

Leo Systems, Inc. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

LEO SYSTEMS, INC.

By

March 8, 2024

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023. 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, 2023 is stated as follows:

Revenue Recognition

In accordance with the accounting policy described in Note 4, revenue from the sale of goods is recognized when the customer obtains the control and satisfies the performance obligations. We performed analytical procedures to determine the gross profit margin of the revenue and selected the higher gross profit margin of the product sales, the total amount of which is material to the financial statements were deemed to be 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 related contracts or sales orders 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, 2023 and 2022 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, 2023 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 8, 2024

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 533,868	18	\$ 307,135	7
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 33)	100,000	3	-	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 33)	11,820	-	7,420	-
Notes and accounts receivable, net (Notes 4 and 9)	841,930	29	2,776,453	58
Notes and accounts receivable - related parties (Notes 4, 9 and 34)	49,269	2	51,724	1
Inventories (Notes 4 and 11)	262,609	9	424,629	9
Other financial assets (Notes 4 and 10)	99,690	3	143,911	3
Other current assets (Notes 17, 34 and 35)	47,500	2	72,889	2
Total current assets	1,946,686	66	3,784,161	80
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 33)	35,188	1	13,692	-
Investments accounted for using the equity method (Notes 4 and 13)	184,935	7	184,205	4
Property, plant and equipment (Notes 4, 14 and 35)	67,250	2	82,031	2
Right-of-use assets (Notes 4 and 15)	43,487	2	57,254	1
Computer software (Note 4)	1,546	-	243	-
Goodwill (Notes 4 and 16)	94,746	3	94,746	2
Deferred tax assets (Notes 4 and 28)	1,189	-	381	-
Refundable deposits (Notes 17 and 34)	405,408	14	383,783	8
Finance lease receivables - non-current (Notes 4 and 10)	149,088	5	144,498	3
Other assets - non-current (Notes 17 and 35)	5,864	-	4,792	-
Total non-current assets	988,701	34	965,625	20
TOTAL	\$ 2,935,387	100	\$ 4,749,786	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 10,171	-	\$ 557,397	12
Notes and accounts payable (Note 19)	907,464	31	2,219,988	47
Accounts payable - related parties (Note 34)	3,307	-	1,365	-
Other payables (Note 20)	194,739	7	224,615	5
Other payables - related parties (Note 34)	501	-	501	-
Current tax liabilities (Notes 4 and 28)	13,586	-	49,272	1
Lease liabilities - current (Notes 4, 15 and 34)	14,023	1	14,753	-
Other current liabilities (Note 20)	243,733	8	129,089	2
Total current liabilities	1,387,524	47	3,196,980	67
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)	30,123	1	43,398	1
Net defined benefit liabilities (Notes 4 and 21)	57,618	2	52,383	1
Guarantee deposits	1,390	-	1,390	-
Total non-current liabilities	108,080	4	116,120	3
Total liabilities	1,495,604	51	3,313,100	70
EQUITY (Note 22)				
Equity attributable to owners of the company				
Share capital	891,481	30	882,301	19
Capital collected in advance	2,408	-	209	-
Capital surplus				
Capital surplus - issue premium	14,436	1	11,920	-
Capital surplus - changes in percentage of ownership interests in subsidiaries (Note 4)	201	-	99	-
Capital surplus - changes in net equity from investments in associates accounted for using the equity method	77	-	77	-
Capital surplus - employee share options issued by the Company (Notes 4 and 30)	5,545	-	3,398	-
Retained earnings				
Legal reserve	184,371	6	155,266	3
Special reserve	63,671	2	45,196	1
Unappropriated earnings	273,757	10	359,654	8
Other equity				
Exchange differences on translation of financial statements of foreign operations	(971)	-	(209)	-
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	3,688	-	(22,208)	(1)
Total equity attributable to the owners of the Company	1,438,664	49	1,435,703	30
Non-controlling interests	1,119	-	983	-
Total equity	1,439,783	49	1,436,686	30
TOTAL	\$ 2,935,387	100	\$ 4,749,786	100

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, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 34)	\$ 3,457,717	100	\$ 6,645,116	100
OPERATING COSTS (Notes 11, 24, 25, 26 and 34)	<u>2,808,237</u>	<u>81</u>	<u>5,790,855</u>	<u>87</u>
GROSS PROFIT	<u>649,480</u>	<u>19</u>	<u>854,261</u>	<u>13</u>
OPERATING EXPENSES (Notes 4, 9, 21, 25, 26, 27 and 34)				
Selling and marketing expenses	333,977	10	415,618	6
General and administrative expenses	110,792	3	80,310	1
Research and development expenses	40,021	1	39,353	1
Expected credit (gain) loss	<u>(20,236)</u>	<u>-</u>	<u>17,588</u>	<u>1</u>
Total operating expenses	<u>464,554</u>	<u>14</u>	<u>552,869</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>184,926</u>	<u>5</u>	<u>301,392</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	19,272	-	7,658	-
Other income (Notes 31 and 34)	24,202	1	33,823	1
Other gains and losses (Note 34)	(2,810)	-	3,234	-
Finance costs (Note 34)	(4,641)	-	(3,255)	-
Share of profit of associates (Note 13)	<u>7,859</u>	<u>-</u>	<u>8,038</u>	<u>-</u>
Total non-operating income and expenses	<u>43,882</u>	<u>1</u>	<u>49,498</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	228,808	6	350,890	5
INCOME TAX EXPENSE (Notes 4 and 28)	<u>(40,226)</u>	<u>(1)</u>	<u>(65,537)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>188,582</u>	<u>5</u>	<u>285,353</u>	<u>4</u>

(Continued)

LEO SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 21)	\$ (5,749)	-	\$ 7,094	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 22)	25,896	1	(18,932)	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Notes 4 and 28)	<u>1,150</u>	<u>-</u>	<u>(1,419)</u>	<u>-</u>
	<u>21,297</u>	<u>1</u>	<u>(13,257)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss (Note 22)				
Exchange differences on translating foreign operations	<u>(762)</u>	<u>-</u>	<u>457</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>20,535</u>	<u>1</u>	<u>(12,800)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 209,117</u>	<u>6</u>	<u>\$ 272,553</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 188,447	5	\$ 285,370	4
Non-controlling interests	<u>135</u>	<u>-</u>	<u>(17)</u>	<u>-</u>
	<u>\$ 188,582</u>	<u>5</u>	<u>\$ 285,353</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 208,982	6	\$ 272,570	4
Non-controlling interests	<u>135</u>	<u>-</u>	<u>(17)</u>	<u>-</u>
	<u>\$ 209,117</u>	<u>6</u>	<u>\$ 272,553</u>	<u>4</u>
EARNINGS PER SHARE (Note 29)				
From continuing operations				
Basic	<u>\$ 2.12</u>		<u>\$ 3.24</u>	
Diluted	<u>\$ 2.05</u>		<u>\$ 3.16</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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Equity Attributable to the Owners of the Company							Unrealized 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, 2022	\$ 873,701	\$ 75	\$ 10,800	\$ 134,481	\$ 76,584	\$ 220,667	\$ (666)	\$ (3,276)	\$ 1,312,366	\$ -	\$ 1,312,366
Appropriation of 2021 earnings											
Legal reserve	-	-	-	20,785	-	(20,785)	-	-	-	-	-
Special reserve	-	-	-	-	(31,388)	31,388	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(162,661)	-	-	(162,661)	-	(162,661)
Changes in percentage of ownership interests in the subsidiary	-	-	65	-	-	-	-	-	65	-	65
Changes in associates accounted for using the equity method	-	-	77	-	-	-	-	-	77	-	77
Non-controlling interests	-	-	-	-	-	-	-	-	-	1,000	1,000
Issuance of stock from exercise of employee share options	8,600	134	4,552	-	-	-	-	-	13,286	-	13,286
Net profit for the year ended December 31, 2022	-	-	-	-	-	285,370	-	-	285,370	(17)	285,353
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	5,675	457	(18,932)	(12,800)	-	(12,800)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	291,045	457	(18,932)	272,570	(17)	272,553
BALANCE AT DECEMBER 31, 2022	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 income (loss) 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

