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LITON TECHNOLOGY CORP.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED 31 DECEMBER 2024 AND 2023

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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 2024 and 2023, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2024 and 2023, 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 2024 and 2023, and its parent company only financial performance and cash flows for the years ended 31 December 2024 and 2023, 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 Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 2024 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 2024, the gross accounts receivable and loss allowance by the Company amounted to NT\$465,349 thousand and NT\$319 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 2024, the Company's net inventories amounted to NT\$253,683 thousand. Net inventories accounted for 5% 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, understanding and testing the effectiveness of the internal controls established by management for inventory; evaluating the reasonableness of accounting policy of loss allowance; observing inventory counts to ensure quantities and status; checking the unit cost of inventory; 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.

In addition, we also considered the adequacy of the 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 2024 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

12 March 2025

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 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of 31 December	
		2024	2023
Current assets			
Cash and cash equivalents	4, 6(1)	\$565,009	\$453,065
Financial assets at fair value through profit or loss, current	4	1,555	1,135
Notes receivable, net	4, 6(12)	5,106	4,243
Accounts receivable, net	4, 6(2), 6(12)	161,184	215,281
Accounts receivables-related parties, net	4, 6(2), 6(12), 7	303,846	219,232
Other receivables	4, 7	6,576	5,625
Current tax assets	4	920	-
Inventories	4, 6(3)	253,683	286,025
Prepayment		5,446	5,831
Other current assets	8	1,312	37,528
Total current assets		<u>1,304,637</u>	<u>1,227,965</u>
Non-current assets			
Financial assets at fair value through other comprehensive income, non-current	4, 6(4)	3,300,119	2,993,126
Property, plant and equipment	4, 6(5)	186,575	188,023
Right-of-use assets	4, 6(13)	1,431	2,405
Intangible assets	4	1,245	1,592
Deferred tax assets	4, 6(17)	691	3,604
Net defined benefit assets, non-current	4, 6(9)	12,386	7,399
Other non-current assets		7,913	8,039
Total non-current assets		<u>3,510,360</u>	<u>3,204,188</u>
Total assets		<u><u>\$4,814,997</u></u>	<u><u>\$4,432,153</u></u>

(continued)

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

LITON TECHNOLOGY CORP.

PARENT COMPANY ONLY BALANCE SHEETS

31 December 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of 31 December	
		2024	2023
Current liabilities			
Short-term loans	4, 6(6)	\$626,333	\$681,282
Contract liabilities, current	4, 6(11)	115	-
Accounts payable	4	9,185	17,155
Accounts payables-related parties	7	24,789	32,008
Other payables		50,904	49,070
Current tax liabilities	4, 6(17)	22,884	43,673
Lease liabilities, current	4, 6(13)	982	966
Long-term liabilities, current portion	4, 6(7)	-	496,127
Long-term loans, current portion	4, 6(8)	64,375	-
Other current liabilities	4	314	244
Total current liabilities		<u>799,881</u>	<u>1,320,525</u>
Non-current liabilities			
Long-term loans	4, 6(8)	159,625	-
Deferred tax liabilities	4, 6(17)	21,316	1,480
Lease liabilities, non-current	4, 6(13)	467	1,449
Other current liabilities, non-current		4	4
Total non-current liabilities		<u>181,412</u>	<u>2,933</u>
Total liabilities		<u>981,293</u>	<u>1,323,458</u>
Equity attributable to the parent company	4, 6(10)		
Capital			
Common stock		1,505,718	1,432,196
Additional Paid-in Capital		820,929	583,462
Retained earnings			
Legal reserve		289,143	259,681
Special reserve		208,065	147,667
Unappropriated earnings		1,157,477	935,562
Subtotal		<u>1,654,685</u>	<u>1,342,910</u>
Other components of equity			
Exchange differences on translation of foreign operations		(104,317)	(206,562)
Unrealized gains or losses on financial assets at fair value through other comprehensive income		(1,503)	(1,503)
Subtotal		<u>(105,820)</u>	<u>(208,065)</u>
Treasury shares		<u>(41,808)</u>	<u>(41,808)</u>
Total equity		<u>3,833,704</u>	<u>3,108,695</u>
Total liabilities and equity		<u>\$4,814,997</u>	<u>\$4,432,153</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 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the years ended 31 December	
	Notes	2024	2023
Operating revenues	4, 6(11), 7	\$1,118,127	\$1,273,498
Operating costs	6(3), 6(14), 7	(949,499)	(1,085,512)
Gross profit		<u>168,628</u>	<u>187,986</u>
Unrealized intercompany profit	7	(4,854)	(7,771)
Realized intercompany profit	7	<u>7,771</u>	<u>8,902</u>
Gross profit		<u>171,545</u>	<u>189,117</u>
Operating expenses			
Sales and marketing expenses	6(14)	(13,203)	(13,330)
General and administrative expenses	6(14)	(63,476)	(55,744)
Research and development expenses	6(14)	(5,217)	(16,225)
Expected credit gains	6(12)	<u>444</u>	<u>38</u>
Subtotal		<u>(81,452)</u>	<u>(85,261)</u>
Operating income		<u>90,093</u>	<u>103,856</u>
Non-operating income and expenses			
Other income	4, 6(15)	16,746	51,673
Other gains and losses	6(15)	44,085	28,703
Financial costs	6(15)	(14,369)	(17,329)
Share of profit or loss of subsidiaries, associates and joint ventures	4, 6(4)	<u>402,013</u>	<u>174,101</u>
Subtotal		<u>448,475</u>	<u>237,148</u>
Income before income tax		<u>538,568</u>	<u>341,004</u>
Income tax expense	4, 6(17)	<u>(69,319)</u>	<u>(46,133)</u>
Net income		<u>469,249</u>	<u>294,871</u>
Other comprehensive income	6(16), 6(17)		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(1,703)	(317)
Income tax related to items that may not to be reclassified subsequently		341	63
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	6(4), 6(16)	<u>102,245</u>	<u>(60,398)</u>
Total other comprehensive income, net of tax		<u>100,883</u>	<u>(60,652)</u>
Total comprehensive income		<u>\$570,132</u>	<u>\$234,219</u>
Earnings per share (NTD)	4, 6(18)		
Earnings per share-basic		<u>\$3.23</u>	<u>\$2.08</u>
Earnings per share-diluted		<u>\$3.15</u>	<u>\$1.95</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 CHANGES IN EQUITY

For the Years Ended 31 December 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	Capital		Retained Earnings			Other components of equity			
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury shares	Total equity
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 earnings									
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)
Share-based payments		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
Balance as of 1 January 2024	\$1,432,196	\$583,462	\$259,681	\$147,667	\$935,562	\$(206,562)	\$(1,503)	\$(41,808)	\$3,108,695
Appropriation and distribution of 2023 retained									
Legal reserve			29,462		(29,462)				-
Special reserve				60,398	(60,398)				-
Cash dividends					(156,112)				(156,112)
Net income in 2024					469,249				469,249
Other comprehensive income, net of tax in 2024					(1,362)	102,245			100,883
Total comprehensive income	-	-	-	-	467,887	102,245	-	-	570,132
Convertible bonds	73,522	237,467							310,989
Balance as of 31 December 2024	\$1,505,718	\$820,929	\$289,143	\$208,065	\$1,157,477	\$(104,317)	\$(1,503)	\$(41,808)	\$3,833,704

(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 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2024	2023
Cash flows from operating activities:		
Net income before tax	\$538,568	\$341,004
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Income and expense adjustments:		
Depreciation	7,864	7,823
Amortization	612	683
Expected credit income	(444)	(38)
Net gain of financial assets/liabilities at fair value through profit or loss	(420)	(1,646)
Interest expense	14,369	17,329
Interest income	(12,138)	(10,714)
Dividends income	(45)	-
Share of profit of subsidiaries, associates and joint ventures	(402,013)	(174,101)
Gains on disposals of investments	-	531
Unrealized intercompany gain	4,854	7,771
Realized intercompany gain	(7,771)	(8,902)
Gains from price recovery on price reduction of inventory	(616)	(262)
Other item	(4,444)	(4,115)
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	(863)	2,349
(Increase) decrease in accounts receivable	(30,073)	194,416
(Increase) decrease in other receivable	(951)	11,954
Decrease in inventories	32,958	1,341
Decrease in prepayments	385	5,815
Decrease (increase) in other current assests	36,216	(36,952)
Decrease (increase) in other non-current assests	126	(518)
Increase (decrease) in contract liabilities	115	(2)
Decrease in accounts payable	(15,189)	(48,808)
Increase (decrease) in other payables	3,209	(13,739)
Increase in other current liabilities	70	40
Increase in net defined benefit assets, non-current	(6,690)	(832)
Cash generated from operations	157,689	290,427
Interest received	12,138	10,714
Interest paid	(10,217)	(10,107)
Income tax paid	(67,938)	(58,227)
Net cash provided by operating activities	91,672	232,807

