

**LITON TECHNOLOGY CORP. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**WITH REPORT OF INDEPENDENT ACCOUNTANTS**

**FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022**

Address: No.9, Zhonglong 2nd Rd., Zhongxing Industrial Zone, Tongluo Township,  
Miaoli County, Taiwan, R.O.C.  
Telephone: 886-37-222-899

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

## **REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of LITON TECHNOLOGY CORP. as of and for the year ended 31 December 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, LITON TECHNOLOGY CORP. and subsidiaries do not prepare a separate set of combined financial statements.

Hereby certified.

LITON TECHNOLOGY CORP.

Chih-Ming Wu  
Chairman

13 March 2024

## **Independent Auditors' Report Translated from Chinese**

To Liton Technology Corp.

### **Opinion**

We have audited the accompanying consolidated balance sheets of Liton Technology Corp. (the “Company”) and its subsidiaries (the “Group”) as of 31 December 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2023 and 2022, and notes to the consolidated financial statements, including the summary of material accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2023 and 2022, and their consolidated financial performance and cash flows for the years ended 31 December 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **1. Impairment of accounts receivable**

As of 31 December 2023, the gross accounts receivable and loss allowance by the Group amounted to NT\$865,190 thousand and NT\$8,883 thousand, respectively. The net accounts receivable accounted for 15% of consolidated total assets, which was considered material to the Group. The collection of accounts receivable is a key factor in the working capital management of the Group. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net account receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, understanding and testing of the effectiveness of the Group internal control related to the management of customer credit risk and accounts receivable collection; assessing the reasonableness of loss allowance policy, including understanding related information to evaluate expected credit loss ratio according to historical experience, current market and future economic outlook expected; recalculating the reasonableness of loss allowance based on trading conditions; evaluating individually the reasonableness of the impairment of accounts receivable longer aging and significant overdue amounts ; recalculating the reasonableness of non-individual significant customers (cohort assessment) based on accounting policy of loss allowance ; sampling and testing accounts receivable letter and reviewed its collection in subsequent period. We also assessed the adequacy of disclosures related to accounts receivable in Notes 5 and 6 to the Group's consolidate financial statements.

### **2. Valuation for inventories**

As of December 31, 2023, the net inventories amounted to NTD 795,268 thousand accounting for 14% of the total consolidated assets that could have significant impacts on the Company and its subsidiaries. The Company and its subsidiaries starts manufacturing after receiving orders from customers, so we mainly assessed the allowance for inventory valuation and slow-moving losses for raw materials, supply and parts. Due to diversity of products and uncertainty arising from rapid changes in products, allowance for obsolete and slow-moving inventory valuation requires significant management judgement, we therefore determined the issue as a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control system with respect to obsolete and slow-moving inventory; understanding the allowance for inventory loss and slow-moving inventory policies; sampling important storage locations to observe inventory counts; testing the correctness of the inventory aging intervals to make sure that the inventory aging schedule was appropriate. In addition, we sample tested inventories to check related certificates of purchases and sales and to re-calculate the unit cost of inventories to evaluate the reasonableness of the net realizable value of inventory.

In addition, we also considered the adequacy of the disclosures related to inventory in Notes 5 and 6 to the consolidated financial statements.

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

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

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Other**

We have audited and expressed an unqualified opinion on the parent company only financial statements of Liton Technology Corp. as of and for the years ended 31 December 2023 and 2022.

Chin-Yuan Tu

Wen-Chen Lo

Ernst & Young, Taiwan

13 March 2024

### **Notice to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
LITON TECHNOLOGY CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
31 December 2023 and 31 December 2022  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of 31 December	
		2023	2022
Current assets			
Cash and cash equivalents	4, 6(1)	\$899,003	\$834,236
Financial assets at fair value through profit or loss, current	4,12	1,135	1,189
Notes receivable, net	4, 6(11)	130,529	51,924
Notes receivables-related parties, net	4, 6(11),7	2,034	-
Accounts receivable, net	4, 6(2), 6(11)	703,797	621,771
Accounts receivables-related parties, net	4, 6(2), 6(11), 7	152,510	191,413
Other receivables	4	8,018	32,589
Inventories	4, 6(3)	795,268	1,029,755
Prepayment		107,317	131,771
Other current assets	8	42,115	700
Total current assets		<u>2,841,726</u>	<u>2,895,348</u>
Non-current assets			
Financial assets at fair value through other comprehensive income, non-current	4,12	5,554	5,664
Property, plant and equipment	4, 6(4), 8	2,802,818	2,850,082
Right-of-use assets	4, 6(12), 7	92,571	98,171
Intangible assets	4	2,257	2,136
Deferred tax assets	4, 6(16)	23,472	19,246
Net defined benefit assets, non-current	4, 6(8)	7,399	6,884
Other non-current assets		66,757	212,454
Total non-current assets		<u>3,000,828</u>	<u>3,194,637</u>
Total assets		<u>\$5,842,554</u>	<u>\$6,089,985</u>

(continued)



## English Translation of Consolidated Financial Statements Originally Issued in Chinese

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of 31 December	
		2023	2022
Current liabilities			
Short-term loans	4, 6(5)	\$958,274	\$840,996
Short-term notes and bills payable	4	-	89,981
Financial liabilities at fair value through profit or loss, current	4	-	1,700
Contract liabilities, current	4, 6(10)	5,056	227,030
Accounts payable	4	26,323	59,921
Accounts payables-related parties	4, 7	124,273	4,260
Other payables		164,830	186,162
Current tax liabilities	4, 6(16)	56,463	99,512
Lease liabilities, current	4, 6(12), 7	4,265	3,402
Bond payable, current	4, 6(6)	496,127	-
Long-term liabilities, current portion	6(7)	-	130,408
Other current liabilities		11,201	8,695
Total current liabilities		1,846,812	1,652,067
Non-current liabilities			
Bonds payable	4, 6(6)	-	488,952
Deferred tax liabilities	4, 6(16)	1,480	1,377
Lease liabilities, non-current	4, 6(12), 7	53,891	56,848
Guarantee deposits received		39,009	39,784
Other non-current liabilities	4	104,189	73,876
Total non-current liabilities		198,569	660,837
Total liabilities		2,045,381	2,312,904
Equity attributable to the parent company	4, 6(9)		
Capital			
Common stock		1,432,196	1,432,196
Additional Paid-in Capital		583,462	579,882
Retained earnings			
Legal reserve		259,681	209,160
Special reserve		147,667	190,800
Unappropriated earnings		935,562	896,692
Subtotal		1,342,910	1,296,652
Other components of equity			
Exchange differences on translation of foreign operations		(206,562)	(146,164)
Unrealized gains or losses on financial assets at fair value through other comprehensive income		(1,503)	(1,503)
Subtotal		(208,065)	(147,667)
Treasury shares		(41,808)	(40,133)
Non-controlling interests	6(9)	688,478	656,151
Total equity		3,797,173	3,777,081
Total liabilities and equity		\$5,842,554	\$6,089,985

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
LITON TECHNOLOGY CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the years ended 31 December 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the years ended 31 December	
	Notes	2023	2022
Operating revenues	4, 6(10), 7	\$3,676,095	\$3,844,247
Operating costs	6(3)	(2,927,301)	(2,880,206)
Gross profit		748,794	964,041
Operating expenses			
Sales and marketing expenses	6(13)	(54,299)	(64,764)
General and administrative expenses		(147,860)	(154,186)
Research and development expenses		(122,039)	(89,178)
Expected credit (losses) gains	6(11)	2,282	(5,693)
Subtotal		(321,916)	(313,821)
Operating income		426,878	650,220
Non-operating income and expenses	4, 6(14)		
Interest income		15,574	4,328
Other income		40,255	14,223
Other gains and losses		(21,974)	71,980
Financial costs		(33,203)	(41,289)
Subtotal		652	49,242
Income before income tax		427,530	699,462
Income tax expense	4, 6(16)	(86,836)	(126,510)
Net income		340,694	572,952
Other comprehensive income	6(15)		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(317)	2,329
Income tax related to items that may not to be reclassified subsequently		63	(466)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(73,894)	52,566
Total other comprehensive income, net of tax		(74,148)	54,429
Total comprehensive income		\$266,546	\$627,381
Net income attributable to:			
Stockholders of the parent		\$294,871	\$503,342
Non-controlling interests		45,823	69,610
		\$340,694	\$572,952
Comprehensive income attributable to:			
Stockholder of the parent		\$234,219	\$548,338
Non-controlling interests		32,327	79,043
		\$266,546	\$627,381
Earnings per share (NTD)			
Earnings per share-basic	4, 6(17)	\$2.08	\$3.52
Earnings per share-diluted		\$1.95	\$3.29

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
LITON TECHNOLOGY CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the years ended 31 December 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to the Parent Company											Non-controlling interests	Total equity
	Capital		Retained Earnings				Other components of equity						
	Common Stock	Certificate of entitlement to new shares from convertible bond	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	gains(Losses) on financial assets measured at fair value through other comprehensive income	Treasury shares	Total			
Balance as of 1 January 2022	\$1,430,048	\$775	\$577,355	\$160,481	\$203,129	\$642,389	\$(189,297)	\$(1,503)	\$(3,459)	\$2,819,918	\$577,108	\$3,397,026	
Appropriation and distribution of 2021 retained earnings													
Legal reserve				48,679		(48,679)				-		-	
Cash dividends						(214,552)				(214,552)		(214,552)	
Special reserve					(12,329)	12,329				-		-	
Net income in 2022						503,342				503,342	69,610	572,952	
Other comprehensive income, net of tax in 2022						1,863	43,133			44,996	9,433	54,429	
Total comprehensive income	-	-	-	-	-	505,205	43,133	-	-	548,338	79,043	627,381	
Acquisition of treasury shares									(36,674)	(36,674)		(36,674)	
Bonds converted to stock	2,148	(775)	2,527							3,900		3,900	
Balance as of 31 December 2022	\$1,432,196	\$ -	\$579,882	\$209,160	\$190,800	\$896,692	\$(146,164)	\$(1,503)	\$(40,133)	\$3,120,930	\$656,151	\$3,777,081	
Balance as of 1 January 2023	\$1,432,196	\$ -	\$579,882	\$209,160	\$190,800	\$896,692	\$(146,164)	\$(1,503)	\$(40,133)	\$3,120,930	\$656,151	\$3,777,081	
Appropriation and distribution of 2022 retained earnings													
Legal reserve				50,521		(50,521)				-		-	
Cash dividends						(248,359)				(248,359)		(248,359)	
Special reserve					(43,133)	43,133				-		-	
Net income in 2023						294,871				294,871	45,823	340,694	
Other comprehensive income, net of tax in 2023						(254)	(60,398)			(60,652)	(13,496)	(74,148)	
Total comprehensive income	-	-	-	-	-	294,617	(60,398)	-	-	234,219	32,327	266,546	
Bonds converted to stock									(5,134)	(5,134)		(5,134)	
Acquisition of treasury shares			3,580						3,459	7,039		7,039	
Balance as of 31 December 2023	\$1,432,196	\$ -	\$583,462	\$259,681	\$147,667	\$935,562	\$(206,562)	\$(1,503)	\$(41,808)	\$3,108,695	\$688,478	\$3,797,173	

