	45,000
Lease liabilities - non-current	16,796	4,659	-
Other non-current liabilities	3	3	2
<b>Total non-current liabilities</b>	<b>61,799</b>	<b>49,662</b>	<b>45,002</b>
Total liabilities	588,905	122,370	74,777
<b>Equity</b>			
Common stock capital	580,736	580,736	313,736
Additional paid-in capital	523,697	517,371	192,382
Retained earnings	(5,855)	(38,671)	(52,334)
<b>Total equity</b>	<b>1,098,578</b>	<b>1,059,436</b>	<b>453,784</b>
<b>Total liabilities and equity</b>	<b>1,687,483</b>	<b>1,181,806</b>	<b>528,561</b>
Net Asset Value per share (NTD)	18.91	18.24	14.46

Source: Audited financial statements in 2023, 2022, and 2021.

(II) Condensed income statements for the most recent three years

Unit: NTD thousand

	Year 2023	2022	2021
Operating revenues	674,389	425,642	166,565
Operation	(470,817)	(268,211)	(116,954)
Operating gross profits	203,572	157,431	49,611
Operating expenditure	(169,511)	(140,122)	(112,811)
Operating profit (loss)	34,061	17,309	(63,200)
Non-operating income and expenditure	9,129	243	(1,775)
Profit (loss) before tax	43,190	17,552	(64,975)
Income tax expense (profit)	10,374	3,888	(13,017)
Net profit (loss) of current term	32,816	13,664	(51,958)

Source: Audited financial statements in 2023, 2022, and 2021.

### **Three. Analysis of Industry and Economic Situation**

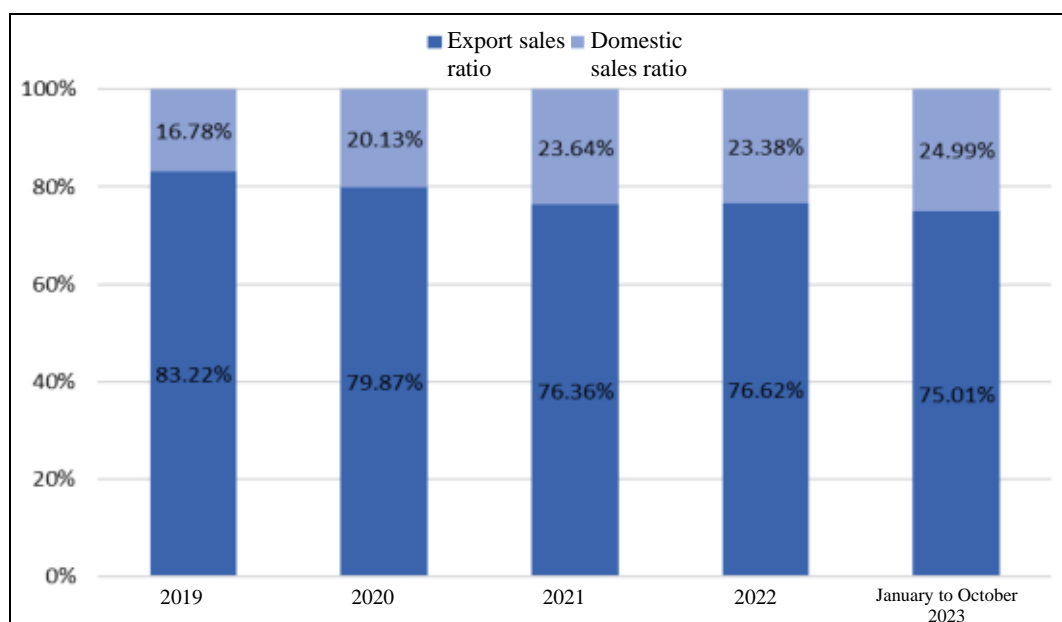
#### **I. Industry introduction**

According to the definition defined in the Standard Industrial Classification of the R.O.C. (Republic of China) by the Directorate-General of Budget, Accounting, and Statistics of the Executive Yuan, as referenced in the Taiwanese Institute of Industry and Economics Database, the category of “manufacturing of security and other audiovisual electronic products” is defined as encompassing all businesses engaged in the manufacturing of televisions, video recorders, and players, audio players, and other audiovisual electronic products, as well as security appliances, excluding tape recorders. Including the manufacture of security appliances, electric flutes, photoelectric eyes, electric signboards, electronic alarms, vehicle immobilizers, and digital projectors.

#### **II. Market overview**

##### **(I) Overview of domestic and overseas sales proportion**

According to the industrial production statistics of the Ministry of Economic Affairs (see Figure 1 for details), the global economic recession caused by the COVID-19 epidemic in 2020 has limited overseas installation projects and impacted the export demand of this industry. In 2021, there will be a shortage of IC materials and shortage of cabinet plugs Hong Kong and other issues have affected the overseas shipping schedule of security products, causing the proportion of export value to decline from 83.22% in 2019 to 76.36% in 2021, dropping below 80%. As for 2022, although the proportion of export value saw a slight increase to 76.62%, since 2023, due to the insufficient momentum of global economic recovery, security customers have deferred their delivery demand, and the purchasing power of audiovisual electronic products has been affected by inflation and rising interest rates. Therefore, from January to October 2023, the proportion of export value has declined to 75.01%.



Source: Industrial Production Statistics Tape Data, Ministry of Economic Affairs, Compiled by Taiwan Economic Research Institute Database (2023.12)

**Figure 1. The proportion of domestic and foreign sales by Taiwan's security control and other audiovisual electronic products manufacturing industry**

## (II) Overview of Import and Export Values

In terms of export markets (see Table 1), the U.S. government has heightened its anti-terrorism awareness since the 9/11 incident, deploying surveillance systems in urban public areas. Additionally, there is a continuous demand for security products in residential homes, office buildings, and commercial shops. Therefore, the United States is the main export destination for our domestic industry. Although the U.S. economy fell into recession in 2020 due to the impact of COVID-19, the demand for projectors for work from home/distance learning increased, people stayed at home for longer, and the U.S. mortgage interest rate continued to decline to encourage housing purchases, all of which drove the electric burglar alarm and electric fire alarms, the export value of the U.S. accounted for 47.50% of the export value in 2020. In 2021, as the global security market demand rebounded after the lifting of lockdowns in Europe and the United States, the export value of Taiwan's security industry to the United States increased by 42.85% year-on-year in 2021. However, as the growth rate was lower than that of the overall industry, the proportion of export value to the United States declined instead to 38.87%. The U.S. has been in an environment of inflation and high interest rates since 2023, which has affected the purchase of products such as projectors and anti-theft devices. It has also reduced the import demand for parts and components related to electronic audio or

visual signal instruments. This led to the proportion of export value to the United States falling from 39.68% in 2022 to 34.12% in January to October 2023.

**Table 1. Top five export countries and their proportions of Taiwan's security control and other audiovisual electronic products manufacturing industry**

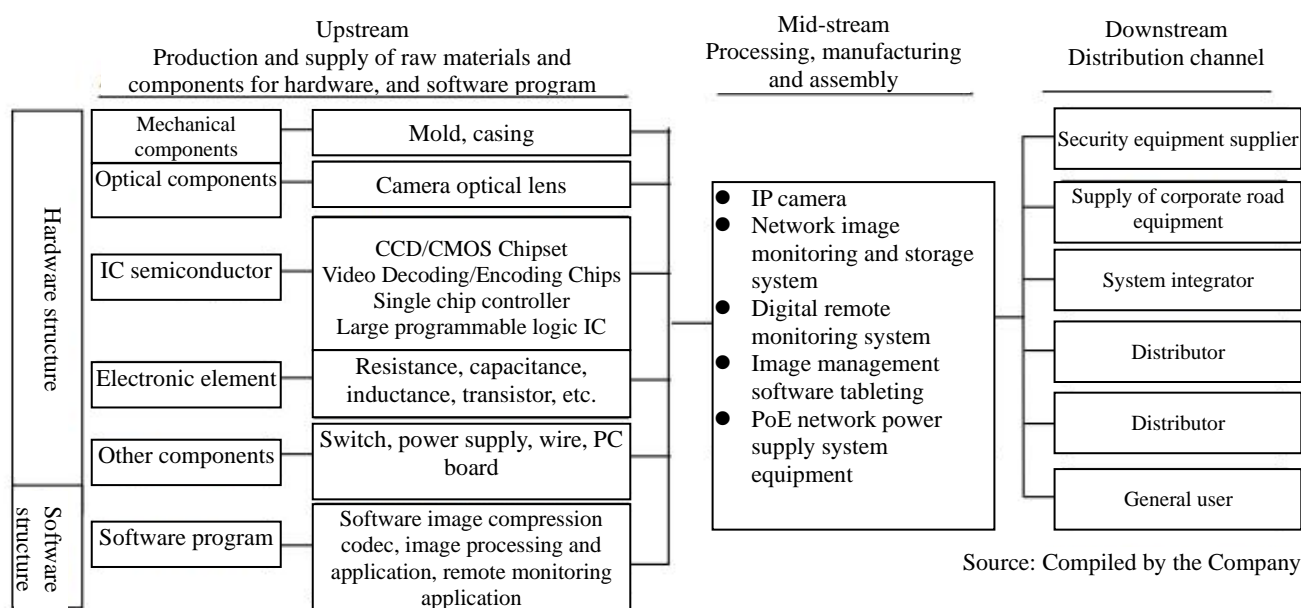
Ranking	2019	2020	2021	2022	January - October 2023
1	US (29.85%)	US (47.50%)	US (38.87%)	US (39.68%)	USA (34.12%)
2	Russia (21.08%)	Russia (8.57%)	Spain (14.30%)	Spain (19.51%)	Russia (10.52%)
3	China (including Hong Kong and Macau) (4.70%)	UK (5.08%)	Russia (11.68%)	Russia (4.91%)	Spain (8.92%)
4	UK (4.44%)	China (including Hong Kong and Macau) (4.84%)	China (including Hong Kong and Macau) (3.69%)	China (including Hong Kong and Macau) (4.01%)	Vietnam (4.86%)
5	Holland (4.22%)	Vietnam (3.63%)	UK (3.04%)	Vietnam (2.06%)	Canada (3.73%)
Total proportion of the top 5 countries	64.29%	69.62%	71.58%	70.17%	62.15%

Note: The ratio in parentheses is the export value of products exported to that country in the overall export value.

Source: Customs Import and Export Trade Data of the Republic of China, Compiled by Taiwan Institute of Economic Research Database (December 2023)

### III. Correlation between upstream, midstream and downstream of the industry

In the security monitoring industry supply chain (see Fig. 2), the upstream includes raw materials and components for hardware, the midstream comprises processing, manufacturing, and assembly, and the downstream mainly consists of sales channels. Most domestic manufacturers belong to the midstream of manufacturing and assembly. Overall, the main role of domestic security surveillance vendors is to add value to software and hardware functions. For example, adding special specifications such as remote monitoring, speed dome, and panoramic photography to cameras, as well as providing user interface (UI) and adding intelligent monitoring functions.



Source: GeoVision Inc. 2022 Annual Report (2023.12).

**Figure 2: Security monitoring industry association diagram**

#### IV. Industry development trends

Looking forward to the first half of 2024, first of all, in terms of the macro economy, although global inflation pressures have eased and monetary tightening policies around the world are winding down, the effect of rising interest rates continues to disrupt consumption and investment. Additionally, the US-China technology dispute and geopolitical conflicts intensify, all of which have affected the global economy's growth momentum. According to the World Bank's forecast on January 9, the global economic growth rate will drop from 2.6% in 2023 to 2.4% in 2024, showing a three-year deceleration. As for demand in the end market, although the global political and economic situation is full of uncertainties, brand customers are taking a conservative approach to market demand. Their orders are mostly short-term or urgent. However, large-scale sports events such as the European Football Championship, Copa America, and the Paris Olympics will be concentrated between June and August. The surge in spectatorship will help drive the purchase of audio-visual electronic products. Vendors are actively developing AI security solutions and have added new orders for earphones from European brands, supporting the business performance in the first half of 2024. In terms of business activities, manufacturers are responding to changes in the market environment through strategies such as product diversification, supply chain resilience, and overseas production capacity expansion. To sum up, despite the unclear global political and economic situation, large-scale sports events are conducive to boosting consumption momentum. In addition, TVs, earphones, surveillance cameras and other products provide a certain degree of support for manufacturers' operations as brand customers replenish inventory and new

products are launched. Manufacturers actively adjust their business strategies in response to changes in the international situation. Therefore, it is estimated that the economic performance of Taiwan's audiovisual electronic products manufacturing industry in the first half of 2024 will remain flat compared to the same period in 2023.