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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 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2024	2023
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	-	(531)
Proceeds from capital reduction of investments accounted for using equity method	95,674	-
Acquisition of property, plant and equipment	(8,257)	(5,840)
Proceeds from disposal of property, plant and equipment	3,373	5,216
Acquisition of intangible assets	(265)	(930)
Dividends received	45	-
Cash dividends received from subsidiary	106,729	-
Net cash generated from (used in) investing activities	197,299	(2,085)
Cash flows from financing activities:		
Increase in short-term loans	1,746,800	2,807,775
Decrease in short-term loans	(1,801,749)	(2,707,063)
Increase in short-term notes and bills payable	-	209,600
Decrease in short-term notes and bills payable	-	(299,581)
Cash payments of bonds	(189,000)	-
Increase in long-term loans	224,000	-
Cash payments for the principal portion of the lease liability	(966)	(766)
Cash dividends	(156,112)	(248,359)
Exercise of employee share options	-	7,039
Acquisition of treasury shares	-	(5,134)
Net cash used in by financing activities	(177,027)	(236,489)
Net increase (decrease) in cash and cash equivalents	111,944	(5,767)
Cash and cash equivalents at beginning of period	453,065	458,832
Cash and cash equivalents at end of period	\$565,009	\$453,065

(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 CO. LTD.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended 31 December 2024 and 2023
(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 trading its shares over the counter on 10 June 2002. The Company's registered office and the main business location is at No.9, Zhonglong 2nd Rd., Tongloun 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 2024 and 2023 were authorized for issue by the Board of Directors on 12 March 2025.

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 2024. 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 have been endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a.	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(a) 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 abovementioned amendments are applicable for annual periods beginning on or after 1 January 2025 and have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB which have not been 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	IFRS 18 “Presentation and Disclosure in Financial Statements”	1 January 2027
d	Disclosure Initiative–Subsidiaries without Public Accountability: Disclosures (IFRS 19)	1 January 2027
e	Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 January 2026
f	Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
g	Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	1 January 2026

- (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

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.

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) IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 replaces IAS 1 Presentation of Financial Statements. The main changes are as below:

(1) Improved comparability in the statement of profit or loss (income statement)

IFRS 18 requires entities to classify all income and expenses within their statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. The first three categories are new, to improve the structure of the income statement, and requires all entities to provide new defined subtotals, including operating profit or loss. The improved structure and new subtotals will give investors a consistent starting point for analyzing entities’ performance and make it easier to compare entities.

(2) Enhanced transparency of management-defined performance measures

IFRS 18 requires entities to disclose explanations of those entity-specific measures that are related to the income statement, referred to as management-defined performance measures.

(3) Useful grouping of information in the financial statements

IFRS 18 sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes. The changes are expected to provide more detailed and useful information. IFRS 18 also requires entities to provide more transparency about operating expenses, helping investors to find and understand the information they need.

(d) Disclosure Initiative–Subsidiaries without Public Accountability: Disclosures (IFRS 19)

This standard permits subsidiaries without public accountability to provide reduced disclosures when applying IFRS Accounting Standards in their financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

(e) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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The amendments include:

- (1) Clarify that a financial liability is derecognised on the settlement date and describe the accounting treatment for settlement of financial liabilities using an electronic payment system before the settlement date.
- (2) Clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.
- (3) Clarify the treatment of non-recourse assets and contractually linked instruments.
- (4) Require additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

(f) Annual Improvements to IFRS Accounting Standards–Volume 11

- (1) Amendments to IFRS 1
- (2) Amendments to IFRS 7
- (3) Amendments to Guidance on implementing IFRS 7
- (4) Amendments to IFRS 9
- (5) Amendments to IFRS 10
- (6) Amendments to IAS 7

(g) Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

The amendments include:

- (1) Clarify the application of the ‘own-use’ requirements.
- (2) Permit hedge accounting if these contracts are used as hedging instruments.
- (3) Add new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows.

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. As the Company is still currently determining the potential impact of the new or amended standards and interpretations listed under (c), it is not practicable to estimate their impact on the Company at this point in time. The remaining new or amended standards and interpretations have no material impact on the Company.

4. Summary of material accounting policies

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NOTES TO FINANCIAL STATEMENTS (Continued)
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(1) Statement of compliance

The parent company only financial statements of the Company for the years ended 31 December 2024 and 2023 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.

(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 the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling 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 a 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

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.

(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

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NOTES TO FINANCIAL STATEMENTS (Continued)

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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.

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 the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

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.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

(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 a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

(a) Financial instruments: Recognition and Measurement

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

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.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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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.
- 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:

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NOTES TO FINANCIAL STATEMENTS (Continued)

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- (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 aforementioned 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.

(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.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.
- 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.
- d. For lease receivables arising from transactions within the scope of IFRS 16, 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.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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(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.

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.

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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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; or
- 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.

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.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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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.

(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 financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

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

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

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NOTES TO FINANCIAL STATEMENTS (Continued)

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(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.

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 and merchandises - Purchase cost under weighted average cost method.

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

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

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

(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.

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.

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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 affect 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.

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.

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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.

(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
Leasehold improvements	8 years
Other equipment	2~26 years

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NOTES TO FINANCIAL STATEMENTS (Continued)

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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.

(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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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:

- (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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.

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 statement 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(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.

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

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(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.

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.

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:

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.

The credit period of the Company's sale of goods is from 30 to 135 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.

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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

Deferred tax

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

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

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

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

- (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.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

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	
	2024	2023
Cash on hand	\$65	\$61
Demand deposits	564,944	147,905
Time deposits	-	305,099
Total	<u>\$565,009</u>	<u>\$453,065</u>

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

	As of 31 December	
	2024	2023
Net Accounts receivables	\$161,503	\$216,044
Less: loss allowance	(319)	(763)
Subtotal	161,184	215,281
Net Accounts receivables-related parties	303,846	219,232
Total	<u>\$465,030</u>	<u>\$434,513</u>

Net Accounts receivables were not pledged.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Net Accounts receivables are generally on 30-135 day terms. The total carrying amount are NT\$465,349 thousand and NT\$435,276 thousand as of 31 December 2024 and 2023. Please refer to Note 6(12) for more details on loss allowance of trade receivables for the years ended 31 December 2024 and 2023. Refer to Note 12 for more details on credit risk management.

(3)Inventories

(a) The details are as follows

	As of 31 December	
	2024	2023
Raw materials	\$48,090	\$66,643
Supplies	3,988	4,701
Finished goods	77,779	69,542
Merchandise	123,826	145,139
Total	<u>\$253,683</u>	<u>\$286,025</u>

(b) The inventory cost recognized as operating costs for the year ended 31 December 2024 were NT\$949,499 thousand, including a net inventory write-down reversal gain of NT\$616 thousand. The reversal gain was recognized as the factors that previously caused the net realizable value of inventories to be lower than cost had ceased to exist.

(c) 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 net inventory write-down reversal gain of NT\$262 thousand.

(d) 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)

Investee companies	As of 31 December			
	2024		2023	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
LITON (BVI) CO., LTD. (Note)	\$899,218	100%	\$892,350	100%
V-TECH CO., LTD.	1,614,974	100%	1,429,080	100%
EVERTECH CAPA CO., LTD	-	100%	-	100%
LIDON Electronics Technology Co., Ltd.	785,927	40%	671,696	40%
Total	<u>\$3,300,119</u>		<u>\$2,993,126</u>	

The aforementioned investment in subsidiaries were not pledged.