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

## English Translation of Consolidated Financial Statements Originally Issued in Chinese

LITON TECHNOLOGY CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWSFor the years ended 31 December 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2023	2022
Cash flows from operating activities:		
Net income before tax	\$427,530	\$699,462
Adjustments to reconcile net loss (income) to net cash provided by operating activities:		
Income and expense adjustments:		
Depreciation	231,490	202,252
Amortization	804	1,008
Expected credit (income) loss	(2,282)	5,693
Net (gain) loss of financial assets/liabilities at fair value through profit or loss	(1,646)	2,694
Interest expense	33,203	41,289
Interest income	(15,574)	(4,328)
Loss from market value decline, obsolete and slow-moving of inventories	1,839	8,611
Dividends income	-	(90)
Loss on disposal of property, plant and equipment	13,689	345
Gain on financial assets measured at fair value through profit or loss	(531)	-
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	(80,639)	20,102
(Increase) decrease in accounts receivable	(40,676)	205,480
Decrease (increase) in inventories	218,979	(288,336)
Decrease in prepayments	24,454	23,099
Decrease in other receivables	24,571	173
(Increase) decrease in other current assets	(41,415)	275
Decrease in other non-current assets	31,649	1,339
Increase in net defined benefit assets, non-current	(832)	(670)
Increase (decrease) in accounts payable	86,415	(43,134)
Decrease in other payables	(20,705)	(10,805)
(Decrease) increase in contract liabilities	(221,974)	227,013
Increase in other current liabilities	2,506	498
Cash generated from operations	670,855	1,091,970
Interest received	15,574	4,328
Dividend received	-	90
Interest paid	(26,506)	(34,220)
Income tax paid	(106,805)	(111,489)
Net cash provided by operating activities	553,118	950,679

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## English Translation of Consolidated Financial Statements Originally Issued in Chinese

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2023	2022
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(116,701)	(95,968)
Proceeds from disposal of property, plant and equipment	5,972	86
Acquisition of right-of-use assets	-	(964)
Increase in prepayment for equipment	(19,123)	(363,448)
Acquisition of intangible assets	(938)	(776)
Proceeds from disposal of financial assets at fair value through profit or loss	531	-
Net cash used in investing activities	(130,259)	(461,070)
Cash flows from financing activities:		
Increase in short-term loans	3,149,687	1,885,418
Decrease in short-term loans	(3,027,335)	(1,754,456)
Increase in short-term notes and bills payable	209,600	149,816
Decrease in short-term notes and bills payable	(299,581)	(119,792)
Cash payments of bonds	-	(1,300)
Increase in long-term loans	-	76,484
Decrease in long-term loans (including current portion)	(127,867)	(364,172)
Cash payments for the principal portion of the lease liability	(3,896)	(3,251)
(Decrease) increase in guarantee deposits received	(775)	213
Acquisition of treasury shares	(5,134)	(36,674)
Exercise of employee shares option	7,039	-
Cash dividends	(248,359)	(214,552)
Other non-current liability - other increase	30,313	17,397
Net cash used in financing activities	(316,308)	(364,869)
Effect of exchange rate on cash and cash equivalents	(41,784)	11,754
Net increase in cash and cash equivalents	64,767	136,494
Cash and cash equivalents at beginning of period	834,236	697,742
Cash and cash equivalents at end of period	\$899,003	\$834,236

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

LITON TECHNOLOGY CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended 31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

Liton Technology Corp. (the Group) was incorporated in November 1993. The main activities of the Group include manufacturing, processing and selling electric erosion aluminum foils and forming aluminum foil.

The Group was authorized to be listed on the Taipei Exchange in April 2000, and was trade its shares over the counter on 10 June 2002. The Company's registered office and the main business location is at No.9, Zhonglong 2<sup>nd</sup> Rd., Zhongxing Industrial Zone, Tongloun Township, Miaoli County, Taiwan (R.O.C.). Lelon Electronics Corp. is the parent company of the Group and the controller of the Group.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (the Group) for the years ended 31 December 2023 and 2022 were authorized for issue by the Board of Directors on 13 March 2024.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

**LITON TECHNOLOGY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

(a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

# LITON TECHNOLOGY CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2024. The new or amended standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

- (a) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.



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IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Group.

#### 4. Summary of significant accounting policies

##### (1) Statement of Compliance

The consolidated financial statements of the Group for the years ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are endorsed by FSC.

##### (2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (NT\$) unless otherwise stated.

##### (3) Basis of Consolidation

##### Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
- (f) recognizes any resulting difference in profit or loss.

**LITON TECHNOLOGY CORP. AND SUBSIDIARIES**  
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The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			31 December 2023	31 December 2022
The Company	LITON (BVI) CO., LTD	Holding company	100%	100%
The Company	V-TECH CO., LTD.	Selling formed aluminum foil and holding company	100%	100%
The Company	EVERTECH CAPA CO., LTD.	Selling formed aluminum foil	100%	100%
The Company	LIDON ELECTRONICS TECHNOLOGY CO., LTD. RUYUAN COUNTY	Manufacturing and selling etched aluminum foils	40%	40%
LITON (BVI) CO., LTD	LITON ELECTRONICS TECHNOLOGY (HUI ZHOU) CO., LTD.	Manufacturing and selling formed aluminum foil	100%	100%
V-TECH CO., LTD.	FOREVER CO., LTD.	Holding company	100%	100%
FOREVER CO., LTD.	LITON ELECTRONICS TECHNOLOGY (ABAZHOU) CO., LTD.	Manufacturing and selling formed aluminum foil	100%	100%
LITON ELECTRONICS TECHNOLOGY (HUI ZHOU) CO., LTD.	LIDON ELECTRONICS TECHNOLOGY CO., LTD. RUYUAN COUNTY	Manufacturing and selling etched aluminum foils	20%	20%

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NT\$), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

#### (5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

#### (6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
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(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- a. the Group's business model for managing the financial assets and
- b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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- a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- a. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:



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- a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- a. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

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The Group measures expected credit losses of a financial instrument in a way that reflects:

- a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b. the time value of money; and
- c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- a. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- b. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- c. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

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(c) Derecognition of financial assets

A financial asset is derecognized when:

- a. The rights to receive cash flows from the asset have expired.
- b. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- c. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

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For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 *Financial Instruments*.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

#### Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

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- a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- b. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

#### Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

#### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

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When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### (e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### (9) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### (10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are 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.

#### (11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost under weighted average cost method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.



## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

#### (12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	5~56 years
Machinery and equipment	3~40 years
Office equipment	3~15 years
Transportation equipment	5~11 years
Right-of-use assets	3~50 years
Other equipment	2~26 years
Leasehold improvements	8 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The residual values, useful lives and methods of depreciation of property, plant, and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### (13) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

#### Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

#### Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

#### (14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

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The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software	Technology	Other intangible assets
Useful lives	3~20 years	2~3 years	5 years
Amortization method used	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

#### (16) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

#### (17) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

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(18) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group are forming aluminum foils, electro erosion foils and guide pin, and revenue is recognized based on the consideration stated in the contract.

The credit period of the Group's sale of goods is from 30 to 135 days. For all of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables.

For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. The Group collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

Rendering of services

The Group provides rendering of services are mainly based on the maintenance services for cutting processing formed aluminum foils products, which had priced or negotiated separately and recognized at revenue when the products sent to customers whom had take control of it.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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(20) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(21) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.



## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

#### (22) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

#### (23) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

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Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

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- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Trade receivables—estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(b) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

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6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2023	2022
Cash on hand	\$435	\$423
Cash in transit	10,086	-
Demand deposits	583,383	664,880
Time deposits	305,099	168,933
Total	<u>899,003</u>	<u>\$834,236</u>

(2) Net Accounts receivables and Net accounts receivables-related parties

	As of 31 December	
	2023	2022
Accounts receivables	\$712,680	\$633,101
Less: loss allowance	(8,883)	(11,330)
Subtotal	703,797	621,771
Accounts receivables- related parties	152,510	191,413
Total	<u>\$856,307</u>	<u>\$813,184</u>

Accounts receivables were not pledged.

Accounts receivables are generally on 30-135 day terms. The total carrying amount are NT\$865,190 thousand and NT\$824,514 thousand as of 31 December 2023 and 2022. Please refer to Note 6(11) for more details on loss allowance of accounts receivables for the years ended 31 December 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(3) Inventories

(a) The details are as follows

	As of 31 December	
	2023	2022
Raw materials	\$272,731	\$306,121
Supplies	18,310	25,790
Work in progress	8,056	33,836
Finished goods	468,767	576,611
Merchandise	27,404	87,397
Total	<u>\$795,268</u>	<u>\$1,029,755</u>

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(b) The inventory cost recognized as operating costs for the year ended 31 December 2023 were NT\$2,927,301 thousand. The price reduction of inventories related to cost of goods sold were NT\$1,839 thousand.

(c) The inventory cost recognized as operating costs for the year ended 31 December 2022 were NT\$2,880,206 thousand. The price reduction of inventories related to cost of goods sold were NT\$8,611 thousand.

(d) No inventories were pledged.

### (4) Property, plant and equipment

#### (a) Property, plant and equipment for self-use

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Leasehold improvements	Unfinished work and equipment to be inspected	Total
<b>Cost:</b>									
As of 1 January 2023	\$97,759	\$583,784	\$3,207,698	\$94,952	\$11,250	\$49,740	\$1,306	\$75,057	\$4,121,546
Additions	-	1,161	10,314	108	-	21,175	-	83,794	116,552
Disposals	-	(6,583)	(46,522)	(2,221)	(656)	(7,398)	-	-	(63,380)
Other changes	-	1,227	232,236	2,391	447	1,980	-	(147,371)	90,910
Exchange differences	-	(9,645)	(62,317)	(1,847)	(215)	(986)	(25)	(475)	(75,510)
As of 31 December 2023	<u>\$97,759</u>	<u>\$569,944</u>	<u>\$3,341,409</u>	<u>\$93,383</u>	<u>\$10,826</u>	<u>\$64,511</u>	<u>\$1,281</u>	<u>\$11,005</u>	<u>\$4,190,118</u>
As of 1 January 2022	\$97,759	\$574,895	\$2,678,506	\$220,261	\$10,979	\$48,337	\$1,285	\$63,691	\$3,695,713
Additions	-	3,529	67,544	315	805	3,336	-	38,673	114,202
Disposals	-	(2,807)	(38,119)	(1,843)	(714)	(4,484)	-	-	(47,967)
Other changes	-	-	458,984	(127,667)	-	1,960	-	(28,342)	304,935
Exchange differences	-	8,167	40,783	3,886	180	591	21	1,035	54,663
As of 31 December 2022	<u>\$97,759</u>	<u>\$583,784</u>	<u>\$3,207,698</u>	<u>\$94,952</u>	<u>\$11,250</u>	<u>\$49,740</u>	<u>\$1,306</u>	<u>\$75,057</u>	<u>\$4,121,546</u>
<b>Depreciation and impairment:</b>									
As of 1 January 2023	\$-	\$185,680	\$1,036,463	\$24,650	\$4,489	\$19,515	\$667	\$-	\$1,271,464
Depreciation	-	15,287	190,157	11,460	1,092	6,625	163	-	224,784
Disposals	-	(6,583)	(29,654)	(2,124)	(626)	(4,732)	-	-	(43,719)
Other changes	-	(63)	(42,198)	-	-	-	-	-	(42,261)
Exchange differences	-	(3,004)	(18,936)	(623)	(94)	(295)	(16)	-	(22,968)
As of 31 December 2023	<u>\$-</u>	<u>\$191,317</u>	<u>\$1,135,832</u>	<u>\$33,363</u>	<u>\$4,861</u>	<u>\$21,113</u>	<u>\$814</u>	<u>\$-</u>	<u>\$1,387,300</u>

