

Stock Code: 5410



LEO SYSTEMS, INC.

Annual Report of 2023

**Professionalism · Technology ·
Quality · Service**

Publication date: May 10, 2024

Website for Query: <https://mops.twse.com.tw/mops/web/index>

Company Website: <http://www.leosys.com/>

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Name of accounting firm: Deloitte & Touche, Taiwan

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V. Place of overseas securities trading and how to search overseas securities information: None

VI. Website of the Company: <http://www.leosys.com/>

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Annex 2 : Individual financial statements audited and certified by CPAs in 2023 and 2022.

I. Letter to Shareholders

Ladies and gentlemen,

Thank you very much for taking the time today to attend the regular Shareholders' Meeting of the Company in 2024.

Looking back on 2023, with the end of the COVID-19 epidemic, the impact on the global economy has gradually eased. However, affected by geopolitical conflicts and global inflation, the economic outlook is still difficult to improve, and global economic growth momentum has slowed down. In terms of the domestic economy, Taiwan's export growth has slowed down, and manufacturers' investments have turned conservative. Fortunately, the impact of the epidemic has gradually faded, and relevant government measures have gradually opened up. Domestic consumption and related industries have performed better, which has shifted economic support from export sales to domestic demand, and the overall performance has not been stable. produce too much fluctuation. Our company is in the information service industry, and its main sales market is in Taiwan. With the efforts of our management team, we are facing the post-epidemic challenges with our customers with a full range of software and hardware services. However, in 2022, due to benefiting from the Ministry of Education's "Promotion of Digital Learning Improvement Plan for Primary and Secondary Schools", both revenue and profit increased significantly compared with previous years. However, this project will slow down after 2023, so compared with 2022, 2023 will have both revenue and profit decreased significantly.

When looking into the year of 2024, our management team will continually improve the value and efficiency of customer service, promote the Company's digital transformation, and contribute to the global environmental protection while maintaining further business growth in the hope that we can live up to the support and expectations from our shareholders.

(I) Business plan and implementation results of 2023

A. Business plan and implementation results of 2023

In 2023, the economy was affected by the post-COVID-19 epidemic. Due to the lack of the Ministry of Education's "Program for Improving Digital Learning in Primary and Secondary Schools", the company's business has significantly reduced operating income and net profit. Individual revenue and consolidated revenue in 2023 were NTD\$3,248,817 thousand and NTD\$3,457,717 thousand, which is a significant decrease of 47.62% and 47.97% respectively compared with individual revenue and consolidated revenue of NTD\$6,202,141 thousand and NTD\$6,645,116 thousand in 2022. This year's individual statement net profit after tax and consolidated net profit after tax were NTD\$188,447 thousand and NTD\$188,582 thousand, a significant decrease from 2022 to NTD\$96,923 thousand and NTD\$96,771 thousand respectively.

Analysis of Financial Revenue and Expenditure & Profitability-Individual

Unit: NT\$1,000

	Item	2023	2022
Financial revenue and expenditure	Operating revenue	3,248,817	6,202,141
	Gross profit	621,594	814,120
	Operating expenses	441,387	531,948
	Profit from operations	180,207	282,172
	Net profit for the year	188,447	285,370
	Profitability	Return on assets (%)	5.16
Return on equity (%)		13.11	20.77
Net profit margin (%)		5.80	4.60
Basic earnings per share (NT\$)		2.12	3.24

Analysis of Financial Revenue and Expenditure & Profitability-Consolidated

Unit: NT\$1,000

	Item	2023	2022
Financial revenue and expenditure	Operating revenue	3,457,717	6,645,116
	Gross profit	649,480	854,261
	Operating expenses	464,554	552,869
	Profit from operations	184,926	301,392
	Net profit for the year	188,582	285,353
	Profitability	Return on assets (%)	5.00
Return on equity (%)		13.11	20.77
Net profit margin (%)		5.45	4.29
Basic earnings per share (NT\$)		2.12	3.24

The business operation of the Company in 2023 is described as follows:

1. Concentration on all-around information communication infrastructure integration services.
 2. Development of automatic application services for each industry after the epidemic.
 3. Automated application services for various industries after the development of the epidemic.
 4. Continual innovations in products and services by sticking to the spirit of ESG sustainable development.
- B. Execution status of budget of 2023: The Company executes the management policy approved by the Board of Directors every year. The Company didn't disclose and issue any financial forecast in 2023, and therefore it is not applicable.
- C. R&D status: The R&D team of the Company has already possessed data information integration capability. In recent years, the R&D team has engaged in the development of AI and machine learning, researched and developed AI technological integration application platform, established training emulators, and worked on the development of AI preventive medical techniques, etc.
- (II) Outline of business plan of 2024
- A. Management policy:
The management policy of 2024 will focus on the continual R&D of LEO-ESG sustainable intelligent AIoT system platform and industrial IIoT intelligent manufacturing AIoT value-added technical platform, for the purpose of becoming a specialized AIoT system integration technology team in the field of SI. Additionally, we will also pay attention to service fields including cloud computing, ESG, network communication, IoT and AI.
- B. Organizational structure:
The organizational structure of the Company comprises General Manager Office, Operation Department and Administration Department. The Operation Department includes Business Unit 1 (BU1), Business Unit 2 (BU2), Business Unit 3 (BU3), Business Unit 4 (BU4), Business Unit 5 (BU5), Business Unit 7 (BU7), R&D Center. Each department is specialized in relevant professional fields and works together to form concerted efforts with the objective to reinforce the Company's core competitiveness.
- C. Influence from external competitive environment, regulatory environment, and overall operation environment

1. Tough challenges are faced regarding information security, and the requirements of customers for information services become increasingly complicated.
 2. The supply of information communication products is continuously unstable, and the delivery period required by customers is challenging; due to the shortage of IC raw materials, the delivery period is postponed, which does not benefit delivery and shipment.
 3. The Company is seriously lack of software talents with the rising of solutions in the fields of AI and blockchain.
 4. The operational strategies for online digital marketing business must be transformed due to the influence of the epidemic and the changes of the original manufacturers' policies.
- D. Future development strategies
1. Concentration on all-around information communication infrastructure integration services
 2. Continual strengthening of all-area, mobile maintainability and management system
 3. Active R&D of ESG sustainable intelligent AIoT system technical platform
 4. Continual development of 5G and AIoT factory automation solutions
 5. Actively develop system integration solutions for smart green energy power solutions
 6. Active cultivation of application software manpower and expansion of financial business application solutions.
- E. Expected sales volume and basis as well as important production and sales policies
- Since the Company is specialized in the information service industry with a great many types of products, it is relatively uneasy to estimate the expected sales quantity. Additionally, no financial forecast was issued for the Company in 2024. As for production and sales policies, the Company is not involved in production, and purchases by orders so that our inventory amount is maintained at a relatively low level, and the Company's operation cost can be reduced.

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

Yours Truly
Chairman & General Manager: WANG, CHAU-CHYUN

II. Company Profile

(I) Date of incorporation

September 13, 1985

(II) History

1985: The Company was incorporated in Taipei and the first chairman was served by Mr. Chien, Ching. The capital of the Company upon incorporation reached NT\$10,000,000. The Company obtained the general agency of Stratus hardware fault-tolerant computer system of the United States in Taiwan, and focused on the sales and services in the critical on-line computer (COLC) market in the early stage.

1988: The Company increased its capital in cash by NT\$20,000,000, and its paid-in capital reached NT\$30,000,000.

1990: The Company increased its capital in cash by NT\$50,000,000, and its paid-in capital reached NT\$80,000,000.

1994: The Company increased its capital in cash by NT\$100,000,000, and merged with Yiyang Computer, Inc. to jointly issued new shares worth NT\$13,500,000. After capital increase, the paid-in capital of the Company reached NT\$193,500,000. In order to expand the system integration business, a PC business unit was established to actively expand the sales channels and establish extensive distribution bases.

The Company established Taichung branch company and Kaohsiung branch company.

1995: The Company increased its capital in cash by NT\$300,000,000 and joined Chichung Computer, Inc. to issue new shares worth NT\$195,000,000. The paid-in capital of the Company was increased to NT\$688,500,000.

The Company purchased a plant in Pingzhen Industrial Zone, Jhongli with an area of 18,661 square feet and then immediately completed trial volume run for volume production to enlarge its production capacity.

1997: The Company reelected directors and supervisors. Ms Cher Wang was elected as the chairman. Also, the Company increased its capital in cash by NT\$211,500,000, and then its paid-in capital reached NT\$900,000,000.

1998: The Company passed ISO-9001 quality management and quality assurance international standard certification.

The Company passed ISO-14001 environmental protection certification.

The Company increased its capital by conversion of capital reserve and in cash by NT\$490,000,000. The paid-in capital of the Company reached NT\$1,390,000,000 after capital increase.

1999: The stock of the Company was formally listed in TPEX.

2000: The Company increased its capital using its earnings, employee dividends and capital reserve, and its paid-in capital reached NT\$1,605,973,120. In November, the Company

established Linkou CTO Logistics Factory.

- 2001: The Company repurchased and canceled shares in December, and its paid-in capital became NT\$1,564,483,120.
- 2003: The Company repurchased and canceled shares in October, and its paid-in capital reached NT\$1,529,613,120.
- 2004: The Company decreased its capital by NT\$709,613,120, and its paid-in capital after capital decrease reached NT\$820,000,000.
- 2005: In March, the Company hired Mr. Wang,Chau-Chyun as the general manager; and directors of the Company elected Mr. Wang,Chau-Chyun as the new chairman in June.
- 2006: The Company engaged in a short-form merger with Daji Investment Co., Ltd., a 100% shareholding subsidiary of the Company. After the merger, 691,427 treasury shares were canceled, and the paid-in capital of the Company reached NT\$813,085,730.
The Company decreased its capital by NT\$335,285,730, and its paid-in capital after capital decrease reached NT\$477,800,000.
- 2007: The interim Shareholders' Meeting of the Company held on August 28 passed a resolution on the merger of the Company with Public Power Systems Corporation, Dai-Sheng Technology Corporation and SuperNet Technology Corporation. 1.625 shares, 0.55 share and 0.625 share of the Company were exchanged for each share of these three companies respectively to issue new shares worth NT\$358,512,500.
- 2008: January 1 was the base date of merger with Public Power Systems Corporation, Dai-Sheng Technology Corporation and SuperNet Technology Corporation. The paid-in capital of the Company after merger reached NT\$836,312,500. The Company repurchased shares from September to November and canceled them in December. The paid-in capital reached NT\$821,802,500.
- 2010: The Company increased capital in its subsidiary LEO Image Inc. by NT\$50,000,000. The Company used its earnings and employee dividends to increase capital by NT\$25,274,300, and its capital after capital increase reached NT\$847,076,800.
- 2011: Earnings converted to increase capital by NT\$49,977,530. The capital of the Company after capital increase reached NT\$897,054,330.
- 2013: Treasury shares used to decrease capital by NT\$30,000,000. The capital of the Company after capital decrease reached NT\$867,054,330.
- 2013: Earnings converted to increase capital by NT\$30,346,900. The capital of the Company after capital increase reached NT\$897,401,230.
- 2016: Treasury shares used to decrease capital by NT\$38,400,000. The capital of the Company after capital decrease reached NT\$859,001,230.
- 2021: Employee stock options executed to increase capital by NT\$14,700,000. The capital of the Company after capital increase reached NT\$873,701,230.
- 2022: Employee stock options executed to increase capital by NT\$9,050,000. The capital of

the Company after capital increase reached NT\$882,751,230.