#### **Four. Selection of evaluation model**

Commonly used valuation approaches include the Market approach, Income approach, and Asset approach. Each approach has its own advantages and limitations. When choosing which valuation model to adopt, the nature of the evaluation case and all possible common evaluation methods should be considered. The evaluation method that is most suitable for the evaluation case and can best reasonably reflect the value of the subject matter of evaluation should be adopted.

The evaluation methods commonly used in this report and their applicability in this case are as follows:

##### **I. Introduction to evaluation methods**

##### **(I) Market approach (hereinafter referred to as market approach)**

The market approach refers to using the transaction price of comparable subjects, considering the differences between the subject of evaluation and the comparable subjects, and estimating the value of the subject with an appropriate multiplier. The theoretical basis of the market approach is that if the subject of evaluation is similar to the completed comparable companies in the market in terms of operation, market, and products, then the value of the subject of evaluation should be similar to the market value of the comparable companies.

Common evaluation methods of the market approach include:

##### **1. Comparable Company Method**

The Comparable Company Method involves referencing enterprises engaged in the same or similar businesses, their transaction prices in active market trades, the implied value multipliers from these prices, and relevant transaction information to determine the value of the subject. This specific valuation method is generally applicable to the evaluation of an enterprise or business.

The common methods of the comparable company method include the price-earnings ratio (P/E) ratio, the price-book ratio (P/B) and the enterprise value multiple ratio method:

##### **(1) Price-earnings ratio (P/E):**

The book earnings per share is calculated based on the financial statements of the company, and the price-earnings ratio is used to estimate the stock price of the industry with a similar industry nature, and the premium and discount are adjusted to reflect the difference from similar companies. The advantage of the P/E ratio method is that it is easier to



obtain market price information. However, the quality of earnings is easily affected by the choice of accounting method, and under highly volatile earnings and a stable profit.

(2) Price-book method (P/B):

The net book value is calculated based on the financial statements of the company. The price-book ratio of the industry with similar characteristics is then used to estimate the stock price, adjusting for premiums and discounts to reflect differences from similar companies. The advantage of the P/B approach is that market price information is more readily available, and net worth is a long-term and stable indicator that it is suitable for when a company's earnings are negative or are highly volatile.

(3) Enterprise value multiple method

The enterprise value multiple ratio uses the ratio of the enterprise value to the company's related indicators, such as earnings before tax, earnings before interest and tax, earnings before interest, tax, depreciation and amortization, or the assets, to measure the value of the company. It can be used when the capital structure or amortization method is different.

2. Comparable transactions method:

This law refers to the transaction prices of the same or similar assets, the value multipliers implied by such prices and relevant transaction information to determine the value of the subject matter. This evaluation method is generally applicable to the evaluation of an enterprise, business, individual asset or individual liability.

When adopting the market approach, the following shall be considered:

- (1) The time factor and relevance of the market information used, including changes in economic conditions, industries and enterprises.
- (2) The value multiplier used shall be highly relevant to the subject matter of evaluation and reasonably reflect the value of the subject matter of value.
- (3) The value multiplier of the comparable subject matter shall be from the arm's length transaction.
- (4) Identify and analyze the impact of non-conventional, non-recurring and non-key operating activities or events on the subject of evaluation and comparable subjects.
- (5) Analyze and adjust financial data in accordance with the preceding paragraph.

- (6) Identifying, analyzing, and evaluating the interim quality and quantity differences between the subject matter and comparable ones.
- (7) The value multiplier is adjusted according to the difference in the preceding paragraph.

(II) Income approach (hereinafter referred to as the “income approach”)

The income approach evaluates the future interest flow created by the subject matter of the evaluation as the basis of evaluation, and converts the future interest flow into the value of the subject matter through the capitalization or discount process. The income approach mainly uses the concept of expected value from economic analysis. It is assumed that the source of the value is determined by the future benefit flow, and the future benefit is discounted at the discount rate or capitalization rate, and then the value of the subject matter is evaluated. The specific evaluation methods commonly used under the income approach include the benefit flow discount method and the benefit flow capitalization method. The benefit flow discount method is to discount the estimated benefit flows of each period at an appropriate discount rate. The benefit flow capitalization method is to divide a representative single benefit flow by the capitalization rate or multiply by the value multiplier. When adopting the income approach, a benefit flow shall be defined, and the capitalization rate or discount rate corresponding to the benefit flow shall be adopted.

When adopting the income approach, the evaluators shall evaluate the reasonableness of the future revenue and profit level of the subject of evaluation, and take at least the following into consideration:

1. Has historical financial information been referred to and made necessary adjustments in a routine manner?
2. Whether the industry’s prosperity, market conditions, and the past operating performance of the subject of evaluation have been considered?
3. Whether the capital expenditure and financial structure are in line with future operating needs?
4. Whether the estimated future income periods and growth rate are consistent with the characteristics of the subject matter of evaluation.

(III) Asset approach (hereinafter referred to as the asset approach)

The asset approach reflects the overall value of the enterprise or equity through the total value of individual assets and individual liabilities covered by the subject of the evaluation and evaluation. Under this approach, the value of the subject of

evaluation is estimated under the premise that the enterprise continues to operate. If the enterprise does not assume continued operation or use, it shall be appraised at the liquidation value. When the asset approach is adopted, the balance sheet of the subject matter of evaluation shall be used as the basis, and the off-balance sheet assets and liabilities shall be considered to assess the overall value of equity.

## II. Selection of evaluation method

The report conducts a fundamental analysis of 3S System Technology Inc., intending to adopt a market approach and income approach as the valuation models. The main factors considered are as follows:

### (I) Market approach

The market approach is commonly used for valuation when there are comparable companies in the industry. 3S System Technology Inc. is primarily engaged in providing network intelligent environmental security solutions, offering a full range of network surveillance products and system solutions for enterprises, public utilities, commercial, and residential users. In the domestic securities market, there are comparable companies with similar characteristics, which provides a reference for assessing market value multiples of comparable listed companies. It is proposed to use companies from similar industries as sampling references, adopting the Comparable Company Method, including Price-to-Earnings Ratio (P/E), Price-to-Book Ratio (P/B), and Enterprise Value Multiple Method, as valuation models to measure the fair value of 3S System Technology Inc.

The Comparable Transactions Method refers to referencing the transaction prices of the same or similar assets to determine the value of the subject matter. Since 3S System Technology Inc. does not trade in the public market, and there are no actively traded public transaction prices available, furthermore, the company has not conducted any cash increases in the six months prior to the valuation date. Therefore, after comprehensive evaluation, the Comparable Transactions Method is not applicable.

### (II) Income approach

In terms of the applicability of the Income Approach, compared to valuation methods such as the Market Approach and Asset Approach, the Income Approach focuses on the future income stream that an investment can generate, rather than past or present income streams. Therefore, this method is considered forward-looking in valuation, aligning with the theoretical inference of value.

3S System Technology Inc.'s main business is to undertake domestic and international OEM / ODM / OBM services, as well as planning and designing projects for public and private enterprises. The company's value is closely related to its ability to obtain customer orders and generate future cash flows. Therefore, the income approach is used for valuation.

(III) Asset approach

The asset approach assumes that the value of the enterprise can be assessed by reorganizing or purchasing individual assets and individual liabilities. When the asset approach is adopted for valuation, all asset and liability accounts shall be regarded as individual subject of evaluation, and appropriate methods shall be selected depending on the characteristics of each subject of evaluation. The Asset Approach focuses on the fair value of individual assets and liabilities, typically applicable when a company's value is derived from the holding of assets rather than their utilization. For example, in cases such as liquidation or purchase price allocation in mergers and acquisitions. This report believes that the Asset Approach does not align with the purpose and background of this valuation case, and is not the best tool for valuing the equity of 3S System Technology Inc. Therefore, it is not adopted.

## Five. 3S System Technology Inc. equity valuation

### I. Market approach

#### (I) Selection of comparable companies

The market approach evaluation model is adopted for the analysis of price reasonableness. It is necessary to select reliable comparable companies. Generally, the information of non-public companies cannot be obtained from the public. The information transparency was poor, and the disclosure standards of the financial reports were relatively low. The limited financial information could not fully reflect the operating conditions of the enterprise. Based on the above factors, this report limited the scope of comparison of peers to TWSE/TPEX-listed companies.

3S System Technology Inc. is engaged in providing network intelligent environmental security solutions, offering a full range of network surveillance products and system solutions for enterprises, public utilities, commercial, and residential users. This report refers to the list of peers provided by the appointor and obtains the recent annual business information of domestic listed companies from the Taiwan Stock Exchange (TWSE) and Taiwan Economic Journal database. Products (services) similar to those of 3S System Technology Inc. are chosen as selection criteria. After evaluation, the report selects Good Will Instrument Co., Ltd. (referred to as GW Instek), HI SHARP Electronics Co. (referred to as HI SHARP), GeoVision Inc. (referred to as GeoVision), Vivotek Inc. (referred to as Vivotek), EverFocus Electronics Corporation (referred to as EverFocus), and Dynacolor, Inc. (referred to as Dynacolor) as comparable peers with similar business types to 3S System Technology Inc. (please refer to Table 2).

**Table 2. Product proportions of comparable peers in 2022**

Stock Code	Company abbreviation	Proportion of main products
2423	Goodwill	Instruments (93%), Imaging Security (5%), Others (2%)
3128	Hi Sharp	Reversing system (37.21%), digital video recorders (28.39%), video cameras (22.18%), monitors (1.66%), materials and others (10.56%)
3356	GeoVision	Network cameras (58%), surveillance system mainframe (8%), image management software (4%), access control systems (5%), license plate recognition systems (2%), digital advertising players (3%), digital video Smartphones (1%), Peripherals and purchased goods (9%), Others (10%)
3454	VIVOTEK	Network cameras (82.06%), network video/audio recorders (7.75%), video/audio servers (0.23%), others (9.96%)

Stock Code	Company abbreviation	Proportion of main products
5484	EverFocus	Image processor (47.06%), CCD electronic camera (35.26%), network audio and video transmission system (0.36%), others (17.32%)
5489	DYNACOLOR	Security monitoring system (93%), machine vision system (1%), others (6%)

Source: Taiwan Economics News database and the annual reports of each company for the year 2022.