Note: In December 2024, LITON (BVI) CO., LTD. conducted a cash capital reduction, refunding NT\$95,674 thousand in proportion to its shareholding. The Company's ownership percentage remained unchanged.

(a) Details of dividends received by the Company for the years ended 31 December 2024 and 2023 are as follows:

Investee companies	For the year ended 31 December	
	2024	2023
LITON (BVI) CO., LTD.	\$64,313	\$-
LIDON Electronics Technology Co., Ltd.	42,416	-
Total	<u>\$106,729</u>	<u>\$-</u>

(b) Details of investment income (loss) recognized under the equity method and translation adjustments based on the audited financial statements provided by the investee companies for the years ended 31 December 2024 and 2023 are as follows:

Investee companies	For the year ended 31 December			
	2024		2023	
	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
LITON (BVI) CO., LTD.	\$140,769	\$26,156	\$72,176	\$(17,011)
V-TECH CO., LTD.	131,503	52,499	56,930	(29,891)
LIDON Electronics Technology Co., Ltd.	129,741	23,590	44,995	(13,496)
Total	<u>\$402,013</u>	<u>\$102,245</u>	<u>\$174,101</u>	<u>\$(60,398)</u>

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

Company name: LIDON Electronics Technology Co., Ltd.

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: LIDON Electronics 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)	
	2024.12.31	2023.12.31
Current assets	\$200,092	\$132,281
Non-current assets	405,148	413,621
Current liabilities	(117,834)	(112,022)
Non-current liabilities	(40,454)	(36,190)
Equity	446,952	397,690
Company's shareholding	40.00%	40.00%
Subtotal	178,781	159,076
Intercompany transactions eliminated	(3,194)	(3,878)
Carrying amount of the investment	<u>\$175,587</u>	<u>\$155,198</u>
	2024	2023
Operating income	\$593,182	\$466,407
Continuing operation net income	73,263	26,058
Total comprehensive income	73,263	26,058

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 2024

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Unfinished work and equipment to be inspected	Total
<u>Cost:</u>								
1 January 2024	\$97,759	\$87,065	\$225,842	\$340	\$-	\$11,674	\$-	\$422,680
Additions	-	95	1,202	86	-	1,844	3,365	6,592
Disposals	-	(345)	-	-	-	(1,870)	-	(2,215)
31 December 2024	<u>\$97,759</u>	<u>\$86,815</u>	<u>\$227,044</u>	<u>\$426</u>	<u>\$-</u>	<u>\$11,648</u>	<u>\$3,365</u>	<u>\$427,057</u>
<u>Depreciation and impairment:</u>								
1 January 2024	\$-	\$40,366	\$188,149	\$135	\$-	\$6,007	\$-	\$234,657
Depreciation	-	2,840	2,923	58	-	1,069	-	6,890
Disposals	-	(345)	-	-	-	(720)	-	(1,065)
31 December 2024	<u>\$-</u>	<u>\$42,861</u>	<u>\$191,072</u>	<u>\$193</u>	<u>\$-</u>	<u>\$6,356</u>	<u>\$-</u>	<u>\$240,482</u>

As of 31 December 2023

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Unfinished work and equipment to be inspected	Total
<u>Cost:</u>								
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>
<u>Depreciation and impairment:</u>								
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>

Net carrying amount :

31 December 2024	<u>\$97,759</u>	<u>\$43,954</u>	<u>\$35,972</u>	<u>\$233</u>	<u>\$-</u>	<u>\$5,292</u>	<u>\$3,365</u>	<u>\$186,575</u>
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>

(b) Property, plant and equipment was not pledged.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(c) There was no capitalization of interest arising from the purchase of property, plant and equipment by the Company in 2024 and 2023.

(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	
	2024	2023
Secured bank loans	\$626,333	\$646,282
Unsecured bank loans	-	35,000
Total	<u>\$626,333</u>	<u>\$681,282</u>
	2024	2023
	0.61%~1.99%	0.65~1.73%
Interest rates applied (Unsecured)	0.61%~1.99%	0.65~1.73%
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\$928,994 thousand and NT\$1,239,972 thousand as of 31 December 2024 and 2023.

(7) Bonds payable

	As of 31 December	
	2024	2023
Liability component		
Principal amount	\$-	\$500,000
Discounts on bonds payable	-	(3,873)
Subtotal	-	496,127
Less: current portion	-	(496,127)
Net	<u>\$-</u>	<u>\$-</u>
Embedded derivative	<u>\$-</u>	<u>\$-</u>
Equity component	<u>\$-</u>	<u>\$3,650</u>

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

Issue amount: NT\$500,000 thousand

Period: 15 July 2021 ~ 15 July 2024

Redemption clauses:

- a. The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (16 October 2021) and prior to 40 days before the maturity date (5 June 2024), at the principal amount of the bonds with an interest calculated at the rate of 0% per annum (early redemption conversion price) if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 130% of the conversion price.
- b. The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (16 October 2021) and prior to 40 days before the maturity date (5 June 2024), at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.
- c. The Company may redeem the bonds in cash, within 5 trading days after the base date of withdrawing the bonds as stated on the "Withdrawal of Convertible Bonds Notice", at the par value if the bondholders do not reply to the share affair agency in writing before the base date.

Reversal clauses:

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

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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. After the ex-dividend on 26 August 2023, the conversion price will be adjusted from NT\$44.4 to NT\$42.3 per share.

d.Redemption on due date: The Company's bonds will be redeemed at face value when they are due and not settled.

The amounts of the Company's bonds converted as of 15 July 2024, and December 31, 2023, were NT\$311,000 thousand and NT\$0 thousand, respectively.

The Company's bonds matured on 15 July 2024, with NT\$311,000 thousand converted. The Company repurchased convertible bonds totaling NT\$189,000 thousand. The difference of NT\$8,758 thousand between the amount allocated to equity components and the carrying amount was recorded under capital surplus – expired stock options.

(8) Long-term loans

Details of long-term loans as of 31 December 2024 and 2023 is as follows:

	As of 31 December	
	2024	2023
long-term loans	\$224,000	\$-
Less: current portion	(64,375)	-
Total	<u>\$159,625</u>	<u>\$-</u>

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Lenders	As of 31 Dec. 2024	Interest Rate	Maturity date and terms of repayment
CTBC Bank unsecured bank loans	\$189,000	1.80%	From 26 July 2024 to 23 January 2027, starting from the date of the first disbursement, the first installment will be due after twelve months, and therefore, every six months is one installment. Each installment will amortize NT\$60 million of principal, with the remaining principal fully repaid in the last installment
E.SUN Bank unsecured bank loans	35,000	0.50%	From 12 September 2024 to 10 September 2027, starting from the date of the first disbursement, the first installment will be due after twelve months, and thereafter, every month is one installment. The principal will be amortized equally across each installment.
Subtotal	224,000		
Less: current portion	(64,375)		
Total	\$159,625		

(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 2024 and 2023 were NT\$2,327 thousand and NT\$2,384 thousand dollars.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.

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\$799 thousand to its defined benefit plan during the 12 months beginning after 31 December 2024.