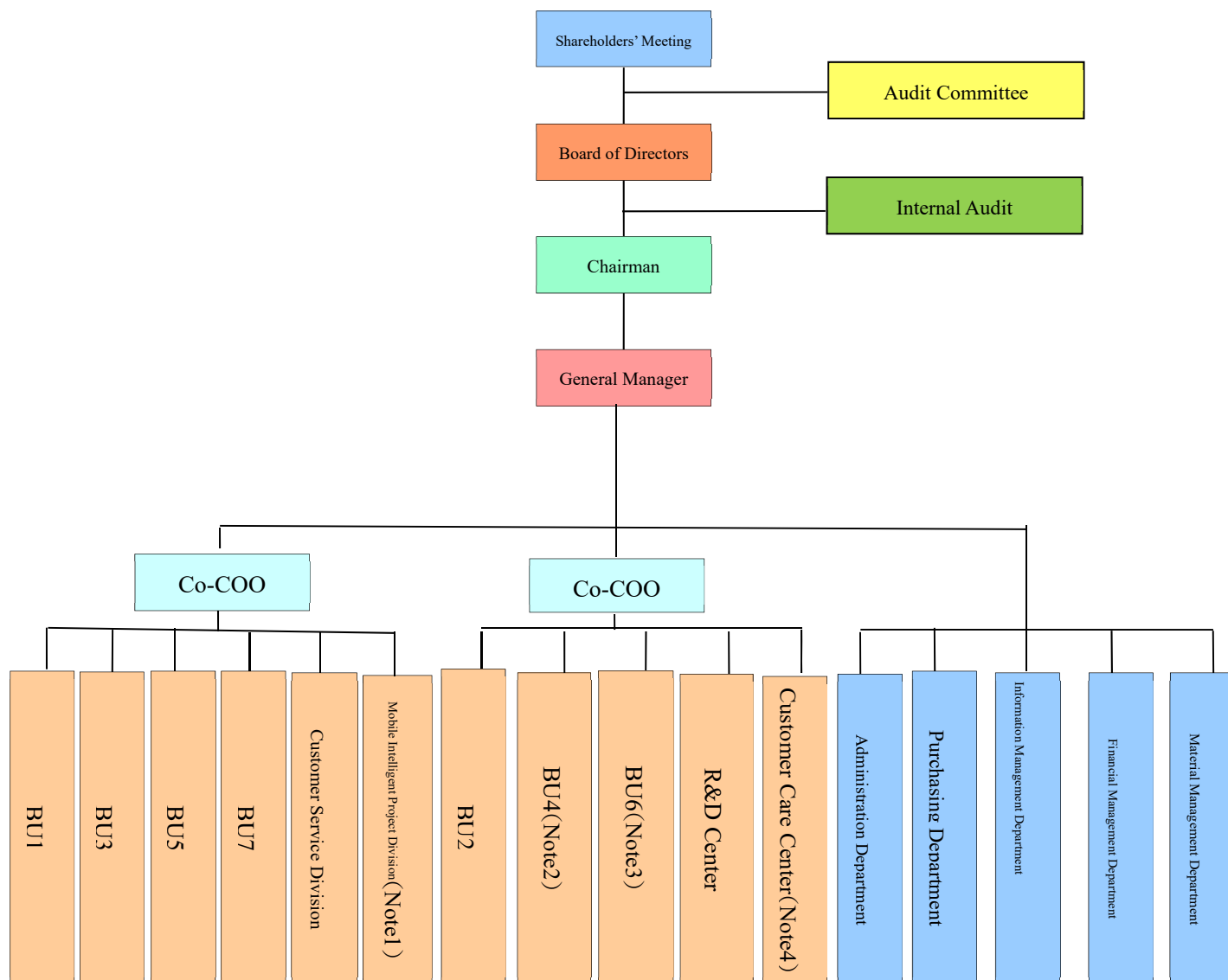
2023: Employee stock options executed to increase capital by NT\$8,730,000. The capital of the Company after capital increase reached NT\$891,481,230.

2024: Employee stock options executed to increase capital by NT\$2,410,000. The capital of the Company after capital increase reached NT\$893,891,230.

III. Corporate Governance Report

(I) Organization system

A. Organizational structure



Note1: In order to cooperate with the organizational adjustment in 2024, it will be merged into the Business Unit 1 (BU1).

Note2: Reorganized as Innovation and Development Center in 2023. In order to cooperate with the organizational adjustment and resource integration in 2024, it will be reorganized into the Business Unit 4 (BU4).

Note3: In order to cooperate with the organizational adjustment in 2024, it will be merged into the Business Unit 2 (BU2).

Note4: In order to cooperate with the organizational adjustment in 2024, it will be merged into the Business Unit 2 (BU2).

B. Business of each major department

Department	Main responsibilities
Auditorial	Execute audit work of the Company’s internal rules and systems and make suggestions on improvement.
BU1	As a digital system integration value-added service team, BU1 provides system integration value-added services for the all-around information communication infrastructure products, and assists the customers in information integration planning, establishment, technical support, and required IT maintenance and operation management as well as information process optimization.
BU2	As a digital financial integration service team, BU2 provides a variety of value-added integration services involving financial automatic equipment, capital flow business integration and application software solutions with the objective to optimize customers’ capital flow service requirements, shorten customer service processes, and improve service efficiency and competitiveness.
BU3	As an intelligent innovation system integration service team, BU3 provides 5G, AI, system network and information security integration services, assists customers in digital transformation, and guarantees the uninterrupted information operations of customers, to help the customers improve their performance.
BU4(Note1)	It mainly provides innovative media integrated marketing services, AIoT cloud application system and industry application development and construction services. In terms of long-term development, this business department focuses on the introduction of innovation and development projects for LEO SYSTEMS, INC., and is directed towards LEO AIoT artificial intelligence networking, industrial IIOT smart manufacturing AIoT value-added technology platform, and aims to become a professional team with AIoT system integration technology in the SI field, combined with Cloud computing, ESG, network communication, Internet of Things, artificial intelligence, service fields: smart factory, smart medical care, smart government and other fields.
BU5	As a digital intelligent system integration engineering team, BU5 provides VR, AR, AIoT, 5G and cloud platform establishment and weak current engineering integration services, assists the consulting needed by the customers for various technologies to win their trust, and focuses on the applications in the chemical manufacturing industry.
BU6(Note2)	As a professional information maintenance service team, BU6 sticks to the tenant of “Lottery Maintenance, No. 1 in the Industry”, strengthens the maintenance response and management capacity in consideration of environmental changes, and intensively requires engineers to implement each SOP task and improve attendance efficiency, to continually improve the maintenance quality of lottery betting equipment and meet the customer requirements.

Department	Main responsibilities
BU7	<p>As a digital system integration value-added service team, BU7 provides system integration value-added services for the all-around information communication infrastructure products, and assists the customers in information integration planning, establishment, technical support, and required IT maintenance and operation management as well as information process optimization.</p> <p>BU7 focuses on the budgets and requirements from government agencies, education units, and SMEs.</p>
Customer Service Division	<p>Inheriting more than 20 years of group enterprise service experience and resources, internally serving the customer groups of the company's business divisions marketing products, and externally adhering to a sincere service attitude, undertaking outsourced maintenance contracts entrusted by customers. The engineering staff of the department has more than 200 professional certification, service breadth and depth throughout the country, service rigor provides 7-24-365 methods. Customers have long-term entrusted maintenance contract service opportunities: computer center stationed outsourcing services, computer center servers and network equipment maintenance, enterprise computer center and equipment maintenance of various operating bases across the country, factory operation computer server and network equipment maintenance, county network center server and network equipment maintenance, military government unit server and terminal equipment maintenance, large, middle and primary schools maintenance of administrative computer and computer classroom equipment, technical consultation and maintenance of small and medium-sized enterprise operating hosts and information equipment, outsourcing maintenance of bank terminal equipment, maintenance of banking business machine equipment, maintenance of bank automation equipment, maintenance of Taiwan lottery terminal equipment throughout the country, and contracting foreign countries the original factory of software and hardware equipment is commissioned to serve local customers.</p>
Mobile Intelligent Project Division(Note3)	<p>This division provides services including the complete product planning, sales schemes and technical services of Apple iPad carriers, Apple computer rooms and intelligent classrooms.</p>
Customer Care Center(Note4)	<p>Stick to the mechanism of “Call Center”, and optimize and initiatively care customers so as to improve service quality.</p>
R&D Center	<p>Design and develop commercial services for new technologies and new products.</p>
Administration Department	<p>Take general responsibility for personnel and administration, general affairs, fixed assets management, contract reviewing and handling, and other relevant business.</p>

Department	Main responsibilities
Purchasing Department	Planning and execution of purchasing strategies
Information Management Department	Take charge of managing and maintaining relevant software and hardware including information security system and computer information.
Financial Management Department	Take general responsibility for finance, accounting, taxation, and stock affairs.
Material Management Department	Planning and management of inventories of materials and finished products

Note1: Reorganized as Innovation and Development Center in 2023. In order to cooperate with the organizational adjustment and resource integration in 2024, it will be reorganized into the Business Unit 4 (BU4).

Note2: In order to cooperate with the organizational adjustment in 2024, it will be merged into the Business Unit 2 (BU2).

Note3: In order to cooperate with the organizational adjustment in 2024, it will be merged into the Business Unit 1 (BU1).

Note4: In order to cooperate with the organizational adjustment in 2024, it will be merged into the Business Unit 2 (BU2).

(II) Information of directors, supervisors, general manager, vice president, director, and heads of each department and branches

A. Information of directors and supervisors: The Shareholders' Meeting of the Company was comprehensively reelected on July 26, 2021, and the supervisors were replaced with the Audit Committee.

1. Information of directors and supervisors

April 7, 2024

Title	Nationality or place of registration	Name	Gender	Age	Date elected	Term of office	Date first elected	Shareholding when elected		Current shareholding		Shares currently held by spouse and underage children		Shares held in the name of others		Main experience (education)	Concurrent position(s) currently held in the Company and other companies	Other officers, directors or supervisors with relation of spouse or relative of second degree		
								Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
Chairman	ROC	University Venture Co., Ltd. Wang,Chau-Chyun	Male	61-70	Jul. 26, 2021	3 years	Jun. 21, 2006	981,399	1.12%	981,399	1.10%	0	0	0	0	MBA of National Chengchi University Super Network Technology Co., Ltd.	General Manager of the Company Juridical Person Director Representative of Lotrich Information Juridical Person Director Representative of ADTECH Inc. Juridical Person Director Representative of Formolight Inc. Director of CGCH Foundation For Education	None	None	None
	ROC							133,126	0.15%	193,126	0.22%	34,421	0.04%	0	0					
Director	ROC	University Venture Co., Ltd. Wen,Chien-Liang(Note1)	Male	51-60	Jul. 26, 2021	3 years	Jun. 21, 2006	981,399	1.12%	981,399	1.11%	NA	NA	NA	NA	Special Master Continuing Education Course of Department of Department of Business Administration, National Taipei University Jishimei Food Industrial	Co-COO of the Company Chairman of LEO Image Inc.	None	None	None
	ROC							21,034	0.02%	41,034	0.05%	NA	NA	NA	NA					
Director	ROC	WYC God-loving Foundation for Charity Chien Lambert Ming Long	Male	41-50	Jul. 26, 2021	3 years	Jun. 15, 2010	7,218,436	8.26%	7,218,436	8.08%	0	0	0	0	Master of Electrical Engineering of University of California, Berkeley Chairman of KKBOX Taiwan Co., Ltd.	Director of KKBOX Holding Juridical Person Director Representative of TVBS Media Director of Respera Inc. Director of KKBOX	None	None	None
	ROC							0	0	0	0	0	0	0						
Director	ROC	WYC God-loving Foundation for Charity Jou,Shao-Huey	Male	61-70	Jul. 26, 2021	3 years	Jun. 15, 2010	7,218,436	8.26%	7,218,436	8.08%	0	0	0	0	Department of Business Management, College of Engineering, Tatung University	Co-COO of the Company Chairman of Unity SmartTech Inc	None	None	None
	ROC							28,467	0.03%	26,467	0.03%	0	0	0	0					

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term of office	Date first elected	Shareholding when elected		Current shareholding		Shares currently held by spouse and underage children		Shares held in the name of others		Main experience (education)	Concurrent position(s) currently held in the Company and other companies	Other officers, directors or supervisors with relation of spouse or relative of second degree		
							Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
Independent director	ROC	Cheng,Sheng-In	Female 51-60	Jul. 26, 2021	3 years	Jul. 26, 2021	0	0	0	0	0	0	0	0	MBA of the University of Southern California	Independent director of Welgene Biotech Co., Ltd. Independent director of NWW Manufacturing CO., Ltd. Independent director of Sanitar Co., Ltd.	None	None	None
Independent director	ROC	Liu,Thu-Hua	Male 61-70	Jul. 26, 2021	3 years	Jun. 10, 2015	0	0	0	0	0	0	0	0	Doctorate Degree in the University of Iowa Industrial Engineering and Management	President of Ming Chi University of Technology Independent director of GrandTech Director of Formosa Biomedical Technology Corp. Director of King Car Cultural & Educational Foundation Director of Mingde Charity Foundation	None	None	None
Independent director	ROC	Chen,Yen-Hui	Male 71-80	Jul. 26, 2021	3 years	Jun. 8, 2018	0	0	0	0	0	0	0	0	Doctorate Degree in Political Science of the University of Göttingen, Germany Inheritance Chair Professor of Department of Electrical Engineering, National Taiwan Ocean University		None	None	None
Independent director	ROC	Liao,Hsiang-Ruei (Note2)	Male 51-60	Jul. 7, 2023	3 years	Jun. 10, 2015	0	0	0	0	0	0	0	0	Ph.D., Institute of Pharmacology, National Taiwan University. Professor of Chang Gung University		None	None	None

Note1 : Resign on May 12, 2023.

Note2: The chairman of the Company holds a concurrent post of general manager due to his operation management capacity which can increase the operational performance and value of the Company. The regular meeting of shareholders on June 7, 2023 has added one independent director, Liao Hsiang-Ruei.

