



LEO SYSTEMS, INC.

**The Minutes for the 2025 Annual
Meeting of Shareholders**

(English Translation)

Leo System Inc.

2025 Annual Shareholders' Meeting Minutes

Meeting Time: 9 a.m. (Tuesday) 27 May 2025.

Meeting Location: Meeting Hall, 2F., No. 12, Zhouzi St., Neihu Dist., Taipei City

Attending shareholders and proxy representing: 57,028,651 shares (among them, 3,974,880 shares voted via electronic transmission), which accounts for 62.44% of total 91,324,123 outstanding shares.

Director attendees : Chairman Wang,Chau-Chyun, Director Wen,Chien-Liang, Independent director and convener of the audit committee Cheng,Sheng-In, Independent director Liu,Thu-Hua. and Independent director Liao Hsiang-Ruei. , a total of 5 directors attended, more than half of the 7 directors.

Other attendees : Certified Public Accountant Chang, Chih-Yi, Lawyer Peng,Yi-Chen, Financial Director Peng Hung-Chin.

Chairman: Wang,Chau-Chyun

Recorder: Peng Hung-Chin.

1. Commencement of meeting: The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.
2. Chairman's speech: (Omitted)
3. Reported matters
 - (1) 2024 Business Report is submitted for review.
Illustration: For 2024 Business Report, please refer to Attachment 1.
 - (2) 2024 Audit Committee Audit Report is submitted for review.
Illustration: For Audit Committee Audit Report, please refer to Attachment 2.
 - (3) 2024 Employee and Director Remuneration Distribution Status Report is submitted for review.
 - A. In accordance with Article 21 of the Company's Articles of Incorporation, depending on the profit of the Company in the current year, 5% shall be distributed as employee remuneration and no more than 2% of the current-year profit shall be distributed as director remuneration. However, if the Company still has accumulated losses, such losses shall be compensated.
 - B. Employee remuneration of NT\$9,232,912 and director remuneration of NT\$3,693,165 are provisioned for 2024, both to be issued in cash.
 - C. The above amounts are consistent with the expense accounted for in 2024.

There are no questions from shareholders regarding the above reports, so please contact us.

4.Approval Matters

Agenda 1 Proposed by Board of Directors

Subject: 2024 Business Report and Financial Statements are submitted for approval

Illustration:

- (1) The Company's 2024 consolidated financial statements and annual parent company only financial statements have been audited by CPAs Chang, Chih-Yi and Shyu, Wen-Yea of Deloitte Taiwan and have submitted to the audit committee for review together with the Business Report. A written audit report has been issued.
- (2) 2024 Business Report, CPA Audit Report, consolidated financial statements and annual parent company only financial statements are included as Attachment 1 and Attachment 3.
- (3) Approval requested.

Resolution:

RESOLVED, There were no questions from shareholders in this case, and the above proposal be and hereby was approved as proposed.

Voting Results: Shares present at the time of voting: 54,822,651 (Including 3,974,880 shares from electronic voting).

Voting Results	% of the represented share present
Votes in favor-53,717,563 votes (electronic votes-2,869,792 votes)	97.98%
Votes against-41,130 votes (electronic votes-41,130 votes)	0.07%
Invalid Votes-0 votes(electronic votes-0 votes)	0.00%
Votes abstained / Not Voted-1,063,958 votes (electronic votes-1,063,958 votes)	1.94%

Agenda 2 Proposed by Board of Directors

Subject: 2024 Profit Distribution Proposal is submitted for approval.

Illustration:

- (1) The Company's 2024 after-tax profit is NT\$145,622,749. It is proposed that NT\$136,948,685 be distributed as cash dividend. Based on 91,299,123 outstanding shares as of 25 February 2025, cash dividend per share is NT\$1.5. According to the Company Act and Article 20 of the Articles of Incorporation of the Company, Please refer to the Profit Distribution Statement of 2024.
- (2) Among the amount of this profit distribution, 2024 profit shall be distributed first.
- (3) If the number of outstanding shares changes due to subsequent change in the Company's share capital, buyback of the Company's shares, transfer or cancellation of treasury shares, exercise of employee stock options or other reasons, resulting in a change of shareholder dividend distribution ratio, it is proposed that the general shareholders' meeting authorize the chairman to handle the event with full discretion.
- (4) This cash dividend will be calculated up to a minimum of NT\$1 in accordance with the distribution ratio. Any fractional number shall be ignored. The sum of fractional numbers shall be adjusted based on the numbers following the decimal point in descending order and also in the order of registration of shareholder account number to calculate the final total amount of cash dividend to be distributed.
- (5) Upon approval of this proposal by the shareholders' meeting, the chairman is authorized to set relevant matters such as the dividend distribution record date and issue date, etc.
- (6) Approval requested.

Resolution:

RESOLVED, There were no questions from shareholders in this case, and the above proposal be and hereby was approved as proposed.

Voting Results: Shares present at the time of voting: 54,822,651 (Including 3,974,880 shares from electronic voting).