The average duration of the defined benefits obligation was 1 year and 2 years as of 31 December 2024 and 2023.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Pension costs recognized in profit or loss are as follows:

	For the years ended 31 December	
	2024	2023
Net interest on the net defined benefit assets	<u><u>\$(78)</u></u>	<u><u>\$(79)</u></u>

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

	As of		
	31 Dec. 2024	31 Dec. 2023	1 Jan. 2023
Defined benefit obligation	\$18,246	\$20,787	\$20,096
Plan assets at fair value	(30,632)	(28,186)	(26,980)
Net defined benefit liabilities (assets)	<u><u>\$(12,386)</u></u>	<u><u>\$(7,399)</u></u>	<u><u>\$(6,884)</u></u>

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

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities
As of 1 January 2023	\$20,096	\$ (26,980)	\$ (6,884)
Current service cost	-	-	-
Interest expense (income)	231	(310)	(79)
Subtotal	<u>20,327</u>	<u>(27,290)</u>	<u>(6,963)</u>

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	<u>460</u>	<u>(143)</u>	<u>317</u>
Payments of benefit obligation	-	-	-
Contributions by employer	-	(753)	(753)
As of 31 December 2023	<u>\$20,787</u>	<u>\$(28,186)</u>	<u>\$(7,399)</u>
Current period service costs			
Interest expense (income)	220	(298)	(78)
Subtotal	<u>21,007</u>	<u>(28,484)</u>	<u>(7,477)</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in financial assumptions	(77)	-	(77)
Experience adjustments	4,272	-	4,272
Remeasurements of the defined benefit assets	-	(2,492)	(2,492)
Subtotal	4,195	(2,492)	1,703
Payments of benefit obligation	(6,956)	6,956	-
Contributions by employer	-	(6,612)	(6,612)
As of 31 December 2024	\$18,246	\$(30,632)	\$ (12,386)

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

	As of 31 December	
	2024	2023
Discount rate	1.39%	1.06%
Expected rate of salary increases	1.00%	1.00%

Sensitivity analysis for significant assumption are shown below:

	For the years ended 31 December			
	2024		2023	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.50%	\$-	\$(108)	\$-	\$(120)
Discount rate decrease by 0.50%	117	-	381	-
Future salary increase by 0.50%	117	-	376	-
Future salary decrease by 0.50%	-	(109)	-	(121)

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

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 2023. The issued capital was NT\$1,432,196 thousand in a total of 143,220 thousand shares, respectively. Each share has one voting right and a right to receive dividends.

The investors requested to convert the Company's unsecured convertible bonds into common stocks in the amount of NT\$311,000 thousand in a total of 7,352 thousand shares at 31 December 2024. Calculated based on a conversion price of NT\$42.3 per share. The change registration had been completed on 23 September 2024.

As of 31 December 2024 and 2023, the Company's authorized capital was NT\$3,600,000 thousand. Par value of NT\$10 per share. The issued capital were NT\$1,505,718 and NT\$1,432,196 thousand in a total of 150,572 and 143,220 thousand shares. Each share has one voting right and a right to receive dividends.

(b) Capital surplus

	As of 31 December	
	2024	2023
Additional paid-in capital	\$771,982	\$521,223
Share options	-	22,050
Treasury share transactions	21,325	21,325
Lapsed stock options	20,134	11,376
Employee stock option	7,488	7,488
Total	<u>\$820,929</u>	<u>\$583,462</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

According to the Company Act, the capital surplus 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.

(c)Treasury shares

The changes in 2024 are as follows: None

The changes in 2023 are as follows:

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

a.As of 31 December 2024 and 2023, the fair value of the treasury shares held by the Company was NT\$41,808 thousand, and the number of shares was 1,300 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 serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

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 2024 and 2023.

Details of the 2024 and 2023 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on 12 March 2025 and 27 June 2024, respectively, are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Legal reserve	\$46,789	\$29,462		
(Reversal) appropriation of special reserve	(102,245)	60,398		
Common stock -cash dividend	262,013	156,112	\$1.75	\$1.10

Please refer to Note 6(14) for details on employees' compensation and remuneration to directors and supervisors.

(11)Operating revenue

	<u>For the years ended 31 December</u>	
	<u>2024</u>	<u>2023</u>
Revenue from contracts with customers		
Sale of goods	<u>\$1,118,127</u>	<u>\$1,273,498</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 2024 and 2023 are as follows:

(1)Contract balances

Contract liabilities – current

	As of 31 December	
	2024	2023
Sale of goods	\$115	\$-

Details of significant changes in the Company's contract liabilities for the years 2024 and 2023 are as follows:

	31 Dec. 2024	31 Dec. 2023
Beginning balance transferred to income for the current period	\$-	\$(2)
Increase in advance receipts for the current period (net of amounts recognized as income this period)	115	-

(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	
	2024	2023
Operation expense- Expected credit gains		
Trade receivables	\$444	\$38

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

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

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 as of 31 December 2023 and 2024 are as follows:

As of 31 December 2024

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	\$470,102	\$50	\$-	\$-	\$303	\$470,455
Loss rate	0-1%	0-1%	-%	-%	100%	
Lifetime expected credit losses	(16)	-	-	-	(303)	(319)
Carrying amount	<u>\$470,086</u>	<u>\$50</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$470,136</u>

As of 31 December 2023

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

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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

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

The movement in the provision for impairment of note receivables and trade receivables during the ended 31 December 2024 and 2023 are as follows:

	Note receivables	Account receivables	Long-term receivables	Total
Beginning balance at 1 Jan. 2024	\$-	\$763	\$17,159	\$17,922
Reversal for the current period	-	(444)	-	(444)
Ending balance at 31 Dec. 2024	\$-	\$319	\$17,159	\$17,478
Beginning balance at 1 Jan. 2023	\$-	\$801	\$17,159	\$17,960
Reversal for the current year	-	(38)	-	(38)
Ending balance at 31 Dec. 2023	\$-	\$736	\$17,159	\$17,922

(13)Leases

(a)The Company is a lessee

The Company leases transportation equipment, and other 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:

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

a. Amounts recognized in the balance sheet

(i) Right-of-use asset

The carrying amount of right-of-use assets

	As of 31 December	
	2024	2023
Transportation equipment	\$1,193	\$1,989
Other equipment	238	416
	<u>\$1,431</u>	<u>\$2,405</u>

Statement of change in right of use asset

	Transportation equipment	Other equipment	Total
Carrying value			
2024.1.1	\$2,386	\$535	\$2,921
Additions	-	-	-
Decrease	-	-	-
2024.12.31	<u>\$2,386</u>	<u>535</u>	<u>2,921</u>
2023.1.1	\$1,540	\$-	\$1,540
Additions	2,386	535	2,921
Decrease	(1,540)	-	(1,540)
2023.12.31	<u>\$2,386</u>	<u>\$535</u>	<u>\$2,921</u>
Depreciation:			
2024.1.1	\$397	\$119	\$516
Depreciation	796	178	974
Decrease	-	-	-
2024.12.31	<u>\$1,193</u>	<u>\$297</u>	<u>\$1,490</u>
2023.1.1	\$1,283	\$-	\$1,283
Depreciation	654	119	773
Decrease	(1,540)	-	(1,540)
2023.12.31	<u>\$397</u>	<u>\$119</u>	<u>\$516</u>
Net carrying value			
2024.12.31	<u>\$1,193</u>	<u>\$238</u>	<u>\$1,431</u>
2023.12.31	<u>\$1,989</u>	<u>\$416</u>	<u>\$2,405</u>

As of 31 December 2024 and 2023, the Company right-of-use assets was NT\$0 thousand and NT\$2,921 thousand, respectively.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

(ii) Lease liabilities

	As of 31 December	
	2024	2023
Lease liabilities		
Current	\$982	\$966
Non-Current	467	1,449
Total	<u>\$1,449</u>	<u>\$2,415</u>

Please refer to Note 6,15(3) for the interest on lease liabilities recognized during the years ended 31 December 2024 and 2023. Refer to Note 12 (5) liquidity risk management for the maturity analysis for lease liabilities as of 31 December 2024 and 2023.

b. Amounts recognized in the statements of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2024	2023
Transportation equipment	\$796	\$654
Other equipment	178	119
	<u>\$974</u>	<u>\$773</u>

c. Income and costs relating to leasing activities

	For the years ended 31 December	
	2024	2023
The expenses relating to short-term leases	<u>\$150</u>	<u>\$105</u>

d. Cash outflow related to lessee and lease activity

During the years ended 31 December 2024 and 2023, the Group's total cash outflows for leases amounting to NT\$1,149 thousand and NT\$895 thousand.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

(14) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2024 and 2023:

	For the years ended 31 December					
	2024			2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$25,526	\$42,186	\$67,712	\$29,263	\$34,485	\$63,748
Labor and health insurance	2,627	2,929	5,556	2,908	3,129	6,037
Pension	1,056	1,193	2,249	1,138	1,167	2,305
Other employee benefits expense	1,678	1,707	3,385	1,831	1,922	3,753
Director's fees	-	6,480	6,480	-	3,960	3,960
Depreciation	5,838	2,026	7,864	5,996	1,827	7,823
Amortization	243	369	612	484	199	683

The number of employees of the Company from 31 December 2024 and 2023 was 83 and 87. Among them the number of boards who are not concurrently employees is both 6.

