

Stock code : 2465

LEADTEK

Leadtek Research Inc.

2023

Extraordinary General Meeting Handbook

Date: October 4, 2023

Venue: B2, No. 726, Zhongzheng Rd.,
Zhonghe Dist., New Taipei City
(Block 2, Far Eastern New Century Park)



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Leadtek Research Inc.

Procedure of 2023 Extraordinary General Meeting

- I. Calling the Meeting to Order
- II. Chairman Remarks
- III. Discussion
- IV. Any Other Business (AOB)
- V. Adjournment

Leadtek Research Inc.

Procedure of 2023 Extraordinary General Meeting

Time: 09:00, Wednesday, October 4, 2023

Venue: B2, No. 726, Zhongzheng Rd., Zhonghe Dist., New Taipei
City (Block 2, Far Eastern New Century Park)

Format: Physical EGM

- I. Calling the Meeting to Order (report on the shares held by shareholders present)
- II. Chairman Remarks
- III. Discussion
 - (I) Private Placement
- IV. Any Other Business (AOB)
- V. Adjournment

Discussion

(Proposal 1 made by the Board)

Private placement

Explanation:

- (I) In response to future development needs, the Company plans to raise funds through the private placement of 25,000,000 shares in total at NT\$10 each share. The EGM is asked to authorize the Board to carry out the private placement within one year after the date of resolution made by the EGM.
- (II) The notice on private placement in accordance with Article 43-6, paragraph 6, of the *Securities and Exchange Act* is as follows:
 - 1. The basis and rationale for the setting of the price
 - (1) The referenced price for this private placement project is calculated based on: the simple arithmetic mean of the closing price of common stocks on any one of the first, third, and fifth business days before the price setting date deducting the ex-right and ex-dividend stock dividend price and then adding back the stock price after right resumption; or the simple arithmetic mean of the closing price of common stocks of 30 days before the price setting date deducting the ex-right and ex-dividend stock dividend price and then adding back the stock price after the right resumption, whichever price is higher.
 - (2) The EGM is asked to authorize the Board to determine the actual private placement price and actual price setting date after the discussion with the prospective investors and the market condition in the future. However, the actual private placement price shall not be lower than 70% of the referenced

price. The company shall engage an independent expert, Chi-Rou Tai, from L.H. CHEN & CO., CPAs. to provide an Opinion on the Reasonableness of the price of Private Placement. Please refer to Annex 1.

(3) With reference to the Company's operational performance, future prospects, and the most recent stock price, and in consideration of the limitations of transfer within three years from the date of delivery of securities for private placement. This will be fair.

(4) As the current private placement proposal is adopted in response to the market changes and in consideration of the Company's steady operations and financial structure safety, issuance below par value will be necessary. If the price of each share is below par value, the loss on the difference between the actual issuance price and par value will be the predicted owner's equity. This loss will be made up by law. Additionally, after the effect of private placement emerges, the Company's finance will be improved to facilitate steady long-term development and bring positive benefits to equity. Hence, there will be no negative influence on equipment.

2. Selection of prospective investors

(1) The prospective investors of the private placement shall meet the requirements as stipulated in Article 43-6 of the *Security and Exchange Act* and Letter (91) Tai-Cai-Zheng-Yi-Zi No. 0910003455 issued by the Financial Supervisory Commission on June 13, 2002.

(2) Strategic investors as prospective investors:

① Methods and purpose of selection: Individuals or companies facilitating the Company's technological

advancement, product development, cost reduction, market expansion, or customer relationship improvement will be selected to improve the Company's operational performance or profitability with their experience, know-how, knowledge, or channels.

- ② Necessity: Strengthening the financial structure and expanding the scale of operations are necessary for the Company to seek long-term development.
- ③ Estimated benefits: Private placement is expected to improve the Company's financial structure, operational performance, and competitiveness.

3. Reasons for private placement

- (1) Reasons for not choosing public offering: Private placement is more quickly and more convenient to attract investors. Private placement based on the Company's actual operational needs as determined by the Board through authorization can effectively increase the mobility and flexibility of fund-raising for the Company.
- (2) Limit for private placement: Unregistered securities of not more than 25,000,000 shares to be offered within one year after the date of EGM resolution.
- (3) Uses of funds and estimated benefits:
 - ① Uses of funds raised from private placement: Repay bank loans and enrich operating fund.
 - ② Estimated benefits: Improve the Company's financial structure, operational performance, and competitiveness.

4. In accordance with the *Directions for Public Companies Conducting Private Placements of Securities*: "If there has been, is, or will be any significant change in managerial

control during the period from 1 year preceding the day on which the board of directors resolves on the private placement of securities to 1 year from the delivery date of those privately placed securities, the company shall engage a securities underwriter to provide an assessment opinion on the necessity and reasonableness for conducting the private placement.” The necessity and fairness opinion has been requested from Taishin Securities Co., Ltd. Please refer to Annex 2.

- (III) The rights and obligations of the current private placement proposal are on principle the same as that of the common stocks issued by the Company. However, within three years after the date of share delivery, except for the eligible transferees as stipulated in Article 43-8 of the *Securities and Exchange Act*, other restricted transferees shall apply to the competent authorities for the market trading of securities acquired from the current private placement proposal in accordance with the applicable laws and regulations three years after the date of share delivery under the current private placement proposal.
- (IV) In addition to the percentage of pricing, the major contents of the current private placement proposal plan also included the number of shares actually issued, the issuing price, the issuing requirements, plan items, and estimated benefits; other matters not included in the plan; request to EGM for authorizing the Board to plan and implement adjustments without violating the principles and scope of this proposal in response to the legal change or instruction for correction from the competent authorities or the need for proposal revision; and request to EGM for authorizing the chairman to sign all contracts and documents relating to the private placement and proceed with all matters required by the private placement.

Resolution

IV. Any Other Business (AOB)

Adjournment

Leadtek Research Inc.

Opinion on the Reasonableness of the Price of Private Placement

L.H. Chen & Co., CPAs

Address: No. 5, Lane 768, Sec. 4, Bade Rd., Nangang District, Taipei City

Telephone: (02)2788-6696

Date of the Opinion: July 21, 2023

Opinion on the Reasonableness of the Price of Private Placement

Leadtek Research Inc. (hereinafter referred to as “the Company” plans to propose in the Board of Directors’ meeting on August 1, 2023 to contact specific persons for the issuance of common shares through private placement in accordance with Article 43-6 of the Securities and Exchange Act and (91) Tai-Tsai-Cheng-Yi-Zi Order No. 0910003455 dated June 13, 2002. The price of the new shares may be the simple average closing price of the common shares of the TWSE listed or TPEx listed company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction; or the simple average closing price of the common shares of the TWSE listed or TPEx listed company for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction. The AGM is asked to authorize the Board to determine the actual private placement price and actual price setting date after the discussion with the prospective investors and the market condition in the future. However, the actual private placement price shall not be lower than 70% of the referenced price.

In accordance with the “Directions for Public Companies Conducting Private Placements of Securities,” if the price per share of privately placed common shares is lower than 80 percent of the reference price, the Company shall disclose the independent expert's opinion on the basis and reasonableness of the private placement pricing for the shareholders’ reference to determine whether or not they agree upon. I express the opinions on the basis and reasonableness of the price per share of privately placed common shares below.

These Opinions are my evaluation opinions on the reasonableness of the percentage of reference price of the price per share of privately placed common shares commissioned by the Company. The evaluation value and the content of the Opinions may be affected by different basis assumptions or different valuation dates under different valuation purposes.

In accordance with the valuation analysis attached in these Opinions, assumptions and limitations, and taking the valuation basis, such as “Market Approach” and “Income Approach” as well as the discounts on the restricted transactions provided in the laws and regulations governing private placements into consideration, we believe the reasonable interval of the price per share of privately placed common shares of the Company on the pricing reference date (proposed price setting date) is between NT\$24.82 and NT\$32.56.

The Board of the Company proposed to issue privately placed common shares at the price no lower than 70% of the reference price. Where July 21, 2023 is the proposed price setting date, 70% of the higher of the simple average closing price of the common shares of the TWSE listed or TPEX listed company for either the 1, 3, or 5 business days before the price determination date and the simple average closing price of the common shares of the TWSE listed or TPEX listed company for the 30 business days before the price determination date is NT\$27.6 ($\text{NT\$}39.45 \times 70\% = 27.62$), which falls in the reasonable interval for the price per share of privately placed common shares.

In conclusion, I believe the price per share of privately placed common shares that is no lower than 70% of the reference price determined by the Board of the Company is reasonable.