Major Shareholders of Corporate Shareholders

April 7, 2024

Name of corporate shareholder (Note 1)	Major shareholder(s) of corporate shareholder (Note 2)
WYC God-loving Foundation for Charity	Chien, Ming-Jeh (71.43%), Wang, Yang-Jiao (23.57%), Chien Wong, Hsueh-Ling (1.67%), Wang, Kuei-Yun (1.67%), Chen, Che (1.67%)
University Venture Co., Ltd.	Chia Chao Investment Inc. (68.98%)、Chi Hsin Investment Inc. (20.00%)、Zong Jing Investment Inc. (11.00%)、Chien, Ming-Jeh (0.02%)
FICTA Technology Inc.	FIC Global, Inc. (69.16%)、University Venture Co., Ltd. (10.36%)、Zong Jing Investment Inc. (8.68%)、Chia Chao Investment Inc. (5.93%)、Mengya Investment Co., Ltd. (1.29%)、CGCH Education Charitable Trust Fund (0.31%)、Zhong, Zhen-Hua (0.18%)、Ho Mon Investment Inc. (0.11%)、Liu, Kai-Li (0.07%)、Tang, He-Ming (0.07%)
Huiju Investment Co., Ltd.	Chairman Xie, Cai-Luan(0.09%)、Director Wang, Wei-Xin(2.36%)、Director Zhang, Ting-Yu(0.93%)、Supervisor Zhang, Mi-Ou(0.28%)
Chi Hsin Investment Inc.	Li, Peng-Hsuan (89.30%)、Chien, Ming-Hui (9.48%)、Ho Mon Investment Inc. (1.22%)
FIC Global, Inc.	Chia Chao Investment Inc. (19.48%)、WYC God-loving Foundation for Charity (15.04%)、CGCH Education Charitable Trust Fund (13.63%)、Zong Jing Investment Inc. (7.18%)、Chi Hsin Investment Inc. (6.40%)、Chien Leo Ming Tz (2.72%)、Li, Peng-Hsuan (1.96%)、CGCH Foundation for Education (1.70%)、Chien, Ming-Jeh (1.64%)、Ho Mon Investment Inc. (1.17%)

Note 1: If director and supervisor are representatives of corporate shareholder, the name of this corporate shareholder shall be filled out.

Note 2: Fill out names of major shareholders of this corporate shareholder (top 10 shareholders in terms of shareholding ratio) and their shareholding ratios. If any major shareholder is a legal person, the following table shall also be filled out.

Major Shareholders of Major Shareholders as Legal Persons

April 7, 2024

Name of legal person (Note 1)	Major shareholder(s) of legal person (Note 2)
Zong Jing Investment Inc.	Genuine Profit Limited (100%)
Chia Chao Investment Inc.	Chien, Ming-Jeh (30%) 、 Li, Peng-Hsuan (35%) 、 Chen, Hui-Jun (35%)
Ho Mon Investment Inc.	Chien, Ming-Jeh (0%) 、 Li, Peng-Hsuan (100%)

Note 1: If a major shareholder in the table above is a legal person, the name of this legal person shall be filled out.

Note 2: Fill out names of major shareholders of this legal person (top 10 shareholders in terms of shareholding ratio) and their shareholding ratios.

2. Information disclosure of professional qualifications of directors and supervisors and independence of independent directors:

The Company established an Audit Committee on July 26, 2021 in replacement of the supervisors. The professional knowledge and independence status of the directors are shown as follows:

Name	Condition	Professional qualification and experience	Independence status	Number of other public companies where the director holds a concurrent post of independent director
Chairman: Wang,Chau-Chyun		MBA of National Chengchi University Chairman and general manager of LEO Systems, Inc.	N/A	0
Director: Chien Lambert Ming Long		Master of Electrical Engineering of University of California, Berkeley Director of KKBOX Taiwan Co., Ltd. Director of LEO Systems, Inc. Director of TVBS Media Inc.	N/A	0
Director: Jou,Shao-Huey		Department of Business Management, College of Engineering, Tatung University Co-COO of LEO Systems, Inc.	N/A	0
Director: Wen,Chien-Liang (Note1)		Special Master Continuing Education Course of Department of Department of Business Administration, National Taipei University Co-COO of LEO Systems, Inc.	N/A	0
Independent director: Liu,Thu-Hua		Doctorate Degree in Industrial Engineering and Management, The University of Iowa President of Ming Chi University of Technology	Detailed in the table below	0
Independent director: Chen,Yen-Hui		Doctorate Degree in Political Science of the University of Göttingen, Germany Adjunct Professor of Department of Electrical Engineering, College of Electrical Engineer and Computer Science Head and Professor of Graduates Institute of Political Science, National Taiwan Normal University	Detailed in the table below	0
Independent director: Cheng,Sheng-In		MBA of the University of Southern California Deputy General Manager of Taiwan SECOM Co., Ltd.	Detailed in the table below	3

Independent director: Liao,Hsiang-Ruei (Note2)	Ph.D., Institute of Pharmacology, National Taiwan University. Professor of Chang Gung University	Detailed in the table below	0
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Note1 : Resign on May 12, 2023.

Note2 : The regular meeting of shareholders on June 7, 2023 has added one independent director, Liao Hsiang-Ruei.

Name	Condition	With more than five years' work experience and the following professional qualifications or not		Independence status (Note 1)										Number of other public companies where the director holds a concurrent post of independent director	
		Lecturer or above in department of commerce, legal affairs, finance, accounting or corporate business of public or private university and junior college	Judge, procurator, lawyer, accountant or any other professional vocational and technical personnel passing the examination of national examinations needed for corporate business.	Work experience needed for commerce, legal affairs, finance, accounting or corporate business	1	2	3	4	5	6	7	8	9		10
Cheng,Sheng-In		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Liu,Thu-Hua	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen,Yen-Hui	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Liao,Hsiang-Ruei (Note2)	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1. Each director shall comply with the following conditions two years before being elected and appointed and during tenure:

- (1) Not an employee of the Company or its affiliate.
- (2) Not a director or supervisor of the Company or its affiliate (however, it does not apply to the concurrent officeholding of an independent director in the Company and its parent company or subsidiary or subsidiaries belonging to a same parent company according to this law or local laws and regulations).
- (3) Not an individual shareholder holding or with his/her spouse, underage children or others holding more than one percent of total shares already issued by the Company or ranking the top ten in terms of shareholding ratio.
- (4) Not the spouse, or a relative within second degree, or an immediate blood relative within fifth degree of the personnel listed in the three paragraphs above.
- (5) Not a director, supervisor or employee of a corporate shareholder directly holding more than five percent of total shares already issued by the Company, or director, supervisor or employee of a top five corporate shareholder in terms of shareholding ratio.
- (6) Not a director (council member), supervisor or manager or shareholder with shareholding ratio above five percent of a specific company or institution that has financial or business contact with the Company

- (7) Not a profession, or owners, partner, director (council member), supervisor, or manager of sole proprietorship, partnership, company or institution providing services or consulting involving commerce, legal affairs, finance and accounting for the Company or its affiliates, as well as their spouses.
- (8) Not the spouse or a relative within second degree to any other director.
- (9) Not having any of the circumstances stipulated in Article 30 of the Company Act.
- (10) Not elected as government, legal person or its representative according to Article 27 of the Company Act.

Note2 : The regular meeting of shareholders on June 7, 2023 has added one independent director, Liao Hsiang-Ruei.

3. Diversification and independence of Board of Directors:

(1) Diversification of the Board of Directors:

With reference to “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, the Company, in consideration of the diversification for the constitution of the members of the Board of Directors, has drafted an appropriate diversification policy regarding its operation, business types and development demands. This policy shall better include but not limited to the standards of the following two aspects.

(A) Basic conditions and values: Gender, age, nationality, culture, etc.

All 7 directors of the Company have the nationality of ROC, including 6 males and 1 female and generally aged from 40 to 70. Therefore, it is suitable for the corporate operation and business types.

Name of director	Wang,Chau-Chyun	Chien Lambert Ming Long	Jou,Shao-Huey	Wen,Chien-Liang (Note1)	Cheng,Sheng-In	Liu,Thu-Hua	Chen,Yen-Hui	Liao,Hsiang-Ruei (Note2)
Gender	Male	Male	Male	Male	Female	Male	Male	Male
Age	61-70	40-50	61-70	51-60	51-60	61-70	71-80	51-60

Note1 : Resign on May 12, 2023.

Note2 : The regular meeting of shareholders on June 7, 2023 has added one independent director, Liao Hsiang-Ruei.

(B) Professional knowledge and skills: Professional background (e.g., law, accounting, industry, and finance), professional skills, industry experience, etc.

The members of the Board of Directors shall generally possess the knowledge, skills, and quality needed for execution of their duties. In order to achieve the ideal goal of corporate governance, the Board of Directors shall have the following capacity as a whole:

- a. Operational judgment
- b. Accounting and financial analysis ability
- c. Operation management ability
- d. Crisis handling capacity
- e. Industrial knowledge
- f. Outlook on international market
- g. Leadership
- h. Decision-making ability

The specific management objectives regarding diversification of members of the Board of Directors of the Company are the eight abilities required of the directors. Each ability shall be possessed by at least five directors, and some directors shall

have at least six among these eight abilities. Currently, the Board of Directors of the Company and some individual directors have already achieved the objective management of the diversification policy. The abilities possessed by some individual directors of the Company are as follows:

Diversification item Name of director	Gender	Operational judgment	Accounting and financial analysis ability	Operation management ability	Crisis handling capacity	Industrial knowledge	Outlook on international market	Leadership	Decision-making ability
Chairman: Wang, Chau-Chyun	Male	√	√	√	√	√	√	√	√
Director: Chien Lambert Ming Long	Male	√	√	√	√	√	√	√	√
Director: Jou, Shao-Huey	Male	√	√	√	√	√	√	√	√
Director: Wen, Chien-Liang(Note1)	Male	√	√	√	√	√	√	√	√
Independent director: Liu, Thu-Hua	Male	√		√	√	√	√	√	√
Independent director: Chen, Yen-Hui	Male	√			√	√	√	√	√
Independent director: Cheng, Sheng-In	Female	√	√	√	√		√	√	√
Independent director: Liao, Hsiang-Ruei(Note2)	Male	√		√	√		√	√	√

Note1 : Resign on May 12, 2023.

Note2 : The regular meeting of shareholders on June 7, 2023 has added one independent director, Liao Hsiang-Ruei.

(2) Implementation status of diversification of the members of the Board of Directors:

Management objective	Achievement status
The consecutive tenure of an independent director shall not exceed three sessions.	Achieved
There shall be at least one independent director specialized in finance or business administration.	Achieved
Adequate diversified professional knowledge and skills	Achieved
Does the Board of Directors of the Company contain at least one female director?	Achieved
Does the number of independent directors of the Company reach more than half of total directors or above?	Achieved
Are the members of the Board of Directors of the Company with identity of employees of the Company, its parent company or subsidiaries, or brother companies lower than or equal to one third of total directors?	Achieved

Additionally, considerations for nomination of members of the Board of Directors also include the honest and upright reputation required of the candidates for directors,

their outstanding achievements, experience and reputation enjoyed in each specialized field, dedication of sufficient time to participate in the supervision of corporate business, ability to assist operation management, and contributions made to the success of the Company, etc. The qualification conditions of independent directors shall comply with the provisions of relevant laws and regulations.

- (3) Independence of the Board of Directors: There are 4 independent directors among all 7 directors of the Company, which complies with the provisions of “Highlights of Events to Follow for the Setting and Authority Exercising of Board of Directors of TPEX Listed Companies”. The directors have no relations of spouse and relatives within second degree with each other, which complies with the provisions of Item 3 of Article 26-3 of the Securities and Exchange Act.

4. Directors’ participation in continuing education related to corporate governance.

Title	Name	Date of continuing education		Sponsor	Name of course	Duration of training
		Starting date	Ending date			
Chairman	University Venture Co., Ltd. Wang,Chau-Chyun	Dec. 14, 2023	Dec. 14, 2023	Securities & Exchanges Institute	Technical development and application opportunities of chatbot ChatGPT	3h
Director	WYC God-loving Foundation for Charity Chien Lambert Ming Long	Dec. 14, 2023	Dec. 14, 2023			3h
Director	WYC God-loving Foundation for Charity Jou,Shao-Huey	Dec. 14, 2023	Dec. 14, 2023			3h
Independent director	Liu,Thu-Hua	Dec. 14, 2023	Dec. 14, 2023			3h
Independent director	Chen,Yen-Hui	Dec. 14, 2023	Dec. 14, 2023			3h
Independent director	Cheng,Sheng-In	Dec. 14, 2023	Dec. 14, 2023			3h
Independent director	Liao,Hsiang-Ruei(Note1)	Dec. 14, 2023	Dec. 14, 2023			3h
Chairman	University Venture Co., Ltd. Wang,Chau-Chyun	Dec. 14, 2023	Dec. 14, 2023	Securities & Exchanges Institute	Outlook for the global economic situation in 2024	3h
Director	WYC God-loving Foundation for Charity Chien Lambert Ming Long	Dec. 14, 2023	Dec. 14, 2023			3h
Director	WYC God-loving Foundation for Charity Jou,Shao-Huey	Dec. 14, 2023	Dec. 14, 2023			3h
Independent director	Liu,Thu-Hua	Dec. 14, 2023	Dec. 14, 2023			3h
Independent director	Chen,Yen-Hui	Dec. 14, 2023	Dec. 14, 2023			3h
Independent director	Cheng,Sheng-In	Dec. 14, 2023	Dec. 14, 2023			3h
Independent director	Liao,Hsiang-Ruei(Note1)	Dec. 14, 2023	Dec. 14, 2023			3h

Title	Name	Date of continuing education		Sponsor	Name of course	Duration of training
		Starting date	Ending date			
Director	WYC God-loving Foundation for Charity Jou,Shao-Huey	Oct. 11, 2023	Oct. 11, 2023	Greater China Financial and Economic Development Association	The Competition for Corporate Talent: Discussion on Key Issues in Employee Reward Strategies	3h
Independent director	Cheng,Sheng-In	May 09,2023	May 09,2023	Taiwan Corporate Governance Association	Corporate M&A Practice and Case Analysis	3h
		Jun 12, 2023	Jun 12, 2023	Accounting Research and Development Foundation	Promote sustainable development of enterprises through "Risk Management"	6h
		Aug 10, 2023	Aug 10, 2023	Taiwan Independent Director Association	Corporate governance principles and directors' and supervisors' responsibilities under the struggle for company management rights	3h
		Sep 28, 2023	Sep 28, 2023	Accounting Research and Development Foundation	The latest policy development and internal control management practices related to "ESG Sustainability" and "Self-preparation of Financial Reports"	6h
Director	WYC God-loving Foundation for Charity Chien Lambert Ming Long	Sep 21, 2023	Sep 21, 2023	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulation	3h

Notel : The regular meeting of shareholders on June 7, 2023 has added one independent director, Liao Hsiang-Ruei.