The average employee welfare expenses of the Company from 31 December 2024 and 2023 were and NT\$1,025 thousand NT\$936 thousand .

The average salary expenses of the Company from 31 December 2024 and 2023 were NT\$879 thousand and NT\$787 thousand.

The average employee salary fee of the Company from 31 December 2024 increased by 12% compared with the average employee salary fee from 31 December 2023.

The Company has set up an Audit Committee in 2021 to replace the Supervisor, and therefore there is no Auditor's remuneration in 2024 and 2023.

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

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.

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 status, for the year ended 31 December 2024, the Company estimated the amounts of employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2024 at 3.01% and 1.05%, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2024 amounted to NT\$16,890 thousand and NT\$5,910 thousand, respectively, recorded under salary expenses. For the year ended 31 December 2023, based on the profit status, the Company estimated the employees' compensation and remuneration to directors and supervisors at 2.78% and 1.04%, respectively. As such, employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2023 amounted to NT\$9,870 thousand and NT\$3,700 thousand, respectively, recorded under salary expenses.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

A resolution was passed at the Board of Directors meeting held on 12 March 2025 to distribute NT\$16,890 thousand and NT\$5,910 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2024, 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 2024.

Actual distribution of employees' compensation and remuneration to directors and supervisors' of 2024 amount to NT\$9,068 and NT\$3,700. These amounts are consistent with the employee compensation and director remuneration of NT\$9,870 thousand and NT\$3,700 thousand, respectively, recognized as expenses in the financial report for the year 2023, with no significant differences.

(15) Non-operating income and expenses

(a) Other income

	For the years ended 31 December	
	2024	2023
Interest income		
Financial assets measured at amortized cost	\$12,138	\$10,714
Dividend income	45	-
Others income	4,563	40,959
Total	<u>\$16,746</u>	<u>\$51,673</u>

(b) Other gains and losses

	For the years ended 31 December	
	2024	2023
Foreign exchange gains, net	\$43,861	\$27,015
Gains of financial asset at fair value through profit or loss	420	1,646
Gains on disposals of investments	-	531
Other expense	(196)	(489)
Total	<u>\$44,085</u>	<u>\$28,703</u>

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(c) Finance costs

	For the years ended 31 December	
	2024	2023
Interest on loans from bank	\$(10,474)	\$(10,130)
Interest on bonds payable	(3,862)	(7,175)
Interest on lease liabilities	(33)	(24)
Total	<u>\$(14,369)</u>	<u>\$(17,329)</u>

(16) Components of other comprehensive income

For the year ended 31 December 2024:

	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	\$(1,703)	\$-	\$(1,703)	\$341	\$(1,362)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	102,245	-	102,245	-	102,245
Total of other comprehensive income	<u>\$100,542</u>	<u>\$-</u>	<u>\$100,542</u>	<u>\$341</u>	<u>\$100,883</u>

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>

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(17)Income tax

(a)Income tax expense recognized in profit or loss

	For the years ended 31 December	
	2024	2023
Current income tax expense:		
Current income tax charge	\$46,311	\$47,957
Adjustments in respect of current income tax of prior periods	(82)	(99)
Deferred tax expense:		
Deferred tax expense (income) relating to origination and reversal of temporary differences	23,090	(1,725)
Total income tax expense	<u>\$69,319</u>	<u>\$46,133</u>

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

	For the years ended 31 December	
	2024	2023
Deferred tax income:		
Remeasurements of defined benefit plans	\$(341)	\$(63)
Income tax relating to components of other comprehensive income	<u>\$(341)</u>	<u>\$(63)</u>

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

	For the years ended 31 December	
	2024	2023
Accounting profit before tax from continuing operations	<u>\$538,568</u>	<u>\$341,004</u>
The amount of tax calculated at the applicable domestic tax rate on income from the relevant country	\$107,713	\$68,201
Tax effect of revenues exempt from taxation	(80,500)	(35,390)
Tax effect of expenses not deductible for tax purposes	791	1,492
Tax effect of deferred tax asset/liability	(1,160)	(163)
Corporate income surtax on undistributed retained earnings	2,211	12,092
Adjustment of current income tax for prior years in the current period	(82)	(99)
Adjustments in respect of current income tax of prior periods	40,346	-
Total income tax expense recognized in profit or loss	<u>\$69,319</u>	<u>\$46,133</u>

LITON TECHNOLOGY CO. LTD.
NOTES TO FINANCIAL STATEMENTS (Continued)
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(d) Deferred tax assets (liabilities) relate to the following:

a. For the year ended 31 December 2024

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary differences				
Unrealized foreign				
exchange gains or losses	\$2,794	\$(4,734)	\$-	\$(1,940)
Allowance loss from price				
reduction of inventories	342	(123)	-	219
Unrealized foreign investment				
income	-	(16,899)	-	(16,899)
Defined benefit liability	(380)	(1,338)	-	(1,718)
Profits and losses of defined				
benefit plans	(1,100)	-	341	(759)
Unrealized gain or loss				
between individuals within				
the company	468	4	-	472
Deferred tax (expense) / income		<u>\$(23,090)</u>	<u>\$341</u>	
Net deferred tax (liabilities)				
assets	<u>\$2,124</u>			<u>\$(20,625)</u>
Reflected in balance sheet as				
follows:				
Deferred tax assets	<u>\$3,604</u>			<u>\$691</u>
Deferred tax liabilities	<u>\$(1,480)</u>			<u>\$(21,316)</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

b.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		<u>\$1,725</u>	<u>\$63</u>	
Net deferred tax (assets) liabilities	<u>\$336</u>			<u>\$2,124</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$1,713</u>			<u>\$3,604</u>
Deferred tax liabilities	<u>\$(1,377)</u>			<u>\$(1,480)</u>

(e)Unrecognized deferred tax assets

As of 31 December 2024 and 2023, the total amount of deferred tax assets not recognized by the Company due to non-substantial taxable income amounted to NT\$3,054 and NT\$3,187 thousand.

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

The Company will not recognize parts of 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 2024 and 2023 amounted to NT\$319,563 and NT\$256,054 thousand.

(g)As of December 31 2024, the income tax of the company's profit-making business was approved by the National Taxation Bureau until 2022.

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	
	2024	2023
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand dollars)	\$469,249	\$294,871
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	145,350	141,877
Basic earnings per share (NT\$)	\$3.23	\$2.08
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand dollar)	\$469,249	\$294,871
Interest expense from convertible bonds	3,090	5,740
Profit attributable after dilution (in thousand dollars)	\$472,339	\$300,611
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	145,350	141,877
Effect of dilution:		
Employee compensation-stock (in thousand shares)	488	392
Convertible bonds (in thousand shares)	3,921	11,820
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	149,759	154,089
Diluted earnings per share (NT\$)	\$3.15	\$1.95

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

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

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
LIDON Electronics Technology Co., Ltd.	Subsidiary of the company
Liton Electronics Technology (ABAZHOU) Co., Ltd.	Sub-Subsidiary of the company
Liton Electronics Technology (HUIZHOU) 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

	2024	2023
Liton Electronics Technology (ABAZHOU) Co., Ltd.	\$205,004	\$161,151
V-TECH CO., LTD.	117,200	161,470
Lelon Electronics (HUIZHOU) Corp.	43,904	35,041
Other related parties	3,377	37,313
Total	\$369,485	\$394,975

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

	2024	2023
V-TECH CO., LTD.	\$720,898	\$858,805
LIDON Electronics Technology Co., Ltd.	110,727	105,572
Other related parties	4,130	-
Total	<u>\$835,755</u>	<u>\$964,377</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 - related parties

	2024	2023
V-TECH CO., LTD.	\$173,204	\$191,456
Liton Electronics Technology (ABAZHOU) Co., Ltd.	106,949	-
Other related parties	23,693	27,776
Total	<u>\$303,846</u>	<u>\$219,232</u>

(d) Account Payables – related parties

	2024	2023
LIDON Electronics Technology Co., Ltd.	\$21,044	\$21,024
LITON Electronics Technology (HUIZHOU) Co., Ltd.	3,745	-
LITON Electronics Technology (ABAZHOU) Co., Ltd.	-	10,984
Total	<u>\$24,789</u>	<u>\$32,008</u>

(e) Other receivables

	2024	2023
Other related parties	<u>\$1,436</u>	<u>\$686</u>

(f) Non-operating income

	2024	2023
LIDON Electronics Technology Co., Ltd.	\$-	\$34,565
Other related parties	-	1,709
Total	<u>\$-</u>	<u>\$36,274</u>

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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(g) 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\$ 4,854 thousand and NT\$ 7,771 thousand in the year of 2024 and 2023, it will be sold only when the processing is completed and then remove.