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 228,808	\$ 350,890
Adjustments for:		
Depreciation expense	32,887	98,464
Amortization expense	114	463
Expected credit (gain) loss recognized on accounts receivable	(20,236)	17,588
Net gain on fair value changes of financial assets at fair value through profit or loss	-	(2,358)
Finance costs	4,641	3,255
Interest income	(19,272)	(7,658)
Dividend income	(99)	-
Compensation costs of employee share options	3,332	2,533
Share of profit or loss of associates	(7,859)	(8,038)
Loss on disposal of property, plant and equipment	375	-
Gain on lease modification	(13)	(1)
Changes in operating assets and liabilities		
Notes and accounts receivable	1,954,734	(1,841,365)
Notes and accounts receivable - related parties	2,480	(1,226)
Inventories	162,020	(254,797)
Other current assets	27,024	(26,327)
Other financial assets	(1,953)	859
Finance lease receivables	41,584	(59,225)
Notes and accounts payable	(1,312,524)	1,484,722
Notes and accounts payable - related parties	1,942	-
Other payables	(29,876)	36,329
Other payables - related parties	-	(55)
Other current liabilities	114,644	16,028
Net defined benefit liabilities	(514)	(778)
Cash generated from (used in) operations	1,182,239	(190,697)
Interest received	19,259	7,658
Interest paid	(4,641)	(3,255)
Income tax paid	(77,192)	(39,443)
Net cash generated from (used in) operating activities	1,119,665	(225,737)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(100,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	-	33,190
Payments for property, plant and equipment	(4,707)	(6,017)
Proceeds from disposal of property, plant and equipment	734	-
Increase in refundable deposits	(21,625)	(94,108)
Payments for intangible assets	(1,417)	(245)
		(Continued)

LEO SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
Increase in other assets - non-current	\$ (1,072)	\$ (1,119)
Dividend received from associates	<u>7,228</u>	<u>6,432</u>
Net cash used in investing activities	<u>(120,859)</u>	<u>(61,867)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(547,226)	537,846
Refund of guarantee deposits received	-	(420)
Repayment of the principal portion of lease liabilities	(14,755)	(13,821)
Dividends paid	(222,165)	(162,661)
Proceeds from exercise of employee share options	12,812	10,818
Increase in non-controlling interests	<u>1</u>	<u>1,000</u>
Net cash (used in) generated from financing activities	<u>(771,333)</u>	<u>372,762</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(740)</u>	<u>455</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	226,733	85,613
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>307,135</u>	<u>221,522</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 533,868</u>	<u>\$ 307,135</u>

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

(Concluded)

LEO SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

History and Operation of the Parent Company

Leo Systems, Inc. (“Leo” or the “Company”) was incorporated in September 1985 under the Company Law of the Republic of China and is mainly engaged in the sales of information software and hardware products, software planning and design, computer hardware maintenance services, and system integration. The head office is located in Neihu District, Taipei City, Taiwan, with branch offices in Kaohsiung City and Taichung City, Taiwan, and a warehouse in Linkou District, New Taipei City, Taiwan.

Leo’s shares were approved for public listing by the Securities and Futures Commission of the Ministry of Finance on September 30, 1999 and officially listed on the Mainboard Market of Taipei Exchange (formerly known as Gre Tai Securities Market) for trading on November 26 of the same year.

In order to consolidate resources and enhance the economic scale and competitiveness of its operations, on August 28, 2007, the shareholders’ meeting approved the merger with Public Power Systems Corporation, Dai-Sheng Technology Corporation and SuperNet Technology Corporation, Leo was the surviving company. After this consolidation, the Company added professional services in computerization, automation and system integration for the financial and manufacturing industries and Internet application marketing.

The consolidated financial statements of Leo and its subsidiaries (collectively, the “Group”) are presented in New Taiwan dollars, the functional currency of Leo.

History and Operations of Subsidiaries

- a. Leo Image, Inc. was incorporated in July 1997, the main business is the installation of computer equipment and the sale of its peripheral equipment.
- b. Full Fortune Technology Co., Ltd was incorporated to invest in and take control the subsidiary of China.
- c. Leosys, China was established in July 2007 and its main business is computer system design service, computer software service and computer system integration service.
- d. Unity SmartTech, Inc. was established in April 2022 and its main business is the innovation of technology application and creation of operation service.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors of Leo and authorized for issue on March 8, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

- c. New IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

Basis of Preparation

These consolidated financial statements have been prepared on the historical cost basis except for net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if these results in the non-controlling interests to have a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets at fair value through profit or loss or, when applicable, the cost on initial recognition of an investment in an associate.

See Note 12, Table 4 and Table 5 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Foreign Currencies

In the separate financial statements of each consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. In addition, the Group recognizes the changes in the share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. If additional subscription of the new shares of associate results in a decrease in the ownership interest, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds the Group's interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which it ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate of parties that are not related to the Group.

Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life is assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment losses.

Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual cash-generating units; otherwise, they are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 33.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, time deposits with original maturity more than three months, accounts receivable (including related parties) at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits and repurchase agreements collateralized by bonds with original maturities of within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable), investments in equity instruments at FVTOCI, lease receivables, and contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- a) Internal or external information show that the debtor is unlikely to pay its creditors.
- b) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Revenue Recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the contracts are negotiated as a package with a single commercial objective.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

a. Revenue from the sale of goods

Revenue and accounts receivable are recognized when the goods are sold and the customer assumes the right to set the price, use of the goods, primary responsibility for reselling, and obsolescence risk of the goods.

b. Revenue from the rendering of services

Revenue from product design and licensing services is recognized when the performance obligations of services are fulfilled.

Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability (asset)) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Share-based Payment Arrangements

The fair value at the grant date of the equity-settled share-based payments granted to employees is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - share-based payment. The share-based payment is recognized as an expense in full at the grant date if vested immediately. The grant date of the Group issued ordinary shares for cash which are reserved for employees is the date on which the employees are informed.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments that are expected to vest. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - share-based payment.

The share-based arrangements granted by the parent company to employees of its subsidiary, settled with equity instruments of the parent company, is considered as capital injection into the subsidiary. These arrangements are measured at fair value on the grant date, recognized as an increase in the carrying amount of the investment in the subsidiary over the vesting period, and are correspondingly adjusted against the capital surplus - share-based payment.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current tax and deferred tax for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Group considers the possible impact on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 511	\$ 511
Checking accounts and demand deposits	<u>533,357</u>	<u>306,624</u>
	<u>\$ 533,868</u>	<u>\$ 307,135</u>

7. FINANCIAL ASSETS AT FVTPL

	December 31	
	2023	2022
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 100,000	\$ -

In May 2021, the Group sold all of its shares in HOO Corporation with fair value of \$2,250 thousand and recognized gain same as the amount. In addition, the Group sold all mutual fund and recognized gain of \$33 thousand and \$75 thousand in September and October 2022, respectively.

8. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2023	2022
<u>Current</u>		
Investments in equity instruments	\$ 11,820	\$ 7,420
<u>Non-current</u>		
Investments in equity instruments	\$ 35,188	\$ 13,692

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2023	2022
<u>At amortized cost</u>		
Notes receivable	\$ 6,733	\$ 160,151
Accounts receivable	843,649	2,644,965
Accounts receivable - related parties	<u>49,767</u>	<u>52,247</u>
	900,149	2,857,363
Less: Allowance for impairment loss	(8,452)	(28,663)
Less: Allowance for impairment loss - related parties	<u>(498)</u>	<u>(523)</u>
	<u>\$ 891,199</u>	<u>\$ 2,828,177</u>

Receivables

The average credit period of sales of goods was 30 to 60 days. In determining the recoverability of receivables, the Group considers any changes in the credit quality of the receivable from the date the credit was initially granted to the end of the reporting period. The Group adopted a policy of only dealing with entities that have good credit rating and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from publicly available financial information or the Group's own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group applies the approach of lifetime expected loss provision for all trade receivables. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The details of accounts receivable (including related parties) were as follows:

	December 31	
	2023	2022
0-60 days	\$ 871,518	\$ 2,037,388
61-90 days	8,447	282,833
91-180 days	3,111	350,133
181-365 days	432	19,872
Over 365 days	<u>9,908</u>	<u>6,986</u>
	<u>\$ 893,416</u>	<u>\$ 2,697,212</u>

The above aging schedule was based on the date of occurrence.

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 29,186	\$ 11,598
Add: Net remeasurement of loss allowance	-	17,588
Less: Net remeasurement of loss allowance	<u>(20,236)</u>	<u>-</u>
Balance at December 31	<u>\$ 8,950</u>	<u>\$ 29,186</u>

10. FINANCE LEASE RECEIVABLES

	December 31	
	2023	2022
<u>Undiscounted lease payments</u>		
Year 1	\$ 102,405	\$ 153,032
Year 2	83,276	60,087
Year 3	50,433	55,840
Year 4	18,789	31,225
Year 5	<u>3,570</u>	<u>6,875</u>
	258,473	307,059
Less: Unearned finance income	<u>(13,501)</u>	<u>(20,503)</u>
Lease payments receivable	<u>244,972</u>	<u>286,556</u>
Net investment in lease receivables	<u>\$ 244,972</u>	<u>\$ 286,556</u>
Net investment in leases presented as finance lease receivables	\$ 95,884	\$ 142,058
Within 1 year	<u>149,088</u>	<u>144,498</u>
Over 1 year and less than 5 year	<u>\$ 244,972</u>	<u>\$ 286,556</u>

The Group entered into finance lease arrangements for certain storage equipment and these leases are denominated in New Taiwan dollars. The average term of the finance leases is 3 to 5 years and receivables expected to be realized within one year are recognized as other financial assets-current.

The interest rates inherent in leases are fixed at the contract dates for the entire term of the lease. The average effective interest rates contracted were approximately 3% per annum both as of December 31, 2023 and 2022, respectively.

The Group measures the loss allowance for finance lease receivables at an amount equal to lifetime ECLs. The respective leased equipment served as collateral for the finance lease receivables. As of December 31, 2023 and 2022, no finance lease receivable was past due. The Group has not recognized a loss allowance for finance lease receivables after taking into consideration the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables.

11. INVENTORIES

	December 31	
	2023	2022
Merchandise	\$ 241,225	\$ 402,110
Borrowed goods	13,583	13,535
Loan product	<u>7,801</u>	<u>8,984</u>
	<u>\$ 262,609</u>	<u>\$ 424,629</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$2,614,556 thousand and \$5,631,885 thousand, respectively, and included an inventory write-downs of \$0 both for the years ended December 31, 2023 and 2022.

As of December 31, 2023 and 2022, the allowance for inventory write-downs both were \$2,932 thousand.

12. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

The consolidated entities as of December 31, 2023 and 2022 were as follows:

Investor	Investee	Main Businesses	% of Ownership		Remark
			December 31		
			2023	2022	
Leo Systems, Inc.	Leo Magic, Inc.	Sales of personal computer, electronic appliance and electronic materials	100.00	100.00	
	Unity SmartTech, Inc.	Innovation of technology application and creation of operation service	90.00	90.00	
Leo Magic, Inc.	Full Fortune Technology Co., Ltd.	Investment business	100.00	100.00	
	Leosys, China	Computer system design service and computer system integration service	100.00	100.00	

The Group established Unity SmartTech, Inc. and invested \$9,000 thousand with 90% of ownership in April 2022; its main business is the innovation of technology application and creation of operation service.

The financial statements of above subsidiaries have been audited and significant transactions between and among the companies have been eliminated in the consolidated financial statements.

- b. Subsidiaries excluded from consolidated financial statements: None.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2023	2022
Material associates		
Lotrich Information Co., Ltd.	\$ 164,859	\$ 164,663
Associates that are not individually material	<u>20,076</u>	<u>19,542</u>
	<u>\$ 184,935</u>	<u>\$ 184,205</u>

- a. Material associates

	% of Ownership	
	December 31	
	2023	2022
Lotrich Information Co., Ltd.	30%	30%

The Group received cash dividends \$5,608 thousand and \$5,062 thousand in accordance with the holding percentage of Lotrich Information Co., Ltd. on September 6, 2023 and August 8, 2022, respectively.

Refer to Table 4 of Note 36 “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the associate.

Summarized financial information of the Group’s material associates is set out below.

Lotrich Information Co., Ltd.

	December 31	
	2023	2022
Current assets	\$ 1,299,737	\$ 436,343
Non-current assets	201,283	201,185
Current liabilities	(953,227)	(91,331)
Non-current liabilities	<u>(943)</u>	<u>-</u>
Equity	<u>\$ 546,850</u>	<u>\$ 546,197</u>
Proportion of the Group’s ownership	30%	30%
Equity attributable to the Group	\$ 164,055	\$ 163,859
Goodwill	<u>804</u>	<u>804</u>
Carrying amount	<u>\$ 164,859</u>	<u>\$ 164,663</u>

	For the Year Ended December 31	
	2023	2022
Operating revenue	\$ 211,445	\$ 215,202
Net profit for the year	\$ 19,347	\$ 20,770
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 19,347</u>	<u>\$ 20,770</u>

b. Aggregate information of the not individually material associate is set out below:

	For the Year Ended December 31	
	2023	2022
The Group's share of:		
Net profit for the year	\$ 2,055	\$ 1,807
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 2,055</u>	<u>\$ 1,807</u>

	December 31	
	2023	2022
GeoIntelligence Systems, Inc.	18.13%	18.13%

In December 2022, GeoIntelligence Systems, Inc. transferred employees' compensation to its ordinary shares and the ownership of the Group decreased from 19% to 18.13% accordingly.

The Group received cash dividends \$1,521 thousand and \$1,370 thousand in accordance with the holding percentage of GeoIntelligence Systems, Inc. in 2023 and 2022, respectively.

The investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2023	2022
Assets used by the Group	\$ 67,250	\$ 69,118
Assets leased under operating leases	<u>-</u>	<u>12,913</u>
	<u>\$ 67,250</u>	<u>\$ 82,031</u>

a. Assets used by the Group

Movements of property, plant and equipment for the years ended December 31, 2023 and 2022 were as follows:

	Land	Buildings	Machine	Vehicle	Computer	Others	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 48,665	\$ 11,734	\$ 259	\$ 14,469	\$ 17,706	\$ 15,894	\$ 108,727
Additions	-	-	-	2,589	492	1,626	4,707
Disposal	-	-	-	(2,949)	(558)	(1,352)	(4,859)
Effects of foreign currency exchange differences	-	-	-	-	(83)	-	(83)
Balance at December 31, 2023	<u>\$ 48,665</u>	<u>\$ 11,734</u>	<u>\$ 259</u>	<u>\$ 14,109</u>	<u>\$ 17,557</u>	<u>\$ 16,168</u>	<u>\$ 108,492</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ 6,893	\$ 259	\$ 7,753	\$ 13,366	\$ 11,338	\$ 39,609
Additions	-	255	-	1,810	1,783	1,596	5,444
Disposal	-	-	-	(1,840)	(558)	(1,352)	(3,750)
Effects of foreign currency exchange differences	-	-	-	-	(61)	-	(61)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 7,148</u>	<u>\$ 259</u>	<u>\$ 7,723</u>	<u>\$ 14,530</u>	<u>\$ 11,582</u>	<u>\$ 41,242</u>
Carrying amount at December 31, 2023	<u>\$ 48,665</u>	<u>\$ 4,586</u>	<u>\$ -</u>	<u>\$ 6,386</u>	<u>\$ 3,027</u>	<u>\$ 4,586</u>	<u>\$ 67,250</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ 48,665	\$ 11,734	\$ 706	\$ 13,524	\$ 13,985	\$ 20,791	\$ 109,405
Additions	-	-	-	1,791	3,838	388	6,017
Disposal	-	-	(447)	(846)	(167)	(5,616)	(7,076)
Reclassification	-	-	-	-	-	331	331
Effects of foreign currency exchange differences	-	-	-	-	50	-	50
Balance at December 31, 2022	<u>\$ 48,665</u>	<u>\$ 11,734</u>	<u>\$ 259</u>	<u>\$ 14,469</u>	<u>\$ 17,706</u>	<u>\$ 15,894</u>	<u>\$ 108,727</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 6,637	\$ 694	\$ 6,926	\$ 11,829	\$ 14,210	\$ 40,296
Additions	-	256	12	1,673	1,656	2,744	6,341
Disposal	-	-	(447)	(846)	(167)	(5,616)	(7,076)
Effects of foreign currency exchange differences	-	-	-	-	48	-	48
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 6,893</u>	<u>\$ 259</u>	<u>\$ 7,753</u>	<u>\$ 13,366</u>	<u>\$ 11,338</u>	<u>\$ 39,609</u>
Carrying amount at December 31, 2022	<u>\$ 48,665</u>	<u>\$ 4,841</u>	<u>\$ -</u>	<u>\$ 6,716</u>	<u>\$ 4,340</u>	<u>\$ 4,556</u>	<u>\$ 69,118</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	40-47 years
Machine equipment	6 years
Vehicle equipment	7 years
Computer equipment	1-6 years
Others	1-7 years

Please refer to Note 35 for the carrying amount of property, plant and equipment pledged as collateral.

b. Assets leased under operating leases

	Machine Equipment
<u>Cost</u>	
Balance at January 1, 2023	\$ 187,220
Reclassification	<u>-</u>
Balance at December 31, 2023	<u>\$ 187,220</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2023	\$ 174,307
Depreciation	<u>12,913</u>
Balance at December 31, 2023	<u>\$ 187,220</u>
Carrying amount at December 31, 2023	<u>\$ -</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 187,220
Reclassification	<u>-</u>
Balance at December 31, 2022	<u>\$ 187,220</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$ 96,837
Depreciation	<u>77,470</u>
Balance at December 31, 2022	<u>\$ 174,307</u>
Carrying amount at December 31, 2022	<u>\$ 12,913</u>

Operating leases relate to leases of machine equipment with lease terms 3 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	<u>December 31</u>	
	2023	2022
Year 1	<u>\$ -</u>	<u>\$ 15,230</u>

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Machine equipment	3 years
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15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amount</u>		
Buildings	\$ <u>43,487</u>	\$ <u>57,254</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	\$ <u>1,109</u>	\$ <u>8,908</u>
Depreciation charge for right-of-use assets		
Buildings	\$ <u>14,530</u>	\$ <u>14,653</u>

Except for the addition and depreciation expense listed above, there was no significant sublease or impairment of the right-of-use assets in 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	\$ <u>14,023</u>	\$ <u>14,753</u>
Non-current	\$ <u>30,123</u>	\$ <u>43,398</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Buildings	1.00%-2.30%	1.00%-2.10%

c. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases	\$ <u>1,217</u>	\$ <u>1,307</u>
Total cash outflow for leases	\$ <u>(16,508)</u>	\$ <u>(15,747)</u>

The Group leases certain office equipment which qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. GOODWILL

	December 31	
	2023	2022
Acquisition cost	\$ 157,913	\$ 157,913
Less: Accumulated impairment	<u>(63,167)</u>	<u>(63,167)</u>
Carrying amount, at end of the year	<u>\$ 94,746</u>	<u>\$ 94,746</u>

On January 1, 2008, Leo merged with Public Power Systems Co., Ltd., Daesung Technology Co., Ltd. and SuperNet Technology Co. The value of issuing shares by the Group and other related costs were deducted from the fair value of the net assets of acquirees, the carrying amount of \$157,913 thousand was recognized as goodwill. The Group assessed the recoverable amount of goodwill and recognized a impairment of \$63,167 thousand related to Da Sheng Technology Co in 2008.

The recoverable amount was determined on the basis of value in use and was estimated based on free cash flow of the Group management estimation for the next five years and was calculated using an annual discount rate of 10.53%.

Based on assessment of the Group management, no further impairment of the above goodwill was identified as of December 31, 2023.

17. OTHER ASSETS

	December 31	
	2023	2022
<u>Current</u>		
Prepaid expense	\$ 45,878	\$ 37,514
Tax refund receivable	1,622	-
Excess value-added tax paid	-	33,911
Restricted assets (Note 35)	<u>-</u>	<u>1,464</u>
	<u>\$ 47,500</u>	<u>\$ 72,889</u>
<u>Non-current</u>		
Refundable deposits	\$ 405,408	\$ 383,783
Restricted assets (Note 35)	5,398	3,902
Others	<u>466</u>	<u>890</u>
	<u>\$ 411,272</u>	<u>\$ 388,575</u>

Refundable deposits are mainly paid by the Group for bidding in business expansion and performance bonds paid for winning bids.

Restricted assets mainly consist of the pledge of certificates of deposit to the authority as collateral for performance after winning the bid and the provision of certificates of deposit as collateral for the loan amount, please refer to Note 35.

18. SHORT-TERM BORROWINGS

	December 31	
	2023	2022
<u>Secured borrowings</u>		
Bank loan (Note 35)	\$ <u>10,171</u>	\$ <u>557,397</u>

The interest rates on bank loans were 4.70% and 1.65%-4.67% per annum at December 31, 2023 and 2022, respectively.

19. NOTES AND ACCOUNTS PAYABLE

	December 31	
	2023	2022
Notes payable	\$ 115	\$ 877
Accounts payable	<u>907,349</u>	<u>2,219,111</u>
	<u>\$ 907,464</u>	<u>\$ 2,219,988</u>

The average term of payment is three months. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER LIABILITIES

	December 31	
	2023	2022
<u>Current</u>		
Other payables		
Bonuses	\$ 84,299	\$ 91,342
Salaries	21,506	20,446
Commission	21,171	23,123
Remuneration of employees and directors (Note 27)	17,321	26,385
Others (including rent, transportation and stationery, etc.)	<u>50,442</u>	<u>63,319</u>
	<u>\$ 194,739</u>	<u>\$ 224,615</u>
Other liabilities		
Contract liabilities	\$ 237,009	\$ 121,141
Others	<u>6,724</u>	<u>7,948</u>
	<u>\$ 243,733</u>	<u>\$ 129,089</u>

21. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, Leo and Leo Magic, Inc. make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Defined Benefit Plans