(2) Information of general manager, vice president, director and heads of each department and branch

1. Basic information of important management levels:

April 7, 2024

Title	Nationality	Name	Gender	Date elected	Shares held		Shareholding		Shares currently held by spouse and underage children		Main experience (education)	Concurrent position(s) currently held in other companies	Managers with relation of spouse or relative within second degree		
					Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
General Manager (Note1)	ROC	Wang,Chau-Chyun	Male	Mar. 1, 2005	193,126	0.22	34,421	0.04	0	0	MBA of National Chengchi University Chairman of Super Network Technology Co., Ltd.	Juridical Person Director Representative of Lotrich Information Juridical Person Director Representative of ADTECH Inc. Juridical Person Director Representative of Formolight Inc. Director of CGCH Foundation For Education	None	None	None
Co-COO	ROC	Jou,Shao-Huey	Male	Jan. 1, 2008	26,467	0.03	0	0	0	0	Department of Business Management, College of Engineering, Tatung University Yi Syue Industrial Corporation Limited	None	None	None	None
Co-COO	ROC	Wen,Chien-Liang	Male	Jan. 11, 2012	41,034	0.05	0	0	0	0	Special Master Continuing Education Course of Department of Department of Business Administration, National Taipei University Jishimei Food Industrial	Chairman of LEO Image Inc.	None	None	None
Senior Vice President	ROC	Chang, Yueh-Chin	Female	Mar. 1, 2001	98,117	0.11	0	0	0	0	Department of Electronics, National Taiwan Ocean University First International Computer	None	None	None	None
Senior Vice President	ROC	Tang,Hui-Kang	Male	Jan. 1, 2008	76,132	0.09	0	0	0	0	Master of Institute of Materials Research and Engineering Super Network Technology	None	None	None	None
Vice President	ROC	Wang,Shih-Chao	Male	Jan. 22, 2014	32,000	0.04	0	0	0	0	Master of Institute of Mechanics, Tatung University	Chairman of LEO Systems, Inc. (China)	None	None	None
Vice President (Note2)	ROC	Liao,Chen-Hsiang	Male	Jan. 1, 2010	17,096	0.02	0	0	0	0	National Taipei University EMBA Division of Electronics, Oriental Institute of Technology Linge Technology	None	None	None	None
Assistant Vice President	ROC	Wang, Yueh-Hsing	Female	Jan. 1, 2010	17,235	0.02	0	0	0	0	Department of Asset Management, Kun Shan University of Technology Waxberry Food	None	None	None	None
Assistant Vice President	ROC	Li,Hsiang-Jui	Male	Jan. 1, 2004	9,000	0.01	69	0.00	0	0	Master of Institute of Engineering Management, New Jersey Institute of Technology Deloitte & Touche, Taiwan	None	None	None	None
Assistant Vice President	ROC	Ku,Hung-Yi	Male	Jan. 1, 2008	31,096	0.03	0	0	0	0	Division of Electronics, Lee-Ming Institute of Technology Uprise Technology	None	None	None	None
Senior Director	ROC	Shih,Ming-Long	Male	Jan. 1, 2008	22,385	0.03	0	0	0	0	Division of Electronic Information, National Taipei College of Business Lite-On Electronic	None	None	None	None
Senior Director	ROC	Chen,Wen-Pin	Male	Jan. 1, 2010	2,096	0.00	0	0	0	0	Master of Architecture and Urban-Rural Research Institute, National Taiwan University Xinxin Program Production	None	None	None	None
Senior Director	ROC	Hung,Ho-Yi	Male	Jan. 1, 2011	96	0.00	0	0	0	0	Department of Business Administration, Tamkang University Honghuo Information	None	None	None	None
Senior Director	ROC	Kao,Yung-Jay	Male	Jan. 1, 2008	12,149	0.01	0	0	0	0	Division of Electronic Equipment Maintenance, Tatung Institute of Technology	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shares held		Shareholding		Shares currently held by spouse and underage children		Main experience (education)	Concurrent position(s) currently held in other companies	Managers with relation of spouse or relative within second degree		
					Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
											Zhongdian System				
Director	ROC	Chiu,Wei-Buh	Male	Jan. 1, 2008	12,819	0.01	0	0	0	0	Department of Information Science, Tunghai University First International Computer	None	None	None	None
Director	ROC	Yang,Chang-Cheng(Note3)	Male	Jan. 11, 2012	0	0.00	0	0	0	0	Department of Electrical Engineering, Lunghwa Junior College of Technology	None	None	None	None
Director	ROC	Chang,Jung-Mao	Male	Feb. 1, 2018	0	0.00	0	0	0	0	Department of Electrical Engineering, Southern Taiwan Institute of Technology	None	None	None	None
Director	ROC	Chen,Hhi-Fang	Female	Jan. 1, 2019	20,000	0.02	17,096	0.02	0	0	Department of Economics, Feng Chia University	None	Assistant manager	SHIH, TO-YU	Spousal
Director	ROC	Shyh,Tuoh-Yeu	Male	Jan. 1, 2020	17,096	0.02	20,000	0.02	0	0	Department of Electronics, Tunghai University	None	Assistant manager	CHEN, HUI-FANG	Spousal
Director & Accounting Manager Financial Manager & Corporate Governance Office	ROC	Wu,Chien-Fang(Note4)	Male	Nov. 12, 2021	0	0	0	0	0	0	College of Accounting, Tunghai University Cayman Tung Ling Co., Limited	Supervisor of Lotrich Information	None	None	None
Director	ROC	Lin,Meng-Hung	Male	Jan. 1, 2022	12,001	0.01	0	0	0	0	Department of Business Administration, China University of Science and Technology Neweb Technologies Co., Ltd.	None	None	None	None
Director	ROC	Chang,Yung-Chieh	Male	Jan. 1, 2023	4,000	0.00	0	0	0	0	National Caotun Commercial & Industrial Vocational Senior High School GOTOP INFORMATION INC.	None	None	None	None
Director & Accounting Manager Financial Manager & Corporate Governance Office	ROC	Peng,Hung-Chin(Note5)	Male	Mar. 31, 2023	0	0	0	0	0	0	Fu Jen Catholic University Institute of Accountancy Master's Program(EMBA) National Taiwan University Institute of Health Policy and Management Master's Program(EMHA) SmartDisplayer Technology Co., Ltd. senior manager. Inalways Corporation director	Supervisor of Lotrich Information	None	None	None
Director	ROC	Chang,Chia-Chi(Note6)	Male	Feb. 6, 2024	3,000	0.00	0	0	0	0	Far East Industrial and Commercial College Mechanical Department. Chin-Chi Enterprise Co., Ltd. manager. LEO Systems, INC. manager, senior manager.	None	None	None	None

Note: 1. The chairman of the Company holds a concurrent post of general manager due to his operation management capacity which can increase the operational performance and value of the Company. In 2023, one independent director, Liao,Hsiang-Ruei, has been added.

2. As reported on February 5, 2024, the board of directors approved the promotion to vice president effective retroactively on January 1, 2024.

3: He resigned on April 2, 2024.

4: He resigned on March 31, 2023.

5: He took office as a special assistant on March 31, 2023. After being reported to the board of directors on May 8, 2023, he was promoted to director with effect from May 9, 2023.

6: After being reported to the board of directors on February 5, 2024, the promotion to director was approved with effect from February 6, 2024.

2. Succession planning for important management levels:

The company's current important management level is led by the top manager and general manager Wang,Chau-Chyun, which oversees two Co-COO Wen,Chien-Liang and Jou,Shao-Huey, as well as seven Vice President. The two Co-COO are each responsible for managing two business groups, and each vice president is responsible for managing each business unit under the two business groups. In order to ensure the sustainable operation and future development of the company, the company In addition to selecting the best for management, we also continue to recruit outstanding talents from outside. In addition to having excellent professional abilities, relevant candidates should also have values and personal characteristics that are consistent with the company's combine.

Regarding the company's training for important management, internally, in addition to regular monthly performance review meetings, Kick-off and strategic development seminars and business operations are also held every year. Through meetings such as performance and annual budget review, we hope that the heads of each business unit will have a better understanding of the company's future operating policies. In the external department, in order to cultivate international outlook, external lecturers are hired every year Director training courses are taught within the company group. In addition to allowing directors to better understand international affairs, executives from all important management levels will also be invited to participate in this training course, so that all executives can also and understand the treacherous changes in the world, so as to cultivate the international outlook of each manager. In addition, the company's administrative department also organizes various professional training courses regularly or irregularly to enhance the professional knowledge and ability of each supervisor.

Finally, through the job agent and performance evaluation system, operational judgment and crisis management capabilities are developed. Allow all important management levels to establish leadership and high-quality organizational culture to ensure the company develops sustainably. Therefore, for the succession planning schedule for important management positions such as general manager or Co-COO, the company will internally evaluate the performance of each business unit manager. Promote and take over when appropriate. When necessary, we do not rule out recruiting outstanding talents to take over important management positions such as general manager or Co-COO.

Participation of managers and internal audit in the continuing education related to corporate governance:

Title	Name	Date of continuing education		Sponsor	Name of course	Duration of training
		Starting date	Ending date			
General Manager	Wang,Chau-Chyun	Dec 14,2023	Dec 14,2023	Securities & Exchanges Institute	Technical development and application opportunities of chatbot ChatGPT	3h
General Manager	Wang,Chau-Chyun	Dec 14,2023	Dec 14,2023	Securities & Exchanges Institute	Outlook for the global economic situation in 2024	3h
Accounting Manager	Peng,Hung-Chin	Oct 16,2023	Oct 17,2023	Accounting Research and Development Foundation	Continuing Education Course of Stock Exchange of Issuers and Dealers for Accounting Managers	12h
Corporate Governance Office	Peng,Hung-Chin	Aug 07,2023	112/08/07	TPEX	Advocacy Session of Insider Equity of TPEX/Emerging Stock Market Listed Companies	3h
		Sep 04,2023	112/09/04	Financial supervisory commission R.O.C.(Taiwan)	The 14th Taipei Corporate Governance Forum (14th TAICGOF) "All-day session"	6h
		Oct 06,2023	112/10/06	Accounting Research and Development Foundation	"Sustainable Development Action Plan" and a practical analysis of the impact of net-zero carbon emissions on financial reporting	6h
		Dec 14,2023	112/12/14	Securities & Exchanges Institute	Technical development and application opportunities of chatbot ChatGPT	3h
		Dec 14,2023	112/12/14	Securities & Exchanges Institute	Outlook for the global economic situation in 2024	3h
Accounting Manager Agent	Kuo,Yu-Mao	Aug 24,2023	Aug 25,2023	Accounting Research and Development Foundation	Continuing Education Course of Stock Exchange of Issuers and Dealers for Accounting Managers	12h
Audit Officer	Chang,Yueh-Chin	Jun 20,2023	Jun 20,2023	The Institute of Internal Auditors-Chinese Taiwan	Enhance the sustainable value of enterprises and improve the risk management system	6h
		Sep 01,2023	Sep 01,2023	The Institute of Internal Auditors-Chinese Taiwan	How to adjust the internal control system to adapt to the new ESG standards	6h
Audit Officer Agent	Peng, Mei-Hui	Jul 07,2023	Jul 07,2023	Accounting Research and Development Foundation	Common internal control management deficiencies in enterprises and analysis of practical cases	6h
		Sep 14,2023	Sep 14,2023	The Institute of Internal Auditors-Chinese Taiwan	Analysis of business performance and risk prevention through financial statements	6h

(III) Remuneration of directors, supervisors, general manager, and deputy general manager in recent years

A. Remuneration of general directors and independent directors (summarization of remuneration scale and name disclosing method)

Unit: NT\$1,000; %

Title	Name	Director remuneration								Total of A, B, C and D and ratios over net income after tax %		Relevant remuneration received by concurrent employees						Total of A, B, C, D, E, F and G and ratios over net income after tax %		Remuneration received from reinvestment enterprises other than subsidiaries		
		Salary (A)		Severance pay and pensions (B)		Director reward (C)		Business execution fees (D)				Remuneration, bonus and allowances (E)		Severance pay and pensions (F)		Employee reward (G) (Note 2)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report			
Chairman	University Venture Co., Ltd.	0	0	0	0	4,209	4,209	47	47	4,256	4,256	16,175	16,175	103	103	1,350	0	1,350	0	21,884	21,884	None
	Wang, Chau-Chyun																					
Director	University Venture Co., Ltd.																					
	Wen, Chien-Liang (Note3)																					
Director	WYC God-loving Foundation for Charity																					
	CHIEN LAMBERT MING LONG																					
Director	WYC God-loving Foundation for Charity																					
	Jou, Shao-Huey																					

Note 1: The Company established an Audit Committee on July 26, 2021 in replacement of the supervisors.

