

**LITON TECHNOLOGY CORP.**

**PARENT COMPANY ONLY FINANCIAL STATEMENTS**  
**WITH REPORT OF INDEPENDENT ACCOUNTANTS**

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

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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.

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

To Liton Technology Corp.

### **Opinion**

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

In our opinion, the accompanying parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of 31 December 2023 and 2022, and its parent company only 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.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statements 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 Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (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 the parent company only financial statements. These matters were addressed in the context of our audit of the parent company only 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 Company amounted to NT\$435,276 thousand and NT\$763 thousand, respectively. The net accounts receivable accounted for 10% of total assets, which was considered material to the Company. The collection of accounts receivable is a key factor in the working capital management of the Company. 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 Company 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 parent company only financial statements.

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

As of 31 December 2023, the Company's net inventories amounted to NT\$286,025 thousand. Net inventories accounted for 7% of total assets. The losses of write-downs and slow-moving inventories are caused by valuation for finished goods. Based on valued amounts for inventories which was considered material in the consolidated statements, and as the uncertainty due to fast-changing technology, the assessment of the inventory valuation require significant management judgement. We therefore determined this a key audit matter.

Our audit procedures included, but not limited to, observing inventory counts to ensure quantities and status; checking the unit cost of inventory; evaluating the reasonableness of accounting policy of loss allowance; sampling and testing the accuracy of inventory aging intervals; investigating whether manufactured goods had properly classified by level of inventories and valued with each levels. We also assessed the adequacy of disclosures related to inventory in Notes 5 and 6 to the parent company only financial statements.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the parent company only 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 parent company only 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 Company.
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 Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only 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 Company to express an opinion on the parent company only 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 the 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 the parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Chin-Yuan Tu

Wen-Chen Lo

Ernst & Young, Taiwan

13 March 2024

**Notice to Readers**

The accompanying parent company only financial statements are intended only to present the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying parent company only financial statements and report of independent auditors 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 Parent Company Only Financial Statements Originally Issued in Chinese

LITON TECHNOLOGY CORP.

PARENT COMPANY ONLY BALANCE SHEETS

31 December 2023 and 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)	\$453,065	\$458,832
Financial assets at fair value through profit or loss, current	4, 12	1,135	1,189
Notes receivable, net	4, 6(12)	4,243	6,592
Accounts receivable, net	4, 6(2), 6(12)	215,281	274,346
Accounts receivables-related parties, net	4, 6(2), 6(12), 7	219,232	354,545
Other receivables	4, 7	5,625	17,579
Inventories	4, 6(3)	286,025	287,104
Prepayment		5,831	11,646
Other current assets	8	37,528	576
Total current assets		1,227,965	1,412,409
Non-current assets			
Financial assets at fair value through other comprehensive income, non-current	4, 6(4)	2,993,126	2,876,733
Property, plant and equipment	4, 6(5), 8	188,023	189,486
Right-of-use assets	4, 6(13)	2,405	257
Intangible assets	4	1,592	1,345
Deferred tax assets	4, 6(17)	3,604	1,713
Net defined benefit assets, non-current	4, 6(9)	7,399	6,884
Other non-current assets		8,039	7,521
Total non-current assets		3,204,188	3,083,939
Total assets		\$4,432,153	\$4,496,348

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English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

LITON TECHNOLOGY CORP.

PARENT COMPANY ONLY 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(6), 12	\$681,282	\$580,570
Short-term notes and bills payable	4, 6(7), 12	-	89,981
Financial liabilities at fair value through profit or loss, current	4, 12	-	1,700
Contract liabilities, current	4, 6(11)	-	2
Accounts payable	4	17,155	14,400
Accounts payables-related parties	7	32,008	83,571
Other payables		49,070	60,355
Current tax liabilities	4, 6(17)	43,673	54,042
Lease liabilities, current	4, 6(13), 12	966	260
Long-term liabilities, current portion	4, 6(8), 12	496,127	-
Other current liabilities	4	244	204
Total current liabilities		<u>1,320,525</u>	<u>885,085</u>
Non-current liabilities			
Bonds payable	4, 6(8)	-	488,952
Deferred tax liabilities	4, 6(17)	1,480	1,377
Lease liabilities, non-current	4, 6(13), 12	1,449	-
Other current liabilities, non-current		4	4
Total non-current liabilities		<u>2,933</u>	<u>490,333</u>
Total liabilities		<u>1,323,458</u>	<u>1,375,418</u>
Equity attributable to the parent company	4, 6(10)		
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		<u>1,342,910</u>	<u>1,296,652</u>
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		<u>(208,065)</u>	<u>(147,667)</u>
Treasury shares		<u>(41,808)</u>	<u>(40,133)</u>
Total equity		<u>3,108,695</u>	<u>3,120,930</u>
Total liabilities and equity		<u>\$4,432,153</u>	<u>\$4,496,348</u>

(The accompanying notes are an integral part of the parent company only financial statements)



English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
LITON TECHNOLOGY CORP.  
PARENT COMPANY ONLY 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(11), 7	\$1,273,498	\$1,755,439
Operating costs	6(3), 6(14), 7	(1,085,512)	(1,489,853)
Gross profit		187,986	265,586
Unrealized intercompany profit	7	(7,771)	(8,902)
Realized intercompany profit	7	8,902	7,025
Gross profit		189,117	263,709
Operating expenses			
Sales and marketing expenses	6(14)	(13,330)	(11,988)
General and administrative expenses	6(14)	(55,744)	(58,144)
Research and development expenses	6(14)	(16,225)	(4,176)
Expected credit (losses) gains	6(12)	38	(194)
Subtotal		(85,261)	(74,502)
Operating income		103,856	189,207
Non-operating income and expenses			
Other income	4, 6(15)	51,673	20,698
Other gains and losses	6(15)	28,703	84,581
Financial costs	6(15)	(17,329)	(12,500)
Share of profit or loss of subsidiaries, associates and joint ventures	4, 6(4)	174,101	291,235
Subtotal		237,148	384,014
Income before income tax		341,004	573,221
Income tax expense	4, 6(17)	(46,133)	(69,879)
Net income		294,871	503,342
Other comprehensive income	6(16), 6(17)		
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	6(4), 6(16)	(60,398)	43,133
Total other comprehensive income, net of tax		(60,652)	44,996
Total comprehensive income		\$234,219	\$548,338
Earnings per share (NTD)	4, 6(18)		
Earnings per share-basic		\$2.08	\$3.52
Earnings per share-diluted		\$1.95	\$3.29

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

LITON TECHNOLOGY CORP.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended 31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	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 (Accumulated Deficits)	Exchange	Unrealized Gains or	Treasury shares	Total equity
							Differences on Translation of Foreign Operations	Losses on Financial Assets at Fair Value Through Other Comprehensive		
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
Appropriation and distribution of 2021 retained earnings										
Legal reserve				48,679		(48,679)				-
Cash dividends						(214,552)				(214,552)
Special reserve					(12,329)	12,329				-
Net income in 2022						503,342				503,342
Other comprehensive income, net of tax in 2022						1,863	43,133			44,996
Total comprehensive income	-	-	-	-	-	505,205	43,133	-	-	548,338
Acquisition of treasury shares									(36,674)	(36,674)
Bonds converted to stock	2,148	(775)	2,527							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
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
Appropriation and distribution of 2022 retained										
Legal reserve				50,521		(50,521)				-
Cash dividends						(248,359)				(248,359)
Special reserve					(43,133)	43,133				-
Net income in 2023						294,871				294,871
Other comprehensive income, net of tax in 2023						(254)	(60,398)			(60,652)
Total comprehensive income	-	-	-	-	-	294,617	(60,398)	-	-	234,219
Acquisition of treasury shares									(5,134)	(5,134)
Bonds converted to stock			3,580						3,459	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

(The accompanying notes are an integral part of the parent company only financial statements)

## English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

## LITON TECHNOLOGY CORP.

## PARENT COMPANY ONLY 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 operating activities:		
Net income before tax	\$341,004	\$573,221
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Income and expense adjustments:		
Depreciation	7,823	7,730
Amortization	683	882
Expected credit (income) loss	(38)	194
Net gain (loss) of financial assets/liabilities at fair value through profit or loss	(1,646)	2,694
Interest expense	17,329	12,500
Interest income	(10,714)	(1,104)
Dividends income	-	(90)
Share of profit of subsidiaries, associates and joint ventures	(174,101)	(291,235)
Unrealized intercompany (gain) loss	(1,131)	1,877
Gain(loss) from market value decline, obsolete and slow-moving of inventories	(262)	1,561
Gains on disposals of investments	531	-
Other item	(4,115)	(4,084)
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	2,349	(166)
Decrease (increase) in accounts receivable	194,416	(50,800)
Decrease (increase) in other receivable	11,954	(8,578)
Decrease (increase) in inventories	1,341	(80,612)
Decrease (increase) in prepayments	5,815	(4,595)
(Increase) decrease in other current assets	(36,952)	36
Increase in net defined benefit assets, non-current	(832)	(670)
(Increase) decrease in other non-current assets	(518)	3,912
Decrease in contract liabilities	(2)	(15)
(Decrease) increase in accounts payable	(48,808)	30,022
(Decrease) increase in other payables	(13,739)	1,990
Increase in other current liabilities	40	10
Cash generated from operations	290,427	194,680
Interest received	10,714	1,104
Dividend received	-	90
Interest paid	(10,107)	(5,072)
Income tax paid	(58,227)	(52,028)
Net cash provided by operating activities	232,807	138,774

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English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
LITON TECHNOLOGY CORP.