(h) Key management personnel compensation

	For the years ended	
	31 December	
	2024	2023
Short-term employee benefits	\$15,398	\$12,320
Share-based payment	-	989
Post-employment benefits	5,990	167
Total	<u>\$21,388</u>	<u>\$13,476</u>

8. Assets pledged as security

Items	Carrying amount		Secured liabilities
	112.12.31	111.12.31	
Other current assets			
— time deposit	<u>\$-</u>	<u>\$36,870</u>	Short-term loans

9. Commitments and contingencies

As of 31 December 2024, the Group had opened an unused credit line of NT\$35,835 thousand.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

LITON TECHNOLOGY CO. LTD.
NOTES TO FINANCIAL STATEMENTS (Continued)
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12. Other

(1) Categories of financial instruments

Financial assets

	As of 31 December	
	2024	2023
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$1,555	\$1,135
Financial assets measured at amortized cost (Note)	1,036,516	892,446

Financial liabilities

	As of 31 December	
	2024	2023
Financial liabilities at amortized cost:		
Short-term loans	\$626,333	681,282
Notes and accounts payable	33,974	49,163
Bonds payable (including current portion with maturity less than 1 year)	-	496,127
Long-term liabilities, current portion	224,000	-
Lease liability	1,449	2,415

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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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).

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:

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

When NTD strengthens against USD by 1%:

	Increase (decrease) in equity	(Loss)or Profit
2024	\$-	\$(5,073)
2023	\$-	\$(5,791)

When NTD strengthens against JPY by 1%:

	Increase (decrease) in equity	(Loss)or Profit
2024	\$-	\$1,271
2023	\$-	\$956

When NTD strengthens against RMB by 1%:

	Increase (decrease) in equity	(Loss)or Profit
2024	\$-	\$(2,048)
2023	\$-	\$(426)

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\$850 thousand and increase NT\$681 thousand for the years ended 31 December 2024 and 2023.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

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 Company's profit for the year ended 31 December 2024 and 2023 by NT\$155 thousand and NT\$113 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The 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 2024 and 2023, amounts receivables from top ten customers represented 35% and 53% and of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 31 December 2024					
Short-term loans	\$630,463	\$-	\$-	\$-	\$630,463
Notes and accounts payable	33,974	-	-	-	33,974
Long-term liabilities, current portion	67,645	161,211	-	-	228,856
Lease liability	1,008	472	-	-	1,480
As of 31 December 2023					
Short-term loans	\$686,136	\$-	\$-	\$-	\$686,136
Notes and accounts payable	49,163	-	-	-	49,163
Convertible bonds	500,000	-	-	-	500,000
Lease liability	1,008	1,480	-	-	2,488

Derivative financial liabilities

None.

LITON TECHNOLOGY CO. LTD.
NOTES TO FINANCIAL STATEMENTS (Continued)
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(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended 31 December 2024:

	Short-term loans	Long-term liabilities, current portion	Short-term tickets payable	Bonds payable (including maturity within a year)	Lease liabilities	Deposits received	Total liabilities from financing activities
As of 1 January 2024	\$681,282	\$-	\$-	\$496,127	\$2,415	\$4	\$1,179,828
Cash flow	(54,949)	224,000	-	(189,000)	(966)	-	(20,915)
Non-cash change	-	-	-	(307,127)	-	-	(307,127)
As of 31 December 2024	<u>\$626,333</u>	<u>\$224,000</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,449</u>	<u>\$4</u>	<u>\$851,786</u>

Reconciliation of liabilities for the year ended 31 December 2023:

	Short-term loans	Long-term liabilities, current portion	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	<u>\$681,282</u>	<u>\$-</u>	<u>\$-</u>	<u>\$496,127</u>	<u>\$2,415</u>	<u>\$4</u>	<u>\$1,179,828</u>

(7) Fair values of financial instruments

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

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

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

- 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.)
 - 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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(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 2024 and 2023 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(7) 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:

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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 31 December 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Stocks	\$1,555	\$-	\$-	\$1,555

As at 31 December 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Stocks	\$1,135	\$-	\$-	\$1,135

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2024 and 2023, 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:

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

	As of 31 December 2024			As of 31 December 2023		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items:</u>						
USD	\$15,471	32.7900	\$507,294	\$18,848	30.7250	\$579,105
JPY	190,362	0.2099	39,957	173,754	0.2172	37,739
RMB	51,633	4.4760	231,109	14,701	4.3280	63,626
<u>Financial liabilities</u>						
<u>Monetary items:</u>						
JPY	\$795,863	0.2099	\$167,052	\$614,108	0.2172	\$133,384
RMB	5,867	4.4760	26,261	4,858	4.3280	21,025

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\$ 43,861 thousand and NT\$27,015 thousand foreign exchange gains for the years ended 31 December 2024 and 2023.

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

(11) Capital management

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

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

13. Other disclosure

(1) Information at significant transactions

- (a) Financing provided to others for the year ended 31 December 2024: None.
- (b) Endorsement/Guarantee provided to others for the year ended 31 December 2024: None.
- (c) Securities held as of 31 December 2024(not include Affiliates and Subsidiary of the company):

Company Name	Securities Held	Relationship between Issuer and the Company (Note 1)	Account Stated	As at 31 December 2024			
				Number of shares	Book Value	Ratio%	Fair Value
Liton Technology Corp.	Stocks KGI Financial Holding Co., Ltd. (Note)	-	Financial assets at fair value through profit or loss-current	90,411	\$983	-%	\$1,555
				Subtotal	983		
				Adjustment of financial asset evaluation	572		
				Total	\$1,555		
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	\$-		

Note: Starting from 11 October 2024, China Development Financial Holding Co., Ltd. changed its name to KGI Financial Holding Co., Ltd. for listing and trading.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

- (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 2024: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2024: 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 2024: 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 2024:

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	\$720,898	61.34%	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	(117,200)	(10.48)%	Mutual offsetting of claims and debts	Regular	Mutual offsetting of claims and debts	173,536	36.91%
Liton Technology Corp.	Liton Electronics Technology (ABAZHOU) Co., Ltd.	Sub-subsidiary of Liton Technology Corp.	Sales	(205,004)	(18.33)%	Mutual offsetting of claims and debts	Regular	Mutual offsetting of claims and debts	106,953	22.75%
Liton Technology Corp.	LIDON Electronics Technology Co., Ltd.	Subsidiary of Liton Technology Corp.	Purchase	110,727	9.42%	60 days after EOAP	Regular	Regular	(21,199)	(62.40)%

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.