(II) Evaluation results

1. Financial information of peers

(1) Condensed balance sheet

Unit: In thousands of NTD

Company	Goodwill (2423)	Hi Sharp (3128)	GeoVision (3356)	VIVOTEK (3454)	EverFocus (5484)	DYNACOLOR (5489)
Current assets	2,474,378	549,762	2,198,648	4,959,511	524,188	1,736,168
Non-current assets	1,321,391	676,408	279,202	1,439,743	386,569	907,371
Total assets	3,795,769	1,226,170	2,477,850	6,399,254	910,757	2,643,539
Current liability	873,862	194,552	351,161	2,581,764	298,937	354,619
Non-current Liabilities	180,248	380,577	83,038	207,424	19,077	54,879
Total liabilities	1,054,110	575,129	434,199	2,789,188	318,014	409,498
Common stock capital	1,450,472	420,000	898,221	865,679	668,010	1,027,264
The parent company and subsidiaries' treasury shares held by the parent company (shares)	0	560.00	0	0	0	2,119,500
Total equity attributable to owners of the parent company	2,741,659	629,645	2,022,102	3,540,981	592,743	2,229,060
Non-controlling interests	0	21,396	21,549	69,085	0	4,981
Total equity	2,741,659	651,041	2,043,651	3,610,066	592,743	2,234,041
Net Asset Value per share (NTD)	18.90	15.19	22.51	40.90	8.87	22.16

## (2) Condensed income statement

Unit: In thousands of NTD

Company	Goodwill (2423)	Hi Sharp (3128)	GeoVision (3356)	VIVOTEK (3454)	EverFocus (5484)	DYNACOLOR (5489)
Operating revenues	3,024,731	974,467	1,264,094	9,162,423	369,555	1,530,853
Operation	1,467,187	692,203	660,348	6,807,057	289,701	981,397
Operating gross profits	1,557,544	282,264	603,746	2,355,366	79,854	549,456
Operating expenditure	1,014,052	227,330	468,254	1,932,644	151,003	524,075
Operating profit (loss)	543,492	54,934	135,492	422,722	( 71,149 )	25,381
Non-operating income and (expenses)	11,661	(424)	194,489	152,337	39,925	40,818
Profit (loss) before tax	555,153	54,510	329,981	575,059	( 31,224 )	66,199
Net income (loss) attributable to owners of the parent company	428,271	37,087	287,177	489,271	( 48,977 )	62,354
Earnings (losses) per share (NTD)	2.95	0.9	3.20	5.65	(0.73)	0.62

## 2. Information on market multiples of comparable companies

This report obtains comparable industry data on Price-to-Book (P/B) ratios, Price-to-Earnings (P/E) ratios, stock prices, and financial information from the Taiwan Stock Exchange, the Taipei Exchange, and the Market Observation Post System. Various market multipliers are then calculated and summarized. Considering the differences in financial structure between 3S System Technology Inc. and comparable peers, and due to limited access to information that prevents adjustments to eliminate these differences' impact on trading results, this report employs quartile selection. To mitigate the influence of extreme values on valuation results, values from the 25th to the 75th percentiles of comparable peers are utilized in the analysis. Please refer to Table 3 for information on comparable peer multiplier analysis.

**Table 3. Market-based multiplier ratios for comparable counterparts**

Comparable peers	P/E	P/B	EV/TA	EV/EBT	EV/EBIT	EV/EBITDA	EV/S
Goodwill	13.85	2.16	1.48	10.13	10.03	8.70	1.86
Hi Sharp	34.06	2.02	1.30	29.22	25.47	20.52	1.63
GeoVision	16.31	2.32	1.62	12.18	12.00	10.71	3.18
VIVOTEK	25.31	3.50	1.68	18.68	18.16	13.93	1.17
EverFocus	-	2.81	1.88	-	-	-	4.63
DYNACOLOR	57.26	1.60	1.05	42.10	40.82	24.85	1.82
Multiplier interval	16.31~34.06	2.06~2.69	1.35~1.67	12.18~29.22	12.00~25.47	10.71~20.52	1.68~2.85

Source: Taiwan Stock Exchange Corporation, Taipei Exchange, and calculations for this report.

### 3. Theoretical price evaluation

This report uses the market multipliers of comparable peers as of the valuation reference date, and the per-share net asset value, per-share earnings, total assets, pre-tax net income, pre-tax earnings before interest and taxes (EBIT), pre-tax earnings before interest, taxes, depreciation, and amortization (EBITDA), and operating income of 3S System Technology Inc. as of December 31, 2023, as the estimation basis. The theoretical per-share price of common stock is calculated under various multiplier methods (please refer to Appendix 4).

**Table 4. The price of 3S System Technology Inc. restored using the multiplier ratio of the comparable industry.**

	P/E	P/B
Multiplier range of comparable companies (times)	16.31~34.06	2.06~2.69
3S System Technology Inc. Earnings per share/net worth per share (NTD)	0.57	18.91
Reconstructed 3S System Technology Inc. stock price (in NT dollars)	9.30~19.41	38.86~50.86

	EV/TA	EV/EBT	EV/EBIT	EV/EBITDA	EV/S
Multiplier range of comparable companies (times)	1.35~1.67	12.18~29.22	12.00~25.47	10.71~20.52	1.68~2.85
3S System Technology Inc. Total Assets / Pre-tax Net Income / Pre-tax Earnings Before Interest and Taxes (EBIT) / Pre-tax Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) / Operating Income (NT\$ thousand)	1,687,483	43,190	45,187	72,302	674,389
EV (NT\$ thousand)	2,269,665~ 2,809,659	526,054~ 1,262,012	542,244~ 1,150,913	774,354~ 1,483,637	1,131,288~ 1,922,009
Cash and cash equivalents (NT\$ thousand)	59,964				
Interest liabilities (NT\$ thousand)	525,339				
Value of equity (NT\$ thousand)	1,804,290~ 2,344,284	60,679~ 796,637	76,869~ 685,538	308,979~ 1,018,262	665,913~ 1,456,534
Number of shares, ending (thousand shares)	58,073.6				
Reconstructed 3S System Technology Inc. stock price (in NT dollars)	31.07~40.37	1.04~13.72	1.32~11.80	5.32~17.53	11.47~25.08



## II. Income approach

### (I) Definition of important parameters and precautions

This report adopts the income approach to assess the fair value of 3S System Technology Inc.'s equity. The definitions and calculations of the important parameters such as financial outlook data, discount rate, future long-term stable growth rate, and projected cash flows in the income approach model are explained as follows:

#### 1. Calculation of free cash flow

Free cash flow refers to the cash flow generated from operating activities, subtracting the capital expenditures required to maintain current operations. A common academic method of measurement is to use the post-tax accounting earnings before depreciation or amortization, then subtract changes in net working capital and new capital expenditures. In the process of calculating free cash flow, as it requires the use of forecasted values for the target assets' future earnings, expenses, capital expenditures, working capital requirements, discount rates, and other predictive figures, the following considerations should be taken into account:

- (1) Make reference to the historical financial information and make necessary routine adjustments;
- (2) Whether the industry's prosperity, market conditions, and past operations of the subject matter of evaluation have been considered;
- (3) Whether the capital expenditure and financial structure meet the future operation needs;
- (4) Whether the estimated future income periods and growth rate are consistent with the characteristics of the subject matter of evaluation.

#### 2. Discount rate

International Accounting Standard 36, paragraph 55, specifies that the discount rate used in calculating asset impairments should reflect the current market's assessment of the time value of money and the specific risks associated with adjusting future cash flow estimates for the asset. This discount rate is the pre-tax rate that investors require to make an investment, reflecting the cash flow amount, timing, and risk characteristics of the investment equivalent to what the business expects the asset to generate. The discount rate is estimated based on the rate of return implied by similar assets in the market transactions at the time, or the weighted average cost of capital if other

TWSE/TPEx-listed companies only hold assets with similar service potentials and risks as the assessed assets. However, if the specific risk of the asset has been adjusted in the estimation of future cash flow, the risk should not be reflected in the discount rate used to measure the value in use of the asset; otherwise, the effect of some assumptions will be double counted.

In accordance with IAS 36, this report uses the Weighted Average Cost of Capital (WACC), which is based on the ratio of various capital elements in the Company's capital structure and the implied capital sources. The formula for the Company's overall capital cost weighted by the capital cost is as follows:

$WACC = (D)/(D+E) \times (1-t) \times K_d + (E)/(D+E) \times K_e$ , where:

D = Market value of interest-bearing liabilities, which is equal to the market price of the bonds times the number of bonds outstanding. If there are no outstanding bonds, and the company is not in danger of bankruptcy, the book value of the liabilities can be used in lieu of.

E = Market value of shareholders' equity, which is equal to the share price multiplied by the number of outstanding shares

$K_d$  = pre-tax debt cost ratio;

$K_e$  = cost of equity capital;  $t$  = tax rate.

(II) The assumptions of important parameters are as follows:

1. Discount rate:

(1) Cost of equity capital

This report adopts the Modified Capital Asset Pricing Model (MCAPM) to further consider the scale risk of the target company, plus the scale premium to calculate the equity cost of capital. The model formula is as follows:

Cost of equity capital ( $K_e$ ) = risk-free interest rate ( $R_f$ ) +  $\beta$  \* market risk premium ( $R_m - R_f$ ) + return to scale (Size)

A. Risk-free interest rate ( $R_f$ )

The risk-free interest rate represents the minimum rate of return that any risk-free investment should obtain. If the return rate of any investment is lower than this rate, the funds can be transferred to risk-free assets. When assessing the value of an enterprise, the interest rate of long-term government bonds is generally used to represent the risk-free interest rate. This report uses the "2023 Central Government Development Bond 9" 20-year government bonds issued in September 2023 as the valuation base date. , as the risk-free interest rate.

According to the Investing.com database, the yield rate of the “2023 A-9 Central Government Development Bond” is 1.39%.

#### B. Beta value ( $\beta$ )

Beta value is the degree of specific asset risk relative to all risky asset portfolios, which is used to measure systemic risk. The source of Beta information in this report is obtained by searching for peers similar to 3S System Technology Inc. through the TEJ database. The Beta values for these peers over a 5-year period are then derived using the Hamada formula. The formula is as follows:

$$\beta_L = \beta_U [1 + (1 - T)(D/E)], \text{ where:}$$

$\beta_L$  = Leveraged BETA value; this report uses the 5-year BETA value of peers in the TEJ database;

$\beta_U$  = unlevered  $\beta$  value; T = tax rate;

D = Market value of interest-bearing liabilities;

E = Market capitalization at equity, which is equal to the share price multiplied by the number of outstanding shares.

3S System Technology Inc. is committed to providing network intelligent environmental security control solutions, providing a full range of network monitoring products and system solutions for enterprises, public utilities, business and home users. The main products are intelligent image management software, network and analog cameras, recording mainframes and servers, intelligent in-vehicle systems, access control management systems and system solutions. This report searched the transaction markets through the Market Observation Post System and the Taiwan Economic Journal Database to find companies with similar main product lines and operational characteristics to 3S System Technology Inc. After evaluation, six comparable peers with similar business operations were selected: Good Will, Hi Sharp, GeoVision, VIVOTEK, EverFocus, and Dynacolor. The average  $\beta$  of borrowings among peers was 0.7220, the debt to equity ratio was 8.79%, and the  $\beta$  of unlevered debt was 0.6705 (see Table 5).

**Table 5. Calculation of BETA for peer borrowings**

	Debt BETA	Interest-bearing liabilities	Equity market value	Market value of liabilities/equity	Income tax rate	Unsecured BETA
2423 Good Will	0.5390	217,802	5,925,178	3.68%	20%	0.5236
3128 Hi Sharp	0.9615	377,736	1,287,300	29.34%	20%	0.7787
3356 GeoVision	1.1844	209,759	4,688,714	4.47%	20%	1.1435
3454 VIVOTEK	0.8630	513,693	12,379,210	4.15%	20%	0.8353
5484 EverFocus	0.5656	156,967	1,666,685	9.42%	20%	0.5260
5489 Dynacolor	0.2186	61,670	3,646,077	1.69%	20%	0.2157
Average	0.7220	256,271	4,932,194	8.79%	20%	0.6705

**C. Market risk premium ( $R_m - R_f$ )**

Market risk premium refers to the return that investors expect to receive higher than the risk-free interest rate to compensate for the risk brought by market risk.

Considering the feasibility of data acquisition, this report uses the historical equity risk premium of the domestic weighted index as the basis for estimating the market risk premium. There is no conclusive conclusion from practical and academic research on how long to take measures. However, a prolonged period of time can reduce the impact of factors affecting return on equity. This report uses the simple arithmetic average rate of return of the weighted index for 30 years from 1994 to 2023. The average rate of return is regarded as the market rate of return ( $R_m$ ), and the market risk premium is derived by subtracting the risk-free interest rate.