PARENT COMPANY ONLY 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	(5,840)	(7,111)
Proceeds from disposal of property, plant and equipment	5,216	-
Acquisition of intangible assets	(930)	(704)
Proceeds from disposal of financial assets at fair value through profit or loss	(531)	-
Net cash used in investing activities	(2,085)	(7,815)
Cash flows from financing activities:		
Increase in short-term loans	2,807,775	1,620,672
Decrease in short-term loans	(2,707,063)	(1,489,616)
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)
Acquisition of treasury shares	(5,134)	(36,674)
Exercise of employee share options	7,039	-
Cash payments for the principal portion of the lease liability	(766)	(516)
Increase in guarantee deposits received	-	(306)
Cash dividends	(248,359)	(214,552)
Net cash used in by financing activities	(236,489)	(92,268)
Net (decrease) increase in cash and cash equivalents	(5,767)	38,691
Cash and cash equivalents at beginning of period	458,832	420,141
Cash and cash equivalents at end of period	\$453,065	\$458,832

(The accompanying notes are an integral part of the parent company only financial statements)

LITON TECHNOLOGY CO. LTD.

NOTES TO 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 Co. Ltd. (the Company) was incorporated in Republic of China (R.O.C) in November 1993. The main activities of the Company include manufacturing, processing and selling etched aluminum foils and aluminum formed foil.

The Company 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., Tonglou Township, Miaoli, Taiwan (R.O.C.). Lelon Electronics Co. Ltd. is the parent company of the company and the controller of the Group.

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

The parent company only financial statements of the Company 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 Company 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 Company.

- (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 Company as at the end of the reporting period are listed below.

LITON TECHNOLOGY CO. LTD.

NOTES TO 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 CO. LTD.

NOTES TO 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 Company 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.



LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(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.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company'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 Company.

4. Summary of material accounting policies

(1) Statement of Compliance

The parent company only financial statements of the Company 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")

(2) Basis of Preparation

The Company prepared the parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

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

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(3) Foreign Currency Transactions

The Company's parent company only financial statements are presented in its functional currency, New Taiwan Dollars (NT\$). Items included in the financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company'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 rate of exchange at the reporting date. Non-monetary items measured at fair value in a 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 of 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(4) 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.

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.

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Company holds the asset primarily for the purpose of trading
- (c) The Company 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle
- (b) The Company 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 Company 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.

(6) 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.

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Company 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 Company accounts for regular way purchase or sales of financial assets on the trade date.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

The Company 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 Company'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:

- 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 Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

- 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 Company 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:

- 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:

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

- (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company 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 Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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 Company 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(2) Impairment of financial assets

The Company 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.

The Company 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 Company 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.



## LITON TECHNOLOGY CO. LTD.

### NOTES TO FINANCIAL STATEMENTS (Continued)

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

- c. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company 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.

#### (3) Derecognition of financial assets

A financial asset is derecognized when:

- a. The rights to receive cash flows from the asset have expired.
- b. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- c. The Company 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.

#### (4) Financial liabilities and equity

##### Classification between liabilities or equity

The Company 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company 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.

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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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:

- 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 Company 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 Company is provided internally on that basis to the key management personnel.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.

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.

(5) 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(8) Derivative instrument

The Company 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.

(9) 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 Company.

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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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 Company 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.

(10) 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.

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.

(11) Investments accounted for under the equity method

According to Article 21 of the Regulation, the Company's investment in subsidiaries was presented as "Investments accounted for using equity method" and made necessary adjustments. The profit or loss during the period and other comprehensive income presented in the parent company only financial statements shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to shareholders of the parent presented in the financial statements prepared on a consolidated basis, and the shareholders' equity presented in the parent company only financial statements shall be the same as the equity attributable to shareholders of the parent presented in the financial statements prepared on a consolidated basis.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

The adjustment was considered the difference between investment in subsidiaries in consolidated financial statements according to IFRS 10 “Consolidated financial statements” and application of IFRS to different reporting entities, debit/credit “Investment accounted for using equity method”, “Share of profit or loss of subsidiaries, associates and joint ventures” or “Share of other comprehensive profit or loss of subsidiaries, associates and joint ventures” etc.

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company’s share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company’s related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company’s percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

When the associate issues new stock, and the Company’s interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.



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NOTES TO FINANCIAL STATEMENTS (Continued)

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

(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 Company 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
Leasehold improvements	8 years
Other equipment	2~26 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.

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, and are treated as changes in accounting estimates.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

(13) Leases

The Company 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 Company 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 Company 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 Company 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 Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

Company as a lessee

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

At the commencement date, the Company 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 Company 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 FINANCIAL STATEMENTS (Continued)

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

- (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 Company 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 Company 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 Company 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 Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

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

### NOTES TO FINANCIAL STATEMENTS (Continued)

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

The Company 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 Company accounted for as short-term leases or leases of low-value assets, the Company 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 Company 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.

#### Company as a lessor

At inception of a contract, the Company 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 Company 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 Company allocates the consideration in the contract applying IFRS 15.

The Company 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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 Company'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 Company 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 Company 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. 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 CO. LTD.

### NOTES TO 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 Company 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 Company's 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, then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. 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) Treasury stocks

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.

#### (17) Revenue recognition

The Company'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 Company 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 Company are computer peripherals, connectors, wires and other parts and revenue is recognized based on the consideration stated in the contract.

## LITON TECHNOLOGY CO. LTD.

### NOTES TO FINANCIAL STATEMENTS (Continued)

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

The credit period of the Company's sale of goods is from 30 to 120 days, for all of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

#### Rendering of services

The Company provides maintenance services for cutting processing formed aluminum foil products which had priced or negotiated separately and recognized at revenue when products sent to customers whom had take control of it.

#### (18) 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.

#### (19) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries 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 and its domestic subsidiaries. Therefore, fund assets are not included in the Company'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 and its domestic subsidiaries 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 and branches make contribution to the plan based on the requirements of local regulations.

LITON TECHNOLOGY CO. LTD.

NOTES TO 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 Company 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.

(20) 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.

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.



LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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:

- (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.

## LITON TECHNOLOGY CO. LTD.

### NOTES TO FINANCIAL STATEMENTS (Continued)

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

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 Company 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.

#### 5. Significant accounting judgments, estimates and assumptions

The preparation of the Company'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:

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(a) Accounts receivables—estimation of impairment loss

The Company 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.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2023	2022
Cash on hand	\$61	\$60
Demand deposits	147,905	289,840
Time deposits	305,099	168,932
Total	<u>\$434,065</u>	<u>\$458,832</u>

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

	As of 31 December	
	2023	2022
Net Accounts receivables	\$216,044	\$275,147
Less: loss allowance	(763)	(801)
Subtotal	215,281	274,346
Net Accounts receivables-related parties	219,232	354,545
Total	<u>\$434,513</u>	<u>\$628,891</u>

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Net Accounts receivables were not pledged.

Net Accounts receivables are generally on 30-135 day terms. The total carrying amount are NT\$435,276 thousand and NT\$629,692 thousand as of 31 December 2023 and 2022. Please refer to Note 6(12) for more details on loss allowance of trade receivables for the years ended 31 December 2023 and 2022. Refer to Note 12 for more details on credit risk management.

(3)Inventories

	As of 31 December	
	2023	2022
Raw materials	\$66,643	\$84,432
Supplies	4,701	5,275
Finished goods	69,542	81,368
Merchandise	145,139	116,029
Total	<u>\$286,025</u>	<u>\$287,104</u>

The inventory cost recognized as operating costs for the years ended 31 December 2023 were NT\$1,085,512 thousand, respectively. The price increase (gain from undersupply) of inventories related to cost of goods sold were NT\$262 thousand.