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	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Leasehold improvements	Unfinished work and equipment to be inspected	Total
As of 1 January 2022	\$-	\$170,406	\$936,717	\$15,799	\$3,997	\$17,600	\$495	\$-	\$1,145,014
Depreciation	-	15,859	161,247	11,737	1,073	6,102	164	-	196,182
Disposals	-	(2,807)	(37,916)	(1,806)	(644)	(4,363)	-	-	(47,536)
Exchange differences	-	-	(36,283)	(1,311)	-	-	-	-	(37,594)
Other changes	-	2,222	12,698	231	63	176	8	-	15,398
As of 31 December 2022	<u>\$-</u>	<u>\$185,680</u>	<u>\$1,036,463</u>	<u>\$24,650</u>	<u>\$4,489</u>	<u>\$19,515</u>	<u>\$667</u>	<u>\$-</u>	<u>\$1,271,464</u>

**Net carrying amount**

31 December 2023	<u>\$97,759</u>	<u>\$378,627</u>	<u>\$2,205,577</u>	<u>\$60,020</u>	<u>\$5,965</u>	<u>\$43,398</u>	<u>\$467</u>	<u>\$11,005</u>	<u>\$2,802,818</u>
31 December 2022	<u>\$97,759</u>	<u>\$398,104</u>	<u>\$2,171,235</u>	<u>\$70,302</u>	<u>\$6,761</u>	<u>\$30,225</u>	<u>\$639</u>	<u>\$75,057</u>	<u>\$2,850,082</u>

(b) Please refer to Note 8 for more details on property, plant and equipment under pledge.

(c) There is no capitalized borrowing costs of construction in progress for the year ended 31 December 2023. Capitalized borrowing costs of construction in progress for the year ended 31 December 2022 were NT\$2,865 thousand, with capitalization rate of borrowing costs at 4.18%.

(d) Components of building that have different useful lives are the main building structure, hydroelectric engineering, well sewerage engineering, ancillary works of the purification station and FRP construction work etc which are depreciated over 56 years, 45 years, 20 years, 5 years, and 3 years, respectively.

**(5) Short term loans**

	As of 31 December	
	2023	2022
Unsecured bank loans	\$793,434	\$840,996
Secured bank loans	164,840	-
Total	<u>\$958,274</u>	<u>\$840,996</u>

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	For the years ended 31 December	
	2023	2022
Interest rates applied (Unsecured bank loans)	0.65%~3.30%	0.63%~3.90%
Interest rates applied (Secured bank loans)	0.50%~3.00%	-%

Please refer to Note 8 for more details on secured bank loans.

The Group's unused short-term lines of credits amounted to NT\$1,568,900 thousand and NT\$1,346,932 thousand as of 31 December 2023 and 2022.

(6) Bonds payable

	As of 31 December	
	2023	2022
Liability component		
Principal amount	\$500,000	\$500,000
Discounts on bonds payable	(3,873)	(11,048)
Subtotal	496,127	488,952
Less: current portion	(496,127)	-
Net	\$-	\$488,952
Embedded derivative	\$-	\$1,650
Equity component	\$3,650	\$12,450

- (a) On 4 March 2019, the Company issued the third zero domestic coupon unsecured convertible bonds. The terms of the convertible bonds were evaluated to include a liability component, embedded derivatives (a call option and a put option) and an equity component (an option for conversion into issuer's ordinary shares). The terms of the bonds are as follows:

Issue amount: NT\$200,000 thousand

Period: 4 March 2019 ~ 4 March 2022

Redemption clauses:



## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- a. The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (5 June 2019) and prior to 40 days before the maturity date (22 January 2022), at the principal amount of the bonds with an interest calculated at the rate of 0% per annum (early redemption conversion price) if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 130% of the conversion price.
- b. The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (5 June 2019) and prior to 40 days before the maturity date (22 January 2022), at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.
- c. The Company may redeem the bonds in cash, within 5 trading days after the base date of withdrawing the bonds as stated on the "Withdrawal of Convertible Bonds Notice", at the par value if the bondholders do not reply to the share affair agency in writing before the base date.

#### Reversal clauses:

The Company takes the date of two years (4 March 2021) after the issuance of the convertible bonds as the sell-back base date for bondholders to sell back the bonds. The company shall send a "Notice on the Exercise of the Put-back Right" to the bondholders by registered mail 30 days before the base date of the sale and request the Over-the-Counter (OTC) to announce the exercise of the right of purchase of the convertible bonds. Bondholders may request to the company redeem the Bonds held by the company at their face value by written notice to the company's Stock Affairs Agency (effective upon delivery, with the expiration date of such period as the base date of sale, and the postmark date will be used as evidence if it is mailed) within 30 days after the announcement. The company shall redeem the Bonds in cash within five business days after the base date of the request for redemption. If the aforementioned date falls on a day when the Taipei Exchange is closed, it will be postponed to the next business day.

LITON TECHNOLOGY CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
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Terms of Exchange:

- a. Underlying Securities: Common shares of the Company
- b. Exchange Period: The bonds are exchangeable at any time on or after 5 June 2019 and prior to 4 March 2022 into common shares of the Company
- c. Exchange Price and Adjustment: The exchange price was originally NT\$31.7 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture. After the ex-dividend on 11 October 2021, the conversion price will be adjusted from NT\$29 to NT\$28.4 per share.
- d. Redemption on maturity : The Company's bonds will be redeemed at face value when they are due and not settled.

As of 31 December 2023, the converted amount of the Company's bonds is NT\$198,700; the Company had purchased 13 convertible bonds. The difference between the amount apportioned to the equity components and the book value is NT\$55 thousand, which was recorded as additional paid-in capital-lapsed stock options, and the bonds matured on 4 March 2022.

- (b) On 15 July 2021, the Company issued the fourth zero domestic coupon unsecured convertible bonds. The terms of the convertible bonds were evaluated to include a liability component, embedded derivatives (a call option and a put option) and an equity component (an option for conversion into issuer's ordinary shares). The terms of the bonds are as follows:

Issue amount: NT\$500,000 thousand

Period: 15 July 2021 ~ 15 July 2024

Redemption clauses:

- a. The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (16 October 2021) and prior to 40 days before the maturity date (5 June 2024), at the principal amount of the bonds with an interest calculated at the rate of 0% per annum (early redemption conversion price) if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 130% of the conversion price.

LITON TECHNOLOGY CORP. AND SUBSIDIARIES  
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- b. The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (16 October 2021) and prior to 40 days before the maturity date (5 June 2024), at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.
- c. The Company may redeem the bonds in cash, within 5 trading days after the base date of withdrawing the bonds as stated on the “Withdrawal of Convertible Bonds Notice”, at the par value if the bondholders do not reply to the share affair agency in writing before the base date.

Reversal clauses:

The Company takes the date of two years (15 July 2023) after the issuance of the convertible bonds as the sell-back base date for bondholders to sell back the bonds. The company shall send a “Notice on the Exercise of the Put-back Right” to the bondholders by registered mail 40 days before the base date of the sale and request the Over-the-Counter (OTC) to announce the exercise of the right of purchase of the convertible bonds. Bondholders may request the company to redeem the Bonds held by the company at their face value by written notice to the company's Stock Affairs Agency (effective upon delivery, with the expiration date of such period as the base date of sale, and the postmark date will be used as evidence if it is mailed) within 30 days after the announcement. The company shall redeem the Bonds in cash within five business days after the base date of the request for redemption. If the aforementioned date falls on a day when the Taipei Exchange is closed, it will be postponed to the next business day.

Terms of Exchange:

- a. Underlying Securities: Common shares of the Company
- b. Exchange Period: The bonds are exchangeable at any time on or after 16 October 2021 and prior to 15 July 2024 into common shares of the Company.

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- c. Exchange Price and Adjustment: The exchange price was originally NT\$47.7 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture. After the ex-dividend on 26 August 2023, the conversion price will be adjusted from NT\$44.4 to NT\$42.3 per share.
- d. Redemption on due date: The Company's bonds will be redeemed at face value when they are due and not settled.

In accordance with IFRS 9, said financial instrument is classified as an embedded derivative so the exercise price of the embedded put option is allocated to the liability component and equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The difference between the equity component and the book value was recognized in profit or loss. The difference between the liability component and the book value was recognized in "Additional paid-in capital-warrants". The financial liabilities of convertible bonds are measured at amortized cost, fair value through profit or loss amounted to NT\$0 thousand as of 31 December 2023.

The Company's bonds have not been converted as of 31 December 2023.

(7) Long-term loans

There is no long-term loans as of 31 December 2023.

Details of long-term loans as of 2022 is as follows:

Lenders			As of 31 Dec. 2022	Interest Rate	Maturity date and terms of repayment
E.SUN	Bank	(China)	\$34,075	4.20%	From 14 September 2021 to 14 March 2023, starting from the date of first use, the principal will be amortized in six installments and every three months is one installment. 5% of the principal is amortized in the first installment, 10% of the principal is amortized in the second to fifth installments, and the remaining principal is fully repaid in the last installment.
Dongguan Branch unsecured bank loans					

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Lenders			As of 31 Dec. 2022	Interest Rate	Maturity date and terms of repayment
E.SUN	Bank	(China)	33,690	4.15%	From 22 February 2022 to 22 August 2023, starting from the date of first use, the principal will be amortized in six installments and every three months is one installment. 5% of the principal is amortized in the first installment, 10% of the principal is amortized in the second to fifth installments, and the remaining principal is fully repaid in the last installment.
Dongguan Branch unsecured bank loans					
E.SUN	Bank	(China)	26,829	4.15%	From 20 May 2022 to 20 November 2023, starting from the date of first use, the principal will be amortized in six installments and every three months is one installment. 5% of the principal is amortized in the first installment, 10% of the principal is amortized in the second to fifth installments, and the remaining principal is fully repaid in the last installment.
Dongguan Branch unsecured bank loans					
E.SUN	Bank	(China)	18,208	4.20%	From 30 July 2021 to 30 January 2023, starting from the date of first use, the principal will be amortized in six installments and every three months is one installment. 5% of the principal is amortized in the first installment, 10% of the principal is amortized in the second to fifth installments, and the remaining principal is fully repaid in the last installment.
Dongguan Branch unsecured bank loans					

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Lenders			As of 31 Dec. 2022	Interest Rate	Maturity date and terms of repayment
E.SUN	Bank	(China)	17,606	4.20%	From 29 October 2021 to 29 April 2023, starting from the date of first use, the principal will be amortized in six installments and every three months is one installment. 5% of the principal is amortized in the first installment, 10% of the principal is amortized in the second to fifth installments, and the remaining principal is fully repaid in the last installment.
Dongguan Branch unsecured					
bank loans					
Subtotal			130,408		
Less: current portion			(130,408)		
Total			\$-		

Please refer to Note 8 for more details on secured bank loan.

