



Mr. Chen Chao Siu
5th Floor, No. 3, Paokao Road Lane 7,
Hsintien District,
New Taipei City, Taiwan

20th October 2017

For the attention of: The Board of Directors of United Integrated Services Co.

Dear Mr. Chen,

We are writing to you as shareholders of United Integrated Services Co. regarding the Company's capital allocation and shareholder return policies. Our goal is simply to maximize value for all shareholders, and it is our sincere hope that management can use the contents of this letter to shape company policy toward that end.

The business of United Integrated Services has been well managed, as evidenced by the Company's long-term track record of strong profitability and attractive return on equity (ROE). We also applaud the high payout ratio of United Integrated Services. In the past 7 years, the average payout ratio was 78%.

	2010	2011	2012	2013	2014	2015	2016
EQUITY	5,214	4,928	4,581	5,300	5,552	6,223	6,635
NET INCOME	1,190	841	541	1,123	745	1,245	1,552
ROE	22.8%	16.7%	11.1%	23.0%	14.2%	21.8%	24.7%
PAYOUT RATIO	81%	86%	79%	50%	80%	76%	92%

Overcapitalized Balance Sheet

Despite the high payout ratio, United Integrated Services' strong ability to generate cash has increased the amount of estimated net cash to NT 2.7 billion as of 30 June 2017. Here, we estimate net cash level conservatively by taking away deferred revenues. Net cash level is now 20% of the Company's market capitalization and



T. +852 3758 2608 info@ascendercapital.com www.ascendercapital.com
Suite 3001, W50, 50 Wong Chuk Hang Road, Hong Kong

Ascender Capital Limited, Incorporated in Hong Kong Registered Number: 1735059
Regulated and Authorised by Securities Futures Commission, Hong Kong. SFC No.: BA1353



close to 43% of invested capital. It is dragging down the ROE and masking the true capital efficiency of the Company's core business.

IN NT MILLION	31 DEC 2016	30 JUN 2017
TOTAL CASH	7,201	9,155
ESTIMATED NET CASH	1,406	2,686
ESTIMATED INVESTED CAPITAL	6,896	6,227
EXCESS CASH AS A % OF INVESTED CAPITAL	20%	43%

Due to the nature of the business, working capital needs have fluctuated. While a certain level of cash is needed to manage the fluctuation in working capital, the level of net cash has always exceeded NT 1 billion. Keeping too much cash entails a cost that lowers ROE.

IN NT MILLION	2010	2011	2012	2013	2014	2015	2016
WORKING CAPITAL	4,218	3,727	2,826	3,607	3,083	4,047	4,254
ESTIMATED NET CASH	3,273	2,204	1,638	3,824	1,804	2,496	1,406

M&A

We agree with management that spending time and resources to improve the business performance in China and further extend the Company's leading position is the top priority. Therefore, we would advise against using the cash for diversification purposes, which would be a major distraction.

Capital Reduction

We expect a higher percentage of revenue to come from China in the future. As Chinese contracts come with a larger amount of down payment, we believe the Company will not face working capital constraint when expanding their business in China. Following the current capital reduction trend in Taiwan, we believe the Company can at least distribute NT 1.5 billion to shareholders through a tax-free capital reduction program.

Should United Integrated Services return NT 1.5 billion to shareholders, its ROE and capital efficiency would instantly improve.



	BEFORE CAPITAL REDUCTION	AFTER CAPITAL REDUCTION	CHANGE
EQUITY (NT M)	5,884	4,384	-25%
NET INCOME (NT M)	1,400	1,400	
ROE	23.8%	31.9%	+34%

Conclusion

We firmly believe that all shareholders of United Integrated Services would greatly benefit from a meaningful capital reduction program that returns NT 1.5 billion to shareholders. The average ROE is currently 7% for the 300 companies in the MSCI Taiwan Small Cap Index. We believe improving the Company's ROE to 32% will further highlight the business quality of United Integrated Services. Importantly, due to the Company's strong market position and stable cash flows, United Integrated Services will remain safe with a remaining net cash balance of NT 1 billion. We thus expect that more efficient capital allocation will be rewarded by the market with higher valuations.

Should you have any questions or comments, please do not hesitate to contact us on +852 3758 2609. We look forward to discussing in more details the contents of this letter.

Kind Regards,

Edouard Mercier
edouard@ascendercapital.com and

Andrin Bachmann
andrin@ascendercapital.com