To

The Board of Leadtek Research Inc.

L.H. Chen & Co., CPAs

CPA: Chi-Rou Tai

July 21, 2023

Restrictions on the Use of Opinions on the Reasonableness and Statement

I am commissioned by Leadtek Research Inc. (hereinafter referred to as the Company) to provide the evaluation opinions on the reasonableness of the percentage of reference price of the price per share of privately placed common shares. We declare that:

- I. I have not received a final and unappealable sentence to imprisonment for 1 year or longer and prudently assessed my own professional capabilities and practical experience.
- II. I only provide the evaluation opinions on the reasonableness of the percentage of reference price of the price per share of privately placed common shares as an independent third party and do not actually participate in the content and planning of the transactions. Therefore, I am not liable to the examination between the evaluation report and the financial and business data of the Company.
- III. The information used in the review procedure is true and accurate, and the implemented procedures, collected information, and the conclusion are recorded in the work sheet of this case. The analysis, opinions and conclusion in these Opinions are subject to the assumptions and limitations stated in this Report and are personal, just, and unbiased analysis, professional opinions, and conclusion.
- IV. These Opinions presented do not have any presumptions, and the fees of these Opinions are charged in accordance with the human resources and time invested. There is not contingent payment related to the result of these Opinions.

The evaluation opinions and conclusions are only for the purpose of reference for the internal Board/Shareholders' meeting based on the purpose of this valuation or for the reference of reporting to the competent authority. They shall not be used as the basis of trading the shares of the Company or for other purposes. I hereby declare that these Opinions are only related to the commissioned evaluation and shall not be amplified that they are related to the overall financial statements of the evaluation target Company.

Independence Declaration

I propose the evaluation opinions on the reasonableness of the determination on the price per share of privately placed common shares commissioned by Leadtek Research Inc:

I, to perform the duty above, hereby declare that the circumstances below do not exist:

- I. I, or my spouse, am employed by the Company and receive fixed salary or work as a Director or Supervisor.
- II. I, or my spouse, used to work as a Director, Supervisor, managerial officer or in a position to exert significant influence over the case and have discharged or resigned in less than 2 years.
- III. The unit I, or my spouse, am currently working for is a related party of the party of this case.
- IV. I, or my spouse, am a spouse or a family member within the second degree of kinship of a Director, Supervisor, managerial officer or in a position to exert significant influence over the case.
- V. I, or my spouse, have a relationship of significant investment or shared financial benefits with the party of this case.
- VI. I, or my spouse, have business relationship with the party of this case.

L.H. Chen & Co., CPAs

Declarant: Chi-Rou Tai

July 21, 2023

One. Overview of the Evaluation Project

- I. Commissioned Unit: Leadtek Research Inc. (hereinafter referred to as the Company).
- II. Purpose of these Opinions: For the reference of the Board of Directors and Shareholders' meeting or reporting to the competent authority in accordance with the laws and regulations.
- III. Project background and valuation target:

To cope with the future development demand, the Board of Directors of the Company proposed on August 1, 2023 to contact specific persons for the issuance of common shares through private placement in accordance with Article 43-6 of the Securities and Exchange Act and (91) Tai-Tsai-Cheng-Yi-Zi Order No. 0910003455 dated June 13, 2002. The price of the new shares may be the simple average closing price of the common shares of the TWSE listed or TPEX listed company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction; or the simple average closing price of the common shares of the TWSE listed or TPEX listed company for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction. The AGM is asked to authorize the Board to determine the actual private placement price and actual price setting date after the discussion with the prospective investors and the market condition in the future. However, the actual private placement price shall not be lower than 70% of the referenced price.

In accordance with the "Directions for Public Companies Conducting Private Placements of Securities," if the price per share of privately placed common shares is lower than 80 percent of the reference price, the Company shall disclose the independent expert's opinion on the basis and

reasonableness of the private placement pricing for the shareholders' reference to determine whether or not they agree upon.

I am commissioned to express opinions on the reasonableness of the private placement price and set July 21, 2023 as the valuation base date.

IV. Value premise: Continue operation.

The value premise refers to the assumption that is the most suitable for the transaction environment of the evaluation target, such as continue operation (assumption) and liquidation (assumption).

V. Value standard: Market value. The following assumptions for the valuation are made in accordance with the definition of "market value":

- The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion after proper marketing.
- The market value of an asset will reflect its highest and best use. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.
- The valuation techniques should be appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

VI. Basic assumption:

- There is no significant difference in domestic and international political, legal, financial, macroeconomic, and taxation environment between the valuation base date and subsequent periods.
- There is no significant difference in the domestic and international exchange rate and interest rate between the valuation base date and subsequent periods.
- The subsequent domestic and international capital market, industry environment, and business forecast is roughly consistent with the forecast and analysis by general research institutions on the valuation base date.

VII. Main Sources:

- Taiwan Exchange, Market Observation Post system, Taipei Exchange,
- interviews with the management level of the evaluated company, and financial information provided.
- S&P Capital IQ Database, IMF macroeconomics analysis report, and S&P Global research report

Two. Organizational Profile of the Target Company

■ Basic Information

- Chairman/President: Lu Kun-Shan
- Listing Date: September 19, 2001
- Paid-in Capital: NT\$589,460 thousand (58,946 thousand of common shares)

■ Leadtek Research Inc. was founded in 1986, which is a globally known manufacturer of computer and smart healthcare research and development, and a long-term collaborator of NVIDIA. The Company upholds the principle of “research, innovation, and quality” and has introduced the products, including GeForce graphic cards, NVIDIA RTX graphic cards, AI workstation and servers, AI management software, desktop virtualization Zero Client/Thin Client solution, smart healthcare/healthcare solutions, and big data solutions.

■ The Company has been founded for more than 30 years, and it has focused on the GPU solutions and cloud services. Under the upmost important principle of quality, the Company not only acquired international quality certificates, such as ISO-9001, ISO-14001, and ISO-13485, creating globally known brands - Leadtek and WinFast, but also won multiple international awards, including iF, GOOD DESIGN, Red Dot, and Taiwan Excellence Award.

■ In the area of GPU and cloud services, the Company introduced the globally known brands - Leadtek and WinFast and won multiple international awards. In recent years, the Company has successfully assisted the academia and corporations in establishing the GPU deep learning environment and became the designated collaborator of NVIDIA in APAC region. The Company jointly offers AI talent trainings with NVIDIA through Deep Learning Institute (DLI). Apart from the Industry 4.0 GOU AI solution, the Company also collaborates with the hospitals and medicare research institutions and introduces smart healthcare solutions. The Company has rich experiences in medical imaging processing and analysis, medical data analysis, and clinical data analysis.

Three. The Financial Situation of the Target Company

The summary of the consolidated financial performance of the company in 2021, 2022, and 2023 (as of Q2) is as follows:

Unit: NTD thousand
(NTD for earnings per share)

Item	2021	2022	Q2 of 2023
Net operating revenue	8,823,056	5,311,418	1,588,718
Gross profit	1,569,638	606,811	162,366
Operating profit (loss)	553,470	-152,262	-118,483
Net income (loss) of the period	434,629	-195,706	-126,360
Net income (loss) attributable to parent company shareholders	435,256	-195,813	-126,227
Number of outstanding shares (thousand common shares)	53,587	58,946	58,946
Basic earnings (loss) per share (NTD) after tax	8.12	-3.32	-2.14

Source: Market Observation Post System (Self-declared statements for Q2 of 2023)

The summary of the consolidated financial performance of the company as of December 31 of 2021, 2022, and 2023 (as of Q2) is as follows:

Unit: NTD thousand
(NTD for net worth per share)

Item	December 31, 2021	December 31, 2022	June 30, 2023
Current assets	1,741,438	1,629,505	1,602,256
Non-current assets	270,806	398,741	432,384
Total assets	2,012,244	2,028,246	2,034,640
Current liabilities	1,144,836	1,375,160	1,511,407
Non-current liabilities	114,996	143,974	150,511
Total liabilities	1,259,832	1,519,134	1,661,918
Share capital - common shares	535,873	589,460	589,460
Total equity	752,412	509,112	372,722
Equity attributable to parent company shareholders	753,552	510,135	373,878
Number of outstanding shares (thousand common shares)	53,587	58,946	58,946
Net worth per share (NTD)	14.06	8.65	6.34

Source: Market Observation Post System

Four. Value assessment for the valuation target

I. Selection of valuation approach:

Common valuation approaches for corporate valuation or equity valuation include the following approaches:

(I) Asset-based approach

The asset-based approach mainly focuses on the adjusted net asset method. The core of the method is to determine the fair market value through the valuation of the fair market value of the assets and liabilities of the assessed equity. The idea of this valuation method is the replacement cost method. Under the premise of continuing operation, the replacement cost method or asset-based approach shall take the intangible assets or liabilities outside of the financial statements into consideration to reflect the operation value of the valuation target in this case.