Voting Results	% of the represented share present
Votes in favor-53,735,877 votes (electronic votes-2,888,106 votes)	98.01%
Votes against-50,179 votes (electronic votes-50,179 votes)	0.09%
Invalid Votes-0 votes(electronic votes-0 votes)	0.00%
Votes abstained / Not Voted-1,036,595 votes (electronic votes-1,036,595 votes)	1.89%

LEO Systems, Inc.
Profit Distribution Statement of 2024

Unit: NT\$

Item	Amount
Beginning undistributed profit	90,072,735
Actuarial (loss) profit included to retained earnings	3,711,140
Undistributed profit after adjustment	93,783,875
Net profit after tax in 2024	145,622,749
Less: 10% of profit withdrawn as statutory surplus reserve	(14,933,389)
Add: Reversal of special surplus reserve in accordance with law	0
Profit available for distribution	224,473,235
Distribution items	
Shareholders' dividends-NT\$1.5 per share in cash (Note)	(136,948,685)
Undistributed profit at the end of period	87,524,550

Note: The number of shares above is calculated as 91,299,123 outstanding shares as of February 25, 2025.

Chairman:
Wang,Chau-Chyun

General Manager:
Wen,Chien-Liang

Accounting Manager:
Peng,Hung-Chin

5. Discussion Matters

Agenda 1 Proposed by Board of Directors

Subject: Amendment to certain clauses of the Company's Articles of Incorporation is submitted for discussion.

Illustration:

- (1) In accordance with Article 14, Paragraph 6 of the Securities and Exchange Act, the Company's Articles of Association, Article 21, Employee Remuneration Policy, was revised to stipulate that no less than 2.5% of the employee remuneration amount should be allocated for the distribution of remuneration to grassroots employees.
- (2) Clauses of the Articles of Incorporation before and after amendment are listed in Attachment 4.
- (3) Discussion requested.

Resolution:

RESOLVED, There were no questions from shareholders in this case, and the above proposal be and hereby was approved as proposed.

Voting Results: Shares present at the time of voting: 54,822,651 (Including 3,974,880 shares from electronic voting).

Voting Results	% of the represented share present
Votes in favor-53,730,271 votes (electronic votes-2,882,500 votes)	98.00%
Votes against-41,512 votes (electronic votes-41,512 votes)	0.07%
Invalid Votes-0 votes(electronic votes-0 votes)	0.00%
Votes abstained / Not Voted-1,050,868 votes (electronic votes-1,050,868 votes)	1.91%

6. Motions : After the chairman consulted all shareholders present. There were no questions from shareholders in this case, and no extraordinary motion was raised.

7. Adjournment : At 9:13 am on the same day, the chairman announced the adjournment of the meeting.

Chairman: Wang, Chau-Chyun

Recorder: Peng Hung-Chin.

Attachment 1

Leo Systems, Inc.
2024 Business Report

Looking back at the year 2024, with the end of the COVID-19 pandemic and the dust settling on the US presidential election, the impact on the global economy has gradually become clearer. However, due to the impact of geopolitical conflicts and global inflation, the economic outlook remains in doubt, and the momentum of global economic growth still needs to be continuously observed. In terms of the domestic economy, after the conclusion of Taiwan's presidential election, a new chapter has begun in the export sector, and manufacturers continue to seek investment targets. Fortunately, the impact of the epidemic and relevant government measures have gradually been relaxed, and domestic consumption and related industries have performed better, allowing the economy to support continued growth in domestic and foreign sales, and overall performance continues to move forward. Our company is in the information service industry, with its main sales market in Taiwan. Thanks to the efforts of our management team, we face the challenges of the epidemic and the post-presidential election together with our customers with a full range of software and hardware services. Compared with 2023, revenue increased in 2024, but profits decreased due to the decline in gross profit margin.

Looking ahead to 2025, the management team will continue to improve the value and efficiency of customer service and promote the company's digital transformation. In order to achieve further growth in operations, we will also contribute to global environmental protection and live up to the support and expectations of shareholders.

(I) Business plan and implementation results of 2024

A. Business plan and implementation results of 2024

Due to the indirect impact of the economic downturn in mainland China and changes in product mix, the company's operating income increased, but gross profit and net profit decreased. The individual revenue and consolidated revenue of Leo Systems, Inc. in 2024 were NT\$3,677,175 thousand NTD\$ and NT\$3,896,185 thousand NTD\$, respectively, which was NT\$2,677,175 thousand NTD\$ and NT\$3,896,185 thousand NTD\$, respectively, compared with NT\$2,677,175 thousand NTD\$ and NT\$3,896,185 thousand NTD\$ in 2023. The individual and consolidated net profits after tax for the current year were 145,623 thousand NTD\$ and 145,338 thousand NTD\$, respectively, a decrease of 42,824 thousand NTD\$ and 43,244 thousand NTD\$ compared to 2023.

Analysis of Financial Revenue and Expenditure & Profitability-Individual

Unit: NT\$1,000

	Item	2024	2023
Financial revenue and expenditure	Operating revenue	3,677,175	3,248,817
	Gross profit	601,976	621,594
	Operating expenses	461,681	441,387
	Profit from operations	140,295	180,207
	Net profit for the year	145,623	188,447
Profitability	Return on assets (%)	4.38	5.06
	Return on equity (%)	10.08	13.11
	Net profit margin (%)	3.96	5.80
	Basic earnings per share (NT\$)	1.61	2.12

Analysis of Financial Revenue and Expenditure & Profitability-Consolidated

Unit: NT\$1,000

	Item	2023	2023
Financial revenue and expenditure	Operating revenue	3,896,185	3,457,717
	Gross profit	624,884	649,480
	Operating expenses	488,183	464,554
	Profit from operations	136,701	184,926
	Net profit for the year	145,338	188,582
Profitability	Return on assets (%)	4.34	4.91
	Return on equity (%)	10.06	13.11
	Net profit margin (%)	3.73	5.45
	Basic earnings per share (NT\$)	1.61	2.12