The inventory cost recognized as operating costs for the years ended 31 December 2022 were NT\$1,489,853 thousand, respectively. The price reduction (gain from price recovery) of inventories related to cost of goods sold were NT\$1,561 thousand.

No inventories were pledged.

(4)Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Company:

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

	As of 31 December			
	2023		2022	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Associates:				
LITON (BVI) CO., LTD.	\$892,349	100%	\$835,612	100%
V-TECH CO.,LTD	1,429,080	100%	1,404,238	100%
EVERTECH CAPA CO.,LTD	-	100%	-	100%
LIDON Electronics Technology Co., Ltd.	671,697	40%	636,883	40%
Total	<u>\$2,993,126</u>		<u>\$2,876,733</u>	

The aforementioned investment in subsidiaries were not pledged.

(a)For the years ended 31 December 2023 and 2022, the Company recognized share of profit or loss of associates and joint ventures and exchange differences on translation of foreign operations with report of independent accountants, the details as follows:

	For the year ended 31 December			
	2023		2022	
	Share of profit or loss of associates and joint ventures	Exchange differences on translation of foreign operations	Share of profit or loss of associates and joint ventures	Exchange differences on translation of foreign operations
Investee companies				
LITON (BVI) CO., LTD.	\$72,176	\$(17,011)	\$87,353	\$12,163
V-TECH CO.,LTD	56,930	(29,891)	135,101	21,536
LIDON Electronics Technology Co., Ltd.	44,995	(13,496)	68,781	9,434
Total	<u>\$174,101</u>	<u>\$(60,398)</u>	<u>\$291,235</u>	<u>\$43,133</u>

(b)Information of joint ventures that are significant to the Company is as follows:

Company name: Ruyuan Lidon Electronic Technology Co., Ltd.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Relationship: The enterprise is engaged in the manufacturing and sales of related products of the company's industrial chain, and the company has jointly invested in the enterprise based on the consideration of upstream and downstream integration.

Place of business (country of registration): China

The fair value of an open market quotation: Ruyuan Lidon Electronic Technology Co., Ltd it is a private entity and it is not listed on any stock exchange.

The aggregated financial information and reconciliation with the carrying amount of the investment are set out below:

	(Expressed in Thousands of CNY)	
	2023.12.31	2022.12.31
Current assests	\$132,281	\$125,564
Non current assests	413,621	443,751
Current liabilities	(112,022)	(168,068)
Non current liabilities	(36,190)	(29,616)
Equity	397,690	371,631
Company's shareholding	40.00%	40.00%
Subtotal	159,076	148,652
Intercompany transactions eliminated	(3,878)	(4,365)
Carrying amount of the investment	\$155,198	\$144,287
	2023	2022
Operating income	\$466,407	\$494,587
Continuing operation net income	26,058	39,348
Total comprehensive income	26,058	39,348

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(5)Property, plant and equipment

(a) Owner occupied property, plant and equipment

As of 31 December 2023

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Unfinished work and equipment to be inspected	Total
<b>Cost :</b>								
1 January 2023	\$97,759	\$86,514	\$221,589	\$420	\$161	\$11,916	\$156	\$418,515
Additions	-	1,162	4,253	-	-	2,832	-	8,247
Disposals	-	(611)	-	(80)	(161)	(3,230)	-	(4,082)
Other	-	-	-	-	-	156	(156)	-
31 December 2023	<u>\$97,759</u>	<u>\$87,065</u>	<u>\$225,842</u>	<u>\$340</u>	<u>\$-</u>	<u>\$11,674</u>	<u>\$-</u>	<u>\$422,680</u>
<b>Depreciation and impairment:</b>								
1 January 2023	\$-	\$38,199	\$185,038	\$156	\$161	\$5,475	\$-	\$229,029
Depreciation	-	2,778	3,111	59	-	1,102	-	7,050
Disposals	-	(611)	-	(80)	(161)	(570)	-	(1,422)
31 December 2023	<u>\$-</u>	<u>\$40,366</u>	<u>\$188,149</u>	<u>\$135</u>	<u>\$-</u>	<u>\$6,007</u>	<u>\$-</u>	<u>\$234,657</u>

As of 31 December 2022

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Unfinished work and equipment to be inspected	Total
<b>Cost :</b>								
1 January 2022	\$97,759	\$84,174	\$219,274	\$1,039	\$161	\$12,507	\$-	\$414,914
Additions	-	3,529	2,315	135	-	489	156	6,624
Disposals	-	(1,189)	-	(754)	-	(1,080)	-	(3,023)
31 December 2022	<u>\$97,759</u>	<u>\$86,514</u>	<u>\$221,589</u>	<u>\$420</u>	<u>\$161</u>	<u>\$11,916</u>	<u>\$156</u>	<u>\$418,515</u>
<b>Depreciation and impairment:</b>								
1 January 2022	\$-	\$36,569	\$181,932	\$765	\$161	\$5,408	\$-	\$224,835
Depreciation	-	2,819	3,106	145	-	1,147	-	7,217
Disposals	-	(1,189)	-	(754)	-	(1,080)	-	(3,023)
31 December 2022	<u>\$-</u>	<u>\$38,199</u>	<u>\$185,038</u>	<u>\$156</u>	<u>\$161</u>	<u>\$5,475</u>	<u>\$-</u>	<u>\$229,029</u>
<b>Net carrying amount :</b>								
31 December 2023	<u>\$97,759</u>	<u>\$46,699</u>	<u>\$37,693</u>	<u>\$205</u>	<u>\$-</u>	<u>\$5,667</u>	<u>\$-</u>	<u>\$188,023</u>
31 December 2022	<u>\$97,759</u>	<u>\$48,315</u>	<u>\$36,551</u>	<u>\$264</u>	<u>\$-</u>	<u>\$6,441</u>	<u>\$156</u>	<u>\$189,486</u>

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

- (b) Property, plant and equipment was not pledged.
- (c) There was no capitalization of interest arising from the purchase of property, plant and equipment by the Company in 2023 and 2022.
- (d) Components of company's buildings that have different useful lives are main building structure, hydroelectric engineering, steel structure corrosion prevention and factory roof decoration ancillary works, etc which are depreciated over 56 years, 45 years, 25 years and 5 years.

(6) Short-term loans

	As of 31 December	
	2023	2022
Secured bank loans	\$646,282	\$580,570
Unsecured bank loans	35,000	-
Total	<u>\$681,282</u>	<u>\$580,570</u>
	2023	2022
Interest rates applied (Unsecured)	0.65~1.73%	0.63%~1.88%
Interest rates applies (Secured)	0.50%	-%

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

The Company's unused short-term lines of credits amounted NT\$1,239,972 thousand and NT\$1,342,518 thousand as of 31 December 2023 and 2022.

(7) Short-term notes payable

Item	Guarantee or acceptance agency	As of 31 December	
		2023	2022
Commercial promissory notes payable	Dah Chung bills finance corp.	\$-	\$60,000
	Taiwan finance corporation	-	30,000
Discount payable for short-term tickets		-	(19)
Net short-term notes payable		<u>\$-</u>	<u>\$89,981</u>
		2023	2022
Interest rates applied	-	-	1.30%~1.70%
Expiry date	-	-	6 January 2023



LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(8) 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 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:

- 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

- 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 bondholders have the right to require the Company to redeem all or any portion of the bonds, 30 days prior to 2 year anniversary (4 March 2021) of the issuance, a "Notice of use of Right of Sale" issued to bondholders by registered mail and the letter requests the Taipei Exchange center to announce the exercise of the right of sale of the holders of the converted debentures, bondholders may notify the Company's equity agent in writing within 30 days after the announcement ( effective upon delivery and the expiry date of that period shall be the base date for the sale, which shall be supported by the postmark ) requiring to redeem its principal conversion bonds at the denomination value of the bonds. Upon acceptance of the resale request, the Company shall redeem the converted bonds in cash within five business days after the basis date of the sale. If the above date falls short of business on the Taipei Exchange center, 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 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. Since 11 October 2021, the conversion price has been adjusted after the ex-dividend and reduced from NT\$29 per share to NT\$28.4.
- d. Redemption on maturity : When the Company's bonds are due and have not been settled, they will be redeemed at book value.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

The Company's bonds matured on 4 March 2022, 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 capital surplus-lapsed stock options, and the bonds matured on 4 March 2022.