LITON TECHNOLOGY CO. LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

- (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 2024:

Company Name	Related Party	Relationship	Accounts receivable- related parties	Turnover Rate (times)	Overdue receivables		Amount received in subsequent period	Allowanc e for bad debts t
			Ending Balance		amount	collection status		
Liton Technology Corp.	V-TECH CO., LTD.	Subsidiary of Liton Technology Corp.	Accounts receivable \$173,536	-	\$-	-	Mutual offsetting of claims and debts	\$-
Liton Technology Corp	Liton Electronics Technology (ABAZHOU) Co., Ltd.	Subsidiary of V-TECH CO., LTD	Accounts receivable \$106,953	-	\$-	-	Mutual offsetting of claims and debts	\$-

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

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

(2) Information on investees:

(a) Names, locations, main businesses and products, original investment amount, investment as of 31 December 2024, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2024 (excluding investees in Mainland China):

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as at 31 December 2024			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2024	31 December 2023	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	\$138,013 (USD4,209 thousand dollar)	\$231,432 (USD7,058 thousand dollar)	4,208,862	100%	\$899,218	\$140,751	\$140,768	Note1, 2
Liton Technology Corp.	V-TECH CO., LTD.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Selling and equity invest aluminum foil, Aluminum electrolysis capacitor and related materials	1,431,185 (USD43,647 thousand dollar)	1,431,185 (USD43,647 thousand dollar)	43,647,362	100%	1,614,974	131,998	131,503	Note1, 2
Liton Technology Corp.	EVERTECH CAPA CO., LTD.	Jipfa Buiding, 3rd Floor, Road Town, Tortola, British Virgin Islands.	Selling	328 (USD10 thousand dollar)	328 (USD10 thousand dollar)	10,000	100%	-	-	-	-
V-TECH CO., LTD.	FOREVER CO., LTD.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Equity investment	1,257,595 (USD38,353 thousand dollar)	1,257,595 (USD38,353 thousand dollar)	38,353,012	100%	1,692,021	120,421	120,421	Note1

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

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

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: None.

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):

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	\$6,697	4.49%	\$5,744	
					Adjustment of financial asset evaluation			
					(953)			
					Total	\$5,744		

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

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:

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	\$720,898	61.34%	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	(117,200)	(10.48)%	Mutual offsetting of claims and debts	Same as Normal transaction	Offset of creditor's rights and debts	173,536	36.91%

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	Liton Electronics Technology (ABAZHOU) Co., Ltd.	Sub-subsidiary of V-TECH CO., LTD.	Sales	(205,004)	(18.33)%	Mutual offsetting of claims and debts	Same as Normal transaction	Offset of creditor's rights and debts	106,953	22.75%
LITON TECHNOLOGY CO. LTD	LIDON Electronics Technology Co., Ltd.	Subsidiary of the company	Purchases	110,727	9.42%	Net 60 days from the end of the month when invoice is issued	Same as Normal transaction	Same as Normal transaction	(21,199)	(62.40) %
V-TECH CO., LTD	Liton Electronics Technology (ABAZHOU) Co., Ltd.	Subsidiary of V-TECH CO., LTD	Purchases	340,703	41.06%	Mutual offsetting of claims and debts	Same as Normal transaction	Offset of creditor's rights and debts	-	-%
V-TECH CO., LTD	Liton Electronics Technology (HUIZHOU) Co., Ltd.	Sub-subsidiary of The Company	Sales	(109,480)	(13.19)%	Mutual offsetting of claims and debts	Same as Normal transaction	Offset of creditor's rights and debts	156,251	12.60%
V-TECH CO., LTD	Liton Electronics Technology (HUIZHOU) Co., Ltd.	Sub-subsidiary of The Company	Purchases	369,434	44.52%	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.	Sub-subsidiary of The Company	Purchases	657,275	62.97%	Net 30 days from the end of the month when invoice is issued	Same as Normal transaction	Same as Normal transaction	(61,188)	(26.32)%

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 (ABAZHOU) Co., Ltd.	Lelon Electronics Technology (SUZHOU) Corp.	Affiliates of Liton Technology (ABAZHOU) Corp.	Sales	(141,058)	(8.99)%	Net 135 days from the end of the month when invoice is issued	Same as Normal transaction	Same as Normal transaction	55,546	8.80%
Liton Electronics Technology (HUIZHOU) Co., Ltd.	LIDON Electronics Technology Co., Ltd.	Sub-subsidiary of The Company	Purchases	292,754	69.62%	Net 30 days from the end of the month when invoice is issued	Same as Normal transaction	Same as Normal transaction	(17,976)	(10.27)%
LIDON Electronics Technology Co., Ltd.	Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd.	LIDON Electronics Technology Co., Ltd.'s related party	Sales	(671,140)	(25.39) %	Net 30 days from the end of the month when invoice is issued	Same as Normal transaction	Same as Normal transaction	94,551	22.99%
LIDON Electronics Technology Co., Ltd.	Youai Xi Jiedong Sunshine (Shaoguan) Aluminum Sales Co., Ltd	LIDON Electronics Technology Co., Ltd.'s related party	Purchases	1,141,722	79.92%	Net 30 days from the end of the month when invoice is issued	Same as Normal transaction	Same as Normal transaction	(65,981)	(83.81) %

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 \$173,536	-	\$-	-	Write-off of debts	\$-
LITON TECHNOLOGY CO. LTD.	Liton Electronics Technology (ABAZHOU) Co., Ltd	Subsidiary of V-TECH CO., LTD	Accounts receivable \$106,953		\$-		Write-off of debts	\$-
V-TECH CO., LTD.	Liton Electronics Technology (HUIZHOU) Co., Ltd	The Company's sub-subsidiary	Accounts receivable \$156,251	-	\$-	-	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 direct or indirect 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 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 31 December 2024	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as at 31 December 2024	Accumulated Inward Remittance of Earnings as at 31 December 2024
					Outflow	Inflow						
Liton Electronics Technology (HUIZHOU) Co., Ltd.	Manufacturing aluminum foil, Aluminum electrolysis capacitor and related materials	\$409,875 (USD12,500 thousand dollar)	Investment in Mainland China companies through a company invested and established in a third region	\$379,675 (US\$11,579 thousand dollar)	\$-	\$93,419 (US\$2,849 thousand dollar)	\$286,256 (US\$8,730 thousand dollar)	\$132,874	100%	\$132,874 (Note 2)	\$901,430	\$64,313
Liton Electronics Technology (ABAZHOU) Co., Ltd.	Manufacturing aluminum foil, Aluminum electrolysis capacitor and related materials	\$1,396,854 (USD42,600 thousand dollar)	Investment in Mainland China companies through a company invested and established in a third region	\$1,232,904 (US\$37,600 thousand dollar)	\$-	\$-	\$1,232,904 (US\$37,600 thousand dollar)	120,421	100%	\$120,421 (Note 1)	1,692,021	-
LIDON Electronics Technology Co., Ltd.	Manufacturing and selling Etched Aluminum Foils and forming aluminum foil	\$716,160 (RMB160,000 thousand dollar)	Directly invested Mainland China company	\$286,464 (RMB 64,000 thousand dollar)	\$-	\$-	\$286,464 (RMB 64,000 thousand dollar)	326,425	60%	\$195,026 (Note 1, 2)	1,186,038	42,416

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 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (60% of net worth)
\$1,805,624 (USD 46,330 thousand and RMB 64,000 thousand)	\$2,133,524 (USD 56,330 thousand and RMB 64,000 thousand)	Not applicable (Note 1)

Note1: According to Letter No. Shen-Zi-11320425300 issued by Ministry of Economic Affairs, R.O.C. on 19 August 2023, 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 2024

Shares	Total Shares Owned	Ownership Percentage
Shareholders		
Lelon Electronics Corp.	43,731,598	29.04%
Guangdong Dongyang Technology Holdings Co., Ltd	23,296,875	15.47%

LITON TECHNOLOGY CO. LTD.

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ACCOUNTING ITEMS

FOR THE YEAR ENDED 31 DECEMBER 2024

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LITON TECHNOLOGY CO. LTD.

1. STATEMENT OF CASH AND CASH EQUIVALENTS

31 DECEMBER 2024

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash on hand & petty cash		\$65	Main Foreign currency
Bank savings			USD 11,356 thousand ;
	Demand deposits — NTD	107,373	Exchange rate 32.790
	Demand deposits — Foreign currency	457,636	RMB 11,767 thousand ;
			Exchange rate 4.4760
			JPY 116,824 thousand ;
			Exchange rate 0.2099
			HKD 2 thousand ;
Total		<u>\$565,009</u>	Exchange rate 4.2240
			EUR 237 thousand ;
			Exchange rate 34.1300

LITON TECHNOLOGY CO. LTD.