The business operation of the Company in 2024 is described as follows:

1. Concentration on all-around information communication infrastructure integration services
 2. Promote the integration of smart manufacturing systems
 3. Development of automatic application services for each industry after the epidemic
 4. Continual innovations in products and services by sticking to the spirit of ESG sustainable development
- B. Execution status of budget of 2024: The Company executes the management policy approved by the Board of Directors every year. The Company didn't disclose and issue any financial forecast in 2024, and therefore it is not applicable.
- C. R&D status: The R&D team of the Company has already possessed data information integration capability. In recent years, the R&D team has engaged in the development of AI and machine learning, researched and developed AI technological integration application platform, established training emulators, and worked on the development of AI preventive medical techniques, etc.
- (II) Outline of business plan of 2025
- A. Management policy:

The management policy of 2025 will focus on the continual R&D of LEO-ESG sustainable intelligent AIoT system platform and industrial IIoT intelligent manufacturing AIoT value-added technical platform, for the purpose of becoming a specialized AIoT system integration technology team in the field of SI. Additionally, we will also pay attention to service fields including cloud computing, ESG, network communication, IoT and AI.

B. Organizational structure:

The organizational structure of the Company comprises General Manager Office, Operation Department and Administration Department. The Operation Department includes Business Unit 1 (BU1), Business Unit 2 (BU2), Business Unit 3 (BU3), Business Unit 4 (BU4), Business Unit 5 (BU5), Business Unit 7 (BU7), R&D Center. Each of them is responsible for its own professional field and advances in a coordinated manner. In addition, on December 30, 2024, the Board of Directors will hire a new General Manager and Chief Strategy Officer to meet the company's future operational needs and strengthen the company's future core competitiveness.

C. Influence from external competitive environment, regulatory environment, and overall operation environment

1. Tough challenges are faced regarding information security, and the requirements of customers for information services become increasingly complicated.
2. The supply of information communication products is continuously unstable, and the delivery period required by customers is challenging; due to the shortage of IC raw materials, the delivery period is postponed, which does not benefit delivery and shipment.
3. The Company is seriously lack of software talents with the rising of solutions in the fields of AI and blockchain.
4. The operational strategies for online digital marketing business must be transformed due to the influence of the epidemic and the changes of the original manufacturers' policies.

D. Future development strategies

1. Concentration on all-around information communication infrastructure integration services
2. Continual strengthening of all-area, mobile maintainability and management system
3. Active R&D of ESG sustainable intelligent AIoT system technical platform
4. Continual development of 5G and AIoT factory automation solutions
5. Active development of intelligent medical and healthcare system integration solutions
6. Active cultivation of application software manpower and expansion of financial business application solutions.

E. Expected sales volume and basis as well as important production and sales policies

Since the Company is specialized in the information service industry with a great many types of products, it is relatively uneasy to estimate the expected sales quantity. Additionally, no financial forecast was issued for the Company in 2025.

As for production and sales policies, the Company is not involved in production, and purchases by orders so that our inventory amount is maintained at a relatively low level, and the Company's operation cost can be reduced.

Thanks to the encouragement and support from each shareholder and the cooperative efforts exerted by all employees and teams, the Company will stick to the corporate culture of "Professionalism, Technology, Quality, Service" and the down-to-earth management concept, and advance the deployment and deployment upon the coming of the era of 5G and AIoT and the increasing attention drawn by ESG so that LEO can take a place and create and share profits with shareholders upon maturity of the market applications.

Chairman:
Wang,Chau-Chyun

General Manager:
Wen,Chien-Liang

Accounting Manager:
Peng,Hung-Chin

Attachment 2

LEO Systems, Inc. Audit Report of the Audit Committee

The Board of Directors prepared and submitted individual and consolidated financial reports for the year 2024, and these reports have already been verified by CPAs Chang, Chih-Yi and Shyu, Wen-Yea from Deloitte & Touche, Taiwan who issued an audit report. The Audit Committee has reviewed and confirmed that no inconsistency has existed in the aforesaid financial reports together with business report and proposal for profit distribution, and thus reports as above for review according to the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Regards.

Regular Shareholders' Meeting of the Company in 2025

LEO Systems, Inc.
Audit Committee
Convener: Cheng, Sheng-In

Date: March 14, 2025

Attachment 3

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Leo Systems, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Leo Systems, Inc. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the consolidated financial statements for the year ended December 31, 2024 is stated as follows:

Revenue Recognition

In accordance with the accounting policy described in Note 4, revenue from maintenance services by the Company and its subsidiaries is recognized based on the completion of the contract or when the service is provided and the performance obligations are satisfied. We performed analytical procedures on this revenue, noting that the gross profit margin of the maintenance revenue is relatively higher. Management may face pressure to meet projected business targets, and as such, the recognition of this revenue was considered a key audit matter.

We understood and tested the effectiveness of the design and implementation of internal controls with respect to revenue recognition and accounting policy. We verified the consistency of work orders, work records and receipts between the accounting treatment for sales of goods and the policy on revenue recognition. We selected samples of revenue from the aforementioned products to confirm that revenue transactions had indeed occurred and been met in accordance with the accounting standards.