(II) Market approach

The market approach can be divided into comparable TWSE/TPEX listed company method and comparable transaction method. The comparable transaction method is based on the comparable transaction cases, which are usually from the research database or the acquisition cases in the international database. The valuation techniques include Implied Equity Value/Book Value, Implied Enterprise Value/Revenues, Implied Equity Value/EBITDA, Implied Equity Value/EBIT, and etc. The comparable TWSE/TPEX listed company method is based on the valuation multiples of the comparable companies of the target company. It uses the valuation multiples of the comparable companies as basis, including P/B Ratio method, P/E Ratio method, P/S Ratio method, EV/EBITDA method, EV/Revenue method, EV/EBIT method, and etc., as the basis of valuation. In regards to the definition, enterprise value (EV) = market value + total liabilities - total cash = market value - net liabilities.

(III) Market price approach

The market price approach is based on the efficient market hypothesis. It states that the market price reflects all market information, and it is a process of all market investors jointly participating in the market operation. In addition, the market operation is in line with the premise of rational investment decision making of investors. The market price approach is mainly used for evaluating the equity valuation of shares of public listed targets.

(IV) Income approach

The income approach reflects the predictable value of future economic income. The main valuation technique is the discounted free cash flow (DCF) method. The calculation covers the variations of operating fund demands, capital expenditures, appreciations, and amortizations.

After taking the background information of the evaluation project and the circumstances below into comprehensive consideration, the income approach and comparable company method under market approach are adopted as the valuation techniques. In addition, the market price approach is used as the examination basis of valuation conclusion in accordance with the relevant valuation standards and the operating conditions of the assessed company. The approaches adopted are deemed adequate.

■ Since the industry value chain of the assessed company is entering the conceive and development stage of the industry life cycle, different private placement participants will have different impacts on the future development of the Company. As such, the report uses the prospective financial forecast provided by the management as the inference basis of the income approach. Therefore, income approach can be used as the valuation technique for the valuation target in this case.

■ The assessed company is a public listed company with comparable public listed companies in business or industry value chain. Therefore, the comparable company

method under the market approach can be used as the valuation technique for the valuation target in this case.

- The comparable transaction method should be based upon the verifiable data source. Currently, the private placement information related to this case is only the private placement amount without other solid data, such as value multiples. As such, the comparable transaction method is not adopted.
- Asset-based approach assesses the fair value of all items in the balance sheet and the assets and liabilities not included in the balance sheet of the assessed company. This approach is suitable for companies with massive amount of fixed and intangible assets with great operating fluctuation. After assessment, the assessed company does not fall into this type of company. Therefore, this report did not adopt asset-based approach.
- The Company is a public listed company with transaction prices in the active market, so the market price approach can be adopted. However, this private placement involves with industrial investors, who may focus on the potential industrial comprehensive performance that may not reflect the assessment based on market price approach. Therefore, this report only uses the market price approach as the reference of reasonableness of the valuation conclusion of the target in this case.

II. Consideration and determination of discount and premium:

(I) Restricted sales discount

- The privately placed common shares are restricted transactions. In accordance with the Article 43-8 of the Securities and Exchange Act, unless otherwise meeting the circumstances set forth in the Article, the privately placed common shares, in principle, shall not be transferred after three full years have elapsed since the delivery date, and the privately placed common shares can only apply for public issuance and listing to the competent authority after three full years have elapsed. Therefore, the liquidity issue of

the assessed target should be taken into consideration, and the restricted transaction discount should be calculated, which is similar to a put option position with the holding period of 3 years. In accordance with the BSM option theory, the restricted transaction discount of the privately placed common shares that shall be calculated is 42.38%.

(II) Non-controlling equity discount

- The controlling equity premium and non-controlling equity discount reflect the benefits derived from the acquisition of the equities with controlling rights, such as benefits of decision making of the enterprise. As such, the definition of controlling equity premium is “the value premium of controlling equity derived from extra controlling rights on the enterprise compared to non-controlling equity.” On the contrary, the non-controlling discount reflects the risk compensation derived from the equity without controlling rights.
- The value multiples of the comparable company method reflects the market value information acquired by the market participants, and it reflects the point of view of the minority equity value. If the assessed target is the non-controlling equity, the non-controlling equity discount does not need to be recalculated. If it is controlling equity, the controlling equity premium should be calculated.
- Since the income approach reflects the view point of the management, the income approach represents the view point of value with controlling rights. If the assessed target does not have controlling rights, the non-controlling equity discount should be calculated.
- The assessed target is a target without controlling equity, so the non-controlling equity discount is required in the income approach valuation structure. However, it is not required when performing the comparable company method.

- The assessed target in this case uses the data of relevant industry transactions cases of S&P Capital IQ as reference, and the non-controlling equity discount calculation basis is set at 26.02%.

In conclusion, the determination of the discount or premium and the inference process of the relevant industry transaction cases of S&P Capital IQ comply with the regulations set forth in the valuation standards.

III. Reasonableness evaluation of the market approach inference process:

- This report is prepared based on the information provided by the management and the comparable companies in the S&P Capital IQ database, including GIGABYTE Technology Co., Ltd (TWSE:2376), TUL Corporation (TPEX:6150), Micro-Star International Co., Ltd. (TWSE:2377), Biostar Microtech Int'l Corp. (TWSE:2399), and Chaintech Technology Corporation (TWSE:2425).
- The report classifies the assessed company as the Computer and Peripheral Equipment Manufacturing with the operating target of developing and manufacturing advanced equipment and providing AI digital services. In response to the research, development, life cycle of products, and customer-end marketing and the loss in the overall operation performance, the indicators, such as operating revenue and enterprise value, that can better reflect the profitability and value change of a company are selected. Therefore, the average of value multiples, such as EV/Revenue, and the first quartile (Q1) are used as the calculation basis. The aforementioned value multiples are adopted after taking the financial income of the Company, development potential in the AI market, and the basis of collaboration in the research and development with the terminal brand customers into consideration.

- The report adopts the valuation conclusion, such as EV/ Revenue, as the valuation conclusion of the market approach. In accordance with the relevant discount and premium parameters and the market approach calculation, the interval of the value conclusion of the comparable company method is between NT\$24.70 and NT\$45.43 per share.

The summary of the calculation process of market approach

EV/Revenue		EV/Revenue	
Unit: TWD000s, TWD/Per share, %	Value	Unit: TWD000s, TWD/Per share, %	Value
Revenue Base [1]	4288,673.00	Revenue Base [1]	4288,673.00
EV Revenue ratio [2]	1.2606	EV Revenue ratio [3]	0.7661
Enterprise value	5,406,301.18	Enterprise value	3,285,552.39
Less interest-bearing debt [4]	981,733.00	Less interest-bearing debt [4]	981,733.00
Plus cash position [4]	222,725.00	Plus cash position [4]	222,725.00
Equity value before and discount	4,647,293.18	Equity value before and discount	2,526,544.39
Less RSED	42.38%	Less RSED	42.38%
Equity value after RSED	2,677,859.85	Equity value after RSED	1,455,843.54
Number of shares [5]	58,946,031	Number of shares [5]	58,946,031
Value per share	45.43	Value per share	24.70

Source: S&P Capital IQ and data collection and analysis.

- [1] The basis of revenue is the calculation logic of S&P Capital IQ. The 2022 and 2023 as of June 30 consolidated financial reports of the Company are the calculation basis.
- [2] The average of EV/Revenue value multiples of comparable companies.
- [3] The first quartile of EV/Revenue value multiples of comparable companies.
- [4] It is calculated based on the consolidated financial reports as of June 30, 2023 of the Company.
- [5] It is calculated by the outstanding common shares of the assessed company on the valuation base date.

IV. Reasonableness evaluation of the income approach inference process:

(I) Reference and assumption basis of prospective financial forecast:

- The operating revenue is estimated using the current operating status of the target company, referenced customer orders, project data and financial forecast data, and the industrial experience as basis.