- (b) On 15 July 2021, the Company issued the fourth zero 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.
- 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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 40 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.
- 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. Since 26 August 2023, the conversion price has been adjusted after the ex-dividend and reduced from NT\$44.4 per share to NT\$42.3.
- 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 “Share premium-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 December 31 2023.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(9) 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\$2,025 thousand dollars.

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 15th 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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 discretionary accounts, 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 thousand to its defined benefit plan during the 12 months beginning after 31 December 2023.

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

Pension costs recognized in profit or loss are as follows:

	For the years ended	
	31 December	
	2023	2022
Current service costs	\$-	\$-
Net interest on the net defined benefit liabilities (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)
Net defined benefit liabilities (assets)	<u>\$(7,399)</u>	<u>\$(6,884)</u>	<u>\$(3,885)</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

	As of		
	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities
As of 1 January 2022	\$20,466	\$(24,351)	\$(3,885)
Current service cost	-	-	-
Interest expense (income)	117	(139)	(22)
Subtotal	20,583	(24,490)	(3,907)
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	(487)	(1,842)	(2,329)
Payments of benefit obligation	-	-	-
Contributions by employer	-	(648)	(648)
As of 31 December 2022	20,096	(26,980)	(6,884)
Current period service costs	-	-	-
Interest expense (income)	231	(310)	(79)
Subtotal	20,327	(27,290)	(6,963)
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)

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

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 0.50%	\$-	\$(120)	\$-	\$(426)
Discount rate decrease by 0.50%	381	-	518	-
Future salary increase by 0.50%	376	-	514	-
Future salary decrease by 0.50%	-	(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.

(10) Equities

(a) Common stock

The Company's authorized capital was NT\$3,600,000 thousand as of 31 December 2022. The issued capital was NT\$1,430,048 thousand in a total of 143,005 thousand shares, respectively. Each share has one voting right and a right to receive dividends.



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## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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 2022 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 2022, and 78 thousand shares had completed the registration process as of 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, and 137 thousand shares had completed the registration process as of 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 both NT\$1,432,196 thousand in a total of 143,220 thousand shares. Each share has one voting right and a right to receive dividends.

### (b)Capital surplus

	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
Lapsed stock options	11,376	11,376
Employee stock option	7,488	7,488
Total	<u>\$583,462</u>	<u>\$579,882</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(c)Treasury shares

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

a.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.

b.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.

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 capital reserve.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(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 reserve 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.

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, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

The FSC on 31 March 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

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	2023	2022
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(14) for details on employees' compensation and remuneration to directors and supervisors.

(11) Operating revenue

	For the years ended 31 December	
	2023	2022
Revenue from contracts with customers		
Sale of goods	\$1,273,498	\$1,755,136
Service revenue	-	303
Total	<u>\$1,273,498</u>	<u>\$1,755,439</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

(1)Contract balances

Contract liabilities – current

	As of		
	1 Jan. 2023	31 Dec. 2023	Difference
Sales of goods	<u>\$2</u>	<u>\$-</u>	<u>\$(2)</u>

The decrease in the balance of contract liabilities in 2023 was due to the fact that most of the performance obligations had been satisfied in the current period and recognized as income in the current period.

(2)Transaction price allocated to unsatisfied performance obligations

None.

(3)Assets recognized from costs to fulfil a contract

None.

(12)Expected credit losses

	For the years ended 31 December	
	2023	2022
Operation expense- Expected credit losses		
Trade receivables	<u>\$(38)</u>	<u>\$194</u>

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

The Company considers the grouping of trade receivables (including note receivables and trade receivables) by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. The assessment of the Group's loss allowance are as follows:

As at 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. As at the financial reporting date, the contract amount of the long-term payments that had been written off and there were still recourse activities was \$17,159 thousand.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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	\$437,195	\$981	\$1,040	\$-	\$303	\$439,519
Loss rate	0-1%	0-1%	1-5%	-%	100%	
Lifetime expected credit losses	(437)	(5)	(18)	-	(303)	(763)
Carrying amount	\$436,758	\$976	\$1,022	\$-	\$-	\$438,756

As at 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. As at the financial reporting date, the contract amount of the long-term payments that had been written off and there were still recourse activities was \$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	\$631,598	\$4,383	\$-	\$-	\$303	\$636,284
Loss rate	0-1%	1-5%	-%	-%	100%	
Lifetime expected credit losses	(471)	(27)	-	-	(303)	(801)
Carrying amount	\$631,127	\$4,356	\$-	\$-	\$-	\$635,483

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

The movement in the provision for impairment of note receivables and trade 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	\$-	\$801	\$17,159	\$17,960
Addition for the current period	-	(38)	-	(38)
Ending balance at 31 Dec. 2023	\$-	\$736	\$17,159	\$17,922
Beginning balance at 1 Jan. 2022	\$-	\$607	\$17,159	\$17,766
Reversal for the current year	-	194	-	194
Ending balance at 31 Dec. 2022	\$-	\$801	\$17,159	\$17,960

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(13)Leases

(a)The Company is a lessee

The Company leases transportation equipment. The lease terms range from 3 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
Transportation equipment	\$1,988	\$257
Other equipment	417	-
	<u>\$2,405</u>	<u>\$257</u>

As of 31 December 2023 and 2022, the Company's right-of-use assets was NT\$2,921 thousand and NT\$0 thousand, respectively.

(ii)Lease liabilities

	As of 31 December	
	2023	2022
Lease liabilities		
Current	\$966	\$260
Non-Current	1,449	-
Total	<u>\$2,415</u>	<u>\$260</u>

Please refer to Note 6,15(3) 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.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

b. Amounts recognized in the statements of comprehensive income

Depreciation charge for right-of-use assets

	As of 31 December	
	2023	2022
Transportation equipment	\$654	\$513
Other equipment	119	-
	<u>\$773</u>	<u>\$513</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>\$105</u>	<u>\$94</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\$895 thousand and NT\$616 thousand.

(14) 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	\$29,263	\$34,485	\$63,748	\$29,400	\$37,475	\$66,875
Labor and health insurance	2,908	3,129	6,037	2,890	2,128	5,018
Pension	1,138	1,167	2,305	1,188	815	2,003
Other employee benefits expense	1,831	1,922	3,753	1,706	1,287	2,993
Director's fees	-	3,960	3,960	-	10,845	10,845
Depreciation	5,996	1,827	7,823	6,121	1,609	7,730
Amortization	484	199	683	659	223	882

The number of employees of the Company from 31 December 2023 and 2022 was 87 and 78 . Among them the number of board who are not concurrently employees is 6 and 6 .



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NOTES TO FINANCIAL STATEMENTS (Continued)

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

The average employee welfare expenses of the Company from 31 December 2023 and 2022 were NT\$936 thousand and NT\$1,068 thousand.

The average salary expenses of the Company from 31 December 2023 and 2022 were NT\$787 thousand and NT\$929 thousand.

The average employee salary fee of the Company from 31 December 2023 decreased by 15% compared with the average employee salary fee from 31 December 2022.

Note: The decrease in average salary expenses in 2023 compared with 2022 was mainly due to the improvement of employee remuneration in the previous year, which led to the increase in employee remuneration to motivate employees, and the decrease in profit this year led to a decrease in employee remuneration, resulting in a decrease in the average salary expense of the current year compared with last year.

The Company has set up an Audit Committee in 2021 to replace the Supervisor, and therefore there is no Auditor's remuneration in 2023 and 2022.

The remuneration policy of directors, managers and employees of the Company is as follows:

The Company has set out policies on directors' remuneration and employee remuneration in its articles of association, and has set up a remuneration committee to evaluate and supervise the remuneration system of directors and managers of the Company. The procedures for determining the remuneration of directors and managers are based on the performance evaluation method of the board of directors and the performance appraisal of employees of the Company, and in addition to taking into account the company's operating performance, future risks, development strategies and industry trends, they also consider the contribution of individuals to the company's performance and give reasonable remuneration.

In accordance with laws and regulations and the needs of various regions, the company has formulated a complete employee welfare system to provide employees with good remuneration and welfare conditions. Employee remuneration includes monthly salary, bonus based on business performance, and employee remuneration based on annual profitability and articles of association. The company regularly conducts performance appraisal of all employees of the company every year to understand the work performance of employees as the basis for promotion, training and development and salary payment.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.