Other Matters

We have also audited the parent company only financial statements of Leo Systems, Inc. as of and for the years ended December 31, 2024 and 2023 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including management and the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2024 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chih-Yi Chang and Wen-Yea, Shyu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2025

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

LEO SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024		2023	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 816,540	22	\$ 533,868	18
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 33)	200,092	5	100,000	3
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 33)	8,030	-	11,820	-
Notes and accounts receivable, net (Notes 4 and 9)	1,032,785	27	841,930	29
Notes and accounts receivable - related parties (Notes 4, 9 and 34)	30,048	1	49,269	2
Current tax assets (Notes 4 and 28)	1,817	-	1,622	-
Inventories (Notes 4 and 11)	728,675	19	262,609	9
Other financial assets (Notes 4 and 10)	51,085	1	99,690	3
Other current assets (Note 17)	<u>55,593</u>	<u>2</u>	<u>45,878</u>	<u>2</u>
Total current assets	<u>2,924,665</u>	<u>77</u>	<u>1,946,686</u>	<u>66</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 33)	44,153	1	35,188	1
Investments accounted for using the equity method (Notes 4 and 13)	184,544	5	184,935	7
Property, plant and equipment (Notes 4, 14 and 35)	63,909	2	67,250	2
Right-of-use assets (Notes 4 and 15)	29,130	1	43,487	2
Computer software (Note 4)	982	-	1,546	-
Goodwill (Notes 4 and 16)	94,746	2	94,746	3
Deferred tax assets (Notes 4 and 28)	270	-	1,189	-
Refundable deposits (Notes 17 and 34)	327,355	9	405,408	14
Finance lease receivables - non-current (Notes 4 and 10)	97,195	3	149,088	5
Other assets - non-current (Notes 17 and 35)	<u>9,448</u>	<u>-</u>	<u>5,864</u>	<u>-</u>
Total non-current assets	<u>851,732</u>	<u>23</u>	<u>988,701</u>	<u>34</u>
TOTAL	<u>\$ 3,776,397</u>	<u>100</u>	<u>\$ 2,935,387</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ -	-	\$ 10,171	-
Notes and accounts payable (Note 19)	1,778,131	47	907,464	31
Accounts payable - related parties (Note 34)	3,554	-	3,307	-
Other payables (Note 20)	205,601	6	194,739	7
Other payables - related parties (Note 34)	511	-	501	-
Current tax liabilities (Notes 4 and 28)	10,513	-	13,586	-
Lease liabilities - current (Notes 4, 15 and 34)	14,706	-	14,023	1
Other current liabilities (Note 20)	<u>224,952</u>	<u>6</u>	<u>243,733</u>	<u>8</u>
Total current liabilities	<u>2,237,968</u>	<u>59</u>	<u>1,387,524</u>	<u>47</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 28)	18,949	1	18,949	1
Lease liabilities - non-current (Notes 4, 15 and 34)	15,417	1	30,123	1
Net defined benefit liabilities (Notes 4 and 21)	52,531	1	57,618	2
Guarantee deposits	<u>1,390</u>	<u>-</u>	<u>1,390</u>	<u>-</u>
Total non-current liabilities	<u>88,287</u>	<u>3</u>	<u>108,080</u>	<u>4</u>
Total liabilities	<u>2,326,255</u>	<u>62</u>	<u>1,495,604</u>	<u>51</u>
EQUITY (Note 22)				
Equity attributable to owners of the company				
Share capital	912,711	24	891,481	30
Capital collected in advance	465	-	2,408	-
Capital surplus	43,472	1	20,259	1
Retained earnings				
Legal reserve	202,756	6	184,371	6
Special reserve	41,254	1	63,671	2
Unappropriated earnings	239,406	6	273,757	10
Other equity				
Exchange differences on translation of financial statements of foreign operations	480	-	(971)	-
Unrealized gains on financial assets at fair value through other comprehensive income	<u>8,863</u>	<u>-</u>	<u>3,688</u>	<u>-</u>
Total equity attributable to the owners of the Company	<u>1,449,407</u>	<u>38</u>	<u>1,438,664</u>	<u>49</u>
Non-controlling interests	<u>735</u>	<u>-</u>	<u>1,119</u>	<u>-</u>
Total equity	<u>1,450,142</u>	<u>38</u>	<u>1,439,783</u>	<u>49</u>
TOTAL	<u>\$ 3,776,397</u>	<u>100</u>	<u>\$ 2,935,387</u>	<u>100</u>

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

LEO SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 34)	\$ 3,896,185	100	\$ 3,457,717	100
OPERATING COSTS (Notes 11, 24, 25, 26 and 34)	<u>3,271,301</u>	<u>84</u>	<u>2,808,237</u>	<u>81</u>
GROSS PROFIT	<u>624,884</u>	<u>16</u>	<u>649,480</u>	<u>19</u>
OPERATING EXPENSES (Notes 4, 9, 21, 25, 26, 27 and 34)				
Selling and marketing expenses	340,846	9	333,977	10
General and administrative expenses	104,582	2	110,792	3
Research and development expenses	40,842	1	40,021	1
Expected credit loss (gain)	<u>1,913</u>	<u>-</u>	<u>(20,236)</u>	<u>-</u>
Total operating expenses	<u>488,183</u>	<u>12</u>	<u>464,554</u>	<u>14</u>
PROFIT FROM OPERATIONS	<u>136,701</u>	<u>4</u>	<u>184,926</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	12,608	-	19,272	-
Other income (Notes 31 and 34)	21,348	1	24,202	1
Other gains and losses	(4,960)	-	(2,810)	-
Finance costs (Note 34)	(451)	-	(4,641)	-
Share of profit of associates (Note 13)	<u>6,458</u>	<u>-</u>	<u>7,859</u>	<u>-</u>
Total non-operating income and expenses	<u>35,003</u>	<u>1</u>	<u>43,882</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	171,704	5	228,808	6
INCOME TAX EXPENSE (Notes 4 and 28)	<u>(26,366)</u>	<u>(1)</u>	<u>(40,226)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>145,338</u>	<u>4</u>	<u>188,582</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 21)	4,639	-	(5,749)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 22)	5,175	-	25,896	1