- The IMF (2023/4) downgraded the global economic growth forecast for 2023 from 3.4% in 2022 to 2.8% in 2023. The inflation, high interest and turmoil in the banking industry are the main reasons that cause the slowdown of global economic growth. Moreover, the economic growth momentum in developed countries in Europe disappears that contributes to the decrease in the global economic growth. Currently, the IMF (2023/4) predicts that the growth rate in the Euro Zone in 2023 is only at 0.8%, far lower than the growth rate of 3.5% in 2022, and the growth rate in 2024 is expected to increase by 1.4%; the economic growth for the United Kingdom in 2023 is expected to be decreased by 0.3%, far behind the growth rate of 4% in 2022, and the growth rate in 2024 is expected to be 1%; the economic growth rate for the United States in 2023 is modified to 1.6%, a slightly decreased compared to 2.1% in the previous year, and the growth rate in 2024 is expected to be 1.1%. For the economies in Asia, the economic growth rate for China in 2023 is expected to grow from 3% in 2022 to 5.2% and drop to 4.5% in 2024. The economic growth for Japan in 2023 and 2024 is expected to be 1.3% and 1%, respectively. As for Taiwan, the economic growth in 2023 is expected to be 2.1%, a slight decrease compared to 2.5% in 2022, and the growth rate in 2024 is expected to be 2.6%. In conclusion, after taking into consideration of the forecast on the 2023 economic growth for Taiwan by the IMF (2023/4), the growth rate of 2.1% is used as the calculation basis of substantial growth rate and the basis of reasonableness of measuring the prospective financial forecast.
- The operating income growth rate, gross margin, and operating expense ratio use the customer orders, project data, historical financial data, macroeconomic development, management strategy, and the viewpoint of the management on the future operating development as the assumption basis.
- The income tax rate is estimated in accordance with the current income tax rate of 20% in Taiwan.

- The calculation and inference of capital expenditures, depreciation, and amortization use the current assets and the interview with the management as basis.
- The operating cycle is estimated using the average data in the industry as basis. The change in the net operating fund demand is calculated and estimated based on the financial parameters provided by the management.

(II) Description on the calculation of discount rate:

The discount rate adopted in the valuation process of income approach uses the weighted average cost of capital (WACC) as calculation basis. The formula is as follows:

$$WACC = R_e \times \frac{E}{D + E} + R_d \times (1 - t) \times \frac{D}{D + E}$$

R_e = Ratio of Cost of Capital for Shareholders' Equity

R_d = Ratio of Cost of Capital for Interest Bearing Liabilities Before Tax

D = Interest Bearing Liabilities

E = Market Capitalization of Shareholders' Equity

t = Corporate Income Tax Rate

- The risk-free interest rate is 1.1629%, which is the average value of the closing interest rate of Taiwan's 10-year Treasury Bill in the secondary market on the valuation base date.
- The value of 1.1854 for the target companies acquired based on the information of comparable companies from S&P Capital IQ after inferring and referring the average capital structure of the industry and the capital structure of the target company.
- The market risk premium is calculated based on the statistics of market risk premium of 6.97% provided by Damodaran online.
- The equity risk premium is acquired using times the market risk premium, which equals to 8.2674%.

- The size premium is calculated based on the statistics of market value classification of 4.83% from Valuation Handbook.
- The CSPR takes the unmeasured or unrevealed operating scale risk and operating risk, such as equity risk premium and size premium, into consideration. Since CRSP is reflected in the size premium, it is not estimated here.
- In conclusion, the cost of capital ratio for equity is 14.2603%.
- The “cost of capital ratio” for interest-bearing liabilities before tax adopts the weighted average interest rate of 3.8257% of the current loans of the target company.
- The income tax rate of the Company uses the statutory corporate income tax rate of 20% in Taiwan as the calculation basis.
- After calculation, the weighted average cost of capital is 13.8677%.

(III) The summary of the income approach calculation process (please refer to the appendix)

(IV) Income approach valuation conclusion and sensitivity analysis:

- After consolidating the DFC calculation process, The valuation conclusion interval is NT\$28.22 per share.
- This report adopts the sustainable growth rate and discount rate as the factors for the sensitivity analysis, and the sensitivity analysis calculation interval is between NT\$24.82 and NT\$32.56 per share. The sensitivity analysis valuation interval between 1.6% and 2.6% for sustainable growth is adopted in accordance with the industry development point of view from the management of the Company as well as the growth momentum derived from the demand in graphic card products in the AI industry in the future.

V. Market price approach inference process

- The Company is a public listed company with transaction prices in the active market, so the reference price is assessed using the market price approach based on the average closing price of the Company 30 days, 60 days, and 90 days prior to the valuation base date of July 21, 2023 and taking into consideration of the restrictive sales discount. However, this private placement involves with industrial investors, who may focus on the potential industrial comprehensive performance, that may not reflect the assessment conclusion based on the market price approach. Therefore, this report only uses the market price approach as the reference of reasonableness of the valuation conclusion of the target in this case.

Relevant information is listed as follows

Valuation base date	2023/7/21		
Item	Average closing price	Restricted sales discount	Reference price
Previous 30 business days	36.92	42.38%	21.28
Previous 60 business days	36.70	42.38%	21.15
Previous 90 business days	37.60	42.38%	21.67

- In accordance with the aforementioned calculation process, the valuation conclusion interval is between NT\$21.15 and NT\$21.67 per share.

V. Valuation conclusion:

- The interval of the value conclusion based on the market approach (comparable company method) is between NT\$24.70 and NT\$45.43 per share.
- The valuation conclusion interval based on income approach is between NT\$24.82 and NT\$32.56 per share.
- This report adopts the intersection interval of NT\$24.82 and NT\$32.56 per share between the valuation conclusions based on market approach (comparable company method) and income approach as the valuation conclusion. It complies with the valuation standards and fairly presents with the valuation view point worth reference.
- The Board of the Company proposed to issue privately placed common shares at the price no lower than 70% of the reference price. Where July 21, 2023 is the proposed price setting date, 70% of the higher of the simple average closing price of the common shares of the TWSE listed or TPEX listed company for either the 1, 3, or 5 business days before the price determination date and the simple average closing price of the common shares of the TWSE listed or TPEX listed company for the 30 business days before the price determination date is NT\$27.6 ($\text{NT\$}39.45 \times 70\% = 27.62$), which falls in the reasonable intersection interval of the valuation conclusions for the price per share of the aforementioned privately placed common shares. It is fair and reasonable.
- In addition, the calculation conclusion interval based on market price approach for reference is between NT\$21.15 and NT\$21.67, which is lower than 70% of the reference price. As such, it does not affect the conclusion that the Board of the Company proposed to issue privately placed common shares at the price no lower than 70% of the reference price, which is fair and reasonable.

Curriculum Vitae of the Independent Expert

Name: Chi-Rou Tai

Gender: Male

Education: Master degree , Department of Accountancy, National Taipei University

Professional qualification: Certified Public Accountant of R.O.C. (Certificate No.: Jin-Guan-Huei-Cheng-Zi No. 7332)

Passed the Certification of Professional Training on Corporate Valuation by National Federation of CPA Associations

(Certificate No.: Chuan-Lien-Huei-Ping-Zi No.D0033)

Passed the certification of valuation training by Industrial Development Bureau, Ministry of Economic Affairs and National Federation of CPA Associations

(Certificate No.: Gong (107)Chuan-Lien-Huei-Ping-Zi No.0031)

Experience: Assistance Vice President, Audit Department, KPMG

Educational training instructor, KPMG

Vice President, An Chia Corporate Management Consulting Co., Ltd

Current position: CPA, L.H. Chen & Co., CPAs

Instructor, Department of Accounting Information, Chihlee University of Technology

Annex 2

Leadtek Research Inc.

Necessity and Fairness Opinion for Private Placement

Client: Leadtek Research Inc.

Recipient: Leadtek Research Inc.

Designated use of opinion: For Leadtek Research Inc. to engage with private placement in 2023.

Report type: Necessity and Fairness Opinion for Private Placement

Appraiser: Taishin Securities Co., Ltd.

Represented by: Kuo Chia-Hung

(The contents contained in this Opinion are for the reference of making the resolution of private placement at the 2023 Board Meeting and EGM of Leadtek Research Inc. only. They are not intended for other uses. With respect to the financial data provided by Leadtek Research Inc. and the information published on the Market Observation Post System (MOPS), this Opinion is expressed for the future influence on the Company of the changes in the current private placement proposal plan and other matters that may change the contents of this Opinion. This Company hereby declares that no representations or warranties for any legal liabilities shall be made for this Opinion.)