Based on the defined benefit plan under the Labor Standards Law (LSL), pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Leo contributed amounts equal to 2% of total monthly salaries and wages to the pension fund administered by the pension fund monitoring committee. The pension fund is deposited in Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the obligation of Leo under the defined benefit plans were as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 98,175	\$ 90,816
Fair value of plan assets	<u>(40,557)</u>	<u>(38,433)</u>
Net defined benefit liabilities	<u>\$ 57,618</u>	<u>\$ 52,383</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2022	<u>\$ 95,340</u>	<u>\$ (35,085)</u>	<u>\$ 60,255</u>
Service cost			
Current service cost	61	-	61
Net interest expense	<u>715</u>	<u>(268)</u>	<u>447</u>
Recognized in profit or loss	<u>776</u>	<u>(268)</u>	<u>508</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,658)	(2,658)
Actuarial gain - changes in financial assumptions	(3,723)	-	(3,723)
Actuarial gain - experience adjustments	<u>(713)</u>	<u>-</u>	<u>(713)</u>
Recognized in other comprehensive income	<u>(4,436)</u>	<u>(2,658)</u>	<u>(7,094)</u>
Contributions from the employer	<u>-</u>	<u>(1,286)</u>	<u>(1,286)</u>
Benefits paid	<u>(864)</u>	<u>864</u>	<u>-</u>
Balance at December 31, 2022	<u>90,816</u>	<u>(38,433)</u>	<u>52,383</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Service cost			
Current service cost	\$ 59	\$ -	\$ 59
Net interest expense	<u>1,271</u>	<u>(547)</u>	<u>724</u>
Recognized in profit or loss	<u>1,330</u>	<u>(547)</u>	<u>783</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(280)	(280)
Actuarial loss - changes in financial assumptions	588	-	588
Actuarial loss - experience adjustments	<u>5,441</u>	<u>-</u>	<u>5,441</u>
Recognized in other comprehensive income	<u>(6,029)</u>	<u>(280)</u>	<u>5,749</u>
Contributions from the employer	<u>-</u>	<u>(1,297)</u>	<u>(1,297)</u>
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 98,175</u>	<u>\$ (40,557)</u>	<u>\$ 57,618</u> (Concluded)

Through the defined benefit plans under the LSL, the Group is exposed to the following risks:

- Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rates	1.300%	1.400%
Expected rates of salary increase	2.250%	2.250%

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2023	2022
Discount rates		
0.25% increase	\$ (1,508)	\$ (1,467)
0.25% decrease	\$ 1,548	\$ 1,507
Expected rates of salary increase		
0.25% increase	\$ 1,485	\$ 1,446
0.25% decrease	\$ (1,454)	\$ (1,414)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
Expected contributions to the plan for the next year	\$ 1,276	\$ 1,300
Average duration of the defined benefit obligation	6 years	7 years

22. EQUITY

Share Capital

Ordinary shares

	December 31	
	2023	2022
Shares authorized (in thousands)	250,000	250,000
Shares authorized, par value of \$10	\$ 2,500,000	\$ 2,500,000
Shares issued and fully paid (in thousands)	89,148	88,230
Shares issued and fully paid, par value of \$10	\$ 891,481	\$ 882,301

The issued share has a par value of \$10 per share and is entitled to one vote and the right to receive dividends.

As described in Note 30, the Group's employees exercised 1,125 thousand units of share options in 2023, each unit of share option can convert to one ordinary share, totaling exercised amount of \$12,812 thousand. As of December 31, 2023, 225 thousand units of share options and the amount of \$2,408 thousand was recognized as advance receipts for share capital because the capital registration has not been completed. Once the board of directors resolves the date of the capital increase and completes the capital registration, the aforementioned advance receipts will be transferred to share capital and capital surplus accounts. In addition, together with 18 thousand units of advance receipts for share capital on 31 December 2022, shares issued and fully paid of the Group increased to \$891,481 thousand on December 31, 2023.

Capital Surplus

	December 31	
	2023	2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)		
Issuance of ordinary shares	\$ 13,472	\$ 10,956
Expired employee share options	964	964
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (b)	201	99
Changes in percentage of ownership interests in associates	77	77
<u>May not be used for any purpose</u>		
Employee share options (c)	<u>5,545</u>	<u>3,398</u>
	<u>\$ 20,259</u>	<u>\$ 15,494</u>

- Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.
- Such capital surplus arises from the effects of employee share option and cannot be used for any purpose.

Retained Earnings and Dividend Policy

- Under the dividends policy as set forth in the Articles, if the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan. According to Company Act, distribution of earnings should be approved by the shareholders in their meetings. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 27.
- According to the Articles, the Company would distribute unappropriated earnings as cash or share dividends, and the sum of cash dividends should be more than 30% of total dividends.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021 were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2022	2021
Legal reserve	\$ 29,105	\$ 20,785
Special reserve	\$ 18,475	\$ (31,388)
Cash dividends	\$ 222,165	\$ 162,661
Cash dividends per share (NT\$)	\$ 2.50	\$ 1.85

The above appropriation for cash dividends for 2022 and 2021 were resolved by the shareholders' meeting on June 7, 2023 and June 2, 2022, respectively.

The appropriation of earnings for 2023, which were proposed by the Company's board of directors on March 8, 2024 were as follows:

	For the Year Ended December 31, 2023
Legal reserve	\$ 18,385
Special reserve	\$ (22,417)
Cash dividends	\$ 187,717
Cash dividends per share (NT\$)	\$ 2.10

The proposed appropriations will be resolved by the shareholders in their meeting to be held on June 5, 2024.

Other Equity

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ (209)	\$ (666)
Recognized for the year		
Exchange differences arising on translating the foreign operations	<u>(762)</u>	<u>457</u>
Balance at December 31	\$ <u>(971)</u>	\$ <u>(209)</u>

Exchange differences relating to the translation of the results of operations and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

Unrealized loss on financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	
	2023	2022
Balance at January 1	\$ (22,208)	\$ (3,276)
Recognized for the year		
Unrealized loss - equity instruments	<u>25,896</u>	<u>(18,932)</u>
Balance at December 31	<u>\$ 3,688</u>	<u>\$ (22,208)</u>

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

23. REVENUE

	<u>For the Year Ended December 31</u>	
	2023	2022
Revenue from contracts with customers		
Sale of goods	\$ 2,997,375	\$ 6,215,914
Maintenance	395,064	352,634
Commission	64,944	71,579
Other operating revenue	<u>334</u>	<u>4,989</u>
	<u>\$ 3,457,717</u>	<u>\$ 6,645,116</u>

24. COST

	<u>For the Year Ended December 31</u>	
	2023	2022
Cost from contracts with customers		
Cost of goods sold	\$ 2,614,556	\$ 5,631,885
Maintenance	138,633	96,133
Commission	55,019	60,464
Other operating costs	<u>29</u>	<u>2,373</u>
	<u>\$ 2,808,237</u>	<u>\$ 5,790,855</u>

25. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 18,357	\$ 83,811
Right-of-use assets	14,530	14,653
Computer software	<u>114</u>	<u>463</u>
	<u>\$ 33,001</u>	<u>\$ 98,927</u>
An analysis of depreciation by function		
Operating costs	\$ 12,913	\$ 77,470
Selling and marketing expenses	2,557	4,513
General and administrative expenses	17,181	16,608
Research and development expenses	<u>350</u>	<u>336</u>
	<u>\$ 33,001</u>	<u>\$ 98,927</u>

26. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2023	2022
Post-employment benefits (Note 21)		
Defined contribution plans	\$ 13,693	\$ 13,091
Defined benefit plans	783	508
Short-term benefits		
Salaries	332,769	356,351
Insurance	32,870	30,247
Remuneration of directors	4,909	7,477
Others	<u>15,268</u>	<u>18,047</u>
	<u>400,292</u>	<u>425,721</u>
Share-based payment (Note 30)	<u>3,332</u>	<u>2,533</u>
Total employee benefits expense	<u>\$ 403,624</u>	<u>\$ 428,254</u>
An analysis of employee benefits expense by function		
Selling and marketing expenses	\$ 295,573	\$ 349,545
General and administrative expenses	68,380	39,692
Research and development expenses	<u>39,671</u>	<u>39,017</u>
	<u>\$ 403,624</u>	<u>\$ 428,254</u>