**D. Premium to scale**

Generally speaking, SMEs are limited by various factors such as products, technologies, marketing channels, financial structures and management systems. Compared with large enterprises, the risk of poor management is higher. When investors invest in SMEs, they need to be more cautious. The high return rate compensates the risk premium of the Company's smaller scale. According to the research of Banz (1981) and the data of Ibbotson Associates SBBI, the size of the US companies and the stock price return change in the opposite direction, that is, the investors expect the return from investing in the

equity securities of small-scale companies is greater than that of large-scale companies. The CRSP research report divides companies into decile groups based on market capitalization. The statistics show that the smaller the market capitalization, the higher the scale premium. On the valuation reference date, the equity value of 3S System Technology Inc. was 1,098,578 NT dollars. Referring to the CRSP 2022 research report, its equity value falls within the market value range of the 10th smallest scale group. This report refers to the CRSP research report and assigns a corresponding size premium of 4.83%.

#### E. Cost of equity capital

The cost of equity capital was calculated by adding up the aforementioned risk factors. Please refer to Table 6.

**Table 6. Calculations for the rate of cost of equity capital**

Equity capital cost factor	Numerical value (simple average)	Value (geometric mean)	Description
Risk-free interest rate (Rf)	1.39%	1.39%	The 20-year Taiwan government construction bond yield was used, data source: Taiwan Stock Exchange & Taipei Exchange.
Market rate of return (Rm)	6.92%	3.68%	Taiwan Weighted Index Return from 1994 to 2023
Market risk premium (Rm - Rf)	5.53%	2.29%	Market rate of return (Rm) - risk-free interest rate (Rf)
Beta coefficient of new borrowings	0.7176	0.7176	
Return to scale (Size)	4.83%	4.83%	Risk premium of small-scale companies, data source: CRSP report
<b>Cost of equity capital</b>	<b>10.19%</b>	<b>7.59%</b>	

#### (2) Cost of borrowing funds

This report refers to the pre-tax debt cost ratio with reference to the Bank of Taiwan's benchmark interest rate of 3.119%, and the statutory profit-seeking enterprise income tax rate of 20% to calculate the after-tax debt capital cost ratio. The industry average was used for the debt ratio and equity ratio. Please refer to Table 7 for the calculation of debt ratio and equity ratio.

**Table 7. Calculation of debt ratio and equity ratio**

	Debt ratio	Equity ratio
2423 Good Will	3.55%	96.45%
3128 Hi Sharp	22.69%	77.31%
3356 GeoVision	4.28%	95.72%
3454 VIVOTEK	3.98%	96.02%
5484 EverFocus	8.61%	91.39%
5489 Dynacolor	1.66%	98.34%
Average	4.94%	95.06%

## (3) Weighted average cost of capital

The capital structure is based on the average capital structure of the comparable companies, where the average debt ratio is 4.94% and the average equity ratio is 95.06%. Calculate the weighted average cost of capital based on the aforementioned parameter definitions and assumptions. Please refer to Table 8 for the calculation table.

**Table 8. Calculation of weighted average cost of capital**

Item	Description	Value (Simple Average)	Value (geometric mean)
Kd	Pre-tax liability cost ratio	3.12%	3.12%
Ke	Cost of equity capital	10.19%	7.86%
t	Tax rate	20%	20%
Debt ratio	Market value of liabilities/(market value of liabilities + market value of equity)	4.94%	4.94%
Equity ratio	Equity market value/(liabilities + equity market value)	95.06%	95.06%
WACC	Debt ratio $\times$ (1-t) $\times$ Kd + Equity ratio $\times$ Ke	9.81%	7.59%

## 2. Free cash flow

The calculation of free cash flow is based on the financial forecast data provided by 3S System Technology Inc. with reference to the development of the industrial market and the historical financial position of the Company, for review and reasonable adjustment.

## (1) Estimated free cash flow

## ①Forward-Looking Financial Information of 3S System Technology Inc.

Unit: In thousands of NTD

	2024	2025	2026	2027	2028	Leveling
Operating revenues	1,244,658	1,404,941	1,600,511	1,700,336	1,800,615	1,800,615
Operation	934,076	1,005,106	1,138,444	1,199,927	1,286,900	1,268,324
Operating gross profits	310,582	399,835	462,068	500,409	513,716	532,292
Operating expenditure	229,309	250,000	280,000	288,400	300,000	300,000
Operating profits	81,274	149,835	182,068	212,009	213,716	232,292
Net profit before tax	81,274	149,835	182,068	212,009	213,716	232,292
Income tax	16,255	29,967	36,414	42,402	42,743	46,458
Net profit after tax	65,019	119,868	145,654	169,607	170,972	185,833

## ②Assumptions for the forward-looking financial information

In the process of analyzing the prospective financial information, in addition to telephone interviews with the management, the Company also obtains operational or financial information related to the target company from the management through e-mail and other means. The assumptions of the forward-looking financial information are as follows:

## A. Operating revenues

3S System Technology Inc. provides security monitoring product sales, system integration and system solutions, undertakes domestic and foreign OEM/ODM/OBM business, and project planning and design for private and private enterprises. The revenue forecast for the next 5 years is mainly based on the winning projects, orders received, historical operating performance, and industry growth on the evaluation base date to estimate operating revenue. The growth rate during the perpetual period is based on the International Monetary Fund World Economic Outlook forecast that Taiwan's GDP growth rate is 2.60% from 2024 to 2028, and the revenue growth is estimated at 2.50%.

## B. Operating cost and gross profit

For the fiscal years 2024 to 2028, the estimated operating cost rate for 3S System Technology Inc. is approximately 70.57% to 75.05%, and the operating gross profit margin is approximately

24.95% to 29.43% (please refer to Table 9). According to management, the estimated costs are based on the projects already awarded and the contract orders obtained as of the valuation reference date. Factors such as changes in raw material prices and market competition have been considered in the cost estimation. For the fiscal years 2021, 2022, and 2023, the operating cost rates for 3S System Technology Inc. were 70.22%, 63.01%, and 69.81%, respectively (please refer to Table 10). The slightly higher operating cost rate during the forecast period compared to the years 2021, 2022, and 2023 is primarily due to the increase in raw materials, energy, transportation, and labor costs, as well as lower project prices resulting from market competition. This report assesses that the operating cost and operating gross profit estimates provided by the management are based on the contracts and orders received, with cost factors taken into account, and fall within the historical range of the comparable industry. The review and assessment are reasonable and promising.



**Table 9. Estimated operating cost and gross profit of 3S System Technology Inc.**

Unit: In thousands of NTD

Product item	2024	2025	2026	2027	2028
National Defense					
Operating revenues	509,923	126,401	9,953		
Operation	461,666	95,249	6,931	-	-
Operating gross profits	48,258	31,152	3,022	-	-
Gross operating margin	9.46%	24.65%	30.36%	-	-
Track					
Operating revenues	134,735	641,735	641,735	641,735	641,735
Operation	77,810	398,622	398,622	398,622	398,622
Operating gross profits	56,925	243,113	243,113	243,113	243,113
Gross operating margin	42.25%	37.88%	37.88%	37.88%	37.88%
Semiconductors					
Operating revenues	220,000	107,861	360,170	379,456	429,106
Operation	121,000	86,592	277,056	287,228	328,908
Operating gross profits	99,000	21,269	83,115	92,228	100,198
Gross operating margin	45.00%	19.72%	23.08%	24.31%	23.35%
Foundry					
Operating revenues	380,000	528,944	588,653	679,145	729,775
Operation	273,600	424,643	455,834	514,077	559,369
Operating gross profits	106,400	104,301	132,819	165,068	170,405
Gross operating margin	28.00%	19.72%	22.56%	24.31%	23.35%
Total operating revenue	1,244,658	1,404,941	1,600,511	1,700,336	1,800,615
Total operating cost	934,076	1,005,106	1,138,444	1,199,927	1,286,900
Total gross profit	310,582	399,835	462,068	500,409	513,716
Gross operating margin	24.95%	28.46%	28.87%	29.43%	28.53%

**Table 10. Operating cost margin in the last 2 years between 3S System Technology Inc. and comparable peers**

	Year 2023	2022	2021
3S System Technology Inc.	69.81%	63.01%	70.22%
2423 Good Will	48.51%	49.90%	49.09%
3128 Hi Sharp	71.03%	69.84%	73.44%
3356 GeoVision	52.24%	53.37%	53.10%
3454 VIVOTEK	74.29%	73.99%	70.44%
5484 EverFocus	78.39%	71.49%	78.47%
5489 DYNACOLOR	64.11%	64.45%	65.27%

**C. Operating expenses and operating income**

The operating expenses mainly consist of sales expenses, administrative expenses, and research and development expenses.

Management estimates that with stable growth in operating income, the sales expense rate for the fiscal years 2024 to 2028 will be approximately 6.80% to 7.52% (sales expenses / operating income), the administrative expense rate will be approximately 3.38% to 3.74% (administrative expenses / operating income), and the research and development expense rate will be approximately 6.47% to 7.16% (research and development expenses / operating income). The total operating expense rate (operating expenses / operating income) is estimated to be approximately 16.66% to 18.42% (please refer to Table 11). The company's estimation basis is mainly based on the 2024 operating expense budget. It is expected that with the increase in operating income, corresponding expenses such as marketing, management, and research and development may increase. However, with the economies of scale brought by revenue growth, the proportion of operating expenses to operating income is expected to be lower than the growth in operating income.

This report examines the operating expense rates for 3S System Technology Inc. for the fiscal years 2021, 2022, and 2023, which were 67.73%, 32.92%, and 25.14%, respectively (please refer to Table 12). The higher operating expense rate in 2021 was mainly due to the impact of the US-China trade war and the COVID-19 pandemic, resulting in delays in contract execution for orders received and postponements of some planned project bids. This led to a significant decrease in operating income and consequently increased the operating expense rate. For the fiscal years 2022 and 2023, as operating income increased, the operating expense to revenue ratio decreased to 32.93% and 25.14%, respectively. Looking to the years ahead, the Company expects that the expenditure on marketing, management and research and development will increase in line with the increase in the price index and basic salary. However, with the increase in contracts received and the economy of scale benefits from will be less than the growth of operating revenue. This report assesses that the operating expense rate during the financial forecast period falls within the same industry level and the estimation basis is

reasonable. Therefore, the operating expense rate provided by the Company is adopted.

**Table 11. Estimated Operating Expenses of 3S System Technology Inc.**

Unit: In thousands of NTD

	2024	%	2025	%	2026	%	2027	%	2028	%
Sales promotion expenses	93,642	7.52%	102,092	7.27%	114,343	7.14%	117,773	6.93%	122,510	6.80%
Administrative expenses	46,552	3.74%	50,753	3.61%	56,843	3.55%	58,548	3.44%	60,903	3.38%
R&D expenses	89,114	7.16%	97,155	6.92%	108,814	6.80%	112,078	6.59%	116,586	6.47%
<b>Total operating expenses</b>	<b>229,309</b>	<b>18.42%</b>	<b>250,000</b>	<b>17.79%</b>	<b>280,000</b>	<b>17.49%</b>	<b>288,400</b>	<b>16.96%</b>	<b>300,000</b>	<b>16.66%</b>
<b>Total operating income</b>	<b>81,274</b>	<b>6.53%</b>	<b>149,835</b>	<b>10.66%</b>	<b>182,068</b>	<b>11.38%</b>	<b>212,009</b>	<b>12.47%</b>	<b>213,716</b>	<b>11.87%</b>

Source: Audited financial statements for the fiscal years 2023, 2022, and 2021.

**Table 12. Operating expense ratio in the last 2 years between 3S System Technology Inc. and its peers**

	Year 2023	2022	2021
3S System Technology Inc.	25.14%	32.92%	67.73%
2423 Good Will	33.53%	34.54%	36.17%
3128 Hi Sharp	23.33%	22.09%	24.42%
3356 GeoVision	37.04%	34.68%	35.12%
3454 VIVOTEK	21.09%	18.15%	29.04%
5484 EverFocus	40.86%	15.26%	28.62%
5489 DYNACOLOR	34.23%	26.01%	23.69%

#### D. Capital expenditure

According to management, the capital expenditures for 3S System Technology Inc. for the fiscal years 2024 to 2028 mainly include the purchase of machinery and equipment, instrument equipment, mold equipment, and other items. It is estimated that the annual maintenance capital expenditures will be approximately between NT\$7,210,000 and NT\$27,000,000 (please refer to Table 13).