Date: August 1, 2023

In response to the future development needs and to capture the timeliness and convenience of fund-raising, Leadtek Research Inc. proceeds with the matters in relation to private placement as stipulated in Article 43-6 of the *Securities and Exchange Act* in accordance with the *Securities and Exchange Act* and *Directions for Public Companies Conducting Private Placements of Securities*. The private placement proposal will be discussed at the Board meeting on August 1, 2023 and at the EGM on October 4, 2023. Under this private placement proposal, unregistered securities of not more than 25,000,000 shares will be offered. In accordance with Article 4, paragraph 3, of the *Directions for Public Companies Conducting Private Placements of Securities*: “If there has been, is, or will be any significant change in managerial control during the period from 1 year preceding the day on which the board of directors resolves on the private placement of securities to 1 year from the delivery date of those privately placed securities, the company shall engage a securities underwriter to provide an assessment opinion on the necessity and reasonableness for conducting the private placement.” Underwriter’s description of evaluation:

I. Company profile

Leadtek Research Inc. was established in 1986 to manufacture computer products including graphics (VGA) cards and multimedia video cards. In response to the rapid market change, based on its R&D capacity developed over the years, Leadtek switched its focus from professional graphics cards to cloud network and data center applications. It applies the Turning architecture and the brand-new RTX platform to support real-time light tracing and AI technologies and provide total cloud computing solutions. Following the trend of big data analysis and deep learning application systems, it further expands to the education and healthcare sector to introduce the electrocardiograph recorder, pulse oximeter, and baby monitor. By integrating smart healthcare products, it introduces total solutions for AI cloud health management and care, with a promising future. By the end of December 31, 2022, Leadtek has received a paid-in capital of NT\$589,460,310. Leadtek’s condensed financial information in the past five years is as follows:

Consolidated Statement of Financial Position (IFRS)

Unit: NTD thousand

Year Item	Financial Information in the Past Five Years				
	2018	2019	2020	2021	2022
Current assets	1,003,594	1,057,272	1,378,828	1,741,438	1,629,505
Property, plant, and equipment	200,321	196,901	192,910	193,692	192,806
Intangible assets	18,584	9,033	4,199	5,596	5,844
Other assets	37,409	99,654	92,866	71,518	200,091
Total assets	1,259,908	1,362,860	1,668,803	2,012,244	2,028,246
Current liabilities	943,090	983,243	1,252,643	1,144,836	1,375,160
Non-current liabilities	15,371	93,694	99,348	114,996	143,974
Total liabilities	958,461	1,076,937	1,351,991	1,259,832	1,519,134
Equity attributable to parent company shareholders	335,708	312,181	317,322	753,552	510,135
Share capital	535,873	535,873	535,873	535,873	589,460
Capital reserve	28,311	27,383	473	475	475
Retained earnings	(219,665)	(238,834)	(208,004)	227,868	(73,075)
Other equity items	(8,811)	(12,241)	(11,020)	(10,664)	(6,725)
Non-controlling equity	(34,261)	(26,258)	(510)	(1,140)	(1,023)
Total equity	301,447	285,923	316,812	752,412	509,112

Source: Consolidated financial statements for 2018-2022 audited and certified by CPAs in accordance with IFRS.

Consolidated Statement of Comprehensive Income (IFRS)

Unit: NTD thousand

Item \ Year	Financial Information in the Past Five Years				
	2018	2019	2020	2021	2022
Operating revenue	3,329,161	3,639,860	4,548,266	8,823,056	5,311,418
Gross profit	476,017	487,038	562,597	1,569,638	606,811
Operating profit	(13,565)	13,550	51,619	553,470	(152,262)
Non-operating revenues and expenses	(52,971)	(17,942)	3,076	(7,908)	(49,161)
Pre-tax profit	(66,536)	(4,392)	54,695	545,562	(201,423)
Net profit of the continuing operating department in the current term	(82,683)	(24,621)	24,782	434,629	(195,706)
Net income (loss) of the period	(82,683)	(24,621)	24,782	434,629	(195,706)
Other comprehensive income/loss for the current period (net, after-tax)	(4,323)	(2,941)	5,754	971	5,993
Total comprehensive incomes in the current period	(87,006)	(27,562)	30,536	435,600	(189,713)
Net income attributable to parent company shareholders	(60,175)	(19,311)	26,775	435,256	(195,813)
Net income attributable to non-controlling shareholders	(22,508)	(5,310)	(1,993)	(627)	107
Total comprehensive income attributed to owners of the parent	(63,970)	(22,753)	32,200	436,228	(189,830)
Total comprehensive income non-controlling interests	(23,036)	(4,809)	(1,664)	(628)	117
EPS	(1.12)	(0.36)	0.5	8.12	(3.32)

Source: Consolidated financial statements for 2018-2022 audited and certified by CPAs in accordance with IFRS.

II. Review of significant changes in managerial control within the one year preceding the date of Board resolution on private placement

After reviewing the related information about the company, the company's directors were reelected on June 9, 2023 due to expiration of term. The term of current directors was started from June 10, 2023 to June 9, 2026. By August 1, 2023, except for independent director, Liu, Ju-Chi, instead of previous director, Liu, Ke-Chi, there were no other change for current directors this term. The table was summarized as below:

Title	Director Lists reelected before June 2022	Director Lists reelected after June 2022	If changed
Chairman	Lu, Kun-Shan	Lu, Kun-Shan	No
Director	Huang, Chin-Ming	Huang, Chin-Ming	No
Director	Hu, Chiu-Chiang	Hu, Chiu-Chiang	No
Director	Liu, Ke-Chi	-	Yes
Independent Director	Ho, Yao-Hung	Ho, Yao-Hung	No
Independent Director	Shen, An-Shih	Shen, An-Shih	No
Independent Director	Liu, Cheng	Liu, Cheng	No
Independent Director	-	Liu, Ju-Chi	Yes

According to Letter Jing-Guan-Zheng-Fa-Zi No.1110382817 issued by Financial Supervisory Commission, when more than one third of directors were changed or assigned by legal person shareholders, the rate of director change must be counted. After reviewing the amendment of register, there were no one third of directors changed and assigned by legal person shareholders. The rate of director seats was changed by one forth one year before the resolution to execute private placement. There was no connection with Article 4, paragraph 3, of the *Directions for Public Companies Conducting Private Placements of Securities*: "If there has been, is, or will be any significant change in managerial control during the period from 1 year preceding the day on which the board of directors resolves on the private placement of securities to 1 year from the delivery date of those privately placed securities."

III. Whether or not there will be a significant change in the managerial control after the introduction of specific investors remains inconclusive.

Leadtek plans to launch the private placement after the EGM on October 4, 2023. As no prospective investors have been determined, whether or not the specific investors introduced after the private placement will request seats on the Board remains inconclusive. Whether or not there will be a significant change in the managerial control after the introduction of specific investors is also inconclusive.

However, as the prospective investors of Leadtek's current private placement proposal comply with requirements for prospective investors as stipulated in Article 43-6 of the *Securities and Exchange Act* and Order (91) Tai-Cai-Zheng-I-Zi No. 0910003455 dated June 13, 2002, and Leadtek has already issued 58,946,000 shares, the total number of shares for private placement will be 83,946,000 shares after the 25,000,000 shares to be offered in the current private placement proposal, i.e., the number of shares for the current private placement proposal will account for 29.78% of the total number of shares for private placement. Hence, we do not rule out the possibility of acquiring seats on the Board, which will lead to a significant change in

managerial control. As a result, the client is advised to engage a securities underwriter to provide an assessment opinion on the necessity and fairness of the private placement in accordance with the *Directions for Public Companies Conducting Private Placements of Securities*.

IV. Contents of the current private placement proposal plan

In response to the future development needs and to reduce bank dependency, repay bank loans, enrich operational funds, and effectively strengthen the financial structure, we are afraid that raising funds through private placement and issuance of securities cannot raise the required funds smoothly in a short time. Additionally, to raise funds more quickly and conveniently through private placement of not more than 25,000,000 shares of unregistered securities in accordance with Article 43-6 of the Securities and Exchange Act in turns within one year after the date of EGM resolution at a price per share of no less than 70% as calculated in accordance with the following two bases before the Company's pricing date:

- (I) The simple arithmetic mean of the closing price of common stocks on any one of the first, third, and fifth business days before the price setting date deducting the ex-right and ex-dividend stock dividend price and then adding back the stock price after the right resumption.
- (II) The simple arithmetic mean of the closing price of common stocks 30 days before the price setting date deducts the ex-right and ex-dividend stock dividend price and then adds back the stock price after the right resumption, whichever price is higher.