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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(15) Non-operating income and expenses

(a) Other income

	For the years ended 31 December	
	2023	2022
Others income	\$40,959	\$19,504
Interest income		
Financial assets measured at amortized cost	10,714	1,104
Dividend income	-	90
Total	<u>\$51,673</u>	<u>\$20,698</u>

(b) Other gains and losses

	For the years ended 31 December	
	2023	2022
Foreign exchange gains, net	\$27,015	\$87,599
Gains (losses) of financial asset at fair value through profit or loss	1,645	(2,694)
Gains on disposals of investments	531	-
Other expense	(488)	(324)
Total	<u>\$28,703</u>	<u>\$84,581</u>

(c) Finance costs

	For the years ended 31 December	
	2023	2022
Interest on loans from bank	\$(10,130)	\$(5,146)
Interest on bonds payable	(7,175)	(7,348)
Interest on lease liabilities	(24)	(6)
Total	<u>\$(17,329)</u>	<u>\$(12,500)</u>

(16) 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	(60,398)	-	(60,398)	-	(60,398)
Total of other comprehensive income	<u>\$(60,715)</u>	<u>\$-</u>	<u>\$(60,715)</u>	<u>\$63</u>	<u>\$(60,652)</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

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	43,133	-	43,133	-	43,133
Total of other comprehensive income	<u>\$45,462</u>	<u>\$ -</u>	<u>\$45,462</u>	<u>\$(466)</u>	<u>\$44,996</u>

(17)Income tax

(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	\$47,956	\$70,846
Adjustments in respect of current income tax of prior periods	(99)	612
Deferred tax expense:		
Deferred tax expense relating to origination and reversal of temporary differences	(1,724)	(1,579)
Total income tax expense	<u>\$46,133</u>	<u>\$69,879</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>

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(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	\$341,004	\$573,221
The amount of tax calculated at the applicable domestic tax rate on income from the relevant country	\$68,201	\$114,644
Tax effect of revenues exempt from taxation	(34,061)	(56,861)
Adjustment of current income tax for prior years in the current period	(99)	612
Corporate income surtax on undistributed retained earnings	12,092	11,484
Total income tax expense recognized in profit or loss	\$46,133	\$69,879

(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	\$1,091	\$1,703	\$-	\$2,794
Allowance 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)
Unrealized gain or loss between individuals within the company	227	241	-	468
Deferred tax (income) /expense		\$1,725	\$63	
Net deferred tax assets (liabilities)	\$336			\$2,124
Reflected in balance sheet as follows:				
Deferred tax assets	\$1,713			\$3,604
Deferred tax liabilities	\$(1,377)			\$(1,480)

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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	\$(101)	\$1,192	\$-	\$1,091
Allowance 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)
Unrealized gain or loss between individuals within the company	18	209	-	227
Deferred tax (income) /expense		<u>\$1,579</u>	<u>\$(466)</u>	
Net deferred tax assets (liabilities)	<u>\$(777)</u>			<u>\$336</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$101</u>			<u>\$1,713</u>
Deferred tax liabilities	<u>\$(878)</u>			<u>\$(1,377)</u>

(e)Unrecognized deferred tax assets

As of 31 December 2023 and 2022, the total amount of deferred tax assets not recognized by the Company due to non-substantial taxable income amounted to NT\$3,187 and NT\$2,890 thousand .

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

The Company will not recognize the relevant deferred income tax liabilities for the income tax payable that may arise when the undistributed surplus of a foreign subsidiary is remitted back, in accordance with the undistributed surplus expected not to be allocated by the future subsidiary. The taxable temporary differences not recognized as deferred tax liabilities at 31 December 2023 and 2022 amounted to NT\$1,280,272 and NT\$1,104,970 thousand.

(g)As of December 31 2023, the income tax of the company's profit-making business was approved by the National Taxation Bureau until 2021.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(18)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.

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

# LITON TECHNOLOGY CO. LTD.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

### 7. Related party transactions

#### (1) Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Lelon Electronics Corp.	Parent company
Lelon Electronics (SUZHOU) Corp.	Affiliates of the company
Lelon Electronics (HUIZHOU) Corp.	Affiliates of the company
LITON (BVI) CO., LTD.	Subsidiary of the company
Forever CO.,LTD	Subsidiary of the company
V-TECH CO.,LTD	Subsidiary of the company
Ruyuan Lidon Electronic Technology Co., Ltd.	Subsidiary of the company
Liton Electronics Technology (Abazhou) Co., Ltd.	Sub-Subsidiary of the company
C.M Wu and- other nine people	Director and Deputy General Manager of the Company

#### (2) Significant transactions and balances with related parties

##### (a) Sales

	2023	2022
V-TECH CO.,LTD	\$161,470	\$181,058
Liton Electronics Technology (Abazhou) Co., Ltd.	161,151	115,730
Lelon Electronics (SUZHOU) Corp.	37,313	78,999
Lelon Electronics (HUIZHOU) Corp.	35,041	49,422
Total	<u>\$394,975</u>	<u>\$425,209</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.



LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(b) Purchases

	2023	2022
V-TECH CO.,LTD	\$858,805	\$1,231,612
Lidon Electronics Technology Co., Ltd.	105,572	131,050
Total	<u>\$964,377</u>	<u>\$1,362,662</u>

The purchase price of the Company from related parties is negotiated by both parties with reference to market conditions. The payment terms for purchases made by the Company to related parties V-TECH Co., Ltd. are offset against debts and creditors, while the payment terms for purchases made by the Company to other related parties are equivalent to those of general manufacturers, and the payment terms are 30~120 days.

(c) Account Receivables

	2023	2022
V-TECH CO.,LTD	\$191,456	\$291,281
Lelon Electronics (SUZHOU) Corp.	9,481	40,872
Lelon Electronics (HUIZHOU) Corp.	18,295	22,392
Total	<u>\$219,232</u>	<u>\$354,545</u>

(d) Account Payables

	2023	2022
Liton Electronics Technology (Abazhou) Co., Ltd.	\$10,984	\$74,930
Lidon Electronics Technology Co., Ltd.	21,024	8,641
Total	<u>\$32,008</u>	<u>\$83,571</u>

(e) Processing cost

	2023	2022
V-TECH CO.,LTD	<u>\$-</u>	<u>\$255</u>

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(f) Other receivables

	2023	2022
Ruyuan Lidon Electronic Technology Co., Ltd.	\$-	\$14,139
V-TECH CO.,LTD	686	785
Total	<u>\$686</u>	<u>\$14,924</u>

(g) Non-operating income

	2023	2022
Ruyuan Lidon Electronic Technology Co., Ltd.	\$34,565	\$14,178
V-TECH CO.,LTD	1,709	1,206
Total	<u>\$36,274</u>	<u>\$15,384</u>

(h) Deferred unrealized benefits

The entrusted parties LITON (BVI) CO., LTD. and V-TECH CO., LTD are processed according to the accounting treatment of the entrusted processing and not selling the goods, the deferred benefits arising therefrom are NT\$ 7,771 thousand and NT\$ 8,902 thousand in the year of 2023 and 2022, it will be sold only when the processing is completed and then remove.

(i) Key management personnel compensation

	For the years ended 31 December	
	2023	2022
Short-term employee benefits	\$12,320	\$21,535
Share-based payment	989	-
Post-employment benefits	167	161
Total	<u>\$13,476</u>	<u>\$21,696</u>

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

8. Assets pledged as security

Items	Carrying amount		Secured liabilities
	112.12.31	111.12.31	
Other current assets			
— time deposit	\$36,870	\$-	Short-term borrowing

9. Commitments and contingencies

As at 31 December 2023, the Group had opened an unused credit line of NT\$ 25,857 thousand.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Financial instruments

(1) Categories of financial instruments

<u>Financial assets</u>	As of 31 December	
	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 measured at amortized cost (Note)	892,446	1,109,179

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Financial liabilities

	As of 31 December	
	2023	2022
Current financial liabilities at fair value through profit or loss	\$-	\$1,700
Financial liabilities at amortized cost:		
Short-term loans	681,282	\$580,570
Short-term bonds payable	-	89,981
Notes and accounts payable	49,163	97,971
Bonds payable (including current portion with maturity less than 1 year)	496,127	488,952
Lease liability	2,415	260

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

(2) Financial risk management objectives and policies

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

The Company 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 Company 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).

# LITON TECHNOLOGY CO. LTD.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company 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 Company.

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

When NTD strengthens against JPY by 1%:

	Increase (decrease) in equity	(Loss)or Profit
2023	\$-	\$956
2022	\$-	\$708

When NTD strengthens against USD by 1%:

	Increase (decrease) in equity	(Loss)or Profit
2023	\$-	\$(5,791)
2022	\$-	\$(5,538)

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

When NTD strengthens against RMB by 1%:		
	Increase (decrease) in equity	(Loss)or Profit
2023	\$-	\$(636)
2022	\$-	\$(640)

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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's bank borrowings with fixed interest rates and variable interest rates.