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

31 DECEMBER 2024

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Client A		\$64,318	
Client B		28,242	
Client C		15,303	
Client D		8,123	
Other		43,472	(Note)
Total		159,458	
Less: Allowance for losses		(319)	
Add: Allowance for foreign currency exchange gains and losses		2,045	
Total		<u>\$161,184</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 2024

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
V-TECH CO.,LTD		\$173,536	
Liton Electronics Technology (Abazhou) Co., Ltd.		106,953	
Lelon Electronics (HUIZHOU) Corp.		23,652	
Total		304,141	
Less: Allowance for foreign currency exchange gains and losses		(295)	
Total		<u>\$303,846</u>	

LITON TECHNOLOGY CO. LTD.

4. STATEMENT OF INVENTORIES

31 DECEMBER 2024

(In Thousands of New Taiwan Dollars)

Item	Cost	Market Value	Note
Raw materials	\$48,509	\$61,194	For the determination of net realization value, please refer to Note 4 (10) to the Financial Statements
Supplies	3,993	3,997	
Finished goods	78,213	93,040	
Merchandise	124,064	124,064	
Total	254,779	<u>\$282,295</u>	
Provision for inventory price declines and sluggish losses	(1,096)		
Net amount	<u>\$253,683</u>		

LITON TECHNOLOGY CO. LTD.

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

FOR THE YEAR ENDED 31 DECEMBER 2024

(In Thousands of New Taiwan Dollars)

time	Opening balance		Increase		Decrease(Note 2,3)		The number of countercurrent trading movements	Unrealized gross profit between affiliates	Equity method recognizes (loss) profit and loss amounts:	Conversion of adjustments	Ending balance			Market price or change in equity	Provide guarantees or pledge	Note
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	Shareholding ratio	Amount			
LITON (BVI) CO., LTD.	7,057,715	\$892,350	-	\$-	(284,853)	\$(159,987)	\$-	\$(52)	\$140,751	\$26,156	4,208,862	100%	\$899,218	\$901,501	None	
V-TECH CO., LTD.	43,647,362	1,429,080	-	-	-	-	(22)	1,418	131,999	52,499	43,647,362	100%	1,614,974	1,625,556	None	
EVERTECH CAPA CO., LTD.	10,000	-	-	-	-	-	-	-	-	-	10,000	100%	-	-	None	
LIDON Electronics Technology Co., Ltd.	64,000,000	671,696	-	-	-	(42,416)	-	2,487	130,570	23,590	64,000,000	40%	785,927	800,222	None	
Total		<u>\$2,993,126</u>		<u>\$-</u>		<u>\$(202,403)</u>	<u>\$ (22)</u>	<u>\$3,853</u>	<u>\$403,320</u>	<u>\$102,245</u>			<u>\$3,300,119</u>	<u>\$3,327,279</u>		

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

The equity method recognizes the amount of profit.	\$403,320
The number of countercurrent trading movements	(22)
Unrealized gross profit-income tax of affiliates impact amount	(1,285)
Share of profits and losses of subsidiaries, affiliates and joint ventures by using equity method	<u>\$402,013</u>

Note 2: On December 20, 2024, the Board of Directors of LITON (BVI) CO., LTD. resolved to conduct a capital reduction, returning capital of NT\$95,674 thousand (USD 2,849 thousand), representing 284,853 shares, and to distribute cash dividends of NT\$64,313 thousand.

Note 3: On May 29, 2024, the Board of Directors of LIDON Electronics Technology Co., Ltd. resolved to distribute cash dividends of NT\$42,416 thousand.

LITON TECHNOLOGY CO. LTD.

6、STATEMENT OF SHORT-TERM LOAN

FOR THE YEAR ENDED 31 DECEMBER 2024

(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	\$156,111	Within one year	0.61%~1.99%	\$300,000	-	
CTBC Bank — Taichung Branch	Forward letter of credit borrowing	150,000	Within one year		150,000		
Taishin Bank — Taichung Branch	Forward letter of credit borrowing	111,184	Within one year		150,000		
Taipei fubon Bank — Zhonggang Branch	Forward letter of credit borrowing	100,000	Within one year		120,000		
Mega International Commercial Bank — Taichung Branch	Forward letter of credit borrowing	60,000	Within one year		130,960	-	
Yuanta Bank — Hsinchu Science Park	Forward letter of credit borrowing	35,250	Within one year		100,000		
Hua Nan Bank — Miaoli Branch	Forward letter of credit borrowing	19,697	Within one year		100,000		
	Total	632,242			\$1,050,960		
	Less: Allowance for foreign currency exchange gains and losses	(5,909)					
	Net Amount	\$626,333					

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

LITON TECHNOLOGY CO. LTD.

7. STATEMENT OF LONG-TERM LOAN

31 DECEMBER 2024

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Maturity Day	Collateral and guarantees	Note
CTBC Bank E. sun bank	Unsecured loan	\$189,000	2024.7.26~2027.1.23	1.8%	
	Unsecured loan	35,000	2024.9.12~2027.9.10	0.5%	
	Total	<u>224,000</u>			
	Less: Current portion of long-term loans	<u>(64,375)</u>			
	Net Amount	<u><u>\$159,625</u></u>			

LITON TECHNOLOGY CO. LTD.

8. STATEMENT OF OPERATING REVENUES

FOR THE YEAR ENDED 31 DECEMBER 2024

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Formed foil	10,441,147m	\$1,104,365	
Sell Raw Materials (Etched Aluminum Foils 、Raw foil 、 Guide foil and Supplies)	Note	22,898	
Operating Revenue		<u>1,127,263</u>	
Less : Sales return and discounts		<u>(9,136)</u>	
Net Operating Revenue		<u><u>\$1,118,127</u></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.

9. STATEMENT OF OPERATING COSTS

FOR THE YEAR ENDED 31 DECEMBER 2024

(In Thousands of New Taiwan Dollars)

Item	Amount
Merchandise	
Beginning of year	\$14,108
Merchandise purchase	841,738
Scrape loss	(3)
Transfer to sample fee	(4)
End of year	(20,029)
Cost of Merchandise	835,810
Cost of goods sold for homemade products - Formed foil	
Direct material	
Beginning of year	67,182
Material purchased	325,050
End of year	(48,509)
Sale of raw material	(157,563)
Scrape loss	(19)
Transfer to consumption	(39)
Current period - Raw material	186,102
Indirect material	
Beginning of year	4,810
Material purchased	8,370
End of year	(3,993)
Current period - Supplies	9,187
Direct Labor	17,298
Manufacturing costs (refer to statement 9)	74,703
Cost of Finished goods - Formed foil	287,290
Beginning of year (Include Initial outsourced processing inventory)	63,658
Inventory profitable	7
End of year (Include Initial outsourced processing inventory)	(69,908)
Scrape loss	(2,110)
Transfer to sample fee	(33)
Sales costs - Formed foil	278,904
Others	
Sale of raw material	157,563
Standard production capacity sharing	1,344
Sales costs Sublimation(note)	(325,584)
Gains from price recovery on price reduction of inventory	(616)
Scrape loss	2,132
Inventory profitable	(7)
Other	(47)
Total Operating cost	\$949,499

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.

10. STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2024

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Utilities expense	\$43,250	(Note)
Indirect labor	9,284	
Depreciation expense	5,838	
Fixing expense	4,026	
Sewage disposal	3,967	
Other expense (Note)	<u>9,682</u>	
Total	76,047	
Production capacity spare	(1,344)	
Net Manufacturing expenses	<u><u>\$74,703</u></u>	

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

LITON TECHNOLOGY CO. LTD.

11. STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2024

(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Expected impairment Profit	Total	Note
Payroll expense	\$3,973	\$41,807	\$3,509	\$-	\$49,289	
Traveling expense	1,708	751	151	-	2,610	
Insurance expense	330	2,469	284	-	3,083	
Depreciation expense	-	1,755	271	-	2,026	
Labor cost	16	7,214	-	-	7,230	
Commission	956	-	-	-	956	
Export and Import expense	4,370	-	-	-	4,370	
Expected credit impairment profit	-	-	-	(444)	(444)	
Others (Note)	1,850	9,480	1,002	-	12,332	(Note)
Total	<u>\$13,203</u>	<u>\$63,476</u>	<u>\$5,217</u>	<u>\$ (444)</u>	<u>\$81,452</u>	

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