The price per share for private placement shall not be lower than 70% of the referenced price is the basis for private placement. The company shall engage an independent expert to provide an opinion on the Reasonableness of the Private Placement. The EGM is asked to authorize the Board to determine the actual private placement price and actual price setting date after the discussion with the prospective investors and the market condition in the future.

V. Necessity and fairness assessment of private placement

(I) Necessity for private placement

The operating revenues, net income, interest expenses, and long- and short-term bank loans in the past three years as listed in Leadtek's individual financial statements are as follows:

Unit: NTD thousand; %

Item \ Year	2020	2021	2022
Operating revenue	2,910,126	4,848,102	3,525,657
Net income (loss)	(32,522)	153,591	(125,849)
Net income (loss) before tax	31,775	435,256	(190,918)
Interest expense	15,351	11,999	20,823
Bank loan	439,994	534,362	804,390
Proportion of interest expense in net income (loss)	(47.20)%	7.81%	(16.55)%
Proportion of interest expense in net income (loss) before tax	48.31%	2.76%	(10.91)%

Source: The financial statements audited and certified by CPAs.

After its establishment in 1986, Leadtek has since been engaging with the design, manufacture, and trade of graphics cards, thin PCs, GPS navigation and CCTV-related computer and communication products based on steady operations. In addition to the current services, in recent years, Leadtek has engaged in the active transformation to the application service of the relevant sectors, such as offering deep learning certification courses for NVIDIA, big data solutions, and AI cloud computing solutions and applications. The total integration of its hardware and software services is presented in healthcare applications, such as the AI cloud management and care solutions that integrate health wearables, cloud computing, and big data analysis systems. Through diversification of operations, Leadtek has effectively lowered the system risk from changes in the economic conditions and continuously invests R&D resources in new product teams and new products. To maintain the funds required for operations, it has raised more bank loans, increasing the overall financial cost and leading to a financial constraint.

Individuals or corporations that can enhance Leadtek's profitability with their experience, know-how, knowledge, or channels of prospective investors and assist Leadtek with technological advancement, quality improvement, cost reduction, efficiency enhancement, and market expansion through vertical integration within the industry, cross-industry integration, or co-development of products and markets are the prospective investors of the current private placement proposal. Public offering will be more difficult to achieve the above goals. Additionally, in consideration of private placement, which is comparatively faster, simpler, and more convenient, and the restriction on no free transfer within three years after obtaining shares, private placement can secure the

long-term cooperation of prospective investors. Hence, private placement is selected instead of a public offering.

In conclusion, to meet Leadtek's need for long-term operational development, and in consideration of the timeliness and convenience of private placement, the current private placement proposal is necessary for Leadtek to raise funds to repay bank loans and enrich operating capital.

(II) Fairness of private placement

Leadtek will implement private placement after the AGM resolution June 9, 2023 and present the matters relating to private placement in the objectives for the AGM meeting in accordance with Article 43-6, paragraph 6, of the *Securities and Exchange Act*. After an assessment, we found that the procedure is legitimate.

As Leadtek raises loans mainly from banks to reduce its bank dependency, face the future financial austerity that may reduce the credit limit of loans and prevent exposure to the risk of liquidity insufficiency, it plans to raise long-term, steady capital through the current private placement proposal to reduce bank dependency, improve the financial structure, and cut interest expenses to enhance operational competitiveness and make more flexibility for fund use. As this can bring positive benefits to equity, the long-term effectiveness of private placement is fair.

In addition to obtaining long-term, steady funds, compared to a public offering, shares obtained from private placement are restricted from transfer within three years. This can secure the long-term cooperation of new investors and increase the opportunities for Leadtek to enter new types of business, facilitating its medium- and long-term operational growth in the future. The minimum subscription price of the current private placement proposal is 80% of the referenced price, which complies with the law.

In conclusion, we consider that Leadtek's current private placement proposal is necessary and fair in accordance with the *Directions for Public Companies Conducting Private Placements of Securities*.

VI. Fairness and necessity of managerial change caused by the current private placement proposal

(I) Influence on sales, finance, and equity of significant managerial changes

1. Influence on sales

In this private placement proposal, Leadtek plans to attract prospective investors that can assist with its technological advancement, product development, cost reduction, market expansion, customer relationship improvement, or channel collaboration to provide customers with the best integrated service

solutions so as to expand the current scale of operations and increase corporate profit. All these can bring positive benefits to Leadtek's business development.

2. Influence on finance

In this private placement proposal, Leadtek plans to issue unregistered securities of not more than 25,000,000 shares two times within one year after the date of EGM resolution. The referenced price is calculated based on: the simple arithmetic mean of the closing price of common stocks on any one of the first, third, and fifth business days before the price setting date deducting the ex-right and ex-dividend stock dividend price and then adding back the stock price after right resumption; or the simple arithmetic mean of the closing price of common stocks of 30 days before the price setting date deducting the ex-right and ex-dividend stock dividend price and then adding back the stock price after the right resumption, whichever price is higher. The price per share for private placement shall not be lower than 70% of the referenced price is the basis for private placement. The company shall engage independent expert to provide Opinion on the Reasonableness of the Price of Private Placement. The funds raised from the current private placement proposal will be used to repay bank loans and enrich operational capital so as to enhance Leadtek's corporate competitiveness. Hence, Leadtek's effective fund investment through private placement can bring positive benefits to its finance.

3. Influence on equity

The funds raised from the current private placement proposal will be used to repay bank loans and enrich operational capital. The benefits include strengthening Leadtek's status in the industry, enhancing its long-term competitiveness, improving its financial structure, and cutting its interest expenses. Additionally, the minimum subscription price of the current private placement proposal is 70% of the referenced price, which complies with the law. Hence, the influence on equity will be limited. It is foreseeable that this private placement proposal can benefit equity positively through strategic cooperation with prospective investors in technological advancement, product development, cost reduction, market expansion, customer relationship improvement or channel collaboration.

(II) Selection of prospective investors and its feasibility and necessity

1. The prospective investors of the current private placement proposal shall meet the requirements as stipulated in Article 43-6 of the *Security and Exchange Act* and Letter (91) Tai-Cai-Zheng-Yi-Zi No. 0910003455 issued by the Financial Supervisory Commission on June 13, 2002. Currently, the selection will focus on the direct or indirect benefits for Leadtek. However, prospective investors shall be selected in accordance with the relevant regulations after solicitation.
2. Strategic investors as prospective investors
 - (1) Methods and purpose of selection: Individuals or companies facilitating the Company's technological advancement, product development, cost reduction, market expansion, or customer relationship improvement will be selected to improve the Company's operational performance or profitability with their experience, know-how, knowledge, or channels.

- (2) Necessity: Strengthening the financial structure and expanding the scale of operations are necessary for the Company to seek long-term development.
- (3) Estimated benefits: Private placement is expected to improve the Company's financial structure, operational performance, and competitiveness.

(III) Fairness of the estimated benefits from private placement

The funds raised from the current private placement proposal will be used to repay bank loans and enrich operational capital. Optimizing financial structure, improving operational performance, and enhancing corporate competitiveness are the estimated benefits that can bring positive benefits to equity. By attracting the capital, experience, or channels of strategic investors, apart from achieving technological advancement, product development, cost reduction, market expansion, customer relationship improvement, or channel collaboration to provide customers with the best integrated service solutions, this private placement proposal is expected to increase the profit, enhance the efficiency, and expand the scale of operations for Leadtek to increase its overall equity, bringing positive benefits to Leadtek's finance and equity. Additionally, Leadtek can use the funds raised from this private placement proposal to repay bank loans and enrich its operational capital, so that Leadtek can raise fewer bank loans to meet its operational needs. Hence, the expected benefits are fair.

Overall, Leadtek plans to raise funds through private placement to repay bank loans, enrich operational capital, strengthen corporate structure and competitiveness, and increase overall equity. In consideration of its status of operations and the timeliness and feasibility of fund-raising, Leadtek's plan for raising funds through private placement is necessary and fair. Additionally, further consideration of the estimated benefits from private placement and the effect of the choice of prospective investors on Leadtek's sales, finance, and equity shows that specific investors of the private placement can bring positive benefits to its sales, finance, and equity.

Appendix 1

Leadtek Research Inc. Articles of Incorporation

Chapter I General Provisions

Article 1 The Company is incorporated in accordance with the Company Act with the name of 麗臺科技股份有限公司 in Traditional Chinese and LEADTEK RESEARCH INC. in English.