**Table 13. Estimated capital expenditure of 3S System Technology Inc.**

Unit: In thousands of NTD

	2024	2025	2026	2027	2028
Capital expenditure	7,210	20,000	27,000	20,000	20,000

#### E. Depreciation and amortization expenses

Depreciation and amortization expenses are mainly depreciation and amortization expenses of real property, equipment and plants, and intangible assets such as buildings, machinery and equipment, patents,

professional technology, and computer software. The depreciation and amortization expenses during the financial forecast period are based on the estimated depreciation amount generated by the annual investment in property, equipment, plant and intangible assets under the new capital expenditure in each year (please refer to Table 14 for the estimated amortization expense).

**Table 14. Estimated amortization expenses of 3S System Technology Inc.**

Unit: In thousands of NTD

	2024	2025	2026	2027	2028
Amortized expense	27,562	28,051	31,705	35,359	38,576

**F. Changes in working capital**

In the calculation of free cash flow, earnings from operations must be adjusted for incremental working capital changes. If the working capital requirement increases, the free cash flow amount will be reduced; otherwise, if the working capital requirement decreases, free cash flow will be increased. Net working capital is measured as the ending balance of accounts receivable plus inventory balance minus accounts payable. We estimate the amounts of accounts receivable, inventories, and accounts payable for the financial forecast period from 2024 to 2028, and use them to calculate working capital requirements (see Table 15).

**Table 15. Estimated working capital of 3S System Technology Inc.**

Unit: In thousands of NTD

	Year 2023	2024	2025	2026	2027	2028	Leveling
Accounts receivable	812,884	762,490	1,249,739	1,281,089	1,318,587	1,356,233	1,356,233
Inventory	287,842	288,004	341,394	381,395	399,840	425,932	419,784
Accounts payable	21,243	233,519	251,277	284,611	299,982	321,725	317,081
Working capital	1,079,484	816,975	1,339,857	1,377,873	1,418,446	1,460,440	1,458,936
Incremental working capital		(262,509)	522,882	38,017	40,573	41,994	(1,504)

**G. Income tax rate**

As the main business area of 3S System Technology Inc. is Taiwan, the statutory profit-seeking enterprise income tax rate in Taiwan is 20% as the applicable tax rate during the financial forecast period.

## H. Sustainable growth rate

The growth rate of Taiwan's GDP during the perpetuity period is based on the IMF World Economic Outlook forecast that the GDP growth rate of Taiwan from 2024 to 2028 is 2.60%. This report estimates the growth rate at 2.50%.

## (III) Evaluation results

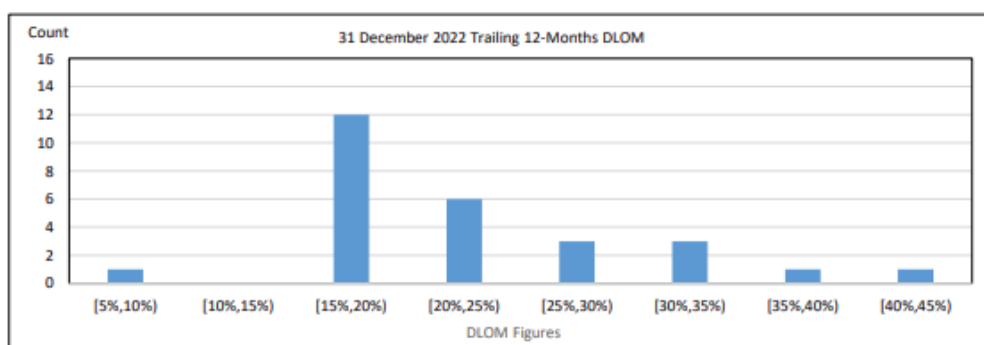
In this case, the income approach was adopted to calculate the equity value of 3S System Technology Inc. The calculated equity value was in the range of NTD 1,535,310 thousand to NTD 2,512,389 thousand, and the value per share was between NTD 26.44 and NTD 43.26. Please refer to Attachment I for the calculation process.

## III. Adjustment of liquidity discount factor

Market liquidity refers to the extent to which the equity of an enterprise can be quickly and surely converted into cash at the free choice of the owners. Generally speaking, private companies (non-public companies) lack a trading market when selling equity, and may take longer to sell equity, and face the risk of failed sale and higher transaction costs. According to the “Empirical Research Regarding Discounts for Lack of Marketability” report published by Marc Vianello in July 2019, the time spent selling shares by private companies (non-public companies) is about twice as long as that of public companies. Under the same circumstances, the longer it takes to sell the equity, the higher the liquidity discount ratio. The following two methods are commonly used in academic research and in practice to observe the impact of stock liquidity on stock price:

### (I) Restricted Stock Method

Restricted stocks are generally securities that must be held for a certain period of time due to legal or contractual restrictions before they can be sold. Due to their poor liquidity, the Company will give investors a lower price as compensation. When judging the non-marketable discount, all relevant factors shall be considered based on individual scenarios. For example, according to the “Control Premium & Discount for Lack of Marketability Study” published by Moore Hong Kong in 2023, based on 360 market transactions in 2022, a total of 27 market transactions were evaluated with the liquidity discount considered, and there was no market liquidity discount interval. between 9.6% and 42.9%, with an average of 21.5% and a median of 20.6%, as shown in Figure 3:

**Figure 3. Non-marketable discount**

## (II) Initial Public Offering Act

The IPO method compares the trading price of a company before the IPO (initial listing) and the price difference after the IPO (initial listing) to explore the impact of the liquidity discount. One of the difficulties faced by the initial public offering method in empirical research is how to properly define the pre-IPO measurement period. If the measurement period is too close to the IPO (initial listing) date, the stock price may be affected by the listing information; The date of IPO (initial listing) is too far away, and the reason for affecting the discount rate may not be limited to market liquidity, but includes other factors of the company. Due to the different settings of the measurement period variables, the academic research on the IPO (initial listing) discount interval is quite different. For example, Willamette Management Associates reported that the average liquidity discount is about 39%; Baird & Company reported that the average liquidity discount about 46%. Although it is not easy to define the measurement period for the initial public offering method in the empirical research, resulting in a high degree of deviation of the liquidity discount, the results of most studies show that the stock price before IPO (initial listing) is at a discount to the stock price after IPO (initial listing). This study still has reference value for the price effect of lack of market liquidity.

As 3S System Technology Inc. is a private company with limited liquidity, the risk of illiquidity should be considered when assessing the fair value of the stock, and a “liquidity discount” should be given. This report applies a discount of 20% for illiquidity.

## IV. Final reasonable price range and evaluation conclusion

After adjusting for the liquidity discount, the reference price for the equity of 3S System Technology Inc. is as shown in Table 16. As the pre-tax net income for 3S System Technology Inc. was (64,975)NT\$ thousand in fiscal year 2021, NT\$ 17,552 thousand in fiscal year 2022, and NT\$ 43,190 thousand in fiscal year 2023, the profitability has shown

significant volatility. There is a lack of stable and observable earnings information, and the profitability in the past three years has been affected by the pandemic, resulting in lower profit levels. This has led to lower values when using profit-based valuation models. Therefore, this report, considering industry trends, the company's historical and future financial outlook, proposes to use three valuation models: Price-to-Book Ratio (P/B), Enterprise Value to Total Assets (EV/TA), and the income approach.

**Table 16. Reference price after considering liquidity discount**

	Lower limit of evaluation result							
	Market approach							Income approach
	P/E	P/B	EV/TA	EV/EBT	EV/EBIT	EV/EBITDA	EV/S	
Amount per share	9.30	38.86	31.07	1.04	1.32	5.32	11.47	26.44
20% liquidity discount	(1.86)	(7.77)	(6.21)	(0.21)	(0.26)	(1.06)	(2.29)	(5.29)
Equity value after discount	7.44	31.09	24.86	0.84	1.06	4.26	9.17	21.15

	Upper limit of evaluation result							
	Market approach							Income approach
	P/E	P/B	EV/TA	EV/EBT	EV/EBIT	EV/EBITDA	EV/S	
Amount per share	19.41	50.86	40.37	13.72	11.80	17.53	25.08	43.26
20% liquidity discount	(3.88)	(10.17)	(8.07)	(2.74)	(2.36)	(3.51)	(5.02)	(8.65)
Equity value after discount	15.53	40.69	32.29	10.97	9.44	14.03	20.07	34.61
Whether to adopt	Not adopted	Adopted	Adopted	Not adopted	Not adopted	Not adopted	Not adopted	Adopted

This report uses the Price-to-Book Ratio (P/B), Enterprise Value to Total Assets (EV/TA), and the income approach to calculate the equity value of 3S System Technology Inc. The weights assigned to each model are based on the background and purpose of this case. It is proposed to assign weights of 35% to the Price-to-Book Ratio (P/B) method, 35% to the Enterprise Value to Total Assets (EV/TA) method, and 30% to the income approach. The calculated equity reference price range is NT\$ 25.93 to NT\$ 35.93.

Evaluation Method		Adjusted price before liquidity discount		Liquidity discount	Adjusted price after liquidity discount		Weight
		Lower limit	Upper limit		Lower limit	Upper limit	
Market approach	P/B	38.86	50.86	20%	31.09	40.69	35%
	EV/TA	31.07	40.37	20%	24.86	32.29	35%
Income approach		26.44	43.26	20%	21.15	34.61	30%
Reference price range					25.93	35.93	

Note: The weighted average price range is calculated as follows: the lower price is NT\$  $31.09 \times 35\% + NT\$ 24.86 \times 35\% + NT\$ 21.15 \times 30\% = NT\$ 25.93$ ; the upper price is NT\$  $40.69 \times 35\% + NT\$ 32.29 \times 35\% + NT\$ 34.61 \times 30\% = NT\$ 35.93$ .



## **Procedures for Election of Directors**

1. Purpose: For the compliance with the election of directors
2. Scope: Independent directors and non-independent directors.
3. Definition: None.
4. Flowchart: None.
5. Operation contents:
  - 5.1. The Procedures are established in accordance with the Company Act, the Securities and Exchange Act, the Company's Articles of Incorporation and the regulations of the competent authorities.
  - 5.2. If the Company has independent directors, the election of independent directors and the election of non-independent directors shall be governed by these Regulations, unless otherwise specified by laws or the Articles of Incorporation.
    - 5.2.1. The election of directors of the Company shall be made by taking into consideration the overall configuration of the Board of Directors. The composition of the Board of Directors shall be made by taking into consideration diversity, formulating appropriate diversity guidelines with respect to the Company's operation, business type and development needs, including but not limited to the following two major criteria:
      - 5.2.1.1. Basic requirements and values: Gender, age, nationality, and culture, etc.
      - 5.2.1.2. Professional knowledge and skills: Professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.
    - 5.2.2. The members of the Board of Directors should generally have the necessary knowledge, skill, and experience to perform their duties; the board as a whole should have the following competencies:
      - 5.2.2.1. The ability to make judgments about operations
      - 5.2.2.2. Accounting and financial analysis ability.
      - 5.2.2.3. Business management ability.
      - 5.2.2.4. Crisis management ability.
      - 5.2.2.5. Industry knowledge
      - 5.2.2.6. An international market perspective.
      - 5.2.2.7. Leadership
      - 5.2.2.8. Decision-making ability.
  - 5.3. If the vacancy of directors reaches one-third of the number of seats, the Board of Directors shall convene a special shareholders' meeting within 30 days to hold a by-election, and the term of office of the succeeding director shall be limited to the original term of office. However, after the public offering of the Company's shares, the special shareholders' meeting for electing succeeding directors shall be convened by the Board of Directors within 60 days.  
When the number of independent directors is lower than the requirement of the first proviso of Article 14-2 of the Securities and Exchange Act, an independent director by-election shall be held at the next shareholders meeting. When all independent directors have been dismissed, the Company shall convene a special shareholders meeting to hold a by-election within 60 days from the date on which the fact occurred.
  - 5.4. When a government or corporation is a shareholder of the Company, its representative shall not be elected or serve as a director of the Company at the same time, except with the approval of the competent authority, and the provisions of Article 27, Paragraph 2 of the Company Act shall not apply.  
Except as approved by the competent authority, no more than half of the directors of the Company shall have one of the following relationships:
    - 5.4.1. Spouses
    - 5.4.2. Relatives within 2nd degree of kinship

Unless approved by the competent authority, the Board of Directors of the Company shall

consider adjusting the composition of the board of directors based on the results of performance evaluation, and there shall be at least one board member among the directors, who shall not have any of the relationships in the preceding paragraphs.