(Continued)

LEO SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
Income tax related to items that will not be reclassified subsequently to profit or loss (Notes 4 and 28)	<u>(928)</u>	<u>-</u>	<u>1,150</u>	<u>-</u>
	<u>8,886</u>	<u>-</u>	<u>21,297</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss (Note 22)				
Exchange differences on translating foreign operations	<u>1,451</u>	<u>-</u>	<u>(762)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>10,337</u>	<u>-</u>	<u>20,535</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 155,675</u>	<u>4</u>	<u>\$ 209,117</u>	<u>6</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 145,623	4	\$ 188,447	5
Non-controlling interests	<u>(285)</u>	<u>-</u>	<u>135</u>	<u>-</u>
	<u>\$ 145,338</u>	<u>4</u>	<u>\$ 188,582</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 155,960	4	\$ 208,982	6
Non-controlling interests	<u>(285)</u>	<u>-</u>	<u>135</u>	<u>-</u>
	<u>\$ 155,675</u>	<u>4</u>	<u>\$ 209,117</u>	<u>6</u>
EARNINGS PER SHARE (Note 29)				
From continuing operations				
Basic	<u>\$ 1.61</u>		<u>\$ 2.12</u>	
Diluted	<u>\$ 1.57</u>		<u>\$ 2.05</u>	

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

(Concluded)

LEO SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	Equity Attributable to the Owners of the Company							Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity Attributable to Owners of the Company	Non-controlling Interests	Total Equity
	Share Capital	Capital Collected in Advance	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations				
				Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2023	\$ 882,301	\$ 209	\$ 15,494	\$ 155,266	\$ 45,196	\$ 359,654	\$ (209)	\$ (22,208)	\$ 1,435,703	\$ 983	\$ 1,436,686
Appropriation of 2022 earnings											
Legal reserve	-	-	-	29,105	-	(29,105)	-	-	-	-	-
Special reserve	-	-	-	-	18,475	(18,475)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(222,165)	-	-	(222,165)	-	(222,165)
Changes in percentage of ownership interests in the subsidiary	-	-	102	-	-	-	-	-	102	1	103
Other changes in capital surplus											
Issuance of stock from exercise of employee share options	9,180	2,199	4,663	-	-	-	-	-	16,042	-	16,042
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	-	188,447	-	-	188,447	135	188,582
Other comprehensive (loss) income for the year ended December 31, 2023	-	-	-	-	-	(4,599)	(762)	25,896	20,535	-	20,535
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	183,848	(762)	25,896	208,982	135	209,117
BALANCE AT DECEMBER 31, 2023	891,481	2,408	20,259	184,371	63,671	273,757	(971)	3,688	1,438,664	1,119	1,439,783
Appropriation of 2023 earnings											
Legal reserve	-	-	-	18,385	-	(18,385)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(22,417)	22,417	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(187,717)	-	-	(187,717)	-	(187,717)
Changes in percentage of ownership interests in the subsidiary	-	-	95	-	-	-	-	-	95	1	96
Changes in associates accounted for using the equity method	-	-	49	-	-	-	-	-	49	-	49
Non-controlling interests	-	-	-	-	-	-	-	-	-	(100)	(100)
Issuance of stock from exercise of employee share options	21,230	(1,943)	23,069	-	-	-	-	-	42,356	-	42,356
Net profit (loss) for the year ended December 31, 2024	-	-	-	-	-	145,623	-	-	145,623	(285)	145,338
Other comprehensive income for the year ended December 31, 2024	-	-	-	-	-	3,711	1,451	5,175	10,337	-	10,337
Total comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	-	149,334	1,451	5,175	155,960	(285)	155,675
BALANCE AT DECEMBER 31, 2024	\$ 912,711	\$ 465	\$ 43,472	\$ 202,756	\$ 41,254	\$ 239,406	\$ 480	\$ 8,863	\$ 1,449,407	\$ 735	\$ 1,450,142