(8) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C.

Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended 31 December 2023 and 2022 were NT\$2,384 thousand and NT\$2,366 thousand, respectively.

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15<sup>th</sup> year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$753 to its defined benefit plan during the 12 months beginning after 31 December 2023.

The average duration of the defined benefits plan obligation as at 31 December 2023 and 2022 are 2 years and 5 years.

LITON TECHNOLOGY CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Pension costs recognized in profit or loss are as follows for the years ended 31 December 2023 and 2022:

	For the years ended 31 December	
	2023	2022
Current service costs	\$-	\$-
Net interest on the net defined benefit assets	(79)	(22)
Total	<u>\$(79)</u>	<u>\$(22)</u>

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	As of		
	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022
Defined benefit obligation	\$20,787	\$20,096	\$20,466
Plan assets at fair value	(28,186)	(26,980)	(24,351)
Accrued pension liabilities (assets) recognized on the consolidated balance sheets	<u>\$(7,399)</u>	<u>\$(6,884)</u>	<u>\$(3,885)</u>

Reconciliation of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities(assets)
As of 1 January 2022	\$20,466	\$(24,351)	\$(3,885)
Current service cost	-	-	-
Interest expense (income)	117	(139)	(22)
Subtotal	<u>20,583</u>	<u>(24,490)</u>	<u>(3,907)</u>
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in financial assumptions	(711)	-	(711)
Experience adjustments	224	-	224
Remeasurements of the defined benefit assets	-	(1,842)	(1,842)
Subtotal	<u>(487)</u>	<u>(1,842)</u>	<u>(2,329)</u>
Payments of benefit obligation	-	-	-
Contributions by employer	-	(648)	(648)
As of 31 December 2022	<u>20,096</u>	<u>(26,980)</u>	<u>(6,884)</u>
Current period service costs	-	-	-
Interest expense (income)	231	(310)	(79)
Subtotal	<u>20,327</u>	<u>(27,290)</u>	<u>(6,963)</u>



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	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities/assets
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in financial assumptions	22	-	22
Experience adjustments	438	-	438
Remeasurements of the defined benefit assets	-	(143)	(143)
Subtotal	460	(143)	317
Payments of benefit obligation	-	-	-
Contributions by employer	-	(753)	(753)
As of 31 December 2023	\$20,787	\$(28,186)	\$(7,399)

The principal assumptions used in determining the Company's defined benefit plan are shown below:

	As of 31 December	
	2023	2022
Discount rate	1.06%	1.15%
Expected rate of salary increases	1.00%	1.00%

Sensitivity analysis for significant assumption are shown below:

	For the years ended 31 December			
	2023		2022	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.5%	\$-	\$(120)	\$-	\$(426)
Discount rate decrease by 0.5%	381	-	518	-
Future salary increase by 0.5%	376	-	514	-
Future salary decrease by 0.5%	-	(121)	-	(429)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

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(9) Equities

(a) Common stock

The Company's authorized capital was NT\$3,600,000 thousand as of 1 January 2022. The issued capital was NT\$1,430,048 thousand in a total of 143,005 thousand shares. Each share has one voting right and a right to receive dividends.

The investors requested to convert the Company's unsecured convertible bonds into common stocks in the amount of NT\$67,188 thousand in a total of 6,719 thousand shares from 1 January 2021 to 31 December 2021. As the registration process has not been completed, the accumulated book value of certificate of entitlement to new shares from convertible bond amounted to NT\$775 thousand in a total of 78 thousand shares as of 31 December 2021. The change registration had completed on 22 February 2022.

The investors requested to convert the Company's unsecured convertible bonds into common stocks in the amount of NT\$1,373 thousand in a total of 137 thousand shares from 1 January 2022 to 31 December 2022. The change registration had completed on 27 May 2022.

As of 31 December 2023 and 2022, the Company's authorized capital was NT\$3,600,000 thousand. The issued capital were NT\$1,432,196 thousand in a total of 143,220 thousand shares in both years. Each share has one voting right and a right to receive dividends.

(b) Additional paid-in capital

	As of 31 December	
	2023	2022
Additional paid-in capital	\$521,223	\$521,223
Share options	22,050	22,050
Treasury share transactions	21,325	17,745
Expired share options	11,376	11,376
Employee share option	7,488	7,488
Total	<u>\$583,462</u>	<u>\$579,882</u>

# LITON TECHNOLOGY CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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According to the Company Act, the additional paid-in capital shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the additional paid-in capital related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

### (c) Treasury shares

The changes in 2023 are as follows:

Reason for withdrawal	Balance as of 1 January	Increase	Decrease	Balance as of 31 December
Transfer of shares to employees	1,328	157	(185)	1,300

The changes in 2022 are as follows:

Reason for withdrawal	Balance as of 1 January	Increase	Decrease	Balance as of 31 December
Transfer of shares to employees	185	1,143	-	1,328

- As of 31 December 2023 and 2022, the fair value of the treasury shares held by the Company was NT\$41,808 thousand and NT\$40,133 thousand, and the number of shares was 1,300 thousand shares and 1,328 thousand shares.
- As of 26 March 2020, it has transferred to employees through the acquisition of treasury shares by the board of directors. A total of 185 thousand shares were repurchased from 13 April to 26 May 2020, with an average purchase price of NT\$18.70 per share and a total of NT\$3,459 thousand. On 22 March 2023, the Directors approved that the base date of employee subscription was 22 March 2023. A total of 185 thousand Treasury shares were transferred to employees.

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- c. As of 9 November 2022, it has transferred to employees through the acquisition of treasury shares by the board of directors. A total of 1,300 thousand shares were repurchased from 16 November 2022 to 6 January 2023, with an average price of NT\$32.16 per share and a total amounted to NT\$41,808 thousand.
- d. Under Securities and Exchange Act, the proportion of the number of shares that the Company buy back shall not exceed 10% of the Company's issued shares. The total amount of shares purchased shall not exceed retained earnings plus the premium on issued shares and the balance of the realized additional paid-in capital.

(d) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations;
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. For the payment of dividend. The cash dividend ratio is not less than 10% of the total dividend. If the cash dividend per share is less than NT\$0.5, the board of directors is authorized to draft a proposal, and the shareholders' meeting decides to pay cash dividends or stock dividends.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

LITON TECHNOLOGY CORP. AND SUBSIDIARIES  
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When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the distributable earnings.

After the adoption of IFRS, the Company complies with the provisions of Order No. Financial-Supervisory- Securities-Corporate-1090150022 issued on 31 March 2021 by FSC. On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

The Company did not reverse any special reserve as a result of use, disposal or reclassification of related assets during the years ended 31 December 2023 and 2022.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the Board of Directors’ meeting and shareholders’ meeting on 30 June 2023 and 24 June 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$50,521	\$48,679		
Special reserve	(43,133)	(12,329)		
Common stock -cash dividend	248,359	214,552	\$1.75	\$1.50

Please refer to Note 6(13) for details on employees’ compensation and remuneration to directors and supervisors.

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(e) Non-controlling interests

	For the years ended 31 December	
	2023	2022
Beginning balance	\$656,151	\$577,108
Gains attributable to non-controlling interests	45,823	69,610
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(13,496)	9,433
Ending balance	<u>\$688,478</u>	<u>\$656,151</u>

(10) Operating revenue

	For the years ended 31 December	
	2023	2022
Revenue from contracts with customers		
Sale of goods	\$3,664,596	\$3,796,857
Rendering of services	11,499	47,390
Total	<u>\$3,676,095</u>	<u>\$3,844,247</u>

Analysis of revenue from contracts with customers for the years ended 31 December 2023 and 2022 are as follows:

(a) Disaggregation of revenue

For the year ended 31 December 2023

	Taiwan Segment	China Segment	Total
Sale of goods	\$1,273,498	\$2,391,098	\$3,664,596
Rendering of services	-	11,499	11,499
Total	<u>\$1,273,498</u>	<u>\$2,402,597</u>	<u>\$3,676,095</u>

For the year ended 31 December 2022

	Taiwan Segment	China Segment	Total
Sale of goods	\$1,755,136	\$2,041,721	\$3,796,857
Rendering of services	303	47,087	47,390
Total	<u>\$1,755,439</u>	<u>\$2,088,808</u>	<u>\$3,844,247</u>

The Timing of revenue recognition of the Group are all at a point in time.

LITON TECHNOLOGY CORP. AND SUBSIDIARIES  
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(b) Contract balances

Contract liabilities – current

	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022
Sales of goods	<u>\$5,056</u>	<u>\$227,030</u>	<u>\$17</u>

The decrease in the balance of the Group's contract liabilities in 2023 is due to the total transaction price of NT\$227,030 thousand apportioned by the satisfied performance obligations; The increase in the balance of contract liabilities in 2022 was due to the fact that most of the performance obligations had not been satisfied (including partially unsatisfied) in the current period and recognized as income in the current period.

(c) Transaction price allocated to unsatisfied performance obligations

As the Group's client contracts are less than one year, it is not necessary to provide information on outstanding performance obligations.

(d) Assets recognized from costs to fulfil a contract

None.

(11) Expected credit losses

	For the years ended 31 December	
	2023	2022
Operation expense- Expected credit losses(gains)		
Account receivables	<u>\$(2,282)</u>	<u>\$5,693</u>

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of trade receivables (including note receivables and account receivables) at an amount equal to lifetime expected credit losses and by counterparties' credit rating and its loss allowance is measured by using a provision matrix. The assessment of the Group's loss allowance are as follows:

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As of 31 December 2023

Group 1: Some counterparties were assessed individually. The amount of long-term receivables was NT\$17,159 thousand recognized as other non-current assets, which was overdue, and the loss allowance was NT\$17,159 thousand.

Group 2: The amount of loss allowance is measured at the lifetime expected credit loss rate, details are as follows:

	Not yet due (Note)	Overdue				Total
		31-90 days	91-180 days	181-365 days	Upon 366 days	
Gross carrying amount	\$891,846	\$95,771	\$3,585	\$4,639	\$1,912	\$997,753
Loss rate	-%	1-3%	4-5%	80-100%	100%	
Lifetime expected credit losses	-	(2,823)	(170)	(3,978)	(1,912)	(8,883)
Carrying amount	\$891,846	\$92,948	\$3,415	\$661	\$-	\$988,870

As of 31 December 2022

Group 1: Some counterparties were assessed individually. The amount of long-term receivables was NT\$17,159 thousand recognized as other non-current assets, which was overdue, and the loss allowance was NT\$17,159 thousand.

Group 2: The amount of loss allowance is measured at the lifetime expected credit loss rate, details are as follows:

	Not yet due (Note)	Overdue				Total
		31-90 days	91-180 days	181-365 days	Upon 366 days	
Gross carrying amount	\$822,679	\$40,199	\$4,149	\$7,240	\$2,171	\$876,438
Loss rate	-%	1-5%	5-6%	90-100%	90-100%	
Lifetime expected credit losses	-	(2,119)	(230)	(6,810)	(2,171)	(11,330)
Carrying amount	\$822,679	\$38,080	\$3,919	\$430	\$-	\$865,108

Note: The Group's note receivables are not overdue.