5.5. If an elected director of the Company does not comply with the provisions of the second or third Paragraph of the preceding Article, the election of directors shall be determined in accordance with the following provisions:

5.5.1. If a director does not comply with the provisions of the preceding Article, the election of the director who has received a lower number of voting rights among the directors who do not comply with the provisions of the preceding Article shall be ineffective.

5.6. The independent directors of the Company shall possess one of the following professional qualifications:

5.6.1. An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, or university for more than 5 years.

5.6.2. A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for company business for more than 5 years

5.6.3. Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business for more than 5 years. A person who is under any of the following circumstances shall not act as an independent director. If he or she has been appointed as such, he or she shall certainly be discharged:

5.6.3.1. Any of the circumstances in the Subparagraphs of Article 30 of the Company Act.

5.6.3.2. Elected in the capacity of a government agency, a corporation, or a representative thereof, as provided in Article 27 of the Company Act.

5.6.3.3. Violation of the qualifications of independent directors as stipulated in the Procedures.

5.7. The independent directors of the Company shall be eligible for re-election and shall not be under any of the following conditions during the two years preceding their election and during their term of office:

5.7.1. An employee of the Company or any of its affiliates.

5.7.2. A director or supervisor of the Company or any of its affiliates. Except for those who are independent directors of the Company or its parent company, or of a company in which the Company directly or indirectly holds more than 50% of the voting shares.

5.7.3. A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company, or ranking among the top 10 natural-person shareholders in holdings.

5.7.4. The spouse, a relative within the second degree of kinship, or a relative within the fifth degree of kinship of a person listed in the preceding three Paragraphs.

5.7.5. A director, supervisor, or employee of a corporate shareholder directly holding 5% or more of the total number of issued shares of the Company, or among the top 5 in shareholdings.

5.7.6. A director, supervisor, executive officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.

5.7.7. A professional individual or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or related services and advice to the Company or any affiliate of the Company, or a spouse thereof.

The term "specified company or institution" referred to in the preceding Paragraph 5.7.6 means an entity having any of the following relationships with the Company:

5.7.7.1. It holds 20 percent or more and no more than 50 percent of the total number of issued

shares of the public company.

- 5.7.7.2. It holds shares, together with those held by any of its directors, supervisors, and shareholders holding more than 10 percent of the total number of shares, in an aggregate total of 30 percent or more of the total number of issued shares of the public company, and there is a record of financial or business transactions between it and the public company. The shareholdings of any of the aforesaid persons include the shares held by the spouse or any minor child of the person or by the person under others' names.
- 5.7.7.3. It and its affiliated companies are the source of 30 percent or more of the operating revenue of the public company.
- 5.7.7.4. Another company and its affiliated companies are the source of 50 percent or more of the total volume or total purchase amount of principal raw materials (those that account for 30 percent or more of total procurement costs, and are indispensable and key raw materials in product manufacturing) or principal products (those accounting for 30 percent or more of total operating revenue) of the public company.

The parent company and affiliated companies referred to in the Procedures shall be recognized in accordance with the provisions of SFAS No. 5 and SFAS No. 7 issued by ARDF.

- 5.8. No more than three independent directors of the Company shall concurrently serve as independent directors of other companies.
- 5.9. The election of independent directors of the Company shall be conducted in accordance with the nomination system set forth in the Company's Articles of Incorporation. The company shall, prior to the share transfer suspension date dedicated before the meeting date of a shareholders' meeting, announce in a public notice, the period for accepting the nomination of independent director candidates, the quota of directors to be elected, the place designated for accepting the roster of director candidates nominated, and other necessary matters. The length of the period for accepting the nomination of independent director candidates shall not be shorter than ten (10) days.  
The Company may propose a list of candidates for election as independent directors in the following manner, and after the Board of Directors assesses that the candidates meet the requirements for independent directors, the Company shall submit the list to the shareholders' meeting for election.
  - 5.9.1. Any shareholder holding 1 percent or more of the total outstanding shares of the Company may submit to the Company in writing a list of independent director candidates, provided that the total number of candidates so nominated does not exceed the seats slated for an independent director.
  - 5.9.2. The number of candidates for independent directors submitted by the Board of Directors shall not exceed the seats slated.
  - 5.9.3. Other methods of nomination as allowed by the competent authority.  
The Board of Directors or other authorized conveners of shareholders' meetings shall examine and/or screen the data and information of each director candidate nominated; and shall, unless under any of the following circumstances, include all qualified director candidates in the final roster of director candidates accordingly:
    - 5.9.3.1. The list of nominated independent director candidates is submitted by the nominating shareholder outside the announced period for accepting the nomination of independent director candidates.
    - 5.9.3.2. Where the number of shares of the Company being held by the nominating shareholder is less than 1% of the total number of outstanding shares of the Company at the time when the share transfer registration is suspended by the Company in accordance with the provisions set out in Paragraph II or Paragraph III, Article 165 of the Company Act;
    - 5.9.3.3. The number of independent director candidates nominated exceeds the seats slated for independent director.
    - 5.9.3.4. The relevant supporting documents as required in the preceding Paragraph were not

attached to the list.

- 5.10. The Company's directors are elected by the cumulative registered system and each share shall have the same number of voting rights as the number of directors to be elected, which may be cast collectively for a single candidate or split among several candidates. Those receiving the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. If the Company has independent directors, Independent directors and non-independent directors should be elected together, but their respective elected numbers shall be calculated separately. At least one of them shall have accounting or financial expertise.
- 5.11. If an independent director is elected by the shareholders' meeting, he/she shall not change his/her status to a non-independent director if he/she violates 5.6 or 5.7 of this Article during his/her term of office and should be dismissed. A person who is elected as a non-independent director by the shareholders' meeting shall not be reassigned as an independent director during his or her term of office.
- 5.12. The Board of Directors should prepare election ballots corresponding to the number of directors to be elected, specify the number of voting rights on the ballots and distribute the ballots to the shareholders attending the shareholders' meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of candidates.
- 5.13. The number of directors will be as specified in the Company's Article of incorporation. Those receiving the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of directors, they shall draw lots to determine, with the chair drawing lots for those not in attendance.
- 5.14. Before the election begins, the chair should appoint a number of persons with shareholder status as vote monitoring and counting personnel to perform the respective duties. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting begins.
- 5.15. A ballot is invalid if any of the following is true:
  - 5.15.1. Do not use ballots prepared by the Board of Directors.
  - 5.15.2. Put void ballots into the ballot box.
  - 5.15.3. The handwriting is blurred and unrecognizable or has been altered.
  - 5.15.4. If the person to be elected is a shareholder, his or her account name or shareholder account number does not match with the shareholder roster; if the person to be elected is not a shareholder, his or her name and identification number do not match after verification.
  - 5.15.5. In addition to the account name and shareholder account number (identification number) of the person to be elected and the number of voting rights allocated, other words are included.
  - 5.15.6. The name of the candidate is the same as that of other shareholders without the shareholder's account number or identification number for verification purposes.
- 5.16. After the voting is completed, the ballot box should be opened on the spot. The results of the voting shall be announced by the chair on the spot, including the list of directors elected and the number of their elected rights.  
The election ballots for the aforementioned election shall be sealed and signed by the vote monitoring personnel and kept in a safe place for at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 of the Company Act, the minutes of the shareholders' meeting involved shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.
- 5.17. The Board of Directors of the Company shall issue a notice of election to the elected directors and independent directors.
- 5.18. Matters not provided for in this Act shall be governed by the Company Act, the Securities and Exchange Act and related laws and regulations.

- 5.19. Provisions 5.4 and 5.5 of the Procedures shall be applicable to newly elected directors after the public offering of the Company's shares.
  - 5.20. The provisions of the Procedures regarding provisions 5.6 to 5.11 shall be applicable after the appointment of independent directors of the Company.
  - 5.21. The Procedures shall be effective upon approval by the shareholders' meeting and the same applies to any amendment.
6. Attachment: None.

# Articles of Incorporation

## Chapter I General Provisions

- Article 1: The Company is organized in accordance with the provisions of the Company Act and is named CUB ELECPARTS INC.
- Article 2: The business of the Company is as follows:
- I. CD01030 Motor Vehicles and Parts Manufacturing
  - II. F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories
  - III. F214030 Retail Sale of Motor Vehicle Parts and Motorcycle Parts, Accessories
  - IV. F401010 International Trade
  - V. I501010 Product Designing
  - VI. CC01080 Electronics Components Manufacturing
  - VII. CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
  - VIII. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
  - IX. CD01040 Motorcycles and Parts Manufacturing
  - X. CD01990 Other Transport Equipment and Parts Manufacturing
  - XI. CC01070 Wireless Communication Mechanical Equipment Manufacturing
  - XII. CD01010 Ships and Parts Manufacturing
  - XIII. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3: The total amount of the Company's external investments may exceed 40% of the paid-in capital for business purposes.
- Article 4: The Company may, with the approval of the Board of Directors, provide an endorsement or guarantee externally for the Company's business needs.
- Article 5: The Company shall have its head office in Changhua County and, if necessary, may establish domestic and foreign branch companies by resolution of the Board of Directors.

## Chapter II Share

- Article 6: The total capital of the Company shall be fixed at NT\$ 2 billion, divided into 200 million shares, all of which shall be common shares in the amount of NT\$10

each, of which unissued shares are authorized to be issued by the Board of Directors in installments. Of these shares, 10 million shares are reserved for the exercise of stock option warrants, preferred shares with warrants or corporate bonds with warrants.

The Board of Directors is authorized to repurchase the Company's shares when the Company is legally required to do so by law.

Article 6-1: In the event that the Company transfers shares to employees at a price lower than the average price of the shares actually repurchased or issues employee stock options at a price lower than the market price (net worth per share), approval should be required with the presence of shareholders representing a majority of the total number of issued shares, and two-thirds or more of the shareholders present in favor of such transfer.

Article 7: The shares issued by the Company may be exempted from printing stocks, but the shares should be registered with the centralized securities depository institution.

Article 8: The Company's shares may be exchanged for large denomination securities at the request of the Taiwan Depository and Clearing Corporation.

Article 9: Except as otherwise provided by laws and regulations, the Company shall follow the "Regulations Governing the Administration of Shareholder Services of Public Companies" when transferring shares, pledging, registering for loss, inheriting, bestowing as gifts, losing the seal, changing the address, etc. by the shareholders.

### **Chapter III Shareholders' Meeting**

Article 10: The ownership transfer of shares shall cease within 60 days prior to the convening date of a regular shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the target date fixed by the issuing company for distribution of dividends, bonus or other benefits.

Article 11: There are two types of shareholders' meeting: regular and extraordinary. The regular meeting is held once a year and shall be convened by the Board of Directors in accordance with Article 172 of the Company Act within six months after the end of each fiscal year. A special meeting can be convened according to the law when necessary.