Note 2: It is a tentatively negotiated amount.

Note 3: Resign on May 12, 2023.

Title	Name	Director remuneration								Total of A, B, C and D and ratios over net income after tax		Relevant remuneration received by concurrent employees						Total of A, B, C, D, E, F and G and ratios over net income after tax		Remuneration received from reinvestment enterprises other than subsidiaries or not		
		Salary (A)		Severance pay and pensions (B)		Director reward (C)		Business execution fees (D)				Remuneration, bonus and allowances (E)		Severance pay and pensions (F)		Employee reward (G)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report			
Independent director	Liu,Thu-Hua																					
Independent director	Chen,Yen-Hui	0	0	0	0	700	700	93	93	793	793	0	0	0	0	0	0	0	0	793	793	None
Independent director	Cheng,Sheng-In									0.42%	0.42%											
Independent director	Liao,Hsiang-Ruei(Note2)																					

Note1: The Company established an Audit Committee on July 26, 2021 in replacement of the supervisors.

Note2: The chairman of the Company holds a concurrent post of general manager due to his operation management capacity which can increase the operational performance and value of the Company. The regular meeting of shareholders on June 7, 2023 has added one independent director, Liao Hsiang-Ruei.

Remuneration Scale

Scale of remuneration paid to each director of the Company	Name of director			
	Total of the first four items (A+B+C+D)		Total of the first seven items (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated statements	The Company	All companies in the consolidated statements
Below NT\$1,000,000	WYC God-loving Foundation for Charity/ Liu,Thu-Hua / Chen,Yen-Hui/ Cheng,Sheng-In / Liao,Hsiang-Ruei/ Chien Lambert Ming Long/ Jou,Shao-Huey / Wen,Chien-Liang/Wang,Chau-Chyun	WYC God-loving Foundation for Charity/ Liu,Thu-Hua / Chen,Yen-Hui/ Cheng,Sheng-In / Liao,Hsiang-Ruei/ Chien Lambert Ming Long/ Jou,Shao-Huey/ Wen,Chien-Liang/Wang,Chau-Chyun	WYC God-loving Foundation for Charity/ Liu,Thu-Hua / Chen,Yen-Hui Cheng,Sheng-In / Liao,Hsiang-Ruei/Chien Lambert Ming Long	WYC God-loving Foundation for Charity/ Liu,Thu-Hua / Chen,Yen-Hui Cheng,Sheng-In / Liao,Hsiang-Ruei/Chien Lambert Ming Long
NT\$1,000,000 (included)-2,000,000 (excluded)				
NT\$2,000,000 (included)-NT\$3,500,000 (excluded)				
NT\$3,500,000 (included)-NT\$5,000,000 (excluded)	University Venture Co., Ltd.	University Venture Co., Ltd.	University Venture Co., Ltd./ Jou,Shao-Huey/Wen,Chien-Liang	University Venture Co., Ltd./ Jou,Shao-Huey/Wen,Chien-Liang
NT\$5,000,000 (included)-NT\$10,000,000 (excluded)			Wang,Chau-Chyun	Wang,Chau-Chyun
NT\$10,000,000 (included)-NT\$15,000,000 (excluded)				
NT\$15,000,000 (included)-NT\$30,000,000 (excluded)				
NT\$30,000,000 (included)-NT\$50,000,000 (excluded)				
NT\$50,000,000 (included)-NT\$100,000,000 (excluded)				
Above NT\$100,000,000				
Total	10	10	10	10

B.Remuneration of general manager and vice president (summarization of remuneration scale and name disclosing method)

Unit: NT\$1,000

Title	Name	Salary (A)		Severance pay and pensions (B)		Bonus and allowances (C)		Employee reward (D)				Total of items A, B, C and D and ratios over net income after tax (NT\$1,000; %)		Remuneration received from reinvestment enterprises other than subsidiaries or not
		The Company	All companies in the consolidated statements	The Company	All companies in the consolidated statements	The Company	All companies in the consolidated statements	The Company		All companies in the consolidated statements		The Company	All companies in the consolidated statements	
								Amount of cash dividends	Amount of stock dividends	Amount of cash dividends	Amount of stock dividends			
General Manager	Wang, Chau-Chyun	12,111	12,111	336	336	12,853	12,853	1,750	0	1,750	0	27,050 14.34	27,050 14.34	None
Co-COO	Jou, Shao-Huey													
Co-COO	Wen, Chien-Liang													
Senior Vice President	Chang, Yu-Chin													
Senior Vice President	Tang, Hui-Kang													
Vice President (Note2)	Liao, Chen-Hsiang													
Vice President	Wang, Shih-Chao													

Note1: It is a tentatively negotiated amount.

2. As reported on February 5, 2024, the board of directors approved the promotion to vice president effective retroactively on January 1, 2024.

Remuneration Scale

Scale of remuneration paid to each general manager and deputy general manager of the Company	Names of general manager and deputy general manager	
	The Company	All companies in the financial report
Below NT\$1,000,000		
NT\$1,000,000 (included)-NT\$2,000,000 (excluded)		
NT\$2,000,000 (included)-NT\$3,500,000 (excluded)	Wang,Shih-Chao/ Liao, Chen-Hsiang/ Tang,Hui-Kang /Chang, Yu- Chin	Wang,Shih-Chao/ Liao, Chen-Hsiang/ Tang,Hui-Kang / Chang, Yu-Chin
NT\$3,500,000 (included)-NT\$5,000,000 (excluded)	Jou,Shao-Huey/ Wen,Chien-Liang	Jou,Shao-Huey/ Wen,Chien-Liang
NT\$5,000,000 (included)-NT\$10,000,000 (excluded)	Wang,Chau-Chyun	Wang,Chau-Chyun
NT\$10,000,000 (included)-NT\$15,000,000 (excluded)		
NT\$15,000,000 (included)-NT\$30,000,000 (excluded)		
NT\$30,000,000 (included)-NT\$50,000,000 (excluded)		
NT\$50,000,000 (included)-NT\$100,000,000 (excluded)		
Above NT\$100,000,000		
Total	7	7

C.Names of managers distributed with employee reward and distribution conditions

Unit: NT\$1,000

	Title	Name	Stock amount	Cash amount (Note)	Total	Ratio of total amount over net income after tax
Managers	General Manager	Wang,Chau-Chyun	0	2,940	2,940	1.56%
	Co-COO	Jou,Shao-Huey				
	Co-COO	Wen,Chien-Liang				
	Senior Vice President	Chang, Yu-Chin				
	Senior Vice President	Tang,Hui-Kang				
	Vice President	Wang,Shih-Chao				
	Vice President	Liao,Chen-Hsiang(Note2)				
	Assistant Vice President	Wang, Yueh-Hsing				
	Assistant Vice President	Li,Hsiang-Jui				
	Assistant Vice President	Ku,Hung-Yi				
	Senior Director	Chen,Wen-Pin				
	Senior Director	Hung,Ho-Yi				
	Senior Director	Shih,Ming-Long				
	Senior Director	Kao,Yung-Jay				
	Director	Chiu,Wei-Buh				
	Director	Yang,Chang-Cheng				
	Director	Chang,Jung-Mao				
	Director	Chen,Hhi-Fang				
	Director	Shyh,Tuoh-Yeu				
	Director	Wu,Chien-Fang(Note 3)				
	Director	Lin,Meng-Hung				
Director	Chang,Yung-Chieh					
Director	Peng,Hung-Chin(Note4)					
Director	Chang,Chia-Chi(Note5)					

Note: 1.It is a tentatively negotiated amount.

2. As reported on February 5, 2024, the board of directors approved the promotion to vice president effective retroactively on January 1, 2024.

3.Already resigned on March 31, 2023.

4: He took office as a special assistant on March 31, 2023. After being reported to the board of directors on May 8, 2023, he was promoted to director with effect from May 9, 2023.

5: After being reported to the board of directors on February 5, 2024, the promotion to director was approved with effect from February 6, 2024.

D. The ratios of total amount of remuneration paid by the Company and all companies in the consolidated statements to the directors, supervisors, general manager and deputy general manager of the Company over the net income after tax in recent two years are compared and explained respectively and then analyzed, and remuneration payment policy, standards and portfolios, remuneration stipulation procedure, and relevancy to operational performance and future risks are explained:

1. Comparison of the ratios of total amount of remuneration paid by the Company and all companies in the consolidated statements to the directors, supervisors, general manager and deputy general manager of the Company over the net income after tax in recent two years:

Unit: NT\$1,000

Year	Total amount of remuneration of directors, supervisors, general manager and deputy general managers		Net income (loss) after tax		Ratio over net income after tax	
	The Company	Consolidated statements	The Company	Consolidated statements	The Company	Consolidated statements
2023	32,099	32,099	188,447	188,582	17.03%	17.02%
2022	34,320	34,320	285,370	285,370	12.03%	12.03%

2. The remuneration payment policy of the Company has been formulated and reasonably remuneration is paid to the aforesaid personnel in accordance with the provisions of relevant remuneration measures of the Company, in comprehensive consideration of the payees' education, work experience, positions, responsibilities, performance, and contributions, and with reference to the remuneration level in the same trade.

(IV) Operation of corporate governance

A. Operation of the Board of Directors:

7 meetings of the Board of Directors were convened in 2022 and as of the publication date of this annual report. The attendance status of the directors is shown as follows:

Title	Name	Actual attendance	Attendance by proxy	Actual attendance rate (%)	Remark
Chairman	University Venture Co., Ltd.: Wang,Chau-Chyun	7	0	100%	
Director	WYC God-loving Foundation for Charity:Chien Lambert Ming Long	7	0	100%	
Director	University Venture Co., Ltd.: Wen,Chien-Liang(Note1)	3	0	100%	
Director	WYC God-loving Foundation for Charity: Jou,Shao-Huey	7	0	100%	
Independent director	Cheng,Sheng-In	7	0	100%	
Independent director	Liu,Thu-Hua	7	0	100%	
Independent director	Chen,Yen-Hui	7	0	100%	
Independent director	Liao,Hsiang-Ruei(Note2)	4	0	100%	

Note1 : Resign on May 12, 2023.

Note2 : The chairman of the Company holds a concurrent post of general manager due to his operation management capacity which can increase the operational performance and value of the Company. The regular meeting of shareholders on June 7, 2023 has added one independent director, Liao Hsiang-Ruei.

Other matters to be recorded:

1. For matters listed in Article 14-3 of the Securities and Exchange Act and other matters resolved by the Board of Directors with independent directors' opposing or reserved opinions and relevant record or written statement, date and session of board meeting, content of proposals, all independent directors' opinions, and the Company's handling of these opinions shall be explained:

Date	Causes
January 16, 2023 11 th Meeting of the 17 th Board of Directors	2. "2022 Performance Bonus for Heads of Business Divisions" distribution case. 4. "2022 Digital Learning Advanced Program Project Bonus". 5. The company's "2022 year-end bonus" case.
March 8, 2023 12 th Meeting of the 17 th Board of Directors	12. The case of changing the appointment of certified accountants and the evaluation of their competence and independence and the appointment remuneration.
May 8, 2023 13 th Meeting of the 17 th Board of Directors	1. Recognize Special Assistant Peng Hung-Chin as head of the Financial Management Department, concurrently as spokesperson and corporate governance officer Manager and promoted to Director. 2. Lifting the non-competition restrictions between managers and financial and accounting directors. 3. The company's consolidated financial report for the first quarter of 2023. 4. The case of converting the company's employee stock option certificates into new shares of the company's ordinary shares.
August 9, 2023 14 th Meeting of the 17 th Board of Directors	1. The Company's "2022 Directors' Remuneration Distribution" Case 2. The company's "2022 employee and manager remuneration distribution" case 3. The company's "2022 employee and manager performance bonus" case 4. The Company's Consolidated Financial Report for the Second Quarter of 2023 7. The company plans to provide financing endorsement guarantee for LEO System Inc. (China). 8. The company plans to provide financing endorsement and guarantee for LEO Image Inc. 10. The proposed appointment of Professor Liao, Hsiang-Ruei as a member of the company's "Salary and Remuneration Committee"
November 10, 2023 15 th Meeting of the 17 th Board of Directors	1. The company's employee stock option certificates were converted into new shares of the company's ordinary shares. 2. The company's consolidated financial report for the third quarter of 2023 3. Formulate the company's 2024 audit plan 4. The case of the company's donation to the CGCH Foundation for Education.
February 5, 2024 16 th Meeting of the 17 th Board of Directors	1. The company's employee stock option certificates were converted into new shares of the company's ordinary shares. 3. "Performance Bonus for Business Division Managers in 2023" Issuance Case 4. "2023 Business Division Performance Bonus" Issuance Case 5. The company's "2023 year-end bonus" case
March 8, 2024 17 th Meeting of the 17 th Board of Directors	1. Remuneration distribution plan for employees and directors in 2023. 2. 2023 annual business report and financial statements case. 3. Profit distribution proposal for 2023. 7. Comprehensive re-election of directors.