Article 2 The Company engages in the following types of business:

1. CC01110 Computer and Peripheral Equipment Manufacturing
2. CH01040 Toys Manufacturing
3. I301010 Information Software Services
4. F401010 International Trade
5. F104110 Wholesale of Cloth, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
6. F204120 Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
7. CC01060 Wired Communication Mechanical Equipment Manufacturing
8. CC01070 Wireless Communication Mechanical Equipment Manufacturing
9. CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
10. F113070 Wholesale of Telecommunication Apparatus
11. F213060 Retail Sale of Telecommunication Apparatus
12. F401021 Restrained Telecom Radio Frequency

Equipments and Materials Import

13. CF01011 Medical Devices Manufacturing
14. F108031 Wholesale of Medical Devices
15. F208031 Retail Sale of Medical Apparatus
16. CE01021 Weights and Measuring Instruments Manufacturing
17. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1 This Company may provide guarantees for others.

Article 3 This Company is headquartered in New Taipei. With the resolution of the board of directors (Board) and the approval of competent authorities, the Company may establish branches or offices at home and abroad.

Chapter II Shares

Article 4 When the Company is a shareholder of other limited companies, the restriction of not more than 40% of the Company's paid-up capital as stipulated in Article 13 of the *Company Act* shall not apply to the total amount of re-investment.

Article 5 The total capital of the Company is Four Billion New Taiwan Dollars (NT\$4,000,000,000) divided into four hundred million (400,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10). Six Hundred Million (NT\$600,000,000) divided into sixty million (60,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10) will be reserved for bond with attached warrants and exercising the stock option of employee stock option certificates.

Seasoned (second) equity offering (SEO) may be issued at a premium. The nominal capital is Four Billion New Taiwan Dollars (NT\$4,000,000,000) to be issued by/in installments by law through Board.

Article 5-1 In accordance with Article 56-1 of the *Regulations Governing the Offering and Issuance of Securities* by Securities Issuers and Article 10-1 of the *Regulations Governing Share Repurchase* by Exchange-Listed and OTC-Listed Companies, the Company may issue employee stock options (ESO) at a price lower than the closing price of the Company's common stock on the issuance date or transfer shares to employees at a price below the average of the actual buy-back price with an approval made by shareholders representing over two-thirds of the voting shares in a meeting of shareholders attended by shareholders representing over one-half of the total issued shares.

Article 5-2 The Company may transfer the treasury stock purchased in accordance with the *Company Act* to employees of controlled or subordinate companies meeting specific requirements.

Employees qualified for receiving the employee stock options may include employees of controlled or subordinate companies meeting specific requirements.

When the Company issues new shares, employees of controlled or subordinate companies meeting specific requirements are qualified for subscription.

When the Company issues restricted stock awards (RSA), employees of controlled or subordinate companies meeting specific requirements are qualified

for subscription.

Article 6 The Company may issue name-bearing shares without printing share certificates. However, the Company shall register such shares on a centralized securities depository enterprise.

When printing stocks, such stocks shall be signed or sealed by the directors representing the Company and issued by banks permitted by law to serve as registrars for issues of stocks or bonds.

Article 7 Registration for transfer of shares shall be suspended within sixty days before the date of the annual general meeting of shareholders and within thirty days before the date of the extraordinary general meeting of shareholders, or within five days before the day on which dividends, bonuses, or other benefits are scheduled to be paid by the Company.

Article 8 When issuing new shares, the Company shall prioritize 15% of the total amount of new shares for employee subscription. However, priority subscription by employees shall not apply for new shares, convertible corporate bonds, corporate bonds with warrants, employee stock options or stock options converted as shares for a merger or acquisition.

Article 9 When recruiting technical personnel in response to operational needs, with the consent of the Board, directors may yield part of the employee stock options to specific candidates to improve corporate operations.

Chapter III Meeting of Shareholders

Article 10 Meetings of shareholders include the annual general

meeting (AGM) of shareholders and extraordinary general meeting (EGM) of shareholders. The Board shall convene an AGM by law each year within six months after the end of a fiscal year. EGM may be convened by law as necessary.

The Company may hold the meeting of shareholders through videoconferencing or by other means as announced by the central competent authorities.

Article 11 Shareholders unable to attend a meeting of shareholders for any reason may assign a proxy to represent them and state the scope of authorization in a signed or sealed power of attorney.

Article 12 Each shareholder of the Company is entitled to one vote per share, except for shareholders restricted from voting or having no voting rights as stipulated in Article 179, paragraph 2, of the *Company Act*.

Article 13 Except the *Company Act* otherwise requires, resolutions of the meetings of shareholders shall be made by shareholders representing over one-half of the voting rights in a meeting of shareholders attended by shareholders representing over one-half of the total issued shares.

Chapter IV Board of Directors and Audit Committee

Article 14 The Board of the Company seats five to seven directors. Each director enjoys an office of three years and is eligible for a second term.

The Company shall reserve a minimum of two of the above seats or one-fifth of all seats for independent directors. Independent directors and non-independent

directors shall be elected at the same time, and the seats elect shall be calculated individually.

The candidate nomination system as stipulated in Article 192-1 of the *Company Act* shall apply to the election of both directors and independent directors.

Independent directors may exercise their powers and comply with the requirements as stipulated in the applicable laws and regulations.

The shares held by all directors shall be regulated in accordance with the applicable laws and regulations of the competent authorities.

The Company establishes the Audit Committee with all independent directors in accordance with Article 14-4 of the *Securities and Exchange Act* to carry out the duties of supervisors as stipulated in the *Company Act*, *Securities and Exchange Act*, and other applicable laws and regulations.

Article 14-1 The Board shall hold at least one board meeting each quarter.

When convening a board meeting, the objectives of the meeting shall be stated in the meeting notice delivered to all directors seven days in advance. When there is an emergency, however, extraordinary meetings may be held at any time.

The board meeting notice as stated in the preceding paragraph may be made in writing, by phone, by fax, or by email.

Article 15 One chairperson shall be elected from among directors with the consent of over one-half of directors in a board meeting attended by over two-thirds of all

directors to represent the Company externally. When the chairperson is on leave or unable to exercise his/her powers, the proxy shall be assigned in accordance with Article 208 of the *Company Act*.

Article 16 Unless the *Company Act* otherwise requires, a board meeting shall be convened by the chairperson, and resolutions shall be made with the consent of over one-half of directors in a board meeting attended by over one-half of all directors. Directors unable to attend a board meeting may assign other directors to represent them, provided that the one-for-one principle shall apply.

Article 16-1 The Company shall purchase the director and officer (D&O) liability insurance for the scope of services of each director during his/her office.

Article 17 The Board is authorized to pay the remuneration for directors in accordance with their involvement in and contribution to corporate operations and with reference to the pay standard in the industry, regardless of operating gains or losses. If there is net profit, rewards shall be distributed in accordance with Article 20.

Chapter V Officers

Article 18 The Company shall hire a number of officers whose appointment, dismissal, and remuneration shall be subject to the *Company Act*.

Chapter VI Accounting

Article 19 At the end of each fiscal year, the Board shall produce the following documents and submit them to the

AGM for ratification in accordance with the legal procedures:

- (1) Business report
- (2) Financial statements
- (3) Proposal for earnings distribution or loss compensation.

Article 20 After deducting the annual remuneration for employees and directors, the Company shall appropriate a minimum of three percent of net income before tax as rewards for employees and a maximum of five percent as rewards for directors. When there are accumulative deficits, however, the amount for compensation shall first be reserved.

The proposal for distribution of rewards for employees and directors shall be approved by resolution of over one-half of directors attending a board meeting attended by over two-thirds of all directors and reported to AGM. The Board shall make a resolution to determine the distribution of rewards for employees either in stock or in cash.

The Board shall be authorized to determine the specific requirements for the employees of controlled companies or subsidiaries to receive the employee reward. The reward for directors shall be distributed in cash only.

Article 20-1 The net profit after tax, if any, after the account is closed and other entries shall be included in the unappropriated earnings of the year and distributed in the following order:

- (1) Compensation for accumulated deficits.

- (2) Appropriation of 10% as the legal reserve (except when the accumulated amount of the legal reserve equals the amount of the paid-in capital).
- (3) Appropriation or reversion of special reserve by law.
- (4) The remaining balance, if any, shall be combined with the accumulated beginning unappropriated earnings for the Board to formulate a proposal for allocation as dividends and submit to the AGM for resolution.

The Company shall authorize the Board to decide on distributing part or all of the dividends and profit sharing in cash using the legal reserve or additional paid-in capital and report to AGM in accordance with Articles 240 and 241 of the Company Act.

The Company's operations are growing steadily, and earnings are distributed primarily in cash dividends. They can also be distributed in stock dividends. However, the proportion of stock dividend distribution shall not exceed 50% of the total amount of dividends in the year.