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

LEO SYSTEMS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 171,704	\$ 228,808
Adjustments for:		
Depreciation expense	18,882	32,887
Amortization expense	577	114
Expected credit loss (gain) recognized on accounts receivable	1,913	(20,236)
Net gain on fair value changes of financial assets at fair value through profit or loss	(92)	-
Finance costs	451	4,641
Interest income	(12,608)	(19,272)
Dividend income	(144)	(99)
Compensation costs of employee share options	1,961	3,332
Share of profit or loss of associates	(6,458)	(7,859)
(Gain) loss on disposal of property, plant and equipment	(1)	375
Gain on lease modification	-	(13)
Gain on financial assets disposal	(967)	-
Changes in operating assets and liabilities		
Notes and accounts receivable	(192,962)	1,954,734
Notes and accounts receivable - related parties	19,415	2,480
Inventories	(466,066)	162,020
Other current assets	(9,622)	27,024
Other financial assets	(3,944)	(1,953)
Finance lease receivables	104,442	41,584
Notes and accounts payable	870,667	(1,312,524)
Accounts payable - related parties	247	1,942
Other payables	10,862	(29,876)
Other payables - related parties	10	-
Other current liabilities	(18,781)	114,644
Net defined benefit liabilities	(448)	(514)
Cash generated from operations	489,038	1,182,239
Interest received	12,515	19,259
Interest paid	(451)	(4,641)
Income tax paid	(29,643)	(77,192)
Net cash generated from operating activities	<u>471,459</u>	<u>1,119,665</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(200,000)	(100,000)
Proceeds from disposal of financial assets at fair value through profit or loss	100,967	-
Payments for property, plant and equipment	(1,230)	(4,707)
Proceeds from disposal of property, plant and equipment	50	734
Decrease (increase) in refundable deposits	78,053	(21,625)
Payments for intangible assets	(13)	(1,417)
Increase in other assets - non-current	(3,584)	(1,072)

(Continued)

LEO SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
Dividend received from associates	<u>7,042</u>	<u>7,228</u>
Net cash used in investing activities	<u>(18,715)</u>	<u>(120,859)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(10,171)	(547,226)
Repayment of the principal portion of lease liabilities	(14,023)	(14,755)
Dividends paid	(187,717)	(222,165)
Proceeds from exercise of employee share options	40,490	12,812
(Decrease) increase in non-controlling interests	<u>(99)</u>	<u>1</u>
Net cash used in financing activities	<u>(171,520)</u>	<u>(771,333)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>1,448</u>	<u>(740)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	282,672	226,733
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>533,868</u>	<u>307,135</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 816,540</u>	<u>\$ 533,868</u>

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Leo Systems, Inc.

Opinion

We have audited the accompanying financial statements of Leo Systems, Inc. (the “Company”), which comprise the balance sheets as of December 31, 2024 and 2023, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by 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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the financial statements for the year ended December 31, 2024 is stated as follows:

Revenue Recognition

In accordance with the accounting policy described in Note 4, revenue from maintenance services by the Company and its subsidiaries is recognized based on the completion of the contract or when the service is provided and the performance obligations are satisfied. We performed analytical procedures on this revenue, noting that the gross profit margin of the maintenance revenue is relatively higher. Management may face pressure to meet projected business targets, and as such, the recognition of this revenue was considered a key audit matter.

We understood and tested the effectiveness of the design and implementation of internal controls with respect to revenue recognition and accounting policy. We verified the consistency of work orders, work records and receipts between the accounting treatment for sales of goods and the policy on revenue recognition. We selected samples of revenue from the aforementioned products to confirm that revenue transactions had indeed occurred and been met in accordance with the accounting standards.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, 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 management and the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the 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 Company's internal control.
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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2024 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chih-Yi Chang and Wen-Yea, Shyu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2025

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

LEO SYSTEMS, INC.

BALANCE SHEETS

DECEMBER 31, 2024 AND 2023

(In Thousands of New Taiwan Dollars)

ASSETS	2024		2023	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 742,348	20	\$ 475,062	16
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	200,092	5	100,000	4
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 31)	8,030	-	11,820	-
Notes and accounts receivable, net (Notes 4 and 9)	981,932	26	805,957	28
Notes and accounts receivable - related parties (Notes 4, 9 and 32)	30,134	1	49,290	2
Inventories (Notes 4 and 11)	722,370	19	256,446	9
Other financial assets (Notes 4 and 10)	46,040	1	94,824	3
Other current assets (Note 16)	<u>54,075</u>	<u>2</u>	<u>37,904</u>	<u>1</u>
Total current assets	<u>2,785,021</u>	<u>74</u>	<u>1,831,303</u>	<u>63</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	44,153	1	35,188	1
Investments accounted for using the equity method (Notes 4 and 12)	305,924	8	311,331	11
Property, plant and equipment (Notes 4, 13 and 33)	63,614	2	67,137	2
Right-of-use assets (Notes 4 and 14)	29,130	1	43,487	2
Computer software (Note 4)	982	-	1,546	-
Goodwill (Notes 4 and 15)	94,746	3	94,746	3
Deferred tax assets (Notes 4 and 26)	270	-	1,189	-
Refundable deposits (Notes 16 and 32)	316,665	8	370,959	13
Finance lease receivables - non-current (Notes 4 and 10)	97,195	3	146,880	5
Other assets - non-current (Notes 16 and 33)	<u>7,666</u>	<u>-</u>	<u>5,839</u>	<u>-</u>
Total non-current assets	<u>960,345</u>	<u>26</u>	<u>1,078,302</u>	<u>37</u>
TOTAL	<u>\$ 3,745,366</u>	<u>100</u>	<u>\$ 2,909,605</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes and accounts payable (Note 17)	\$ 1,747,678	47	\$ 886,969	31
Accounts payable - related parties (Note 32)	10,179	-	15,688	1
Other payables (Note 18)	200,034	5	189,904	7
Other payables - related parties (Note 32)	511	-	501	-
Current tax liabilities (Notes 4 and 26)	10,489	-	13,295	-
Lease liabilities - current (Notes 4, 14 and 32)	14,706	1	14,023	-
Other current liabilities (Note 18)	<u>224,075</u>	<u>6</u>	<u>242,481</u>	<u>8</u>
Total current liabilities	<u>2,207,672</u>	<u>59</u>	<u>1,362,861</u>	<u>47</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 26)	18,949	1	18,949	1
Lease liabilities - non-current (Notes 4, 14 and 32)	15,417	-	30,123	1
Net defined benefit liabilities (Notes 4 and 19)	52,531	1	57,618	2
Guarantee deposits	<u>1,390</u>	<u>-</u>	<u>1,390</u>	<u>-</u>
Total non-current liabilities	<u>88,287</u>	<u>2</u>	<u>108,080</u>	<u>4</u>
Total liabilities	<u>2,295,959</u>	<u>61</u>	<u>1,470,941</u>	<u>51</u>
EQUITY (Note 20)				
Share capital	912,711	25	891,481	30
Capital collected in advance	465	-	2,408	-
Capital surplus	43,472	1	20,259	1
Retained earnings				
Legal reserve	202,756	6	184,371	6
Special reserve	41,254	1	63,671	2
Unappropriated earnings	239,406	6	273,757	10
Other equity				
Exchange differences on translation of financial statements of foreign operations	480	-	(971)	-
Unrealized gains on financial assets at fair value through other comprehensive income	<u>8,863</u>	<u>-</u>	<u>3,688</u>	<u>-</u>
Total equity	<u>1,449,407</u>	<u>39</u>	<u>1,438,664</u>	<u>49</u>
TOTAL	<u>\$ 3,745,366</u>	<u>100</u>	<u>\$ 2,909,605</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