- | | |
|--|---|
| | <p>8. Nomination of Directors and Independent Director Candidates.</p> <p>9. Lifting restrictions on non-competition behavior of new directors and their representatives.</p> <p>10. Convening matters related to the company’s 2024 regular shareholders’ meeting.</p> <p>11. Assessment of the competency and independence of Certified Public Accountants and appointment remuneration case.</p> |
|--|---|

As for the proposals submitted in the Board of Directors in current year, no independent director raised any opposing or reserved opinion.

2. As for the execution of recusal of any independent director from any proposal where this director is a stakeholder, name of independent director, content of proposal, reason for recusal due to conflict of interest and voting status shall be explained: Executed truly in accordance with the relevant provisions.
- 2.1. Cause 2 and case 4 and case 5 of the 11th meeting of the 17th Board of Directors held on January 16, 2023:
- Case 2. "2022 Performance Bonus for Heads of Business Divisions" distribution case.
- Case 4. "2022 Digital Learning Advanced Program Project Bonus".
- Case 5. The company's "2022 year-end bonus" case.
- Resolution: Chairman Wang, Chau-Chyun, Director Wen, Chien-Liang and Director Jou, Shao-Huey avoided participating in the discussion and voting, and asked independent director Liu, Thu-Hua to act as the chairman of the case, which was approved by the remaining directors present.
- 2.2. Cause 1 of the 14th meeting of the 17th Board of Directors held on August 9, 2023: “The Company’s “2022 Directors’ Remuneration Distribution” Case.
- Resolution: Except stakeholders, including chairman Wang, Chau-Chyun, and directors Jou, Shao-Huey who excused themselves from voting, the remaining attending members agreed to pass the resolution according to “The Company’s “2022 Directors’ Remuneration Distribution” Case.
- 2.3. Cause 10 of the 14th meeting of the 17th Board of Directors held on August 9, 2023: “The proposed appointment of Professor Liao, Hsiang-Ruei as a member of the company’s Salary and Remuneration Committee”.
- Resolution: Except stakeholders, including independent director Liao, Hsiang-Ruei who excused himself from voting, the remaining attending members agreed to pass the resolution according to “The proposed appointment of Professor Liao, Hsiang-Ruei as a member of the company’s Salary and Remuneration Committee”.
- 2.4. Cause 4 of the 15th meeting of the 17th Board of Directors held on November 10, 2023: “Proposal of the Company for Donation to CGCH Foundation for Education”.
- Resolution: Except stakeholders, including chairman Wang, Chau-Chyun and director Chien Lambert Ming Long who excused themselves from voting, the remaining attending members agreed to pass the resolution according to “Proposal of the Company for Donation to CGCH Foundation for Education”.
- 2.5. Cause 3 and case 5 of the 16th meeting of the 17th Board of Directors held on February 5, 2024:
- Case 3. "Performance Bonus for Business Division Managers in 2023" Issuance Case.
- Case 5. The company’s “2023 year-end bonus” case.
- Resolution: Chairman Wang, Chau-Chyun and Director Jou, Shao-Huey avoided participating in the discussion and voting, and asked independent director Liu, Thu-Hua to act as the chairman of the case,

which was approved by the remaining directors present.

3. A TWSE/TPEX listed company shall disclose the cycle, period, scope, method and content of self-evaluation (or evaluation for colleagues) of the Board of Directors of the Company, and fill out the execution status of evaluation of the Board of Directors in attached Table (II).
4. Objectives for the strengthening of functions of the Board of Directors (e.g., establishment of Audit Committee, improvement of information transparency, etc.) in current year and recent years as well as evaluation of execution status of these objectives:
 - 4.1. The Company has already established and followed its "Rules of Procedure of the Board of Directors" in accordance with "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".
 - 4.2. The Company has entered the attendance of directors in the Board of Meeting in the MOPS, and disclosed the major resolutions and financial information of the Board of Directors on its website.
 - 4.3. The Company encourages directors and supervisors to take part in corporate governance courses with the objective to strengthen the functions of the Board of Directors, and the professionalism of directors and supervisors. In 2022, the directors and supervisors engaged in continuing education for 7 person-times, involving a total training duration of 63h.
 - 4.4. To ensure the effective execution of the Board of Directors, the Company's internal audit department audits the operation of the Board of Directors periodically, and makes and submits relevant reports to the directors for review.
 - 4.5. The Company established a Remuneration Committee in December 2011, and this committee is responsible for executing periodic evaluation, evaluating the Company's overall remuneration policy, and regularly reviewing the performance and remuneration of directors and managers.
 - 4.6. The Company established an Audit Committee on July 26, 2021 in replacement of the supervisors, for the purpose of supervising and guiding the fair presentation of the Company's financial statements, appointment (dismissal), independence and performance of CPAs, effective implementation of the Company's internal control, the compliance of the Company with relevant laws, regulations and rules, as well as the management and control of the existing or potential risks of the Company.
5. Others matters to be recorded:
 1. Succession planning for board members:

The company currently has seven directors (including four independent directors), and the chairman is Wang, Chau-Chyun. The election of directors has adopted a candidate nomination system in accordance with the law. The selection of board members is based on the company's "Corporate Governance Code of Practice" and the composition is diversified. Its members should generally possess the necessary knowledge, skills and qualities to perform their duties in order to achieve the company's goals. The ideal goal of governance. And formulate appropriate diversification policies based on its own operations, operating models and development needs; independent directors are required to have professional knowledge and skills in accordance with the law: such as professional background (law, accounting, industry, finance, etc.), professional skills and industry experiences etc.

In order to strengthen the functions of directors, LEO SYSTEMS, INC. selects further training courses covering corporate governance-related topics such as finance, accounting, legal affairs, business, risk management or internal control systems, and arranges appropriate further training for directors to enhance

their professional knowledge. Performance evaluation methods are also clearly defined to measure and confirm the operating efficiency of the board of directors, and evaluate its performance as a reference for future planning of the selection of chairman and directors. Currently, board members are fully re-elected every three years. Therefore, when it is scheduled to take over the positions of chairman and director, it is expected that the successor will be selected during the comprehensive re-election of directors in accordance with relevant regulations.

B. Execution status of evaluation of the Board of Directors

LEO SYSTEMS, INC. has adopted the "Board of Directors Performance Evaluation Methods" at the board of directors on January 28, 2021, and has set indicators based on the actual situation. It conducts regular internal evaluations of the performance of the board of directors and various functional committees every year, and submits the results of the performance evaluation to report to the board of directors and be used as a reference for individual directors' salary, remuneration and nomination for renewal. The company completed the 2023 board performance and director member performance evaluation in January 2024, and has reported the evaluation results to the board of directors on March 8, 2024.

Evaluation cycle (Note 1)	Evaluation period (Note 2)	Evaluation scope (Note 3)	Evaluation method (Note 4)	Evaluation content (Note 5)
Executed once every	January 1 - December 31, 2023	Board of Directors, individual directors, and functional committees	Internal self-evaluation of the Board of Directors, self-evaluation of directors, and internal self-evaluation of functional committees	<p>1. Content of performance evaluation of the Board of Directors:</p> <p>A. Degree of participation in corporate operation</p> <p>B. Improvement of decision-making quality of the Board of Directors</p> <p>C. Composition and structure of the Board of Directors</p> <p>D. Election and appointment of directors and their continuing education</p> <p>E. Internal control</p> <p>2. Content of evaluation of members of the Board of Directors:</p> <p>A. Mastery of the Company's objectives and tasks</p> <p>B. Recognition of directors' responsibilities</p> <p>C. Degree of participation in corporate operation</p> <p>D. Operation and communication of internal relations</p> <p>E. Directors' expertise and continuing</p>

Evaluation cycle (Note 1)	Evaluation period (Note 2)	Evaluation scope (Note 3)	Evaluation method (Note 4)	Evaluation content (Note 5)
				education F. Internal control 3. Content of performance evaluation of functional committees: A. Degree of participation in corporate operation B. Recognition of responsibilities of functional committees C. Improvement of decision-making quality of functional committees D. Composition of functional committees and election and appointment of their members E. Internal control

Note 1: The execution cycle of evaluation of the Board of Directors, e.g., once every year, shall be filled out.

Note 2: The period covered by the evaluation of the Board of Directors shall be filled out. For example, the performance of the Board of Directors from January 1, 2019 to December 31, 2019 is evaluated.

Note 3: The evaluation scope includes the performance evaluation of the Board of Directors, individual directors and functional committees.

Note 4: The evaluation method includes internal self-evaluation of the Board of Directors, self-evaluation of directors, peer evaluation, and performance evaluation through entrustment of external professional agency or experts or by other appropriate means.

Note 5: The evaluation content shall at least include the following items according to the evaluation scope:

(1) Performance evaluation of the Board of Directors: At least including degree of participation in corporate operation, decision-making quality of the Board of Directors, composition and structure of the Board of Directors, election and appointment of directors and their continuing education, and internal control.

(2) Performance evaluation of individual directors: At least including mastery of the Company's objectives and tasks, recognition of directors' responsibilities, degree of participation in corporate operation, operation and communication of internal relations, directors' expertise and continuing education and internal control.

(3) Performance evaluation of functional committees: Degree of participation in corporate operation, recognition of responsibilities of functional committees, improvement of decision-making quality of functional committees, composition of functional committees and election and appointment of their members, and internal control.

C. Operation of the Audit Committee:

The Board of Directors of the Company passed “Organizational Procedure of Audit Committee” on March 18, 2021, and set up an Audit Committee on July 26, 2021 in replacement of the supervisors after comprehensive reelection of directors. The tenure of the 1st Audit Committee starts from July 26, 2021 and ends on July 25, 2024. The convener is Cheng, Sheng-In who is an independent director, while the committee members are two independent directors, i.e., Liu, Thu-Hua and Chen, Yen-Hui and Liao, Hsiang-Ruei. LEO SYSTEMS, INC. has adopted the "Board of Directors Performance Evaluation Methods" at the board of directors on January 28, 2021, and set indicators based on the actual situation. It conducts regular internal evaluations of the performance of the board of directors and various functional committees every year, and submits the results of the performance evaluation to Report to the board of directors and be used as a reference for individual directors' salary, remuneration and nomination for renewal. The company completed the 2023 board performance and director member performance evaluation in January 2024, and has submitted the evaluation results to the board of directors on March 8, 2024.

1. The work highlights of the Audit Committee of the Company include the followings:

(1) Deliberation of internal control system

The internal control system established or amended in accordance with “Regulations Governing the Establishment of Internal Control Systems by Public Companies” shall be approved by the Audit Committee and then submitted to the Board of Directors for resolution.

(2) Audit of independence of CPAs

In order to ensure the reliability of the Company's financial reports, the quality of internal control and the independence of CPAs, the independence of CPAs shall be audited in accordance with “Securities and Exchange Act” and “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, to avoid financial risks and improve the quality of information disclosure.

(3) Communication and discussion with CPAs regarding auditing purpose and scope of annual financial report, responsibilities of CPAs and the Company, form of the audit report, etc.

In order to enforce the internal control system according to “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, a communication mechanism has already been established between independent directors and CPAs, and the Audit Committee of the Company determined the auditing purpose and scope of annual financial report, responsibilities of CPAs and the Company, and form of the audit report ; also, the audit findings and conclusions of “Financial Statements of 2022” were communicated with the Audit Committee on March 8, 2023. The audit findings and conclusions of “Review of financial statements for the third quarter of 2023” were

communicated with the Audit Committee on November 10, 2023. The audit findings and conclusions of “Financial Statements of 2023” were communicated with the Audit Committee on March 8, 2024.

(4) Additionally, the functions and powers of the Audit Committee are listed as follows according to the Company’s “Organizational Procedure of Audit Committee”:

(A) To establish or amend the internal control system in accordance with the provisions of Article 14-1 of the Securities and Exchange Act.

(B) To assess the effectiveness of the internal control system.

(C) To establish or amend procedures for the acquisition or disposal of assets, engaging in derivatives trading, lending of funds to others, endorsement for others, or provision of major financial business conducts in accordance with the provisions of Article 36-1 of the Securities and Exchange Act.

(D) To handle matters that involve the interests of directors themselves.

(E) Trading of major assets or derivatives.

(F) Lending, endorsement or provision of guarantee of major capital.

(G) Fundraising, issuance or private placement of valuable securities with equity nature.

(H) Appointment, dismissal or remuneration of CPAs.

(I) Appointment or dismissal of financing manager, accounting manager, or internal audit officer.

(J) Annual financial report signed or sealed by the chairman, managers and accounting manager, as well as the financial report of the second quarter audited and certified by CPAs

(K) Other major matters stipulated by the Company or competent authorities.

2. 6 meetings (A) of the Audit Committee were convened in 2023 and as of the publication date of this prospectus in 2024, and the attendance status of independent directors is shown as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remark
Convener	Cheng, Sheng-In	6	0	100%	
Member	Liu, Thu-Hua	6	0	100%	
Member	Chen, Yen-Hui	6	0	100%	
Member	Liao, Hsiang-Ruei (Note)	4	0	100%	

Note : The regular meeting of shareholders on June 7, 2023 has added one independent director, Liao Hsiang-Ruei.