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The movement in the provision for impairment of note receivables, account receivables and long-term receivables during the 31 December 2023 and 2022 are as follows:

	Note receivables	Account receivables	Long-term receivables	Total
Beginning balance at 1 Jan. 2023	\$-	\$11,330	\$17,159	\$28,489
Addition for the current period	-	(2,282)	-	(2,282)
Exchange differences	-	(165)	-	(165)
Ending balance at 31 Dec. 2023	\$-	\$8,883	\$17,159	\$26,042
Beginning balance at 1 Jan. 2022	\$-	\$5,570	\$17,159	\$22,729
Reversal for the current year	-	5,693	-	5,693
Exchange differences	-	67	-	67
Ending balance at 31 Dec. 2022	\$-	\$11,330	\$17,159	\$28,489

(12) Leases

(a) The Group as a lessee

The Group leases various properties, including real estate such as land and buildings and transportation equipment. The lease terms range from 3 to 50 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

a. Amounts recognized in the balance sheet

(i) Right-of-use asset

The carrying amount of right-of-use assets

	As of 31 December	
	2023	2022
Land	\$39,046	\$41,288
Buildings	51,120	56,626
Transportation equipment	1,988	257
Other equipment	417	-
Total	\$92,571	\$98,171

During the years ended 31 December 2023 and 2022, the Group's additions to right-of-use assets amounting to NT\$2,921 thousand and NT\$27,269 thousand.

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(ii) Lease liabilities

	As of 31 December	
	2023	2022
Lease liabilities		
Current	\$4,265	\$3,402
Non-Current	53,891	56,848
Total	<u>\$58,156</u>	<u>\$60,250</u>

Please refer to Note 6,14(c) for the interest on lease liabilities recognized during the years ended 31 December 2023 and 2022. Refer to Note 12 (5) liquidity risk management for the maturity analysis for lease liabilities as of 31 December 2023 and 2022.

b. Amounts recognized in the statements of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2023	2022
Land	\$4,473	\$4,089
Buildings	1,460	1,468
Transportation equipment	654	513
Other equipment	119	-
Total	<u>\$6,706</u>	<u>\$6,070</u>

c. Income and costs relating to leasing activities

	For the years ended 31 December	
	2023	2022
The expenses relating to short-term leases	<u>\$421</u>	<u>\$414</u>

d. Cash outflow related to lessee and lease activity

During the years ended 31 December 2023 and 2022, the Group's total cash outflows for leases amounting to NT\$8,343 thousand and NT\$7,450 thousand.

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(13) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2023 and 2022:

	For the years ended 31 December					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$110,327	\$98,107	\$208,434	\$116,351	\$97,341	\$213,692
Labor and health insurance	15,865	12,153	28,018	18,068	8,794	26,862
Pension	1,138	1,167	2,305	1,188	1,156	2,344
Other employee benefits expense	4,205	6,099	10,304	4,255	4,957	9,212
Depreciation	220,678	10,812	231,490	190,230	12,022	202,252
Amortization	529	275	804	705	303	1,008

According to the Articles of Incorporation, no lower than 2.5% of profit of the current year is distributable as employees' compensation and no higher than 2.5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit for the year ended 31 December 2023, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended of 31 December 2023 to be 2.78% and 1.04% of profit, respectively. The employees' compensation and remuneration to directors and supervisors for the year ended of 31 December 2023 amount to NT\$9,870 thousand and NT\$3,700 thousand, respectively, recognized as employee benefits expense. Based on the profit for the year ended 31 December 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended of 31 December 2022 to be 3.50% and 1.75% of profit, respectively. The employees' compensation and remuneration to directors and supervisors for the year ended of 31 December 2022 amount to NT\$21,180 thousand and NT\$10,600 thousand, respectively, recognized as employee benefits expense.

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A resolution was passed at the Board of Directors meeting held on 13 March 2024 to distribute NT\$9,870 thousand and NT\$3,700 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2023, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2023.

Actual distribution of employees' compensation and remuneration to directors and supervisors of 2023 amount to NT\$21,103 and NT\$10,600, respectively, whereas the estimated amount accrued in the financial statements for the year ended 31 December 2022 were NT\$21,180 and NT\$10,600, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2022 were NT\$77 and NT\$0, respectively, are recognized in profit or loss of the subsequent year in 2023.

### (14) Non-operating income and expenses

#### (a) Interest Income

	For the years ended 31 December	
	2023	2022
Financial assets measured at amortized cost	\$15,574	\$4,328

#### (b) Other income

	For the years ended 31 December	
	2023	2022
Other income	\$40,255	\$14,133
Dividends income	-	90
Total	\$40,255	\$14,223

#### (c) Other gains and losses

	For the years ended 31 December	
	2023	2022
Losses on disposal of property, plant and equipment	\$(13,689)	\$(345)
Gains (losses) on financial asset at fair value through profit or loss	1,646	(2,694)
Foreign exchange (losses) gains, net	(701)	80,154
Gains on disposals of investments	531	-
Other expense	(9,761)	(5,135)
Total	\$(21,974)	\$71,980

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(d) Finance costs

	For the years ended 31 December	
	2023	2022
Interest on loans from bank	\$(22,002)	\$(30,156)
Interest on bonds payable	(7,175)	(7,348)
Interest on lease liabilities	(4,026)	(3,785)
Total	<u>\$(33,203)</u>	<u>\$(41,289)</u>

(15) Components of other comprehensive income

For the year ended 31 December 2023:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(317)	\$-	\$(317)	\$63	\$(254)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(73,894)	-	(73,894)	-	(73,894)
Total of other comprehensive income	<u>\$(74,211)</u>	<u>\$-</u>	<u>\$(74,211)</u>	<u>\$63</u>	<u>\$(74,148)</u>

For the year ended 31 December 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$2,329	\$ -	\$2,329	\$(466)	\$1,863
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	52,566	-	52,566	-	52,566
Total of other comprehensive income	<u>\$54,895</u>	<u>\$ -</u>	<u>\$54,895</u>	<u>\$(466)</u>	<u>\$54,429</u>

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(16) Income tax

The major components of income tax expenses for the years ended 31 December 2023 and 2022 are as follows:

(a) Income tax expense recognized in profit or loss

	For the years ended 31 December	
	2023	2022
Current income tax expense:		
Current income tax charge	\$75,078	\$132,533
Adjustments in respect of current income tax of prior periods	15,818	(4,239)
Deferred tax (income) expense:		
Deferred tax (income) expense relating to origination and reversal of temporary differences	(4,060)	(1,784)
Total income tax expense	<u>\$86,836</u>	<u>\$126,510</u>

(b) Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2023	2022
Deferred tax expense (income):		
Remeasurements of defined benefit plans	\$(63)	\$466
Income tax relating to components of other comprehensive income	<u>\$(63)</u>	<u>\$466</u>

(c) A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended 31 December	
	2023	2022
Accounting profit before tax from continuing operations	<u>\$427,530</u>	<u>\$699,462</u>
At the Company's statutory income tax rate	\$85,506	\$139,892
Tax effect of different tax rates for entities in other tax regions	6,809	35,682
Tax effect of revenues exempt from taxation	(33,389)	(56,309)
Adjustments in respect of current income tax of prior periods	15,818	(4,239)
Corporate income surtax on undistributed retained earnings	12,092	11,484
Total income tax expense recognized in profit or loss	<u>\$86,836</u>	<u>\$126,510</u>

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(d) Deferred tax assets (liabilities) relate to the following:

a. For the year ended 31 December 2023

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary differences				
Unrealized intragroup profits and losses	\$10,450	\$(431)	\$-	\$10,019
Unrealized foreign exchange gains or losses	1,091	1,703	-	2,794
Loss from price reduction of inventories	395	(53)	-	342
Defined benefit liability	(214)	(166)	-	(380)
Profits and losses of defined benefit plans	(1,163)	-	63	(1,100)
Deferred income-government grants	7,310	3,007	-	10,317
Deferred tax (income)/ expense		<u>\$4,060</u>	<u>\$63</u>	
Net deferred tax assets/ (liabilities)	<u>\$17,869</u>			<u>\$21,992</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$19,246</u>			<u>\$23,472</u>
Deferred tax liabilities	<u>\$(1,377)</u>			<u>\$(1,480)</u>

b. For the year ended 31 December 2022

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary differences				
Unrealized intragroup profits and losses	\$10,793	\$(343)	\$-	\$10,450
Unrealized foreign exchange gains or losses	(101)	1,192	-	1,091
Loss from price reduction of inventories	83	312	-	395
Defined benefit liability	(80)	(134)	-	(214)
Profits and losses of defined benefit plans	(697)	-	(466)	(1,163)
Deferred income-government grants	6,553	757	-	7,310
Deferred tax (income)/ expense		<u>\$1,784</u>	<u>\$(466)</u>	
Net deferred tax asset/ (liabilities)	<u>\$16,551</u>			<u>\$17,869</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$17,429</u>			<u>\$19,246</u>
Deferred tax liabilities	<u>\$(878)</u>			<u>\$(1,377)</u>

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(e) Unrecognized deferred tax assets

As of 31 December 2023 and 2022, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to NT\$3,187 and NT\$2,890, respectively, as the future taxable profit may not be available.

(f) Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at 31 December 2023 and 2022, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to NT\$1,280,272 and NT\$1,104,970, respectively.

(g) The assessment of income tax returns

	<u>The assessment of income tax returns</u>
Liton Technology Corp.	Assessed and approved up to 2021
Liton Electronics Technology (Hui Zhou) Co., Ltd.	Assessed up to 2023
Liton Electronics Technology (Abazhou) Co., Ltd.	Assessed up to 2023
Lidon Electronics Technology Co., Ltd. (Ruyuan County)	Assessed up to 2023

(17) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.



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	For the years ended 31 December	
	2023	2022
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	\$294,871	\$503,342
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	141,877	142,974
Basic earnings per share (NT\$)	\$2.08	\$3.52
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	\$294,871	\$503,342
Interest expense from convertible bonds	5,740	5,740
Profit attributable to ordinary equity holders of the Company after dilution (in thousands)	\$300,611	\$509,082
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	141,877	142,974
Effect of dilution:		
Employee compensation-stock (in thousands)	392	735
Convertible bonds (in thousands)	11,820	11,261
Weighted average number of ordinary shares outstanding after dilution (in thousands)	154,089	154,970
Diluted earnings per share (NT\$)	\$1.95	\$3.29

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and completion of the financial statements.

(18) Subsidiaries that have material non-controlling interests

Subsidiaries that have material non-controlling interests in the Group are as follows:

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Name	Country of Incorporation and operation	Proportion of equity interest held by non-controlling interests	
		31 Dec. 2023	31 Dec. 2022
Lidon Electronics Technology Co., Ltd. Ruyuan County	China	40%	40%

The consolidated financial information of the above-mentioned subsidiaries is as follows. The financial information is prepared in accordance with the International Financial Reporting Standards recognized by the Financial Supervisory Commission, and has reflected the fair value adjustments made by the Group on the acquisition date and the adjustments made for differences in accounting policies. And the financial information is the amount before the transaction within the group has not been eliminated.