LEO SYSTEMS, INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 32)	\$ 3,677,175	100	\$ 3,248,817	100
OPERATING COSTS (Notes 11, 22, 23 and 32)	<u>3,075,198</u>	<u>84</u>	<u>2,627,223</u>	<u>81</u>
GROSS PROFIT	<u>601,977</u>	<u>16</u>	<u>621,594</u>	<u>19</u>
OPERATING EXPENSES (Notes 4, 9, 19, 23, 24, 25 and 32)				
Selling and marketing expenses	309,071	8	307,708	9
General and administrative expenses	109,703	3	112,808	4
Research and development expenses	40,826	1	40,022	1
Expected credit loss (gain)	<u>2,081</u>	<u>-</u>	<u>(19,151)</u>	<u>(1)</u>
Total operating expenses	<u>461,681</u>	<u>12</u>	<u>441,387</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>140,296</u>	<u>4</u>	<u>180,207</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	11,984	-	18,762	-
Other income (Notes 29 and 32)	21,812	1	24,436	1
Other gains and losses (Note 32)	(4,969)	-	(2,747)	-
Finance costs (Note 32)	(387)	-	(4,387)	-
Share of profit or loss of subsidiaries and associates (Note 12)	<u>2,996</u>	<u>-</u>	<u>11,991</u>	<u>-</u>
Total non-operating income and expenses	<u>31,436</u>	<u>1</u>	<u>48,055</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	171,732	5	228,262	7
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(26,109)</u>	<u>(1)</u>	<u>(39,815)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>145,623</u>	<u>4</u>	<u>188,447</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 19)	4,639	-	(5,749)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	5,175	-	25,896	-

(Continued)

LEO SYSTEMS, INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
Income tax related to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	<u>(928)</u>	<u>-</u>	<u>1,150</u>	<u>-</u>
	<u>8,886</u>	<u>-</u>	<u>21,297</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss (Note 20)				
Exchange differences on translating foreign operations	<u>1,451</u>	<u>-</u>	<u>(762)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>10,337</u>	<u>-</u>	<u>20,535</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 155,960</u>	<u>4</u>	<u>\$ 208,982</u>	<u>6</u>
EARNINGS PER SHARE (Note 27)				
From continuing operations				
Basic	<u>\$ 1.61</u>		<u>\$ 2.12</u>	
Diluted	<u>\$ 1.57</u>		<u>\$ 2.05</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

LEO SYSTEMS, INC.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	Share Capital	Capital Collected in Advance	Capital Surplus	Retained Earnings			Other Equity		Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2023	\$ 882,301	\$ 209	\$ 15,494	\$ 155,266	\$ 45,196	\$ 359,654	\$ (209)	\$ (22,208)	\$ 1,435,703
Appropriation of 2022 earnings									
Legal reserve	-	-	-	29,105	-	(29,105)	-	-	-
Special reserve	-	-	-	-	18,475	(18,475)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(222,165)	-	-	(222,165)
Changes in percentage of ownership interests in the subsidiary	-	-	102	-	-	-	-	-	102
Issuance of stock from exercise of employee share options	9,180	2,199	4,663	-	-	-	-	-	16,042
Net profit for the year ended December 31, 2023	-	-	-	-	-	188,447	-	-	188,447
Other comprehensive (loss) income for the year ended December 31, 2023	-	-	-	-	-	(4,599)	(762)	25,896	20,535
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	183,848	(762)	25,896	208,982
BALANCE AT DECEMBER 31, 2023	891,481	2,408	20,259	184,371	63,671	273,757	(971)	3,688	1,438,664
Appropriation of 2023 earnings									
Legal reserve	-	-	-	18,385	-	(18,385)	-	-	-
Reversal of special reserve	-	-	-	-	(22,417)	22,417	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(187,717)	-	-	(187,717)
Changes in percentage of ownership interests in the subsidiary	-	-	95	-	-	-	-	-	95
Changes in associates accounted for using the equity method	-	-	49	-	-	-	-	-	49
Issuance of stock from exercise of employee share options	21,230	(1,943)	23,069	-	-	-	-	-	42,356
Net profit for the year ended December 31, 2024	-	-	-	-	-	145,623	-	-	145,623
Other comprehensive income for the year ended December 31, 2024	-	-	-	-	-	3,711	1,451	5,175	10,337
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	-	149,334	1,451	5,175	155,960
BALANCE AT DECEMBER 31, 2024	\$ 912,711	\$ 465	\$ 43,472	\$ 202,756	\$ 41,254	\$ 239,406	\$ 480	\$ 8,863	\$ 1,449,407

The accompanying notes are an integral part of the financial statements.