27. EMPLOYEES' COMPENSATION AND REMUNERATION OF DIRECTORS

According to the Company's Articles, Leo System, Inc. and Unity SmartTech Inc. accrues employees' compensation and remuneration of directors at rates of 5% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. Leo Magic, Inc. accrues employees' compensation at rates of 1% of net profit before income tax and employees' compensation. The employees' compensation and the remuneration of directors for the years ended December 31, 2023 and 2022, which were approved by Leo System, Inc.'s board of directors on March 8, 2024 and March 8, 2023, respectively. Meanwhile, the employees' compensation for the years ended December 31, 2023 and 2022, which were approved by Leo Magic, Inc.'s board of directors on March 7, 2024 and March 7, 2023, respectively, are as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Leo System, Inc.</u>		
Employees' compensation	5.00%	5.00%
Remuneration of directors	2.00%	2.00%
<u>Leo Magic, Inc.</u>		
Employees' compensation	1.00%	1.00%
<u>Unity SmartTech, Inc.</u>		
Employees' compensation	5.00%	-
Remuneration of directors	2.00%	-

Amount

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>Cash</u>	<u>Cash</u>
<u>Leo System, Inc.</u>		
Employees' compensation	\$ 12,272	\$ 18,691
Remuneration of directors	4,909	7,477
<u>Leo Magic, Inc.</u>		
Employees' compensation	29	217
<u>Unity SmartTech, Inc.</u>		
Employees' compensation	79	-
Remuneration of directors	32	-

Unity SmartTech Inc as a loss in 2022, the remuneration of employees and directors and supervisors is not estimated.

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the amounts of the employees' compensation and the remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation to employees and remuneration of directors resolved by the board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

28. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 41,098	\$ 63,330
Income tax on unappropriated earnings	960	2,790
Adjustments for prior years	(2,174)	(2,246)
Deferred tax		
In respect of the current year	<u>342</u>	<u>1,663</u>
Income tax expense recognized in profit or loss	<u>\$ 40,226</u>	<u>\$ 65,537</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	<u>\$ 228,808</u>	<u>\$ 350,890</u>
Income tax expense calculated at the statutory rate (20%)	\$ 45,761	\$ 70,178
Unrealized Investment gain or loss in subsidiaries	(2,061)	(2,629)
Non-deductible expenses in determining taxable income	1	-
Investment credits	(2,206)	(2,084)
Loss carryforwards	(35)	-
Tax-exempt income	(20)	(472)
Income tax on unappropriated earnings	960	2,790
Adjustments for prior years' tax	<u>(2,174)</u>	<u>(2,246)</u>
Income tax expense recognized in profit or loss	<u>\$ 40,226</u>	<u>\$ 65,537</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
Remeasurement of defined benefit plans	<u>\$ (1,150)</u>	<u>\$ 1,419</u>

c. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax liabilities		
Income tax payable	<u>\$ 13,586</u>	<u>\$ 49,272</u>

d. Deferred tax assets

The movements of deferred tax assets were as follows:

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for ECLs	\$ 176	\$ (239)	\$ -	\$ (63)
Defined benefit obligations	<u>205</u>	<u>(103)</u>	<u>1,150</u>	<u>1,252</u>
	<u>\$ 381</u>	<u>\$ (342)</u>	<u>\$ 1,150</u>	<u>\$ 1,189</u>

Deferred tax liabilities

Temporary differences				
Goodwill	<u>\$ 18,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,949</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss	\$ 445	\$ (445)	\$ -	\$ -
Allowance for ECLs	176	-	-	176
Defined benefit obligations	<u>1,779</u>	<u>(155)</u>	<u>(1,419)</u>	<u>205</u>
	<u>\$ 2,400</u>	<u>\$ (600)</u>	<u>\$ (1,419)</u>	<u>\$ 381</u>

Deferred tax liabilities

Temporary differences				
Goodwill	<u>\$ 17,886</u>	<u>\$ 1,063</u>	<u>\$ -</u>	<u>\$ 18,949</u>

e. Income tax assessments

The Company and its subsidiaries tax returns through 2021 have been assessed and approved by the tax authorities.

29. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2023	2022
Basic earnings per share	\$ 2.12	\$ 3.24
Diluted earnings per share	\$ 2.05	\$ 3.16

The earnings and weighted average number of ordinary shares outstanding for the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2023	2022
Profit for the year attributable to owners of the Company	\$ 188,447	\$ 285,370
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	-	-
Earnings used in the computation of diluted earnings per share	\$ 188,447	\$ 285,370

Shares

Unit: In Thousands of Shares

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	89,080	88,112
Effect of potentially dilutive ordinary shares		
Employee share options	2,419	1,409
Employees' compensation or bonuses issued to employees	445	656
Weighted average number of ordinary shares used in computation of diluted earnings per share	91,944	90,177

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the amount of compensation divided by the closing price of the potential common shares at the end of the reporting period. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

30. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

a. Employee share option plan 2019

Qualified employees of the Company were granted 4,200 thousand options in January 2019. Each option entitles the holder to subscribe for one ordinary shares of the Company and subsidiaries. The options granted are valid for 5 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the Mainboard Market of Taipei Exchange at the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2023		2022	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	1,254.5	\$ 11.60	2,160	\$ 12.52
Options granted	-	-	-	-
Options expired	-	-	(33.5)	11.60
Options exercised	<u>(1,125)</u>	10.70- 11.60	<u>(872)</u>	11.60- 12.52
Balance at December 31	<u>129.5</u>	10.70	<u>1,254.5</u>	11.60
Weighted-average fair value of options granted (\$)	<u>129.5</u>		<u>204.5</u>	

Information on outstanding options was as follows:

	December 31	
	2023	2022
Range of exercise price (NT\$)	\$10.70	\$11.60
Weighted-average remaining contractual life (in years)	-	1 year

Options granted were priced using the Black-Scholes option pricing model, and the inputs to the model were as follows:

	January 2019
Grant-date share price (NT\$)	\$15.50
Exercise price (NT\$) (Note)	\$10.70
Expected volatility	25.34675%
Expected life (in years)	5 years
Expected dividend rate	7.94%
Risk-free interest rate	0.6445%

Note: The exercise price of employee share options was NT\$15.50 on the grant date in 2019. The adjustment of exercise price was due to the cash dividends distribution in 2023, 2022, 2021 and 2020, respectively. As of December 31, 2023, the exercise price was NT\$10.70.

b. Employee share option plan 2022

Qualified employees of the Company were granted 5,800 thousand options in May 2022. Each option entitles the holder to subscribe for one ordinary shares of the Company and subsidiaries. The options granted are valid for 5 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the Mainboard Market of Taipei Exchange at the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2023		2022	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	5,622	\$ 23.00	-	\$ -
Options granted	-	-	5,800	24.90
Options expired	-	-	(178)	23.00
Balance at December 31	<u>5,622</u>	21.30	<u>5,622</u>	23.00
Weighted-average fair value of options granted (\$)	<u>\$ -</u>		<u>\$ 1.4775</u>	
			December 31	
			2023	2022
Range of exercise price (NT\$)			\$21.30	\$23.00
Weighted-average remaining contractual life (in years)			3.33 years	4.33 years

Options granted were priced using the Black-Scholes option pricing model, and the inputs to the model were as follows:

	May 2022
Grant-date share price (NT\$)	\$24.90
Exercise price (NT\$) (Note)	\$21.30
Expected volatility	20.5450%
Expected life (in years)	5 years
Expected dividend rate	7.43%
Risk-free interest rate	0.9755%

Note: The exercise price of employee share options was \$24.90 on the grant date in 2022. The adjustment of exercise price was due to the cash dividends distribution in 2023 and 2022 and as of December 31, 2023, the exercise price was \$21.30.

Compensation costs of employee share option plan were \$3,332 thousand and \$2,523 thousand for the years ended December 31, 2023 and 2022, respectively.

31. GOVERNMENT GRANTS

The Group received government grants of \$17,320 thousand and \$26,260 thousand (recognized as other income) for the years ended December 31, 2023 and 2022, respectively.