(Expressed in Thousands of CNY)

	As of 31 December	
	2023	2022
Current assets	\$132,281	\$125,564
Non-current assets	413,621	443,751
Current liabilities	(112,022)	(168,068)
Non-current liabilities	(36,190)	(29,616)
Equities	\$397,690	\$371,631
Ending balance of non-controlling interests	\$159,076	\$148,652

	For the years ended 31 December	
	2023	2022
Operating revenue	\$466,407	\$494,587
Net income from continuing operations	\$26,058	\$39,348
Other comprehensive income	-	-
Total comprehensive income for the period	26,058	\$39,348
Net income for the period attributable to non-controlling interests	\$10,423	\$15,739
Total comprehensive income for the period attributable to non-controlling interests	\$10,423	\$15,739

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	For the years ended 31	
	December	
	2023	2022
Cash flow from operating activities	\$54,083	\$156,115
Cash flow from investing activities	(11,206)	(84,687)
Cash flow from financing activities	(25,256)	(67,013)
Increase (decrease) in cash and net cash equivalents	\$17,621	\$4,415

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Lelon Electronics Corp.	Parent company
Lelon Electronics (SUZHOU) Corp.	Affiliates of the company
Lelon Electronics (HUIZHOU) Corp.	Affiliates of the company
Lelon Electronics Technology (SUZHOU) Corp.	Affiliates of the company
Ruyuan Yao Autonomous County Hec Actinic Foil Co., Ltd	Substantive related party
Ruyuan Hec Youai Xijie Fine Foil Co., Ltd	Substantive related party
Youai Xi Jiedong Hec (Shaoguan) Aluminium Sales Co., Ltd	Substantive related party
Shaoguan Hec Magnetic Materials Co., Ltd	Substantive related party
Ruyuan Hec New Energy Materials Co., Ltd	Substantive related party
Chih-Ming Wu and other nine people	Directors and Deputy General Manager of the Company

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Significant transactions with related parties

(1) Sales

	For the years ended 31 December	
	2023	2022
Ruyuan Yao Autonomous County Hec Actinic Foil Co., Ltd	\$564,111	\$778,715
Lelon Electronics (HUIZHOU) Corp.	143,535	204,198
Lelon Electronics (SUZHOU) Corp.	107,047	230,991
Lelon Electronics Technology (SUZHOU) Corp.	55,571	1,999
Shaoguan Hec Magnetic Materials Co., Ltd	6,029	-
Total	<u>\$876,293</u>	<u>\$1,215,903</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The sales transaction conditions of related parties are 90~135 days for the end of the following month. Funds in circulation at the end of the year are unsecured, interest-free and must be settled in cash. No guarantee is received for the accounts receivable.

(2) Purchases

	For the years ended 31 December	
	2023	2022
Youai Xijie Hec (Shaoguan) Aluminium Sales Co., Ltd	\$778,101	\$664,106
Ruyuan Yao Autonomous County Hec Actinic Foil Co., Ltd	148,582	256,552
Ruyuan Hec Youai Xijie Fine Foil Co., Ltd	10,149	1,428
Ruyuan Hec New Energy Materials Co., Ltd	-	15,757
Total	<u>\$936,832</u>	<u>\$937,843</u>

The purchase price of the Group from related parties is negotiated by both parties with reference to market conditions, the payment period of the Group to related parties are 30~120 days.

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(3) Account Receivables

	As of 31 December	
	2023	2022
Lelon Electronics (HUIZHOU) Corp.	\$81,992	\$98,717
Lelon Electronics Technology (SUZHOU) Corp.	52,583	47
Lelon Electronics (SUZHOU) Corp.	16,609	92,649
Shaoguan Hec Capacitor Co., Ltd	3,360	-
Total	<u>\$154,544</u>	<u>\$191,413</u>

(4) Account Payables

	As of 31 December	
	2023	2022
Youai Xijie Hec (Shaoguan) Aluminium Sales Co., Ltd	\$116,160	\$-
Ruyuan Yao Autonomous County Hec Actinic Foil Co., Ltd	6,107	1,332
Ruyuan Hec Youai Xijie Fine Foil Co., Ltd	2,006	1,281
Ruyuan Hec New Energy Materials Co., Ltd	-	1,647
Total	<u>\$124,273</u>	<u>\$4,260</u>

(5) Contract liabilities — current

	As of 31 December	
	2023	2023
Ruyuan Yao Autonomous County Hec Actinic Foil Co., Ltd	<u>\$4,946</u>	<u>\$227,028</u>

(6) Lease — related parties

Right-of-use assets

	As of 31 December	
	2023	2022
Ruyuan Yao Autonomous County Hec Actinic Foil Co., Ltd	<u>\$51,120</u>	<u>\$56,626</u>

Lease liabilities

	As of 31 December	
	2023	2022
Ruyuan Yao Autonomous County Hec Actinic Foil Co., Ltd	<u>\$55,740</u>	<u>\$59,990</u>

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Interest expense	For the years ended	
	31 December	
	2023	2022
Ruyuan Yao Autonomous County Hec Actinic Foil Co., Ltd	\$4,002	\$3,779

The determination and collection of rental expenses is determined with reference to the general market conditions.

(7) Key management personnel compensation

	For the years ended	
	31 December	
	2023	2022
Short-term employee benefits	\$16,255	\$25,452
Share-based payment	989	-
Post-employment benefits	167	161
Total	\$17,411	\$25,613

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

Items	Carrying amount		Secured liabilities
	31 Dec.2023	31 Dec.2022	
Property, Plant and Equipment- Machinery and equipment	\$769,730	\$857,124	Short-term and long-terms borrowings
Other Current Assets- Time deposit	36,870	-	Short-term borrowings
Total	\$806,600	\$857,124	

9. Significant contingencies and unrecognized contractual commitments

Amounts available under unused letters of credit as of 31 December 2023 are NT\$25,857 thousand.

As of 31 December 2023, the important contracts of construction in progress are as following equity:

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Contract object	Subject of the contract	Total contract price	Contract amount has not been paid as of 31 December 2023
Company A	Machinery and equipment	\$129,840	\$6,309

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Other

(1) Categories of financial instruments

	As of 31 December	
<u>Financial assets</u>	2023	2022
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$1,135	\$1,189
Financial assets at fair value through other comprehensive income	5,554	5,664
Financial assets measured at amortized cost (Note)	1,888,761	1,669,168
	As of 31 December	
<u>Financial liabilities</u>	2023	2022
Financial liabilities at amortized cost:	\$-	\$1,700
Short-term loans	958,274	840,996
Short-term notes and bills payable	-	89,981
Notes and accounts payable	150,596	64,181
Bonds payable (including current portion with maturity less than 1 year)	496,127	488,952
Long-term loans (including current portion with maturity less than 1 year)	-	130,408
Lease liabilities	58,156	60,250

Note: Including cash and cash equivalents(not including cash on hand), notes receivable, trade receivables and other receivables(not including tax receivables).

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(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.



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The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for JPY, USD and RMB.

- (a) When NTD strengthens/weakens against JPY by 1%, the profit for the years ended 31 December 2023 and 2022 is increased /decreased by \$956 thousand and \$708 thousand, respectively; and no impact on the equity.
- (b) When NTD strengthens/weakens against USD by 1%, the loss for the years ended 31 December 2023 and 2022 is decreased/increased by \$5,824 thousand and \$6,471 thousand, respectively; and no impact on the equity.
- (c) When NTD strengthens/weakens against RMB by 1%, the loss for the years ended 31 December 2023 and 2022 is decreased/increased by \$7,069 thousand and \$3,913 thousand, respectively; and no impact on the equity.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with fixed interest rates and variable interest rates.

The Group's interest rate sensitivity analysis is performed on borrowings with variable interest rates as at the end of the reporting period. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2023 and 2022 decrease/increase by NT\$958 thousand and NT\$1,061 thousand.

#### Equity price risk

The fair value of the Group's listed and unlisted equity securities and conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

A change of 10% in the price of the listed equity securities measured at fair value through profit or loss could increase/decrease the Group's profit for the year ended 31 December 2023 and 2022 by NT\$113 and NT\$114, respectively

#### (4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of 31 December 2023 and 2022, trade receivables from top ten customers represented 39.51% and 50.62% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

#### (5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

LITON TECHNOLOGY CORP. AND SUBSIDIARIES  
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Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of 31 December 2023					
Short-term loans	\$958,832	\$-	\$-	\$-	\$958,832
Notes and accounts payable	150,596				150,596
Convertible bonds	500,000				500,000
Lease liabilities	8,028	15,520	14,040	46,481	84,069
As of 31 December 2022					
Short-term loans	\$842,032	\$-	\$-	\$-	\$842,032
Short-term notes and bills payable	90,000	-	-	-	90,000
Notes and accounts payable	64,181	-	-	-	64,181
Convertible bonds	-	500,000	-	-	500,000
Long-term loans	135,855	-	-	-	135,855
Lease liabilities	7,420	14,320	14,320	54,562	90,622

Derivative financial liabilities

None.

(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended 31 December 2023:

	Short-term loans	Long-term loan (including maturity within a year)	Short-term notes and bills payable	Bonds payable (including maturity within a year)	Lease liabilities	Guarantee Deposits received	Total liabilities from financing activities
As of 1 Jan. 2023	\$840,996	\$130,408	\$89,981	\$488,952	\$60,250	\$39,784	\$1,650,371
Cash flows	122,352	(127,867)	(89,981)	-	(3,896)	(775)	(100,167)
Non-cash changes	-	-	-	7,175	2,921	-	10,096
Foreign exchange movement	(5,074)	(2,541)	-	-	(1,119)	-	(8,734)
As of 31 Dec. 2023	<u>\$958,274</u>	<u>\$-</u>	<u>\$-</u>	<u>\$496,127</u>	<u>\$58,156</u>	<u>\$39,009</u>	<u>\$1,551,566</u>

LITON TECHNOLOGY CORP. AND SUBSIDIARIES  
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Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term loans	Long-term loan (including maturity within a year)	Short-term notes and bills payable	Bonds payable (including maturity within a year)	Lease liabilities	Guarantee Deposits received	Total liabilities from financing activities
As of 1							
Jan. 2022	\$710,034	\$411,277	\$59,957	\$486,803	\$36,597	\$39,571	\$1,744,239
Cash flows	130,962	(287,688)	30,024	(1,300)	(3,251)	213	(131,040)
Non-cash							
changes	-	-	-	3,449	26,305	-	29,754
Foreign exchange							
movement	-	6,819	-	-	599	-	7,418
As of 31 Dec. 2022	<u>\$840,996</u>	<u>\$130,408</u>	<u>\$89,981</u>	<u>\$488,952</u>	<u>\$60,250</u>	<u>\$39,784</u>	<u>\$1,650,371</u>

(7) Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- a. The carrying amount of cash and cash equivalents, accounts receivables, other current assets, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.).
- c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

## LITON TECHNOLOGY CORP. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2023 and 2022 are as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(6) for further information on this transaction.