LEO SYSTEMS, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 171,732	\$ 228,262
Adjustments for:		
Depreciation expense	18,853	32,880
Amortization expense	577	114
Expected credit loss (gain) recognized on accounts receivable	2,081	(19,151)
Net gain on fair value changes of financial assets at fair value through profit or loss	(92)	-
Finance costs	387	4,387
Interest income	(11,984)	(18,762)
Dividend income	(144)	(99)
Compensation costs of employee share options	1,866	3,230
Share of profit or loss of subsidiaries and associates	(2,996)	(11,991)
(Gain) loss on disposal of property, plant and equipment	(1)	375
Gain on lease modification	-	(13)
Gain on financial assets disposal	(967)	-
Changes in operating assets and liabilities		
Notes and accounts receivable	(178,250)	1,792,886
Notes and accounts receivable - related parties	19,350	2,625
Inventories	(465,924)	159,618
Other current assets	(16,078)	27,092
Other financial assets	(3,956)	483
Finance lease receivables	102,425	39,635
Notes and accounts payable	860,709	(1,141,544)
Notes and accounts payable - related parties	(5,509)	14,323
Other payables	10,130	(29,048)
Other payables - related parties	10	-
Other current liabilities	(18,406)	117,821
Net defined benefit liabilities	(448)	(514)
Cash generated from operations	483,365	1,202,609
Interest received	11,891	18,749
Interest paid	(387)	(4,387)
Income tax paid	(28,924)	(72,801)
Net cash generated from operating activities	<u>465,945</u>	<u>1,144,170</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(200,000)	(100,000)
Proceeds from disposal of financial assets at fair value through profit or loss	100,967	-
Payments for property, plant and equipment	(1,022)	(4,687)
Proceeds from disposal of property, plant and equipment	50	734
Decrease (increase) in refundable deposits	54,294	(18,487)
Payments for intangible assets	(13)	(1,417)
Increase in other assets - non-current	(1,827)	(1,495)
		(Continued)

LEO SYSTEMS, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
Dividend received from associates	<u>10,142</u>	<u>23,728</u>
Net cash used in investing activities	<u>(37,409)</u>	<u>(101,624)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	-	(550,000)
Repayment of the principal portion of lease liabilities	(14,023)	(14,755)
Dividends paid	(187,717)	(222,165)
Proceeds from exercise of employee share options	<u>40,490</u>	<u>12,812</u>
Net cash used in financing activities	<u>(161,250)</u>	<u>(774,108)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	267,286	268,438
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>475,062</u>	<u>206,624</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 742,348</u>	<u>\$ 475,062</u>

The accompanying notes are an integral part of the financial statements.

(Concluded)

Attachment 4

Leo Systems, Inc.

Clauses of Articles of Incorporation before and after amendment

After Amendment	Before Amendment	Reason for Amendment
<p>Article 21: The Company shall distribute 5% of the current-year profit as employee remuneration and no more than 2% as director remuneration, provided that, if the Company still has accumulated losses, the losses shall be compensated.</p> <p><u>Of the employee remuneration amount referred to in the preceding paragraph, no less than 2.5% shall be set aside for the distribution of remuneration to grassroots employees.</u></p> <p>Current-year profit referred to in this previous paragraph means after-tax profit of the current year before deduction for distribution of employee remuneration and director remuneration. (The following is abbreviated.)</p>	<p>Article 21: The Company shall distribute 5% of the current-year profit as employee remuneration and no more than 2% as director remuneration, provided that, if the Company still has accumulated losses, the losses shall be compensated.</p> <p>Current-year profit referred to in this previous paragraph means after-tax profit of the current year before deduction for distribution of employee remuneration and director remuneration. (The following is abbreviated.)</p>	<p>Revised in accordance with the Order No. 1130385442 of the Financial Supervisory Commission issued on November 8, 2024.</p>
<p>Article 24 These Articles of Incorporation were established on 2 September 1985. ... (omissions) The 24th amendment was made on 8 June 2017. The 25th amendment was made on 10 June 2020. The 26th amendment was made on 26 July 2021. The 27th amendment was made on 2 June 2022. The 28th amendment was made on 7 June 2023. The 29th amendment was made on 5 June 2024. <u>The 30th amendment was made on 27 May 2025.</u></p>	<p>Article 24 These Articles of Incorporation were established on 2 September 1985. ... (omissions) The 24th amendment was made on 8 June 2017. The 25th amendment was made on 10 June 2020. The 26th amendment was made on 26 July 2021. The 27th amendment was made on 2 June 2022. The 28th amendment was made on 7 June 2023. The 29th amendment was made on 5 June 2024.</p>	<p>Addition of amendment and date.</p>