- Article 12: If a shareholder is unable to attend a shareholders' meeting for any reason, the "Rules Governing the Use of Proxy Forms for Attending Shareholders' Meetings of Public Companies" shall be followed.
- Article 13 The shareholders of the Company shall have one voting right per share, except for those who have no voting rights as listed in Article 179 of the Company Act.
- Article 14 The Chairperson of the Board of Directors should chair the shareholders' meeting. In the event that the Chairperson of the Board of Directors is absent from office, the Chairperson of the Board of Directors shall designate a person to act as his or her proxy; if no such designation is made, the directors shall elect a proxy from among themselves. If the shareholders' meeting is convened by someone with the convening right but other than the Board of Directors, the chair of the meeting shall be selected in accordance with the provisions of Article 182-1 of the Company Act.
- Article 15: Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act and other regulations, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.
- During voting, if the chair solicits the attending shareholders and receives no dissents, the motion is deemed passed, with equivalent force as a resolution by vote. In accordance with the regulations of the competent authority, the shareholders of the Company may also exercise their voting rights electronically. Shareholders who exercise their voting rights electronically are considered to be present in person, and the relevant matters shall be handled in accordance with the provisions of laws and regulations.
- Article 16: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within twenty days after the close of the meeting, and may be announced as such. The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company.

#### **Chapter IV Directors, Audit Committee**

- Article 17: The Company shall have five to eleven directors, whose selection is based on the



candidate nomination system. The number of directors is authorized to be determined by the Board of Directors for a term of three years from among persons capable of conduct and they shall be eligible for re-election. After the election, the Board of Directors may resolve to purchase liability insurance for the Company's directors.

The total shareholding of all directors shall be in accordance with the regulations of the competent securities authorities.

The Company's directors are elected by the single cumulative registered voting system and the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for the election of one candidate or may be split for the election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect. If there is a need to amend the method, the amendment shall be made in accordance with Article 172 of the Company Act, and the comparison of amended provisions of the method shall be listed in the causes and subjects of the shareholders' meeting.

- Article 17-1: The number of independent directors shall not be less than three and shall not be less than one-fifth of the total number of directors among the aforesaid number of directors of the Company.
- The election of directors (including independent directors) of the Company shall be based on the candidate nomination system as stipulated in Article 192-1 of the Company Act, and the implementation of which shall be in accordance with the provisions of the Company Act, the Securities and Exchange Act and other relevant laws and regulations.
- The election of directors shall be conducted in accordance with Article 198 of the Company Act. Independent directors and non-independent directors shall be elected together and the number of elected seats shall be calculated separately, and those who receive more votes representing the voting right shall be elected sequentially as independent directors and non-independent directors respectively. The professional qualifications, restrictions on shareholding and concurrent employment, determination of independence, nomination and election of independent directors, and other matters to be complied with shall be in accordance with the relevant regulations of the competent securities authorities.

- Article 17-2: In calling a meeting of the Board of Directors of the Company, a notice setting forth therein the subjects to be discussed at the meeting shall be given to each director no later than 7 days prior to the scheduled meeting date. But the Board meeting may be convened at any time in case of emergency. Notice of a meeting of the Board of Directors may be given to the Directors in writing, by e-mail or by facsimile.

- Article 18: If the vacancy of directors reaches one-third of the number of seats, the Board of Directors shall convene a special shareholders' meeting within 60 days to hold a by-election, and the term of office of the succeeding director shall be limited to the original term of office.
- Article 19: In case no election of new directors is effected after the expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office. However, the competent authority may, ex officio, order the Company to elect new directors within a given time limit; and if no re-election is effected after the expiry of the given time limit, the out-going directors shall be discharged ipso facto from such expiration date.
- Article 20: The directors shall organize the Board of Directors' meeting and elect the Chairperson from among themselves with the presence of at least two-thirds of the directors and the consent of a majority of the directors present to execute all affairs of the Company in accordance with the regulations, the Articles of Incorporation, and the resolutions of the shareholders' meeting and the Board of Directors' meeting.
- Article 21: The Board of Directors shall decide on the Company's business policies and other important matters. Except for the first meeting of the Board of Directors, which shall be convened in accordance with Article 203 of the Company Act, the Board of Directors shall be convened by the Chairperson of the Board of Directors, who shall be the chair of the Board meetings. If the Chairperson of the Board of Directors is unable to perform his or her duties, the Chairperson of the Board of Directors shall designate one of the directors to act on his or her behalf, or in the absence of such designation, the directors shall elect one among themselves to act on his or her behalf.
- Article 22: Unless otherwise provided in the Company Act, a majority of the directors shall be present at a meeting of the Board of Directors, and the consent of a majority of the directors present shall be required. If for any reason a director is unable to attend a meeting of the Board of Directors, he or she may issue a proxy form stating the scope of authority for the causes and subjects of the meeting and appoint another director to attend the meeting on his or her behalf, provided that one person can only be entrusted by one person. In case a meeting of the Board of Directors is conducted via video conferencing, directors taking part in such a video conference shall be deemed to have attended the meeting in person.

Article 23: Resolutions adopted at a Board meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within twenty days after the close of the meeting electronically. The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company.

Article 24: The Company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee shall consist of all independent directors, and the audit committee or members of the audit committee shall be responsible for carrying out the duties and responsibilities of the supervisors under the Company Act, the Securities and Exchange Act, and other laws and regulations. The Supervisors shall be abolished at the same time as the Audit Committee is established.

Article 25: The remuneration of the Company's directors, no matter if the Company has profit or loss, is authorized to be determined by the Board of Directors based on their participation in the Company's operations and the value of their contributions, in accordance with industry practice and usual standards. The Company may set reasonable remuneration for independent directors that are different from that of regular directors.

## **Chapter V   Managers**

Article 26: The Company may have managerial officers whose appointment, dismissal and remuneration shall be in accordance with Article 29 of the Company Act.

## **Chapter VI   Accounting**

Article 27: At the end of each fiscal year, the Board of Directors shall prepare the following reports and submit them to the Audit Committee for review before presenting them to the regular shareholders' meeting for adoption thirty days prior to the regular shareholders' meeting.

- (I) Business report.
- (II) Financial statements.
- (III) Earnings distribution or losses make-up proposal.

Article 28: The net profits of the Company as concluded by the annual accounting book

close, shall be distributed in the following order:

- I. Pay income tax in accordance with the law.
- II. Make up for prior years' losses.
- III. Set aside 10% as legal reserve, except when the accumulated legal reserve has reached the Company's total capital.
- IV. Appropriate or reverse the special reserve as required by law or as necessary for its operations.

The Board of Directors shall, after deducting the preceding items, prepare a bonus distribution proposal to shareholders based on the remaining balance together with the accumulated undistributed earnings of prior years and submit it to the shareholders' meeting for resolution. Bonuses to shareholders and employees may be paid in the form of stock dividends or cash dividends.

Article 28-1: Not less than 2% and not more than 8% of the Company's profits before tax for the year, after making up for the accumulated losses, shall be appropriated as profit sharing remuneration to employees and not less than 1% and not more than 5% as profit sharing remuneration to directors. The Company is required to distribute employees' profit sharing remuneration when the Company makes profits, whether or not dividends are distributed to shareholders. The aforementioned employee profit sharing remuneration may be paid in shares (treasury stock, new shares) or cash to employees who meet certain criteria such as job rank and performance, and may be approved by the Board of Directors (by special resolution) and reported to the shareholders' meeting.

Article 29: The Company is in a growth stage and based on capital expenditure, business expansion needs and sound financial planning for sustainable development, the Company's dividend policy is to distribute retained earnings to shareholders in the form of stock dividends and cash dividends based on the Company's future capital expenditure budget and capital requirements, with the cash dividend percentage not less than 5% of the total shareholders' bonus.

Article 30: After the Company is publicly listed and intends to withdraw from the public offering, it shall submit the proposal to the shareholders meeting for resolution. This Article will not be amended during the Company's existence in the Emerging Stock Board and the TWSE or OTC market.

Article 31: All matters not provided for in these Articles of Incorporation shall be governed by the Company Law and other laws and regulations.

Article 32: The Articles were established on January 5, 1989.  
The 1st amendment was made on February 15, 1990.  
The 2nd amendment was made on December 23, 1991.  
The 3rd amendment was made on November 10, 1993.  
The 4th amendment was made on July 1, 2004.  
The 5th amendment was made on August 29, 2004.  
The 6th amendment was made on October 26, 2004.  
The 7th amendment was made on May 27, 2005.  
The 8th amendment was made on December 15, 2005.  
The 9th amendment was made on June 28, 2006.  
The 10th amendment was made on May 28, 2007.  
The 11th amendment was made on October 23, 2007.  
The 12th amendment was made on October 23, 2007.  
The 13th amendment was made on May 28, 2008.  
The 14th amendment was made on November 28, 2008.  
The 15th amendment was made on June 10, 2009.  
The 16th amendment was made on June 25, 2010.  
The 17th amendment was made on June 25, 2010.  
The 18th amendment was made on June 19, 2012.  
The 19th amendment was made on June 17, 2014.  
The 20th amendment was made on August 18, 2015.  
The 21st amendment was made on January 8, 2016.  
The 22nd amendment was made on June 13, 2017.  
The 23rd amendment was made on April 17, 2019.  
The 24th amendment was made on May 24, 2023

CUB ELECPARTS INC.

Chairperson: Yu, Shan-Chuan



## Rules of Procedure for Shareholder Meetings

1. Purpose: To establish a good governance system for the shareholders' meeting, to improve the supervisory function and to strengthen the management function of the Company, the Rules are established for compliance.
2. Scope: All matters relating to the convening of shareholders' meetings, speeches at shareholders' meetings, and procedures for conducting meetings shall be governed by the Rules.
3. Definition: None.
4. Flowchart: None.
5. Operation contents:
  - 5.1. The Company's rules of procedure for shareholders' meetings shall be in accordance with the Rules unless otherwise provided by law or the Articles of Incorporation and should be announced.  
The foregoing announcement shall be made on the information reporting website designated by the FSC.
  - 5.2. There are two types of shareholders' meeting: regular and extraordinary. The regular meeting is held once a year and shall be convened by the Board of Directors in accordance with Article 172 of the Company Act within six months after the end of each fiscal year. A special meeting can be convened according to the law when necessary.
  - 5.3. The entries in the shareholder roster referred to in the preceding Paragraph shall not be altered within 30 days prior to the convening date of a regular shareholders' meeting, or within 15 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the target date fixed by the issuing company for distribution of dividends, bonus or other benefits. After the public offering of the Company's shares, the Company shall suspend the transfer of shares within 60 days prior to the regular shareholders' meeting and within 30 days prior to the special shareholders' meeting.
  - 5.4. The shareholders shall be notified of the convening of the regular shareholders' meeting by notice of the shareholders' meeting 30 days in advance; the shareholders shall be notified of the convening of the special shareholders' meeting by notice of the shareholders' meeting 15 days in advance. After the public offering of the Company's shares, the Company shall prepare a handbook for the shareholders' meeting and notify the shareholders by sending a notice of the shareholders' meeting 30 days in advance. The meeting handbook and supplementary materials should be made available to shareholders at any time 15 days before the shareholders' meeting, and are exhibited on the premises of the Company and the professional stock affairs agency appointed by the Company, and are distributed on-site at the shareholders' meeting; shareholders shall be notified 15 days in advance of the convening of the special shareholders' meeting, and for shareholders holding less than 1,000 registered shares, the meeting shall be announced by means of a public post on the Market Observation Post System 15 days in advance. The Company shall send the shareholders' meeting handbook and supplementary information to the designated information reporting website as electronic files no later than 21

days before the regular shareholders' meeting or 15 days before the special shareholders' meeting. However, if the Company has a paid-in capital of NT\$10 billion or more as of the end of the most recent fiscal year, or if the shareholding of foreign and Mainland shareholders as recorded in the shareholder roster for the regular shareholders' meeting in the most recent fiscal year has reached 30% or more, the electronic transmission of the aforementioned electronic file shall be completed 30 days before the convening of the regular shareholders' meeting. The causes or subjects of a meeting of shareholders to be convened shall be indicated in the individual notice to be given to shareholders and in the announcement; and the notice may, as an alternative, be given by means of electronic transmission, after obtaining prior consent from the recipient(s) thereof. Matters related to election or dismissal of directors, change of articles of incorporation, dissolution, merger, or split of the Company, or matters under Article 185, Paragraph 1 of the Company Act, Article 26-1 and 43-6 of the Securities and Exchange Act, Article 50-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, shall be listed and described in the causes and subjects for the convening of the meeting, and shall not be proposed as an extempore motion.