3. Others matters to be recorded:

(1) If any of the following circumstances exists in the operation of the Audit Committee, dates and sessions of board meetings, content of proposals, results of

resolutions made by the Audit Committee, and the Company’s handling of the opinions of the Audit Committee shall be explained.

(A) Matters listed in Article 14-5 of the Securities and Exchange Act: No independent director raised an opposing or reserved opinion, or made any major suggestion.

Session and date	Content of proposal	Result of resolution made by the Audit Committee	The Company’s handling of the opinions of the Audit Committee
9 th meeting of the 1 st session March 8, 2022	<ol style="list-style-type: none"> 1. Business Report and Financial Statements of 2022 2. Proposal for Profit Distribution in 2022 3. Assessment of Effectiveness of Internal Control System of the Company and Statement of Internal Control System in 2022 4. Proposal for Amendment of “Corporate Governance Best Practice Principles” of the Company 5. Proposal for Amendment of “Procedures for handling requests from directors” of the Company 6. Proposal for Evaluation of Competence and Independence of CPAs and Changes in the appointment and Remuneration of CPAs in 2022 	All attending members agreed to pass the resolution.	All attending directors agreed to pass the resolution.
10 th meeting of the 1 st session May 8, 2023	<ol style="list-style-type: none"> 1. Recognize Special Assistant Peng Hung-Chin as head of the Financial Management Department, concurrently as spokesperson and corporate governance officer Manager and promoted to Director. 2. The company’s consolidated financial report for the first quarter of 2023. 3. The case of converting the company’s employee stock option certificates into new shares of the company’s ordinary shares. 4. Proposal for Application of Bank Financing Limit. 	All attending members agreed to pass the resolution.	All attending directors agreed to pass the resolution.
11 th meeting of the 1 st session August 9, 2023	<ol style="list-style-type: none"> 1. The Company’s Consolidated Financial Report for the Second Quarter of 2023. 2. Proposal for Application of Bank 	All attending members agreed to pass the resolution.	All attending directors agreed to pass the resolution.

Session and date	Content of proposal	Result of resolution made by the Audit Committee	The Company's handling of the opinions of the Audit Committee
	Financing Limit.. 3.The case of agreeing to allocate financing quota of Huanan Bank for use by related enterprises. 4.The company plans to provide financing endorsement guarantee for related enterprises. 5.Revision of some articles of the organizational rules of the Company's Salary and Remuneration Committee.		
12 th meeting of the 1st session November 10, 2023	1. The company's employee stock option certificates were converted into new shares of the company's ordinary shares. 2. The company's consolidated financial report for the third quarter of 2023. 3. Formulate the company's 2024 audit plan. 4. The case of the company's donation to the CGCH Foundation for Education.	All attending members agreed to pass the resolution.	All attending directors agreed to pass the resolution.
13 th meeting of the 1st session February 5, 2024	1.The company's employee stock option certificates were converted into new shares of the company's ordinary shares.	All attending members agreed to pass the resolution.	All attending directors agreed to pass the resolution.
14 th meeting of the 1st session March 8, 2024	1.2023 annual business report and financial statements case. 2.Profit distribution proposal for 2023. 3. Assessment of the effectiveness of the company's internal control system in 2023 and statement of internal control system. 4.Revision of some provisions of the company's "Standards of Procedures for Board of Directors". 5.Assessment of the competency and independence of Certified Public Accountants and appointment remuneration case.	All attending members agreed to pass the resolution.	All attending directors agreed to pass the resolution.

(B) Other resolved matters not approved by the Audit Committee but approved by more than two thirds of all directors beyond the preceding matters: Not

involved and not applicable.

- (2) As for the execution of recusal of any independent director from any proposal where this director is a stakeholder, name of independent director, content of proposal, reason for recusal due to conflict of interest and voting status shall be explained: Not involved and not applicable.
- (3) Communication of independent directors with internal audit officer and CPAs:
 (A) Communication of independent directors and internal audit officer: The audit unit of the Company will submit each internal audit report to the independent directors periodically; after the establishment of the Audit Committee of the Company, the audit officer has meetings with the auditors at least once every quarter and submits relevant reports and resolutions to the Board of Directors.

Date	Theme of communication	Independent directors' suggestions, and handling and execution status
March 8, 2023	Reporting of the execution status of audit business from October 2022 to December 2022 at the Audit Committee	No independent raised any opinion after the internal audit officer explained to them.
May 8, 2023	Reporting of the execution status of audit business from January 2023 to March 2023 at the Audit Committee	No independent raised any opinion after the internal audit officer explained to them.
August 9, 2023	Reporting of the execution status of audit business from April 2023 to June 2023 at the Audit Committee	No independent raised any opinion after the internal audit officer explained to them.
November 10, 2023	Reporting of the execution status of audit business from July 2023 to September 2023 at the Audit Committee	No independent raised any opinion after the internal audit officer explained to them.
March 8, 2024	Reporting of the execution status of audit business from October 2023 to December 2023 at the Audit Committee	No independent raised any opinion after the internal audit officer explained to them.

- (B) Communication of independent directors with CPAs: The independent directors of the Company have maintained good communication with CPAs. At ordinary times, the independent directors and the CPAs may contact each other at any time by phone or meeting. CPAs also report the auditing or reviewing status of financial reports to the independent directors. The communication status of 2023 and 2024 to the date of publication of this annual report is summarized as follows:

Date	Theme of communication	Independent directors' suggestions, and handling and execution status
March 8, 2023 (by written report)	Audit findings and conclusions of "Financial Statements of 2022"	No independent director raised any opinion.
November 10, 2023 (by written report)	Instructions to the review of the financial statements in Q3 of 2023	No independent director raised any opinion.
March 8, 2024 (by written report)	Audit findings and conclusions of "Financial Statements of 2023"	No independent director raised any opinion.

D. Execution status of corporate governance, deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof:

Assessment item	Execution status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
1. Has the Company followed “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance best practice principles?	V		The Company already established “Corporate Governance Best Practice Principles” and disclosed it in the MOPS and its website.	No significant deviation
2. Shareholding Structure & Shareholders’ Rights				
(1) Has the Company established Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes, and litigation matters? If yes, have these procedures been implemented accordingly?	V		(1) The Company has already set up a spokesperson system and had dedicated personnel to handle relevant issues.	No significant deviation
(2) Has the Company possessed a list of major shareholders of actually controlled companies and beneficial owners of these major shareholders?	V		(2) The Company may possess a list of major shareholders of actually controlled companies and beneficial owners of these major shareholders and disclose it periodically according to regulations.	No significant deviation
(3) Has the Company built and executed a risk management system and firewall between the Company and its affiliates?	V		(3) The Company has handled it in accordance with its internal control system, internal audit system, management rules and regulations, and relevant laws and regulations.	No significant deviation
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) The Company has established a procedure for processing of major internal information to standardize the legitimate processing of major information of insiders.	No significant deviation

Assessment item	Execution status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
3. Composition and Responsibilities of the Board of Directors				
(1) Has the Board of Directors established and implemented a diversification policy for its composition?	V		(1) The Company measures and considers the practical requirements regarding the scale of business development and shareholding status of its major shareholders with reference to “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”. When considering and screening candidates for directors, the Company measures the professional background, education (work experience), integrity degree or relevant professional qualifications) based on its diversification policy. The members of the Board of Directors shall generally possess the knowledge, skills, and quality needed for execution of their duties. In order to achieve the ideal goal of corporate governance, the Board of Directors shall have the following capacity as a whole: 1. Operational judgment; 2. Accounting and financial analysis ability; 3. Operation management ability; 4. Crisis handling capacity; 5. Industrial knowledge; 6. Outlook on international market; 7. Leadership; 8. Decision-making ability. The implementation status of diversification of members of the Board of Directors is detailed in P13-P14.	No significant deviation

Assessment item	Execution status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(2) Other than the Remuneration Committee and the Audit Committee set up by the Company according to law, is the Company willing to set up other various kinds of functional committees?		V	(2) No other relevant committee has been established for the time being.	No significant deviation
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of the performance to the Board of Directors, and used the results as reference for the director reward and renewal?	V		(3) The Company has adopted the "Board of Directors Performance Evaluation Methods" at the board of directors on January 28, 2021, and has set indicators based on the actual situation. It conducts regular internal evaluations of the performance of the board of directors and various functional committees every year, and submits the results of the performance evaluation to report to the board of directors and be used as a reference for individual directors' salary, remuneration and nomination for renewal. The company completed the 2023 board performance and director member performance evaluation in January 2024, and has reported the evaluation results to the board of directors on March 8, 2024.	No significant deviation
(4) Has the Company regularly evaluated the independence of its certified public accountants?	V		(4) The Financial Management Department of the Company periodically evaluates the CPAs' independence every year. The CPAs of the Company are subordinate to the member firms of big four international accounting firms in Taiwan. In addition to the periodic evaluation of CPAs'	No significant deviation

Assessment item	Execution status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
			<p>independence, the Company also executes a policy of replying the CPAs every seven years, and it has no business contact relationship that violates the principle of independence. Upon the request of the Company for the evaluation of the independence of our CPAs, Deloitte & Touche, Taiwan assigned to give a joint reply letter and issue a statement of compliance with the provisions of Code of Ethics for Professional Accountants No. 10 Notice. Also, after evaluation by the Financial Management Department of the Company, the members of the audit team were competent with required professional qualifications and were able to execute the auditing work and fairly present the financial status and performance of the Company in accordance with auditing standards. The proposal for evaluation of CPAs in 2024 is expected to be presented to the Board of Directors for discussion on March 8, 2024. In addition to the independence and competence of the aforesaid project in the self-evaluation, a statement of absolute independence of CPAs has been obtained. (Note 1)</p>	

Assessment item	Execution status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
4. Has the Company appointed competent and appropriate corporate governance personnel and corporate officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to meetings of the Board of Directors and the Shareholder's Meeting according to law, and recording minutes of board)?	V		The Financial Management Department of the Company is in charge of corporate governance related affairs, and the Financial Manager serves as the corporate governance officer to take charge of affairs related to corporate governance.	No significant deviation
5. Has the Company established channels of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a special zone for stakeholders on its official website, and properly responded to the issues of important corporate social responsibilities concerned by its stakeholders?	V		The Company has appointed spokesperson and deputy spokesperson to serve as its communicating channels. Also, the Company has opened contact window for each stakeholder in the special zone for stakeholders to respond to relevant issues. The communication with each stakeholder is reported to the Board of Directors at least once every year.	No significant deviation
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company has appointed the Stock Agency Department of Taishin Securities Co., Ltd. to handle the affairs of its Shareholder's Meetings.	No significant deviation
7. Information disclosure (1) Has the Company established a corporate website to disclose information regarding its finance, business, and corporate governance?	V		(1) The Company has disclosed information regarding its finance, business, and corporate governance in the "Special Zone for Investors" on its website (http://www.leosys.com).	No significant deviation

Assessment item	Execution status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(2) Has the Company used any other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors' conferences, etc.)?	V		(2) The Company has appointed spokesperson and deputy spokesperson to serve as its communicating channels.	No significant deviation
(3) Has the Company announced and reported the annual financial statements within two months after the end of the fiscal year, and announced and reported the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?		V	(3) The Company has gradually achieved it according to the corporate governance blueprint announced by competent authority.	No significant deviation
8. Has the Company disclosed other important information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employees' rights and care, investor relations, supplier relations, rights of stakeholders, records of further education of directors and supervisors, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and the Company's purchasing of liability insurance for directors and supervisors)?	V		(1) Employees' rights and interests: Most principles adopted by the Company for the planning of human resources management are superior to those specified in relevant laws and regulations including Labor Standards Act. (2) Employee care: In addition to the establishment of diversified communicating channels to facilitate the understanding of the employees' work and life, the senior managers of the Company have also actively participated in each caring activity organized by the Welfare Committee for the employees. (3) Investor relations: The Company timely announces information regarding its finance and business, and gives real-time announcements of major information in the MOPS and its website to facilitate a full understanding of the Company's operation status for investors. Investors who have further query needs may contact the Company's spokesperson for more information.	No significant deviation

Assessment item	Execution status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
			<p>(4) Supplier relations: In addition to the establishment of partnership with suppliers according to relevant provisions regarding “purchasing cycle”, the Company would establish a consensus with suppliers more closely in respect to multiple aspects including specifications and prices when engaging in major business bidding projects to benefit the acquisition of bid projects.</p> <p>(5) Stakeholder’s rights: To secure the stakeholders’ rights and interests, the Company has established various unimpeded communicating channels, and appropriately handle events of the stakeholders in principles of integrity and accountability.</p> <p>(6) To complete and strengthen the supervision and management functions of the Board of Directors, the Company has established its “Rules of Procedure of the Board of Directors” for observation in accordance with the provisions stipulated in “Regulations Governing Procedure for Board of Directors Meetings of Public Companies” issued by competent authority.</p> <p>(7) The Company purchases liability insurance for its directors and supervisors as stipulated.</p>	
<p>9. Please describe the improvements based on the results of corporate governance evaluation announced by the Corporate Governance Center of Taiwan Stock Exchange Corporation in recent years and indicate matters and measures of priority for those not improved yet: To improve the evaluation performance through the strengthening of information disclosure through carriers like website.</p>				