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

# LITON TECHNOLOGY CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

### (b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group's assets and liabilities measured at fair value on a recurring basis is as follows:

#### As of 31 December 2023

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	\$1,135	\$-	\$-	\$1,135
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	5,554	5,554

#### As of 31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	\$1,139	\$ -	\$ -	\$1,139
Embedded derivative-bonds	-	50	-	50
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	5,664	5,664
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Embedded derivative-bonds	\$ -	\$1,700	\$ -	\$1,700

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
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Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

The Group's recurring fair value assets and liabilities fall under the third level of fair value, and the reconciliation of the opening to closing balances is set out below:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as of 1 January 2023	\$5,664
Total gains and losses recognized for the year ended 31 December 2023:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-
Foreign exchange movement	(110)
Ending balances as of 31 December 2023	<u>\$5,554</u>
	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as of 1 January 2022	\$5,572
Total gains and losses recognized for the year ended 31 December 2022:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-
Foreign exchange movement	92
Ending balances as of 31 December 2022	<u>\$5,664</u>

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

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As of 31 December 2023

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Asset approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's profit or loss by NT\$ 56 thousand

As of 31 December 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Asset approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's profit or loss by NT\$ 57 thousand

Valuation process used for fair value measurements categorized within  
Level 3 of the fair value hierarchy

The Group's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

- (c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

None.



# LITON TECHNOLOGY CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

### (10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of 31 December 2023			As of 31 December 2022		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	\$18,955	30.7250	\$582,392	\$21,068	30.7150	\$647,104
JPY	173,754	0.2172	37,739	227,044	0.2332	52,947
RMB	258,154	4.3280	1,117,291	188,467	4.4140	831,893
Financial liabilities						
Monetary items:						
JPY	\$614,108	0.2172	\$133,384	\$530,480	0.2332	\$123,708
RMB	94,832	4.3280	410,433	99,822	4.4140	440,614

The Group has a number of different functional currencies; therefore, we are unable to disclose the exchange loss and gain of monetary financial assets and financial liabilities under each foreign currency that has significant impact. The Group recognized NT\$701 thousand losses and NT\$ 80,154 thousand foreign exchange gains for the years ended 31 December 2022 and 2023.

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

### (11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders or issue new shares.

## 13. Other disclosure

### (1) Information at significant transactions

- (a) Financing provided to others for the year ended 31 December 2023: The transaction that reversed between consolidated entities has been adjusted to be reversed.

# LITON TECHNOLOGY CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

No	Lender	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance(the amount approved by the board of directors)	Amount Actually drawn	Interest rate	Nature of financing (Note 1)	Transaction Amounts	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note2,4)	Limit of total financing amount (Note3,4)
													Item	Value		
3	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Liton Electronics Technology (Abazhou) Co., Ltd.	Other receivable - Abazhou	Yes	\$69,248	\$-	\$-	According to the company's contract	2	\$-	For operating and fund capital	\$-	-	\$-	\$863,164	\$863,164

Note1: "1" is for business dealing, "2" is for the need of short-term financing.

Note2: Financing to individual counterparty was limited to 10% of the total transaction amounts with the lender.

Note3: The total amount available for lending purposes shall not exceed 40% of the Company's net worth.

Note4: The Company directly and indirectly holds 100% of the voting shares and engages in capital lending between foreign companies, not subject to the above limits. However, the total amount of loans and individual loans shall not exceed 100% of the net value of the lending company.

(b) Endorsement/Guarantee provided to others for the year ended 31 December 2023:

None.

(c) Securities held as of 31 December 2023(Excluding subsidiaries, associates and joint ventures):

Held Company Name	Marketable Securities Type and Name	Relationship between Issuer and the Company	Account Stated	As of 31 December 2023			
				Shares/Units	Book Value	Ratio%	Fair Value
Liton Technology Corp.	Stocks China Development Finance Holdings Corp.	-	Financial assets at fair value through profit or loss, current	90,411	\$983	-	\$1,135
				Subtotal	983		
				Adjustment of financial asset evaluation	152		
				Total	\$1,135		
Liton Electronics Technology (Hui Zhou) Co., Ltd.	Lijing Real Estate Development (Huizhou) Co., Ltd		Financial assets at fair value through other comprehensive income, non current	1,303,537	\$6,507	4.49%	\$5,554
				Subtotal	6,507		
				Adjustment of financial asset evaluation	(953)		
				Total	\$5,554		
Liton Technology Corp.	Pan Win Biotechnology Inc.		Financial assets at fair value through other comprehensive income, non current	100,000	\$550	5%	\$-
				Subtotal	550		
				Adjustment of financial asset evaluation	(550)		
				Total	\$-		

# LITON TECHNOLOGY CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2023: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2023: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2023: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2023:

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)	
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Payment Terms	Unit price	Payment Terms	Balance	Percentage of total notes and accounts receivable (payable)
Liton Technology Corp.	V-TECH CO., LTD	Subsidiary of Liton Technology Corp.	Purchase	\$858,805	56.16%	Mutual offsetting of creditor's rights and debts	Trading condition is the same as other supplier	Mutual offsetting of creditor's rights and debts	\$-	-%
Liton Technology Corp.	V-TECH CO., LTD	Subsidiary of Liton Technology Corp.	Sales	(161,470)	(4.39)%	Mutual offsetting of creditor's rights and debts	Trading condition is the same as other supplier	Mutual offsetting of creditor's rights and debts	191,456	19.36%
V-TECH CO., LTD.	Liton Electronics Technology (Abazhou) Co., Ltd.	Subsidiary of V-TECH CO., LTD	Purchase	453,172	29.64%	Mutual offsetting of creditor's rights and debts	Trading condition is the same as other supplier	Mutual offsetting of creditor's rights and debts	-	-%
V-TECH CO., LTD.	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Sub-subsidiary of Liton Technology Corp.	Sales	(113,399)	(3.08)%	Mutual offsetting of creditor's rights and debts	Trading condition is the same as other supplier	Mutual offsetting of creditor's rights and debts	168,892	17.08%
V-TECH CO., LTD.	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Sub-subsidiary of Liton Technology Corp.	Purchase	409,837	26.80%	Mutual offsetting of creditor's rights and debts	Trading condition is the same as other supplier	Mutual offsetting of creditor's rights and debts	-	-%

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Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)	
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Payment Terms	Unit price	Payment Terms	Balance	Percentage of total notes and accounts receivable (payable)
Liton Technology Corp.	Liton Electronics Technology (Abazhou) Co., Ltd.	Subsidiary of V-TECH CO., LTD	Sales	(161,151)	(4.38%)	Mutual offsetting of creditor's rights and debts	Trading condition is the same as other supplier	Mutual offsetting of creditor's rights and debts	-	-%
Liton Electronics Technology (Abazhou) Co., Ltd.	Lidon Electronics Technology Co., Ltd. Ruyuan County	Sub-subsidiary of Liton Technology Corp.	Purchase	578,929	37.86%	30 days after EOAP	Trading condition is the same as other supplier	Regular	(66,700)	(44.29)%
Liton Electronics Technology (Hui Zhou) Co., Ltd.	Lidon Electronics Technology Co., Ltd. Ruyuan County	Sub-subsidiary of Liton Technology Corp.	Purchase	292,166	19.11%	30 days after EOAP	Trading condition is the same as other supplier	Regular	(49,633)	(32.96)%
Liton Technology Corp.	Lidon Electronics Technology Co., Ltd. Ruyuan County	Subsidiary of Liton Technology Corp.	Purchase	105,312	6.89%	60 days after EOAP	Trading condition is the same as other supplier	Regular	(21,570)	(14.32)%
Lidon Electronics Technology Co., Ltd. Ruyuan County	Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd.	Lidon Electronics Technology Co., Ltd's related party	Sales	(564,111)	(15.35)%	30 days after EOAP	Trading condition is the same as other supplier	Regular	-	-%
Lidon Electronics Technology Co., Ltd. Ruyuan County	Youai Xi Jiedong Sunshine (Shaoguan) Aluminum Sales Co., Ltd	Lidon Electronics Technology Co., Ltd's related party	Purchase	778,101	50.88%	30 days after EOAP	Trading condition is the same as other supplier	Regular	(116,160)	(77.13)%

Note1: The Company complies with the provisions of Letter No. 00747 of the Securities and Futures Commission dated March 18 1998 Taiwan Financial Securities (6)., When outsourced processing, if the parties have agreed to be shipped back for processing or sold on behalf of the party, title and risk of processed products have not passed, when the material is removed, it will be treated according to the accounting of outsourcing processing, it will not be disposed of for sale.

Note2: The transaction that reversed between consolidated entities has been adjusted to be reversed.

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(h) Receivables from related parties with amounts exceeding the lower of  
NT\$100 million or 20 percent of the capital stock as of 31 December

Company Name	Related Party	Relationship	Accounts receivable-related parties	Turnover Rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for bad debts
			Ending Balance		amount	collection status		
Liton Technology Corp.	V-TECH CO., LTD.	Subsidiary of Liton Technology Corp.	Accounts receivable \$191,456	-	\$-	-	Mutual offsetting of creditor's rights and debts	\$-
V-TECH CO., LTD.	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Sub-subsidiary of Liton Technology Corp.	Accounts receivable \$168,892	-	\$-	-	Mutual offsetting of creditor's rights and debts	\$-

2023:

Note1: The transaction that reversed between consolidated entities has been adjusted to be reversed.

- (i) Financial instruments and derivative transactions: Please refer to Note 12 (8).
- (j) The business relationship, significant transactions and amounts between parent company and subsidiaries: (amount exceeding the lower of NT\$100 million or 20 percent of the capital stock).

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (Note3)
0	Liton Technology Corp. (Note4)	V-TECH CO., LTD.	1	Purchases	\$858,805	Mutual offsetting of creditor's rights and debts	23.36%
0	Liton Technology Corp. (Note4)	V-TECH CO., LTD.	1	Sales	(161,470)	Mutual offsetting of creditor's rights and debts	(4.39)%
1	V-TECH CO., LTD.	Liton Electronics Technology (Abazhou) Co., Ltd.	3	Purchases	453,172	Mutual offsetting of creditor's rights and debts	12.33%
1	V-TECH CO., LTD.	Liton Electronics Technology (Hui Zhou) Co., Ltd.	3	Sales	(113,399)	Mutual offsetting of creditor's rights and debts	(3.08)%
1	V-TECH CO., LTD.	Liton Electronics Technology (Hui Zhou) Co., Ltd.	3	Purchases	409,837	Mutual offsetting of creditor's rights and debts	11.15%
0	Liton Technology Corp. (Note4)	Liton Electronics Technology (Abazhou) Co., Ltd.	1	Sales	(161,151)	Mutual offsetting of creditor's rights and debts	(4.38)%
2	Liton Electronics Technology (Abazhou) Co., Ltd.	Lidon Electronics Technology Co., Ltd. Ruyuan County	3	Purchases	578,929	30 days after EOAP	15.75%
3	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Lidon Electronics Technology Co., Ltd. Ruyuan County	3	Purchases	292,166	30 days after EOAP	7.95%
0	Liton Technology Corp. (Note4)	Lidon Electronics Technology Co., Ltd. Ruyuan County	3	Purchases	105,572	60 days after EOAP	2.87%
0	Liton Technology Corp. (Note4)	V-TECH CO., LTD.	1	Accounts receivable	191,456	Mutual offsetting of creditor's rights and debts	3.28%
1	V-TECH CO., LTD.	Liton Electronics Technology (Hui Zhou) Co., Ltd.	3	Accounts receivable	168,892	Mutual offsetting of creditor's rights and debts	2.89%

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

(1) represents the transactions from the parent company to a subsidiary.