Shareholders holding more than 1% of the total number of issued shares may submit a proposal to the Company for a regular shareholders' meeting. However, the number of items in the proposal is limited to one. Proposal containing more than one item will not be included in the meeting agenda.

In addition, when any of the circumstances of Paragraph 4 of Article 172-1 of the Company Act applies to a proposal put forward by a shareholder, the Board of Directors may exclude it from the meeting agenda. Shareholders may submit proposals to urge the Company to promote public interests or fulfill its social responsibilities. In terms of procedures, the number of items in the proposals should be limited to one in accordance with the relevant provisions of Article 172-1 of the Company Act. Any proposal with more than one item shall not 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, 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 (10) 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. 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, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the shareholders' meeting to be convened.

- 5.5. The location for a shareholders' meeting should 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. When the Company has independent directors, independent directors' opinions on the meeting location and time shall also be fully considered.

- 5.6. A shareholder may appoint a proxy to attend a shareholders' meeting on his/her/its behalf by executing a proxy form prepared and issued by the Company stating therein the scope of power authorized to the proxy.

A shareholder may only execute one proxy form and appoint one proxy only and shall serve such written proxy to the Company no later than 5 days prior to the meeting date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the Company shall prevail; unless an explicit statement to revoke the previously written proxy is made in the proxy, which comes later.

After the service of the proxy form of a proxy to the Company, in case the shareholder issuing the said proxy intends to attend the shareholders' meeting in person, a proxy rescission notice shall be filed with the Company at least two days prior to the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue. Otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

- 5.7. The Company should specify in its shareholders' meeting notice the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time at which shareholder attendance registrations will be accepted should be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted should be clearly marked and a sufficient number of suitable personnel should be assigned to handle the registrations.

Shareholders or their proxies (hereinafter referred to as "shareholders") shall attend the shareholders' meeting on the basis of attendance cards, sign-in cards, or other attendance certificates. The Company must not arbitrarily add requirements for other documents from the shareholders in support of their eligibility to attend. The solicitor of the power of attorney shall also bring an identity document for verification.

The Company should furnish a signature book for attending shareholders, or the attending shareholders may hand in a sign-in card instead.

The Company should furnish attending shareholders with the meeting handbook, annual report, attendance card, speaker slips, voting ballots, and other meeting materials. Where there is an election of directors, election ballots should also be furnished.

When a shareholder is a government or a corporation, the number of representatives to attend the shareholders' meeting is not limited to one. When a corporation is entrusted to attend a shareholders' meeting, only one representative can be appointed to attend.

- 5.8. If a shareholders' meeting is convened by the Board of Directors, the Chairperson of the Board shall chair the meeting. In case the Chairperson is on leave or absent or can not exercise his power and authority for any cause, the Vice Chairperson shall act on his behalf. In case there is



no Vice Chairperson, or the Vice Chairperson is also on leave or absent or unable to exercise his power and authority for any cause, the Chairperson shall designate one of the managing directors, or where there are no managing directors, one of the directors to act on his behalf. In the absence of such a designation, the managing directors or the directors shall elect from among themselves an acting Chairperson. A majority of the Board of Directors and at least one member of each functional committee shall be present at a shareholders' meeting called by the Board of Directors, and the attendance shall be recorded in the minutes of the shareholders' meeting.

If a shareholders' meeting is convened by someone with the convening right but other than the Board of Directors, the convening person shall chair the meeting and if there are more than two such persons, one of them shall be elected as the chair of the meeting. The Company may appoint lawyers, CPA, or related personnel to attend the shareholders' meeting.

- 5.9. Attendance in a shareholders' meeting should be calculated based on numbers of shares. The number of shares in attendance shall be calculated based on the shares indicated by the signature book or sign-in cards handed in, plus the number of shares whose voting rights are exercised by correspondence or electronically.

When a managing director or a director serves as chair, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a corporate director that serves as chair.

The chair should call the meeting to order at the scheduled meeting time, and at the same time, announce the number of shares with no voting rights and the number of shares present, etc. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement. No more than two such postponements may be made for a combined total of no more than one hour. When there are still insufficiently attending shareholders representing more than one-third of the total issued shares after two postponements, the chair shall announce the meeting to be aborted.

When there are still insufficiently attending shareholders representing more than one-third of the total issued shares after two postponements, a tentative resolution may be adopted in accordance with Article 175, Paragraph 1 of the Company Act and all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month.

Before the conclusion of the meeting, if the attending shareholders represent a majority of the total number of issued shares, the chair may submit a tentative resolution for voting by the shareholders' meeting in accordance with Article 174 of the Company Act.

- 5.10. The Company, beginning from the when 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 processes.

The recorded materials of the preceding Paragraph should be kept for at least one year. However, if any shareholder files a lawsuit in accordance with Article 189 of the Company Act, they shall be kept until the end of the lawsuit

- 5.11. If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provision referred to above is applicable even when the shareholders' meeting is convened by other than the Board of Directors *mutatis mutandis*.

The chair must not declare the meeting adjourned before the conclusion of the meeting agenda of the preceding two Paragraphs (including extempore motions), except by a resolution of the shareholders' meeting. However, if the chair violates the rules of procedure and adjourns the meeting, the other members of the Board of Directors shall promptly assist the shareholders present in accordance with the legal procedures and a majority of the shareholders present may vote to elect a chair to continue the meeting.

The chair shall give sufficient explanation and opportunity to discuss the proposals and any amendments or extraordinary motions proposed by the shareholders, and when he/she is of the opinion that the motion is ready to be voted on, he/she may declare that the discussion is closed, and put to the vote.

- 5.12. Before speaking, an attending shareholder shall specify the subject of the speech on a speaker slip, his or her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

An attending shareholder who has submitted a speaker slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the topic, the chair may terminate the speech or declare the discussion closed, and proceed with other agenda or procedures.

When an attending shareholder is speaking, other shareholders must not speak or interrupt unless they have sought and obtained the consent of the chair and the speaking shareholder; the chair should stop any violation.

When a corporate shareholder appoints two or more representatives to attend a shareholders' meeting, only one person may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

- 5.13. The Company's shareholders have one voting right per share. The shares shall have no voting power under any of the following circumstances:

- 5.13.1. The share(s) of a company that are held by the issuing company itself in accordance with the laws;

- 5.13.2. The shares of a holding company that are held by its subordinate company, where the total number of voting shares or total shares equity held by the holding company in such a subordinate company represents more than one half of the total number of voting shares or

the total shares equity of such a subordinate company; or

- 5.13.3. The shares of a holding company and its subordinate company(ies) that are held by another company, where the total number of the shares or total shares equity of that company held by the holding company and its subordinate company(ies) directly or indirectly represents more than one half of the total number of voting shares or the total share equity of such a company.

- 5.14. Resolution at a shareholders' meeting should be calculated based on numbers of shares.

The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders.

A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the Company, shall not vote nor exercise the voting right on behalf of another shareholder.

The number of shares for which voting rights are not allowed to be exercised in the preceding Paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the Company. Otherwise, the portion of excessive voting power shall not be counted.

- 5.15. Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act and other regulations, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

During voting, if the chair solicits and receives no dissents, the motion is deemed passed, with equivalent force as a resolution by vote. On the day of the shareholders' meeting, after the meeting, the results of shareholders' approval, disapproval and abstention are entered into the Market Observation Post System.

If shareholders disagree with a motion, they shall vote by a poll in accordance with the preceding provision. In addition to the motions listed on the agenda, any other motions or amendments or alternatives to the original motions proposed by shareholders shall be seconded by other 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.

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

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

- 5.16. In the event of an election of directors at a shareholders' meeting, the election results, including the list of elected directors and the number of their elected rights, should be announced on the spot in accordance with the relevant regulations established by the Company.

The election ballots for the aforementioned election shall be sealed and signed by the vote monitoring personnel and kept in a safe place for at least one year. However, if any shareholder files a lawsuit in accordance with Article 189 of the Company Act, they shall be kept until the end of the lawsuit.

- 5.17. Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within twenty days after the close of the meeting.

Distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be effected by means of public announcement.

The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company. The preparation and distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be effected by means of electronic transmission.

- 5.18. On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting.

If the resolution of the shareholders' meeting is required by law to be reported and announced, it shall be done in accordance with the provisions.

- 5.19. The personnel administering the shareholders' meeting should wear identification cards or armbands.

The chair may direct proctors or security personnel to help maintain order in the meeting place. Proctors or security officers, when helping maintain order at the scene, should wear armbands or identification cards with the word "Proctor".

If the meeting place is equipped with sound amplifying equipment, the chair may stop any shareholders from speaking unless they are using the equipment set up by the Company.

When a shareholder violates the rules of procedure, disobeys the chair's correction, or obstructs the proceedings and refuses to follow the call to stop, the chair may direct proctors or security personnel to escort the shareholder out of the meeting.

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

If the meeting place cannot be further used and not all of the items (including extempore motions) on the meeting agenda have been addressed, the shareholders' meeting may ratify a resolution to resume the meeting at another place.

The shareholders' meeting may, in accordance with the provisions of Article 182 of the Company Act, be resolved to be postponed or resumed within five days.

5.21. The Rules shall be effective upon approval by the shareholders' meeting and the same applies to any amendment.

Attachment: None.

## Information on profit sharing remuneration for employees and directors and supervisors

In accordance with the letter Jing-Guan-Zheng-Liu-Zi No. 0960013218 dated March 30, 2007 from FSC, Executive Yuan, the Company disclosed the following information on profit sharing remuneration for employees and directors and supervisors:

Unit: NTD \$

Distributable items:	Board of Directors' proposed distribution amount (A)	Estimated annual amount of recognized expenses (B)	Difference amount (A-B)	Reasons for differences and treatment
Profit sharing remuneration for employees (stock)	0	0	0	None
Profit sharing remuneration for employees (cash)	11,161,719	11,161,719	0	
Profit sharing remuneration for directors and supervisors	5,580,860	5,580,860	0	

## Shareholding of directors

- I. As of March 23, 2023, the date of suspension of transfer for the general shareholders' meeting, the Company's paid-in capital was NTD 1,409,176,080, and the total number of issued shares was 140,917,608.
- II. In accordance with Article 26 of the Securities and Exchange Act, the minimum number of shares required to be held by all directors is 8,455,056 shares.
- III. In accordance with Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", if two or more independent directors are elected at the same time, the percentage of shareholding of all directors other than independent directors is reduced to 80%.
- IV. The number of shares held by each individual director and all directors as recorded in the shareholder roster has met the legal percentage standard.
- V. Details of shareholding of all directors

Position	Name	Date elected	Term of office	Shareholding while elected		Shareholder roster as of the date of stock transfer suspension Number of shares held as recorded	
				Share(s)	Shareholding percentage	Share(s)	Shareholding percentage
Chairman	Jyun Chang Investment Co., Ltd. Representative: Yu San-Chuan	2022.05.26	3 years	14,522,645	10.83%	15,856,089	11.25%
Director	Jyun Ruei Investment Co., Ltd. Representative: Huang Shu-Yuan	2022.05.26	3 years	13,739,638	10.24%	14,960,668	10.62%
Director	Chang Tzu-Hsiung	2022.05.26	3 years	0	0.00%	0	0.00%
Director	Hsieh, Hsiu-Chi	2022.05.26	3 years	0	0.00%	0	0.00%
Independent director	Chang Chuan-Li	2022.05.26	3 years	8,000	0.01%	10,499	0.01%
Independent director	Zhan, Zheng-En	2023.10.26	3 years	0	0.00%	0	0.00%
Independent director	Chang Kung-Pi	2022.05.26	3 years	0	0.00%	0	0.00%
Total shareholding of directors				28,262,283	21.08%	30,827,256	21.88%

Effect of the proposed stock dividends at the shareholders' meeting on the Company's operating results, earnings per share and shareholders' return on investment: The Company is not required to disclose financial forecast information for 2024, so it is not applicable.