32. CAPITAL MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders by optimizing the debt and equity balance. The Group's overall strategy remains unchanged from 2021.

The capital structure of the Group consists of the equity attributable to the owners of the Company (comprising issued capital, capital surplus, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

33. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value were approximate amounts of their fair value or the fair value cannot be measured reliably.

b. Fair value measurements recognized in the consolidated balance sheets

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic listed shares - equity investments	\$ 11,820	\$ -	\$ -	\$ 11,820
Domestic unlisted shares - equity investments	<u>-</u>	<u>-</u>	<u>35,188</u>	<u>35,188</u>
	<u>\$ 11,820</u>	<u>\$ -</u>	<u>\$ 35,188</u>	<u>\$ 47,008</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic listed shares - equity investments	\$ 7,420	\$ -	\$ -	\$ 7,420
Domestic unlisted shares - equity investments	<u>-</u>	<u>-</u>	<u>13,692</u>	<u>13,692</u>
	<u>\$ 7,420</u>	<u>\$ -</u>	<u>\$ 13,692</u>	<u>\$ 21,112</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2023

Financial Assets	Financial Assets at FVTPL			Financial Assets at FVTOCI		Total
	Derivatives	Equity Instruments	Debt Instruments	Equity Instruments	Debt Instruments	
Balance at January 1, 2023	\$ -	\$ -	\$ -	\$ 13,692	\$ -	\$ 13,692
Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI)	-	-	-	21,496	-	21,496
Balance at December 31, 2023	\$ -	\$ -	\$ -	\$ 35,188	\$ -	\$ 35,188
Unrealized gain/(loss) for the current year included in profit or loss relating to assets held at the end of the year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

For the year ended December 31, 2022

Financial Assets	Financial Assets at FVTPL			Financial Assets at FVTOCI		Total
	Derivatives	Equity Instruments	Debt Instruments	Equity Instruments	Debt Instruments	
Balance at January 1, 2022	\$ -	\$ -	\$ -	\$ 24,904	\$ -	\$ 24,904
Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI)	-	-	-	(11,212)	-	(11,212)
Balance at December 31, 2022	\$ -	\$ -	\$ -	\$ 13,692	\$ -	\$ 13,692
Unrealized gain/(loss) for the current year included in profit or loss relating to assets held at the end of the year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

3) Valuation techniques and inputs applied for Level 3 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Domestic unlisted shares	Market approach: The fair value is measured by the share price and liquidity of similar listed company or based on valuations provided by market participants or quoted prices of the counterparty.

Categories of Financial Instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 100,000	\$ -
Financial assets at amortized cost (Note 1)	2,079,253	3,807,504
Financial assets at FVTOCI		
Equity instruments	47,008	21,112

Financial liabilities

Financial liabilities at amortized cost (Note 2)	1,117,572	3,005,256
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Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, notes and accounts receivable (including related parties), other financial assets - current, finance lease receivables - non-current and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, notes and accounts payable (including related parties), other payables (including related parties) and guarantee deposits.

Financial Risk Management Objectives and Policies

The Group's financial instruments mainly include equity and debt investments, accounts receivable, accounts payable, lease liability and loan. The Group's Department of Finance and Accounting provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

Main operating activities of the Group are conducted in functional currency with low market risk, so it does not actively use derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

a. Market risk

The Group's activities exposed it primarily to the financial risks of changes in interest rates. Interest rate risk refers to the risk that the change in market value will influence the fair value of financial instruments.

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. Please refer Note 18 for the carrying amount of bank borrowings.

b. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the following:

- 1) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- 2) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Group adopted a policy of dealing only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only deals with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Related information on the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Group's consolidated balance sheets.

The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

c. Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

As of December 31, 2023 and 2022, the Group had available unutilized short-term bank loan facilities amounted to \$958,248 thousand and \$602,566 thousand, respectively. As of December 31, 2023, the aggregate principal of the Group was described in Note 18. Management believes that such bank loans will be repaid one year after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements.

34. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows.

a. The names and relationships of related parties

Related party	Related Party Category
FIC Global, Inc.	An important stockholder of the Company
First International Computer, Inc.	An important stockholder of the Company

(Continued)

Related party	Related Party Category
Lotrich information Co, Ltd.	Associate
GeoIntelligence Systems, Inc.	Associate
City Smarter Technologies Corporation	Other related party
Adtech, Inc.	Other related party
CGCH Foundation For Education	Other related party
Formosa 21, Inc.	Other related party
	(Concluded)

b. Operating transactions

	Revenue		Cost	
	For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022
An important stockholder of the Company	\$ 4,732	\$ 1,562	\$ 3,150	\$ -
Associates				
Lotrich information Co., Ltd.	92,634	94,610	-	-
Other related parties	<u>555</u>	<u>2,885</u>	<u>-</u>	<u>-</u>
	<u>\$ 97,921</u>	<u>\$ 99,057</u>	<u>\$ 3,150</u>	<u>\$ -</u>

Except for terms of credit to associates are better than normal, selling prices and terms of credit to related parties are similar with other regular sales. Terms of purchasing prices and payment for both related and unrelated parties are similar.

	Rental Income		Lease Expense	
	For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022
An important stockholder of the Company	\$ -	\$ -	\$ 28	\$ 15
Associates	<u>914</u>	<u>914</u>	<u>-</u>	<u>-</u>
	<u>\$ 914</u>	<u>\$ 914</u>	<u>\$ 28</u>	<u>\$ 15</u>

	Advice Fee	
	For the Year Ended December 31	
	2023	2022
An important stockholder of the Company	\$ 4,800	\$ 4,800
Other related parties	<u>143</u>	<u>-</u>
	<u>\$ 4,943</u>	<u>\$ 4,800</u>

	Donation	
	For the Year Ended December 31	
	2023	2022
Other related parties	<u>\$ 1,200</u>	<u>\$ 1,200</u>

	Other Income		Other Expense	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2023	2022	2023	2022
Associates	\$ <u>1,706</u>	\$ <u>1,378</u>	\$ <u>-</u>	\$ <u>-</u>

	Training Expense	
	For the Year Ended December 31	
	2023	2022
An important stockholder of the Company	\$ <u>-</u>	\$ <u>152</u>

The following balances of accounts receivable from related parties were outstanding at the end of the reporting period:

	December 31	
	2023	2022
An important stockholder of the Company	\$ 39	\$ 709
Associates		
Lotrich Information Co., Ltd.	49,404	49,987
Others	324	4
Other related parties	<u>-</u>	<u>1,547</u>
	49,767	52,247
Less: Allowance for impairment loss	<u>(498)</u>	<u>(523)</u>
	\$ <u>49,269</u>	\$ <u>51,724</u>

The following balances of accounts payable to related parties were outstanding at the end of the reporting period:

	December 31	
	2023	2022
An important stockholder of the Company	\$ 3,307	\$ -
Other related parties	<u>-</u>	<u>1,365</u>
	\$ <u>3,307</u>	\$ <u>1,365</u>

Other payables

	December 31	
	2023	2022
An important stockholder of the Company	\$ <u>501</u>	\$ <u>501</u>

Prepaid expense

	December 31	
	2023	2022
Other related parties	\$ <u>-</u>	\$ <u>229</u>

Refundable deposits

	December 31	
	2023	2022
An important stockholder of the Company	\$ 2,193	\$ 2,193

- c. Lease arrangements - the Group is lessee

	December 31	
	2023	2022
<u>Lease liabilities</u>		
An important stockholder of the Company	\$ 36,278	\$ 48,454

The Group rented the offices from the above related party and renew the lease starting from January 1, 2022.