(2) represents the transactions from a subsidiary to the parent company.

(3) represents the transaction between subsidiaries.

Note 3: The ratio of transaction amount to the consolidated income or assets is recognized as follows: for assets or liability, the ratio is accounted as the ending balance to consolidated total assets; however, for income or loss accounts, the ratio is based on mid-term accumulated amount to consolidated income.

Note 4: According to the provisions of Letter No. 00747 of the Securities and Futures Commission dated March 18 1998 Taiwan Financial Securities (6) No. 00747, if the two parties have agreed to ship it back for processing or sell it on behalf of the party, and the ownership and risk of the processed products have not been transferred, they will be treated according to the accounting of the outsourcing processing at the time of material removal, and will not be treated as sales.

Note 5: The amounts of the above transactions are fully eliminated at the time of preparation of the consolidated financial statements.

**LITON TECHNOLOGY CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**(2) Information on investees:**

Names, locations, main businesses and products, original investment amount, investment as of 31 December 2023, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2023 (excluding investees in Mainland China):

Investor Company	Investee Company	locations	Main businesses and products	Original Investment Amount		Investment as of 31 December 2023			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2023	31 December 2022	Number of shares	Percentage of ownership (%)	Book value			
Liton Technology Corp.	LITON(BVI) CO., LTD.	P.O. BOX 3340, Road Town, Tortola, British Virgin Islands	Equity investment	\$216,857 (USD7,058 thousand)	\$216,857 (USD7,058 thousand)	7,057,715	100%	\$892,350	\$72,570	\$72,570	Note1
Liton Technology Corp.	V-TECH CO., LTD.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Selling and equity invest aluminum foil, Aluminum electrolysis capacitor and related materials	1,341,054 (USD43,647 thousand)	1,341,054 (USD43,647 thousand)	43,647,362	100%	1,429,080	57,581	57,581	Note1, 2
Liton Technology Corp.	EVERTECH CAPA CO., LTD.	Jipfa Buiding, 3 <sup>rd</sup> Floor, Road Town, Tortola, British Virgin Islands.	Selling	307 (USD10 thousand)	307 (USD10 thousand)	10,000	100%	-	-	-	-
V-TECH CO., LTD.	FOREVER CO., LTD.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Equity investment	1,178,396 (USD38,353 thousand)	1,178,396 (USD38,353 thousand)	38,353,012	100%	1,519,100	72,920	72,920	Note1

Note1: Current investment income from investees recognized by the Company included investment gain/loss recognized by these investees from reinvest company.

Note2: Current investment income from investees recognized by the Company included investment gain/loss recognized by these investees from upstream/downstream transactions.

(3) Information on investments in mainland China

(a) Investment in 「LITON (BVI) CO., LTD.」 、 「V-TECH CO., LTD.」  
and Mainland China:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2023	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 31 December 2023	Accumulated Inward Remittance of Earnings as of 31 December 2023
					Outflow	Inflow						
Liton Electronics Technology (Hui Zhou) Co., Ltd.	Manufacturing aluminum foil, Aluminum electrolysis capacitor and related materials	\$509,390 (USD16,579 thousand)	Investment in Mainland China companies through a company invested and established in a third region	\$355,765 (USD11,579 thousand)	\$-	\$-	\$355,765 (USD11,579 thousand)	\$73,023	100%	\$73,023 (Note 1)	\$870,938	\$-
Liton Electronics Technology (Abazhou) Co., Ltd.	Manufacturing aluminum foil, Aluminum electrolysis capacitor and related materials	1,308,885 (USD42,600 thousand)	Investment in Mainland China companies through a company invested and established in a third region	1,155,260 (US\$37,600 thousand)	-	-	1,155,260 (US\$37,600 thousand)	72,920	100%	72,920 (Note 1)	1,519,100	-
Lidon Electronics Technology Co., Ltd. Ruyuan County	Manufacturing and selling Etched Aluminum Foils and forming aluminum foil	692,480 (RMB160,000 thousand)	Directly invested Mainland China company	276,992 (RMB 64,000 thousand)	-	-	276,992 (RMB 64,000 thousand)	114,558	60%	44,995 (Note 1, 2)	1,032,719	-

Note1: Based on the financial statements audited by the certified accountants of the parent company in Taiwan.

Note2: Current investment income from investees recognized by the Company included investment gain/loss recognized by these investees from upstream/downstream transactions.



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Accumulated Investment in Mainland China as of 31 December 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (60% of net worth)
\$1,788,017 (USD 49,179 thousand and RMB 64,000 thousand)	\$2,095,267 (USD 59,179 thousand and RMB 64,000 thousand)	Not applicable (Note 1)

Note1: According to Letter No. Shen-Zi-11120425300 issued by Ministry of Economic Affairs, R.O.C., the Company's investment in Mainland China is not limited to 60% of net worth or consolidated net worth specified by the Investment Commission.

Note2: The relevant figures in this table should be presented in New Taiwan Dollars, and in the case of foreign currencies, they should be converted into New Taiwan Dollars at the exchange rate at the balance sheet date.

- (b) Directly or indirectly significant transactions through third regions with the investees in Mainland China: Please refer to Note 13,1 (g)

(4) Information of major shareholders

As of 31 December 2023

Shares	Holding of Shares	Shareholding Ratio
Shareholders		
Lelon Electronics Corp.	43,731,598	30.53%
Guangdong Dongyang Technology Holdings Co., Ltd	23,296,875	16.26%

14. Segment information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

- (1) Taiwan segment: The segment is responsible for manufacturing and selling aluminum foil.
- (2) China segment: The segment is responsible for manufacturing aluminum foil, Aluminum electrolysis capacitor and related materials.
- (3) Other segment: This segment is responsible for the import and export trade business about above products.

No operating segments have been aggregated to form the above reportable operating segments.

LITON TECHNOLOGY CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

(1) Information on profit or loss of the reportable segment:

(a) For the year ended 31 December 2023

	Taiwan segment	China segment	Other segment	Reportable segments subtotal	Adjustment and elimination	Total
Revenue						
External customer	\$1,273,498	\$2,402,597	\$-	\$3,676,095	\$-	\$3,676,095
Inter-segment	-	1,864,843	1,020,275	2,885,118	(2,885,118)	-
Total revenue	<u>\$1,273,498</u>	<u>\$4,267,440</u>	<u>\$1,020,275</u>	<u>\$6,561,213</u>	<u>\$(2,885,118)</u>	<u>\$3,676,095</u>
Interest expenses	\$17,329	\$16,213	\$-	\$33,542	\$(339)	\$33,203
Depreciation and amortization	8,506	227,902	-	236,408	(4,114)	232,294
Segment losses and gains	<u>\$341,004</u>	<u>\$300,532</u>	<u>\$203,071</u>	<u>\$844,607</u>	<u>\$(417,077)</u>	<u>\$427,530</u>
Investments accounted under equity method	\$2,993,127	\$344,240	\$3,909,138	\$7,246,505	\$7,246,505	\$-
Capital expenditure of non-current assets	<u>\$3,433</u>	<u>\$113,119</u>	<u>\$-</u>	<u>\$116,552</u>	<u>\$-</u>	<u>\$116,552</u>
Segment assets	<u>\$4,432,153</u>	<u>\$5,220,259</u>	<u>\$4,169,059</u>	<u>\$13,821,471</u>	<u>\$(7,978,917)</u>	<u>\$5,842,554</u>
Segment liabilities	<u>\$(1,323,459)</u>	<u>\$(1,109,023)</u>	<u>\$(314,320)</u>	<u>\$(2,746,802)</u>	<u>\$701,421</u>	<u>\$(2,045,381)</u>

(b) For the year ended 31 December 2022

	Taiwan segment	China segment	Other segment	Reportable segments subtotal	Adjustment and elimination	Total
Revenue						
External customer	\$1,755,439	\$2,088,808	\$-	\$3,844,247	\$-	\$3,844,247
Inter-segment	-	2,389,739	1,412,925	3,802,664	(3,802,664)	-
Total revenue	<u>\$1,755,439</u>	<u>\$4,478,547</u>	<u>\$1,412,925</u>	<u>\$7,646,911</u>	<u>\$(3,802,664)</u>	<u>\$3,844,247</u>
Interest expenses	\$12,500	\$29,753	\$-	\$42,253	\$(964)	\$41,289
Depreciation and amortization	8,612	198,733	-	207,345	(4,085)	203,260
Segment losses and gains	<u>\$573,221</u>	<u>\$456,881</u>	<u>\$364,497</u>	<u>\$1,394,599</u>	<u>\$(695,137)</u>	<u>\$699,462</u>
Investments accounted under equity method	\$2,876,733	\$328,076	\$3,767,069	\$6,971,878	\$(6,971,878)	\$-
Capital expenditure of non-current assets	<u>\$7,598</u>	<u>\$70,136</u>	<u>\$-</u>	<u>\$77,734</u>	<u>\$-</u>	<u>\$77,734</u>
Segment assets	<u>\$4,496,348</u>	<u>\$5,386,173</u>	<u>\$4,120,398</u>	<u>\$14,002,919</u>	<u>\$(7,912,934)</u>	<u>\$6,089,985</u>
Segment liabilities	<u>\$(1,375,418)</u>	<u>\$(1,454,796)</u>	<u>\$(391,937)</u>	<u>\$(3,222,151)</u>	<u>\$909,247</u>	<u>\$(2,312,904)</u>

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(2) The reporting of each departments' revenue, profit and loss, assets, liabilities and other major items should not be adjusted

(3) Geographical information

Revenue from external customers:

	For the years ended 31 December	
	2023	2022
Mainland China	\$2,483,653	\$2,229,813
Indonesia	349,478	413,545
Malaysia	279,371	298,442
Japan	256,533	323,621
Taiwan	73,253	96,384
Other countries	233,807	482,442
Total	<u>\$3,676,095</u>	<u>\$3,844,247</u>

The revenue information above is based on the location of the customers.

Non-current assets:

	As of 31 December	
	2023	2022
Mainland China	\$2,764,345	\$2,964,234
Taiwan	207,457	205,493
Total	<u>\$2,971,802</u>	<u>\$3,169,727</u>

(4) Information about major customers

The customer to that the Company's sales exceeded 10% of its net consolidated sales in 2023 and 2022 is as follows:

a. For the year ended 31 December 2023

Client name	Sales amount	%
Customer A	<u>\$564,111</u>	<u>15.35%</u>

b. For the year ended 31 December 2022

Client name	Sales amount	%
Customer A	\$778,715	20.26%
Customer B	413,545	10.76%
Total	<u>\$1,192,260</u>	<u>31.02%</u>