The 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 decrease NT\$681 thousand and increase NT\$671 thousand for the years ended 31 December 2023 and 2022.

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

At the reporting date, 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 three-month periods ended 31 March 2023 and 2022 by NT\$113 thousand and NT\$114 thousand, respectively.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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(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 Company is exposed to credit risk from operating activities (primarily for accounts receivables 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 Company'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 Company'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, amounts receivables from top ten customers represented 53% and 50% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company 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.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

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	\$681,579	\$-	\$-		\$681,579
Notes and accounts payable	49,163	-	-		49,163
Convertible bonds	500,000	-	-		500,000
Lease liability	1,008	1,480	-		2,488
As of 31 December 2022					
Short-term loans	\$580,820	\$-	\$-	\$-	\$580,820
Short-term bonds payable	90,000	-	-	-	90,000
Notes and accounts payable	97,971	-	-	-	97,971
Convertible bonds	-	500,000	-	-	500,000
Lease liability	261	-	-	-	261

Derivative financial liabilities

None.

(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended 31 December 2023:

	Short-term loans	Short-term tickets payable	Bonds payable (including maturity within a year)	Lease liabilities	Deposits received	Total liabilities from financing activities
As of 1 January 2023	\$580,570	\$89,981	\$488,952	\$260	\$4	\$1,159,767
Cash flow	100,712	(89,981)	-	(766)	-	9,965
Non-cash change	-	-	7,175	2,921	-	10,096
As of 31 December 2023	\$681,282	\$-	\$496,127	\$2,415	\$4	\$1,179,828

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term loans	Short-term tickets payable	Bonds payable (including maturity within a year)	Lease liabilities	Deposits received	Total liabilities from financing activities
As of 1 January 2022	\$449,514	\$59,957	\$486,803	\$776	\$310	\$997,360
Cash flow	131,056	30,024	-	(552)	(306)	160,252
Non-cash change	-	-	2,149	6	-	2,155
As of 31 December 2022	\$580,570	\$89,981	\$488,952	\$260	\$4	\$1,159,767



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NOTES TO FINANCIAL STATEMENTS (Continued)

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

(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, 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.) at the reporting date.
- 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).
- 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 the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

- 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 Company'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 Company.

(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(8) 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 CO. LTD.

NOTES TO 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 at fair value:				
Financial assets at fair value through profit or loss				
Stocks	\$1,135	\$-	-	\$1,135
Embedded derivative-bonds				
Financial liabilities at fair value:				
Financial liabilities at fair value through profit or loss				
Embedded derivative-bonds	\$-	-	-	\$-

As at 31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Stocks	\$1,139	\$ -	\$ -	\$1,139
Embedded derivative-bonds	-	50	-	50
Financial liabilities at fair value:				
Financial liabilities at fair value through profit or loss				
Embedded derivative-bonds	\$ -	\$1,700	\$ -	\$1,700

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NOTES TO 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.

(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.

(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
<u>Financial assets</u>						
<u>Monetary items:</u>						
USD	\$18,848	30.7250	\$579,105	\$18,031	30.7150	\$553,822
JPY	173,754	0.2172	37,739	227,044	0.2332	52,947
RMB	14,701	4.3280	63,626	14,504	4.4140	64,021
<u>Financial liabilities</u>						
<u>Monetary items:</u>						
JPY	\$614,108	0.2172	\$133,384	\$530,480	0.2332	\$123,708

The Company 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 Company recognized NT\$27,015 thousand and NT\$ 87,599 thousand foreign exchange gains for the years ended 31 December 2023 and 2022.

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

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NOTES TO FINANCIAL STATEMENTS (Continued)

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(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:  
None.

(b) Endorsement/Guarantee provided to others for the year ended 31 December 2023(not include Affiliates and Subsidiary of the company):  
None.

(c) Securities held as of 31 December 2023:

Company Name	Securities Held	Relationship between Issuer and the Company (Note 1)	Account Stated	As at 31 December 2023			
				Number of shares	Book Value	Ratio%	Fair Value
Liton Technology Corp.	Stocks China Development Finance Holdings Co., Ltd	-	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 Technology Corp.	Bang Ying Biotechnology Co., Ltd	-	Financial assets at fair value through other comprehensive income-non current	100,000	\$550	5%	\$-
				Subtotal	550		
				Adjustment of financial asset evaluation	(550)		
				Total	\$-		

(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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(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)	Term	Unit price	Term	Balance	Percentage of total Receivable (payable)
Liton Technology Corp.	V-TECH CO., LTD	Subsidiary of Liton Technology Corp.	Purchase	\$858,805	56.16%	Mutual offsetting of claims and debts	Regular	Mutual offsetting of claims and debts	\$-	-%
Liton Technology Corp.	V-TECH CO., LTD	Subsidiary of Liton Technology Corp.	Sales	(161,470)	(4.39)%	Mutual offsetting of claims and debts	Regular	Mutual offsetting of claims and debts	\$191,456	19.36%
Liton Technology Corp.	Liton Electronics Technology (Abazhou) Co., Ltd.	Subsidiary of V-TECH CO., LTD	Sales	(161,151)	(4.38)%	Mutual offsetting of claims and debts	Regular	Mutual offsetting of claims and debts	-	-%
Liton Technology Corp.	Lidon Electronics Technology Co., Ltd. Ruyuan County	Subsidiary of Liton Technology Corp.	Purchase	\$105,312	6.89%	60 days after EOAP	Regular	Regular	(21,024)	(42.76)%

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.

(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 2023:

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 claims and debts	\$-

(i) Financial instruments and derivative transactions: Please refer to Note 12 (8).

(2) Information on investees:

(a) 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	Address	Main businesses and products	Initial Investment Amount		Investment as at 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 dollar)	\$216,857 (USD7,058 thousand dollar)	7,057,715	100%	\$892,350	\$72,570	\$72,570	Note 1
Liton Technology Corp.	V-TECH CO., LTD.	Visira 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 dollar)	1,341,054 (USD43,647 thousand dollar)	43,647,362	100%	1,429,080	57,581	57,581	Note 1, 2
Liton Technology Corp.	EVERTECH CAPA CO., LTD.	Jipfa Building, 3 <sup>rd</sup> Floor, Road Town, Tortola, British Virgin Islands.	Selling	307 (USD10 thousand dollar)	307 (USD10 thousand dollar)	10,000	100%	-	-	-	
V-TECH CO., LTD.	FOREVER CO., LTD.	Visira Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Equity investment	1,178,396 (USD38,353 thousand dollar)	1,178,396 (USD38,353 thousand dollar)	38,353,012	100%	1,519,100	72,920	72,920	Note 1

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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(b) Information on major transactions of investee companies with control capabilities:

I. Funds are lent to others

Num ber	Lend funds of companies	Credits and objects	Correspondence subjects	Related party	Maximum balance this period	Closing balance (Board of Directors Approval Amount)	Actual mobilization amount	Interest rate zone	Nature of Funds Loan (Note 1)	The amount of business transactions	The reason why short-term financing is necessary	Provision is made for the amount of loss	Collateral		Funds and limits for individual targets (Note 2 and Note 4)	Funds and total limits (Note 3 and Note 4)
													Name	Value		
3	Liton Electronics Technology (HUIZHOU) Co., Ltd.	Liton Electronics Technology (Abazhou) Co., Ltd.	Other receivables -Abazhou	yes	\$69,248	-	-	By Company's contract	2	-	Operating and capital turnover needs	-	-	-	\$863,164	\$863,164

Note 1: Table 1 shows those who have business dealings, and Form 2 shows those who have the necessary short-term financing funds.

Note 2: The limit of short-term financing funds for individual targets is limited to 10% of the company's net value.

Note 3: The total limit of funds and loans is limited to 40% of the company's net value.

Note 4: Capital loans between foreign companies in which the Company directly and indirectly holds 100% of the voting shares are not subject to the above. The limit is limited to the total amount of loans and the amount of individual loans not exceeding 100% of the net value of the lending company.

II. Endorsement of others: None.

III. Holding of marketable securities at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture control parts):



LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

HOLDING Company	Securities Type and name	Relationship with the issuer of securities	Subjects	FINAL				notes
				Shares/ units	Book Amount	Shareholding ratio	Fair Value	
Liton Electronics Technology (HUIZHOU) Co., Ltd.	Lijing Real Estate Development (HUIZHOU) Co., Ltd	-	Financial assets measured at fair value through other comprehensive gains and losses - non- current	1,303,537	\$6,507	4.49%	\$5,554	
					Adjustment of financial asset evaluation	(953)		
					Total	\$5,554		

IV. The cumulative purchase or sale of the same marketable securities in the current period reaches NT\$300 million or more than 20% of the paid-up capital: None.