Chapter VII Addendum

Article 21 Matters not provided for herein shall be subject to the Company Act and the applicable laws and regulations.

Article 22 These Articles of Incorporation were established on October 16, 1986.

The 1st amendment was made on August 30, 1989.

The 2nd amendment was made on June 10, 1990.
The 3rd amendment was made on June 30, 1990.
The 4th amendment was made on May 23, 1991.
The 5th amendment was made on June 10, 1992.
The 6th amendment was made on December 22, 1992.
The 7th amendment was made on July 20, 1993.
The 8th amendment was made on September 2, 1993.
The 9th amendment was made on June 18, 1995.
The 10th amendment was made on October 3, 1995.
The 11th amendment was made on June 30, 1996.
The 12th amendment was made on November 16, 1996.
The 13th amendment was made on April 12, 1997.
The 14th amendment was made on June 6, 1998.
The 15th amendment was made on May 14, 1999.
The 16th amendment was made on April 21, 2000.
The 17th amendment was made on May 25, 2001.
The 18th amendment was made on May 21, 2002.
The 19th amendment was made on June 30, 2004.
The 20th amendment was made on May 18, 2005.
The 21st amendment was made on May 24, 2006.
The 22nd amendment was made on June 15, 2007.
The 23rd amendment was made on June 13, 2008.
The 24th amendment was made on June 16, 2009.
The 25th amendment was made on June 24, 2011.
The 26th amendment was made on June 26, 2014.
The 27th amendment was made on June 3, 2016.
The 28th amendment was made on June 28, 2017.
The 29th amendment was made on June 13, 2019.
The 30th amendment was made on June 10, 2020.
The 31st amendment was made on June 8, 2022.

Appendix 2

Leadtek Research Inc.

Rules of Procedure for Meetings of Shareholders

Passed by the AGM on June 10, 2020

- Article 1 Except the law and/or regulations otherwise required, meetings of shareholders of the Company shall proceed as provided for in the Rules.
- Article 2 “Shareholder” as claimed in the Rules means the shareholder and the proxy he/she delegates to represent him/her in a meeting of shareholders.
- Article 3 When attending a meeting of shareholders, the shareholder or his/her proxy shall complete the sign-in procedure with the check-in pass. The number of shares in attendance shall be calculated according to the shares indicated in the recovered sign-in cards, and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by correspondence or electronically.
- The Company may assign the attorneys-at-law, accountants, or relevant personnel it hires to attend the meeting of shareholders as guests. Staff handling administrative affairs of a meeting of shareholders shall wear identification cards or armbands.
- Article 4 The chair shall immediately call the meeting to order at the designated meeting time when shareholders representing over one-half of the total issued shares are present. If the quorum is not met, the chair may postpone the meeting for not more than two times

with a total of not more than one hour.

If the quorum is still not met after two postponements and the shareholders present in the meeting represent over a third of the total issued shares, the share may make a tentative resolution in accordance with Article 175 of the *Company Act*.

After making the tentative resolution in accordance with the above procedures, if the number of shareholders present in the meeting holding shares reaching one-half of the total issued shares, the chair may refer the tentative resolution to the meeting of shareholders for voting in accordance with Article 174 of the *Company Act*.

Article 5

If a meeting of shareholders is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the meeting of shareholders.

The provisions of the preceding paragraph shall apply *mutatis mutandis* to a meeting of shareholders convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to the completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the meeting of shareholders. If the chair declares the

meeting adjourned in violation of the rules of procedure, other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

Except for the situation as stated above, after the meeting of shareholders is adjourned, shareholders shall not elect another meeting chair to continue the meeting at the original or another venue.

Article 6

When a meeting is in progress, the chair may announce a break based on time considerations.

The Company shall record the audio or videotape the meeting of shareholders and retain the tapes for at least one year.

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 Company.

The results of the voting shall be announced on-site at the meeting, and a record made of the vote.

If the meeting cannot be completed all at once, a resolution may be adopted in the meeting of shareholders to defer or resume the meeting within five days without further notice or announcement.

Article 7

Before speaking, a shareholder or proxy present in the meeting shall state in the comment slip the subject of comment, his/her shareholder account number (or attendance card number), and account name. The

order of comments will be set by the chair.

A shareholder present in the meeting submitting a comment without making a comment shall be deemed as no comment. If the content of the comment is inconsistent with the subject given in the comment slip, the spoken content shall prevail.

Except with the consent of the chairman and the shareholder speaking, when a shareholder is making a comment, other shareholders shall not disturb the comment. The chair shall stop the disturbance.

Article 8 An amendment to or an alternative for a proposal in the agenda or another proposal made by an extraordinary motion shall be seconded by other shareholders or proxies. The same shall apply to the agenda change and adjournment motion.

Article 9 Except with the consent of the chair, a shareholder or proxy shall not comment on the same proposal more than two times, and a comment shall not exceed five minutes.

The chair may terminate the comment of shareholders making comments against the above rule or in excess of the scope of the proposal.

When a company attends a meeting of shareholders as a proxy, it shall only send one member to the meeting.

When corporate shareholders send two or more representatives to the meeting of shareholders, only one representative shall comment on the same proposal.

Article 10 When the chair is of the opinion that a proposal has

been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

After the comment of a shareholder, the chair may answer the comment in person or designate the relevant personnel to answer the comment.

Article 11 The venue for a meeting of shareholders shall be the premises of the Company or a venue easily accessible by shareholders and suitable for a meeting of shareholders. The meeting shall begin no earlier than 09:00 and no later than 15:00.

Article 12 Unless the *Company Act* or articles of incorporation otherwise require, a proposal shall be approved by over one-half of shareholders representing over one-half of the voting shares present in the meeting. Shareholders of the Company shall enjoy one vote for each share held. When the government or a company is a shareholder, it can be represented by more than one person in a meeting of shareholders. However, the voting rights of these representatives shall still be accounted for by the number of shares held.

When there are two or more representatives representing the government or a company as stated in the preceding paragraph, they shall exercise their voting right together.

When there is an amendment to or an alternative to the same proposal, the chair shall determine the order of voting alongside the original proposal. When one of them is passed, the rest of them are deemed as vetoed without the need for further voting.

- Article 13 When there is an air raid warning during the meeting, the chair shall immediately adjourn or suspend the meeting and evacuate the attendees. The meeting may be continued one hour after the air raid warning is over.
- Article 14 Matters not provided for herein shall be subject to the Company Act and the applicable laws and regulations.
- Article 15 A meeting of shareholding convened by the board of directors shall be chaired by the chairperson of the board. When the chairperson is on leave or unable to attend the meeting for any reason, he/she shall appoint a managing director as his/her proxy. If there is no managing director, one director shall be appointed as the proxy. When no proxy is appointed, managing directors or directors shall elect one of them to chair the meeting.
- A meeting of shareholders convened by a person with the power to convene other than the board of directors shall chair the meeting convened. When there are more than one convener, they shall elect one of them as the chair.
- Article 16 The chair may direct the proctors (or security personnel) to help maintain order at the meeting venue. Proctors maintaining order at the meeting venue shall wear an armband bearing the word “Proctor”.
- Article 17 Shareholders (or proxies) shall follow the instructions for order maintenance given by the chair, proctors (or security personnel). The chair may direct proctors (or security personnel) to eliminate persons obstructing

the proceeding of the meeting.

Article 18 These Rules shall be implemented after the passage in the meeting of shareholders. The same shall apply to the amendments hereto.

Appendix 3

Leadtek Research Inc. Stake of Shareholders

- (1) As of September 5, 2023 the first date of local book-close period for the 2023 Extraordinary General Meeting, the issued capital of the Company is NT\$589,460,310, representing 58,946,031 common shares. The independent directors of the Company exceed one-half of the total director seats, and the audit committee has been established. Therefore, the provision in Article 26 of the Securities and Exchange Act that the total shares held by all directors and supervisors shall not be less than a specified percentage of its total issued shares, shall not apply.
- (2) As of September 5, 2023, the actual collective shareholdings of directors were shown as below:

Title	Name	No. of Shareholding	Shareholding (%)
Chairman	Lu, Kun-Shan	222,257	0.38
Director	Huang, Chin-Ming	143,339	0.24
Director	Hu, Chiu-Chiang	287,229	0.49
Independent Director	Ho, Yao-Hung	0	0.00
Independent Director	Shen, An-Shih	0	0.00
Independent Director	Liu, Cheng	17,367	0.03
Independent Director	Liu, Ju-Chi	0	0.00
Total		670,192	1.14%



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