	For the Year Ended December 31	
	2023	2022
<u>Interest expense</u>		
An important stockholder of the Company	\$ 418	\$ 532

- d. Compensation of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term benefits	\$ 29,972	\$ 29,838

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

35. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collateral for bank borrowings, guarantee for bidding contracts and endorsements for subsidiaries:

	December 31	
	2023	2022
Pledged deposits (classified as other assets - current)	\$ -	\$ 1,464
Pledged deposits (classified as other assets - non-current)	5,398	3,902
Property, plant and equipment		
Land	43,857	43,857
Buildings	3,274	3,454
	<u>\$ 52,529</u>	<u>\$ 52,677</u>

36. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- a. Financing provided: None
- b. Endorsements/guarantees provided to others: Table 1
- c. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 2
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- e. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- i. Information on derivative instruments: None
- j. Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and significant transactions between them: Table 3
- k. Information on investees: Table 4

Information on investments in mainland China:

- a. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area: Table 5
- b. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None
 - 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None
 - 3) The amount of property transactions and the amount of the resultant gains or losses: None
 - 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None
 - 5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None

- 6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6)

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Under IFRS 8 “Operating Segments”, the Group is organized and managed as a single reportable business segment. The Group’s operations are mainly in the sales of computer software and hardware products, maintenance services and system integration which account for more than 90% of the total revenue.

Geographical Information

The Group’s revenue from external customers of continuing operation were mainly located in Taiwan.

Information on Major Customers

Main customers of the Group arose from the government and companies and no other single customers contributed 10% or more to the Group’s revenue for both 2023 and 2022.

TABLE 1

LEO SYSTEMS, INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount (In Thousands of Foreign Currencies)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Leo Systems, Inc.	Leo Magic, Inc. Leosys, China (Shenzhen) Co., Ltd.	Subsidiary Indirect subsidiary	\$ 287,732 287,732	\$ 20,000 30,000	\$ - 30,000	\$ - 11,752	\$ - -	- 2.09	\$ 719,332 719,332	Y Y	- -	- Y
1	Leo Magic, Inc.	Leo Systems, Inc.	Parent	287,732	47,600	-	-	-	-	719,332	-	Y	-

Note 1: The Company’s maximum amount endorsed are limited to 20% of the net equity in latest financial statements of the Company or business dealings. The Company’s limitation of maximum endorse amount as described are not limited to subsidiaries that directly or indirectly hold more than 50% of voting shares.

Note 2: The ending balance is approved by the boards of directors of the Company.

Note 3: The Company’s maximum amount endorsed are based on the net equity in the latest financial statements of the Company.

TABLE 2

LEO SYSTEMS, INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Balance as of December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Leo Systems, Inc.	<u>Stock</u> FIC Global, Inc.	An investor under the equity method	Financial assets at fair value through other comprehensive income - current	200,000	\$ 11,820	0.09	\$ 11,820	
	Formosa 21, Inc.	Other related party	Financial assets at fair value through profit or loss - non-current	9,965	-	0.14	-	
	Yijia Information Co., Ltd.	None	Financial assets at fair value through profit or loss - non-current	110,385	-	10.04	-	
	Lottofun Technology Co., Ltd.	None	Financial assets at fair value through profit or loss - non-current	245,000	-	16.33	-	
	Strawberry Software Inc.	None	Financial assets at fair value through other comprehensive income - non-current	109,154	184	10.92	184	
	First Communication, Inc.	None	Financial assets at fair value through other comprehensive income - non-current	250,000	1,450	7.58	1,450	
	Formolight Technologies, Inc.	None	Financial assets at fair value through other comprehensive income - non-current	2,728,000	33,554	13.38	33,554	
	<u>Mutual fund</u> Taishin Ta-Chong Money Market Fund	None	Financial assets at fair value through profit or loss - current	6,845,095.5	100,000	-	100,000	

Note 1: Marketable securities in this table are shares, bonds, beneficiary certificates and securities derived from these items under IFRS 9 “Financial Instruments: Recognition and Measurement”.

Note 2: Please refer to Table 4 and Table 5 for the information of investment in subsidiaries and associates.

TABLE 3

LEO SYSTEMS, INC. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Company Name	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	Percentage to Consolidated Total Assets/Revenue (%) (Note 3)
0	Leo Systems, Inc.	Leo Magic, Inc.	a	Accounts receivable	\$ 21	Similar to non-related party transaction	-
		Leo Magic, Inc.	a	Sales	71	Similar to non-related party transaction	-
		Leo Magic, Inc.	a	Rental income	120	Similar to non-related party transaction	-
		Leo Magic, Inc.	a	Other income	120	Similar to non-related party transaction	-
		Leo Magic, Inc.	a	Research expense	4,650	Similar to non-related party transaction	-
		Unity SmartTech, Inc.	a	Accounts receivable	12,381	Similar to non-related party transaction	-
		Unity SmartTech, Inc	a	Sales	10	Similar to non-related party transaction	-
		Unity SmartTech, Inc	a	Cost	12,381	Similar to non-related party transaction	-

Note 1: Business relationships between parent company and subsidiary are identified and numbered (in the first column) as follows:

- a. “0” for parent company.
- b. Subsidiaries are numbered from “1”.

Note 2: Flows of transactions are categorized as follows:

- a. From a parent company to its subsidiary.
- b. From a subsidiary to its parent company.
- c. Between subsidiaries.

Note 3: Percentage to consolidated total assets is calculated by dividing the amount of a particular asset or liability account by the consolidated total of assets as of December 31, 2023. Percentage to consolidated total revenue is calculated by dividing the amount of a particular revenue or cost or expense account by the consolidated total operating revenue for the year ended December 31, 2023.

TABLE 4

LEO SYSTEMS, INC. AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars/Shares)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2023			Net Loss of the Investee	Investment Loss Recognized	Note
				Ending Balance	Beginning Balance	Shares	Percentage of Ownership (%)	Carrying Value			
Leo Systems, Inc.	Leo Magic, Inc.	3F, No. 133, Minquan Rd., Xindian Dist., New Taipei City, Taiwan	Sales of personal computer	\$ 122,638	\$ 122,638	11,000,000	100.00	\$ 116,324	\$ 2,913	\$ 2,913	
	Unity SmartTech, Inc.	No. 1-1, Nantai Rd., Taishan Dist., New Taipei City, Taiwan	Innovation of technology application and creation of operation service.	9,000	9,000	900,000	90.00	10,072	1,355	1,219	
	Lotrich information Co., Ltd.	7F, No. 51, Sec. 3, Minsheng E. Rd., Taipei, Taiwan	Information integration service	150,300	150,300	15,030,000	30.00	164,859	19,347	5,804	
	GeoIntelligence Systems, Inc	3F, No. 296, Yangguang St., Neihu Dist., Taipei, Taiwan	Design and planning of construction	13,589	13,589	760,917	18.13	20,076	11,342	2,055	
Leo Magic, Inc.	Full Fortune Technology Co., Ltd.	4 th Floor, P.O. BOX 2804, George Town, Grand Cayman, Cayman Islands	Investment business	54,464	54,464	1,570,000	100.00	2	-	-	

Note: Information on the investment in mainland China is disclosed on Table 5.

TABLE 5

LEO SYSTEMS, INC. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	% Ownership of Direct or Indirect Investment	Investment Income (Loss) Recognized	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow					
Leosys, China (Shenzhen) Co., Ltd.	Computer system design service, computer software service and computer system integration service	US\$ 809 thousand	Note	US\$ 809 thousand	\$ -	\$ -	US\$ 809 thousand	100	\$ 4,765	\$ 46,136	\$ -

Note: Leosys, China is directly owned by Leo Magic, Inc. which is a subsidiary of the Group.

Accumulated Outflow for Investment in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
US\$2,329 thousand from Leo Magic Inc	US\$2,330 thousand from Leo Magic Inc	\$ 863,198

TABLE 6**LEO SYSTEMS, INC.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
WYC God-loving Foundation for Charity	7,218,436	8.10

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustee who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.