V. The amount of immovable property acquired is NT\$300 million or more than 20% of the paid-up capital: None.

VI. The amount of disposed of immovable property is NT\$300 million or more than 20% of the paid-up capital: None.

VII. The amount of goods purchased or sold with related party reaches NT\$100 million or more than 20% of the paid-up capital:

LITON TECHNOLOGY CO. LTD.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Related-party	Counter-party	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)	
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Terms	Price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)
LITON TECHNOLOGY CO. LTD.	V-TECH CO., LTD	Subsidiary of the company	Purchases	\$858,805	56.16%	Mutual offsetting of claims and debts	Same as Normal transaction	Offset of creditor's rights and debts	\$-	-%
LITON TECHNOLOGY CO. LTD.	V-TECH CO., LTD	Subsidiary of the company	Sales	(161,470)	(4.39)%	Mutual offsetting of claims and debts	Same as Normal transaction	Offset 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.	Purchases	453,172	29.64%	Mutual offsetting of claims and debts	Same as Normal transaction	Offset of creditor's rights and debts	-	-%

LITON TECHNOLOGY CO. LTD.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Related-party	Counter-party	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)	
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Terms	Price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)
V-TECH CO., LTD	Liton Electronics Technology (HUIZHOU) Co., Ltd.	The Company's subsidiary	Sales	(113,399)	(3.08)%	Mutual offsetting of claims and debts	Same as Normal transaction	Offset of creditor's rights and debts	168,892	17.08%
V-TECH CO., LTD	Liton Electronics Technology (HUIZHOU) Co., Ltd.	The Company's subsidiary	Purchases	409,837	26.80%	Mutual offsetting of claims and debts	Same as Normal transactio	Offset of creditor's rights and debts	-	-%
LITON TECHNOLOGY CO. LTD	Liton Electronics Technology (Abazhou) Co., Ltd.	The Company's subsidiary	Sales	(161,151)	(4.38)%	Mutual offsetting of claims and debts	Same as Normal transaction	Offset of creditor's rights and debts	-	-%
Liton Electronics Technology (Abazhou) Co., Ltd.	Lidon Electronics Technology Co., Ltd. Ruyuan County	The Company's sub-subsidiary	Purchases	578,929	37.86%	Mutual offsetting of claims and debts	Same as Normal transaction	Same as Normal transaction	(66,700)	(44.29)%

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Related-party	Counter-party	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)	
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Terms	Price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)
Liton Electronics Technology (HUIZHOU) Co., Ltd.	Lidon Electronics Technology Co., Ltd. Ruyuan County	The Company's sub-subsidiary	Purchases	292,166	19.11%	Net 30 days from the end of the month when invoice is issued s	Same as Normal transaction	Same as Normal transaction	(49,633)	(32.96)%
LITON TECHNOLOGY CO. LTD	Lidon Electronics Technology Co., Ltd. Ruyuan County	The Company's sub-subsidiary	Purchases	105,312	6.90%	Net 30 days from the end of the month when invoice is issued	Same as Normal transaction	Same as Normal transaction	(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)%	Net 30 days from the end of the month when invoice is issued	Same as Normal transaction	Same as Normal transaction	-	-%
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%	Net 30 days from the end of the month when invoice is issued	Same as Normal transaction	Same as Normal transaction	(116,160)	(77.13)%

Note: 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.

LITON TECHNOLOGY CO. LTD.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

VIII. The amount receivable from related persons reaches NT\$100 million or more than 20% of the paid-up capital:

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue receivables		Amounts Received in Subsequent Period	Loss allowance
					Amount	Terms		
LITON TECHNOLOGY CO. LTD.	V-TECH CO., LTD.	The Company's subsidiary	Accounts receivable \$191,456	-	\$-	-	Write-off of debts	\$-
V-TECH CO., LTD.	Liton Electronics Technology (HUIZHOU) Co., Ltd	The Company's sub-subsidiary	Accounts receivable \$168,892	-	\$-	-	Write-off of debts	\$-

IX. Engage in derivatives trading: None.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(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 at 1 January 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 31 December 2023	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as at 31 December 2023	Accumulated Inward Remittance of Earnings as at 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 dollar)	Investment in Mainland China companies through a company invested and established in a third region	\$355,765 (US\$11,579 thousand dollar)	\$-	\$-	\$355,765 (US\$11,579 thousand dollar)	\$73,023	100%	\$73,023 (Note 2)	\$870,938	\$-
Liton Electronics Technology (Abazhou) Co., Ltd.	Manufacturing aluminum foil, Aluminum electrolysis capacitor and related materials	\$1,308,885 (USD42,600 thousand dollar)	Investment in Mainland China companies through a company invested and established in a third region	\$1,155,260 (US\$37,600 thousand dollar)	\$-	\$-	\$1,155,260 (US\$37,600 thousand dollar)	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 dollar)	Directly invested Mainland China company	\$276,992 (RMB 64,000 thousand dollar)	\$-	\$-	\$276,992 (RMB 64,000 thousand dollar)	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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Accumulated Investment in Mainland China as at 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) and Note 13,2(b)

(4) Information of major shareholders

As of 31 December 2023

Shares	Total Shares Owned	Ownership Percentage
Shareholders		
Lelon Electronics Corp.	43,731,598	30.53%
Guangdong Dongyang Technology Holdings Co., Ltd	23,296,875	16.26%

LITON TECHNOLOGY CO. LTD.

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ACCOUNTING ITEMS

FOR THE YEAR ENDED 31 DECEMBER 2023

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LITON TECHNOLOGY CO. LTD.

1. STATEMENT OF CASH AND CASH EQUIVALENTS

31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash on hand & petty cash		\$61	Main Foreign currency
Bank savings			USD 11,661 thousand ;
	Demand deposits – NTD	29,083	Exchange rate 30.7250
	Demand deposits – Foreign currency	118,822	RMB 8,075 thousand ;
	Time deposits – Foreign currency	305,099	Exchange rate 4.3280
			JPY 103,083 thousand ;
			Exchange rate 0.2172
			HKD 2 thousand ;
Total		<u>\$453,065</u>	Exchange rate 3.9300
			EUR 244 thousand ;
			Exchange rate 34.0200

LITON TECHNOLOGY CO. LTD.

2. STATEMENT OF ACCOUNTS AND NOTES RECEIVABLE  
WITH NON-RELATED PARTY

31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Client A		\$88,178	
Client B		48,969	
Client C		15,353	
Client D		12,992	
Client E		11,296	
Other(Note)		45,944	
Total		<u>222,732</u>	
Less: Allowance for losses		(763)	
Less: Allowance for foreign currency exchange gains and losses		<u>(6,688)</u>	
Total		<u>\$215,281</u>	

(Note) The amount of individual client in others does not exceed 5% of the account balance.

LITON TECHNOLOGY CO. LTD.

3. STATEMENT OF ACCOUNTS AND NOTES RECEIVABLE  
WITH RELATED PARTY

31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
V-TECH CO.,LTD		\$191,456	
Lelon Electronics (SUZHOU) Corp		9,537	
Lelon Electronics (HUIZHOU) Corp.		18,449	
Total		219,442	
Less: Allowance for foreign currency exchange gains and losses		(210)	
Total		\$219,232	

LITON TECHNOLOGY CO. LTD.

4. STATEMENT OF INVENTORIES

31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Cost	Market Value	Note
Raw materials	\$67,182	\$80,868	For the determination of net realization value, please refer to Note 4 (10) to the Financial Statements
Supplies	4,810	4,963	
Finished goods	63,658	79,178	
Merchandise	14,108	14,587	
Work in progress	128,214	128,214	
Inventory in transit	9,765	9,765	
Total	287,737	\$317,575	
Provision for inventory price declines and sluggish losses	(1,712)		
Net amount	\$286,025		

LITON TECHNOLOGY CO. LTD.

5. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

time	Opening balance		Increase		Decrease		The number of countercurrent trading movements	Unrealized gross profit between affiliates	Equity method recognizes (loss) profit and loss amounts:	Conversion of adjustments	Unrealized gains (losses) on financial assets as measured by fair value in other comprehensive gains and losses	Ending balance			Provide guarantees or pledge	Note
	Shares	Amount	Shares	Amount	Shares	Amount						Shares	Share holding ratio	Amount		
LITON (BVI) CO., LTD.	7,057,715	\$835,612	-	\$-	-	\$-	\$-	\$1,179	\$72,570	\$(17,011)	\$-	7,057,715	100%	\$892,350	None	
V-TECH CO., LTD.	43,647,362	\$1,404,238	-	-	-	-	(1,200)	(1,648)	57,581	(29,891)	-	43,647,362	100%	1,429,080	None	
EVERTECH CAPA CO., LTD.	10,000	-	-	-	-	-	-	-	-	-	-	10,000	100%	-	None	
Lidon Electronics Technology Co., Ltd. Ruyuan County Total	64,000,000	636,883	-	-	-	-	-	2,486	45,823	(13,496)	-	64,000,000	40%	671,696	None	
		<u>\$2,876,733</u>		<u>\$-</u>		<u>\$-</u>	<u>\$(1,200)</u>	<u>\$2,017</u>	<u>\$175,974</u>	<u>\$(60,398)</u>	<u>\$-</u>			<u>\$2,993,126</u>		

Note 1 : The changes in the amount of profit (loss) recognized by the equity method are as follows:

The equity method recognizes the amount of profit (loss).	\$175,974
The number of countercurrent trading movements	(1,200)
Unrealized gross profit-income tax of affiliates impact amount	(673)
Share of profits and losses of subsidiaries, affiliates and joint ventures by using equity method	<u>\$174,101</u>

LITON TECHNOLOGY CO. LTD.

6、STATEMENT OF SHORT-TERM LOAN  
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Bank	Summary	Ending Balance	Contract's Term	Interest rate range	Financing amount(Note)	Mortgage or collateral's name	Note
Far Easten International Bank – Taichung Branch	Short-term working capital	\$248,359	2023/5-2024/5	1.73%	\$300,000	-	
Taipei fubon Bank – Zhonggang Branch	Short-term working capital	120,000	2023/4-2024/4	1.67%	120,000		
Shin Kong Bank – Zhonggang Branch	Short-term working capital	100,000	2023/10-2024/10	1.66%	100,000		
Yuanta Bank – Hsinchu Science Park	Short-term working capital	60,000	2023/4-2024/4	1.71%	100,000		
Taishin Bank – Taichung Branch	Forward letter of credit borrowing	49,663	2023/4-2024/4	0.65%	150,000	-	
E.Sun Commercial Bank – Taichung Branch	Forward letter of credit borrowing	45,735	2023/8-2024/8	0.68-0.72%	150,000	-	
Mega International Commercial Bank – Taichung Branch	Short-term working capital	35,000	2023/8-2024/8	0.50%	35,000	Time Deposit (Loans for post-epidemic revitalization projects are pledged)	
Hua Nan Bank – Miaoli Branch	Forward letter of credit borrowing	18,158	2023/9-2024/9	0.70%	100,000		
First Commercial Bank – Miaoli Branch	Forward letter of credit borrowing	4,957	2023/1-2024/1	0.71%	100,000	-	
KGI Bank	Short-term working capital	-	2023/1-2024/1		150,000		
Far East International Bank	Forward letter of credit borrowing	-	2023/5-2024/5		100,000		
Taishin Bank – Taichung Branch	Short-term working capital	-	2023/4-2024/4		100,000		
Chang hua commercial bank – Miaoli Branch	Short-term working capital	-	2023/9-2024/9		100,000		
SinoPac bank – Fengyuan Branch	Short-term working capital	-	2023/3-2024/3		70,000	-	
CTBC Bank – Taichung Branch	Forward letter of credit borrowing	-	2023/7-2024/7		150,000		
Mega Bank – Taichung Branch	Forward letter of credit borrowing	-	2023/6-2024/6		122,700		
	Total	681,871			\$1,947,700		
	Less: Allowance for foreign currency exchange gains and losses	(589)					
	Net Amount	\$681,282					

Note: The financing amount is In Thousands of New Taiwan Dollars

LITON TECHNOLOGY CO. LTD.

7. STATEMENT OF ACCOUNTS AND NOTES PAYABLE  
WITH NON- RELATED PARTY

31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount	Note
Vendor A		\$15,696	
Others (Note)		1,694	
ADD: Allowance for gains and losses		(235)	
Net Amount		<u>\$17,155</u>	

(Note) The amount of individual client in others does not exceed 5% of the account balance.

LITON TECHNOLOGY CO. LTD.

8. STATEMENT OF ACCOUNTS AND NOTES PAYABLE  
WITH RELATED PARTY

31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount	Note
Liton Electronics Technology (Abazhou) Co., Ltd.		\$10,984	
Lidon Electronics Technology Co., Ltd. Ruyuan County		21,570	
LESS: Allowance for gains and losses		(546)	
Net Amount		<u>\$32,008</u>	

LITON TECHNOLOGY CO. LTD.

9. STATEMENT OF OPERATING REVENUES

FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Formed foil	11,643,768m	\$1,269,556	
Sell Raw Materials (Etched Aluminum Foils 、Raw foil 、 Guide foil and Supplies)	(Note)	14,767	
Operating Revenue		1,284,323	
Less : Sales return and discounts		(10,825)	
Net Operating Revenue		<u>\$1,273,498</u>	

Note: Due to the different units of the shipment quantity, there are kilograms, meters, numbers, etc., so it is not proposed to add the total count.

## LITON TECHNOLOGY CO. LTD.

## 10. STATEMENT OF OPERATING COSTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Amount
Merchandise	
Beginning of year	\$16,976
Merchandise purchase	997,279
End of year	(14,108)
Cost of Merchandise	\$1,000,147
Cost of goods sold for homemade products - Formed foil	
Direct material	
Beginning of year(Include inventory in transit)	78,592
Material purchased	278,431
End of year(Include inventory in transit)	(67,182)
Sale of raw material	(100,179)
Scrape loss	(4)
Transfer to consumption	(13)
Current period - Raw material	189,645
Indirect material	
Beginning of year	5,380
Material purchased	10,672
End of year	(4,810)
Current period - Supplies	11,242
Direct Labor	19,965
Manufacturing costs( refer to statement 11)	64,366
Cost of Finished goods - Formed foil	285,218
Beginning of year(Include Initial outsourced processing inventory)	74,604
Inventory profitable	15
End of year(Include Initial outsourced processing inventory)	(63,658)
Scrape loss	(1,865)
Transfer to sample fee	(171)
Sales costs - Formed foil	294,143
Others	
Sale of raw material	100,179
Standard production capacity sharing	11,939
Sales costs Sublimation(note)	(322,621)
Sluggish inventories and the benefit of falling prices	(262)
Scrape loss	1,865
Sell leftovers and scrap	122
Other	
Total Operating cost	\$1,085,512

Note: The cost of selling raw materials that are outsourced processing is handled in accordance with Letter No. 00747 dated March 18 1998 Taiwan Financial Securities (6) dated March 18 1998, and the processing of materials entrusted to related parties is treated according to the accounting treatment of commissioned processing.

LITON TECHNOLOGY CO. LTD.

11. STATEMENT OF MANUFACTURING EXPENSES  
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Utilities expense	\$40,209	
Indirect labor	10,435	
Depreciation expense	5,996	
Fixing expense	5,366	
Sewage disposal	3,592	
Other expense (Note)	10,707	
Total	76,305	
Production capacity spare	(11,939)	
Net Manufacturing expenses	<u>\$64,366</u>	

(Note) The amount of individual client in others does not exceed 5% of the account balance.



## LITON TECHNOLOGY CO. LTD.

## 12. STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Expected impairment loss	Total	Note
Payroll expense	\$3,478	\$33,200	\$2,674	\$-	\$39,352	
Post and telecommunications charges	55	2,194	35	-	2,284	
Food and Beverage expenses	144	1,026	144	-	1,314	
Miscellaneous expense	2,135	618	26	-	2,779	
Freight expense	866	10	2	-	878	
Insurance expense	339	2,679	257	-	3,275	
Depreciation expense	-	1,556	271	-	1,827	
Labor cost	8	6,172	12,000	-	18,180	
Commission	776	-	-	-	776	
Export and Import expense	4,010	-	-	-	4,010	
Expected credit impairment loss	-	-	-	(38)	(38)	
Others (Note)	1,519	8,289	816	-	10,624	(Note)
Total	<u>\$13,330</u>	<u>\$55,744</u>	<u>\$16,225</u>	<u>\$(38)</u>	<u>\$85,261</u>	

(Note) The amount of individual client in others does not exceed 5% of the account balance.