Note 1: Criteria for evaluation of CPAs' independence:

Evaluation item	Evaluation result	
	Yes	No
The CPAs have a direct or major indirect interest relationship with the assigned matters to affect their independence.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The CPAs have a direct or major indirect financial interest relationship with the Company.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The CPAs are engaged in financing or guarantee behaviors with the Company or its directors and supervisors.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The CPAs have a close business relationship with the Company.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The CPAs have a potential employment relationship with the Company.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Contingent fees of the CPAs related to the audited case.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Members of the audit service are serving or have served as directors, supervisors, managers or held positions that have a major influence on the audited case within two recent years.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The non-audit services provided for the audited client will directly influence the important items of the audited case.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Members of the audit service team publicize or serve as agents for the stock or other securities issued by the Company.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Members of the audit service team serve as the defendants of the Company, or engage in any conflict with other third parties on behalf of the Company.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The CPAs or members of the audit service team are relatives to directors, supervisors or managers of the Company or personnel holding positions that have a major influence on the audited case.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The co-CPAs serve as directors, supervisors or managers of the Company, or hold positions that have a major influence on the audited case within one year after leaving office.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The CPAs or members of the audit service team accept major bestowals or gifts of major value from the Company or its directors, supervisors and managers.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The Company requires the CPAs to accept the improper choices of accounting policies or disclosure of financial statements by the management.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The Company imposes a pressure on the CPAs for the purpose of reducing the CPAs' fees, and as a result, the CPAs must improperly reduce their due auditing work.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Whether to refer to the Audit Quality Indicators (AQIs) to assess the independence and competence of certified accountants is evaluated in the following aspects. Dimension One: Professionalism, divided into firm level and case level Dimension Two: Quality control, divided into firm level and case level	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Dimension Three: Independence, Case Level Dimension Four: Supervision, divided into firm level and case level Dimension Five: Innovation Ability, Firm Level		
Whether you have the qualifications of an accountant to perform the business of an accountant.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Whether there is no disciplinary action by the competent authority and the CPA Association; or the punishment in accordance with Article 37, Article 3, Item 3 of the Securities and Exchange Act: (1) Warning (2) Suspension of the audit under this Act within two years (3) Revocation of the approval of the audit.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Whether to have relevant industry knowledge about the company.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Whether to perform financial statement audit work in accordance with generally accepted auditing standards and accountant audit and certification financial statement rules, and issue financial reports in accordance with the audit planning schedule.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Whether it is unfair competition in the industry and commerce by not taking advantage of the position of CPAs.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Whether the latest changes in accounting, auditing and related laws and regulations are actively provided to the management, and the major differences are fully discussed and communicated.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Evaluation results 1. The CPA firm approved by the company belongs to the four major international CPA firms and has no interest relationship with the company. 2. The company has carried out the assessment according to the items of independence and competence assessment, and the certification CPA should be independent and competent.		

E. The composition, responsibilities and operation status of Remuneration Committee shall be disclosed if any:

1. Information of members of the Remuneration Committee

March 31, 2024

Condition		Professional qualification and experience (Note 1)	Independence status (Note 3)	Number of other public companies where the director holds a concurrent post of member of the Remuneration Committee
Identity (Note 1)	Name			
Independent director (convener)	Liu,Thu-Hua	Please see directors' professional qualification and experience for details.	See the following table for details.	0
Independent director	Chen,Yen-Hui	Please see directors' professional qualification and experience for details.	See the following table for details.	0
Independent director	Cheng,Sheng-In	Please see directors' professional qualification and experience for details.	See the following table for details.	3
Independent director	Liao,Hsiang-Ruei(Note5)	Please see directors' professional qualification and experience for details.	See the following table for details.	0

Note 1. Please specifically explain relevant working seniority, professional qualification, experience and independence status of each member of the Remuneration Committee. If a member of the Remuneration Committee is an independent director, it can be explained in the remark column that the relevant contents of attached Table 1 "Information regarding directors and supervisors" on page 11. As for the identity, please fill out independent director or others (if a member is the convener, this matter shall also be specified).

Note 2. Professional qualification and experience: Explain professional qualifications and experience of individual members of the Remuneration Committee.

Note 3. Compliance with independence: Explain the conformity of members of the Remuneration Committee to the independence, including: Whether the members themselves, and their spouses and relatives within the second degree serve as directors, supervisors or employees of the Company or its affiliates; shares held by the members themselves, and their spouses and relatives within second degree (or through utilization of others' name) and shareholding ratios; whether they serve as directors, supervisors or employees of companies with specific relations with the Company (with reference to provisions stipulated in subparagraphs 5~8, paragraph 1, Article 6 of Regulations Governing the Setting and Authority Exercising of Remuneration Committee of TWSE/TPEX Listed Companies); amount of remuneration acquired in recent 2 years for the services provided for the Company or its affiliates involving commerce, law, finance and accounting.

Note 4. The disclosing method is shown in the reference examples of the best practices on the website of TWSE Corporate Governance Center.

Note5 : On August 9, 2023, a new member, Liao Hsiang-Ruei was appointed.

Identity (Note 1)	Condition	With more than five years' work experience and the following professional qualifications or not			Independence status (Note 2)										Number of other public companies where the director holds a concurrent post of independent director	Remark	
		Lecturer or above in department of commerce, legal affairs, finance, accounting or corporate business of public or private university and junior college	Judge, procurator, lawyer, accountant or any other professional vocational and technical personnel passing the examination of national examinations needed for corporate business.	Work experience needed for commerce, legal affairs, finance, accounting or corporate business	1	2	3	4	5	6	7	8	9	10			
Independent director	Liu,Thu-Hua	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Chen,Yen-Hui	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Cheng,Sheng-In		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent director	Liao,Hsiang-Ruei(Note3)	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1. Please fill out the identity as director, independent director or others respectively.

Note 2. If each member complies with the following conditions two years before being elected and appointed and during tenure, please mark “√” in the blank under each condition code.

- (1) Not an employee of the Company or its affiliate.
- (2) Not a director or supervisor of the Company or its affiliate (however, it does not apply to the concurrent officeholding of an independent director in the Company and its parent company or subsidiary or subsidiaries belonging to a same parent company according to this law or local laws and regulations).
- (3) Not an individual shareholder holding or with his/her spouse, underage children or others holding more than 1% of total shares already issued by the Company or ranking the top 10 in terms of shareholding ratio.
- (4) Not a manager listed in (1), or the spouse, a relative within second degree, or direct relative within third degree of the personnel listed in (2) and (3).
- (5) Not a director, supervisor or employee of a corporate shareholder directly holding more than 5% of total shares issued by the Company, ranking the top 5 in terms of shareholding ratio, or assigning a representative to serve as the director or supervisor of the Company according to Article 27-1 or Article 27-2 of the Company Act (however, it does not apply to the concurrent officeholding of an independent director in the Company and its parent company or subsidiary or subsidiaries belonging to a same parent company according to this law or local laws and regulations).
- (6) Not a director, supervisor or employee of another company with the director seats of the Company or shares with voting rights controlled by a same person (however, it does not apply to the concurrent officeholding of an independent director in the Company and its parent company or subsidiary or

- subsidiaries belonging to a same parent company according to this law or local laws and regulations).
- (7) Not a director (council member), supervisor or employee of another company or institution who is same as or the spouse to the chairman, general manager or person with an equivalent position of the Company (however, it does not apply to the concurrent officeholding of an independent director in the Company and its parent company or subsidiary or subsidiaries belonging to a same parent company according to this law or local laws and regulations).
 - (8) Not a director (council member), supervisor or manager or shareholder with shareholding ratio above 5% of a specific company or institution that has financial or business contact with the Company (however, it does not apply to the situation in which the specific company or institution holds more than 20% but less than 50% of total shares already issued by the company, and concurrently serving as an independent director in the Company and its parent company or subsidiary or subsidiaries belonging to a same parent company according to this law or local laws and regulations).
 - (9) Not a professional, or owner, partner, director (council member), supervisor, or manager of sole proprietorship, partnership, company or institution providing auditing service for the Company or its affiliate or relevant commercial, legal, financial and accounting services with the accumulated reward amount not exceeding NT\$500,000 in recent two years, as well as their spouses. However, it does not apply to members of remuneration committee, public acquisition deliberation committee or M&A special committee that performs its duties in accordance with relevant laws and regulations including the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
 - (10) Not having any of the circumstances stipulated in Article 30 of the Company Act.

Note3. On August 9, 2023, a new member, Liao Hsiang-Ruei was appointed.

2. Information of operation status of the Remuneration Committee

- (1) The Remuneration Committee of the Company comprises 4 members. LEO SYSTEMS, INC. has adopted the "Board of Directors Performance Evaluation Methods" at the board of directors on January 28, 2021, and set indicators based on the actual situation. It conducts regular internal evaluations of the performance of the board of directors and various functional committees every year, and submits the results of the performance evaluation to Report to the board of directors and be used as a reference for individual directors' salary, remuneration and nomination for renewal. The company completed the 2023 board performance and director member performance evaluation in January 2024, and has submitted the evaluation results to the board of directors on March 8, 2024.
- (2) Tenure of members of this Remuneration Committee: July 26, 2021 to the expiration date of tenure of this Board of Directors. 4 (A) meetings of the Remuneration Committee were convened in recent year and as of the publication date of this prospectus, and the attendance of the committee members is shown as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remark
Convener	Liu, Thu-Hua	4	0	100%	Reappointed
Member	Chen, Yen-Hui	4	0	100%	Reappointed
Member	Cheng, Sheng-In	4	0	100%	Reappointed
Member	Liao, Hsiang-Ruei	1	0	100%	Note(3)

Other matters to be recorded:

1. If the Board of Directors does not adopt or correct the suggestions made by the Remuneration Committee, it

shall explain date and session of board meeting, content of proposals, resolution results of the Board of Directors as well as the Company's handling of opinions of the Remuneration Committee (if the remuneration passed by the Board of Directors is superior to that suggested by the Remuneration Committee, the deviation and reason shall be explained): Not involved.

2. As for the resolution matters of the Remuneration Committee, if any member raises an opposing or qualified opinion with relevant written statement, the date and session of the Remuneration Committee as well as content of proposals, all members' opinions and handling of these opinions shall be explained: Not involved.

Notes:

- (1) If a member of the Remuneration Committee resigns before the ending date of the year, the date of resignation shall be specified in the remark column, and the actual attendance rate (%) shall be calculated according to the number of meetings of the Remuneration Committee convened during his/her tenure as well as meetings actually attended by this member.
- (2) If a member of the Remuneration Committee is reelected before the ending date of the year, both new and former members shall be filled out and information regarding previous appointment, new appointment, or reappointment or date of reelection of this member shall be specified in the remark column. The actual attendance rate (%) shall be calculated according to the number of meetings of the Remuneration Committee convened during his/her tenure as well as meetings actually attended by member.
- (3) On August 9, 2023, a new member, Liao Hsiang-Ruei was appointed.

F. Execution status of promotion of sustainable development:

Execution Status of Promotion of Sustainable Development, Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Promotion item	Execution status (Note 1)			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
1. Has the Company established a governance structure to promote sustainable development and set up full-time (part-time) unit to promote sustainable development which is handled by senior management authorized by the Board of Directors and supervised and guided by the Board of Directors?		V	Currently, the Company hasn't established a governance structure to promote sustainable development yet.	(1) It will be handled at the right moment in the future based on actual needs or statutory and regulatory provisions. (2) No significant deviation
2. Has the Company implemented risk evaluation of issues related to corporate operation including environment, society and corporate governance according to materiality principle and established relevant risk management policies or strategies? (Note 2)	V		When executing the annual budgeting work of the Company for the next year, each business unit conducts risk evaluation with respect to operation related environment, and the development of society and technology to plan enforceable schemes.	No significant abnormality
3. Environmental issues				
(1) Has the Company established an environmental management system as appropriate for its industrial features?	V		Amidst the crisis of global warming and energy shortage, the Company is committed to developing cloud computing and mobile service-related products with the objective to building cloud integration services and promoting low-carbon economy.	No significant abnormality
(2) Is the Company dedicated to improving the energy utilization efficiency and using	V		1. Promote e-work, import standard documents to the Company's ESS system, reduce the paper usage for	No significant abnormality

recycled materials with a low impact on environmental burden?			documents, and advance the recycling of document paper. 2. Carry out garbage sorting, and battery recycling and reduction activities. 3. Care about the earth, increase the air-conditioning temperature, and strive to realize energy conservation and carbon reduction.	
(3) Has the Company evaluated the potential risks and opportunities brought by climate change at present and in the future and has it taken relevant responsive measures?	V		The Company integrates sustainable development to its corporate strategies, and actively reduces CO ₂ emissions in coordination with the trend of energy conservation and carbon reduction.	No significant abnormality
(4) Has the Company gathered statistics of greenhouse gas emission, water consumption and total weight of wastes in the past two years and established policies for the reduction of greenhouse gas emissions and water consumption or administration of other wastes?		V	The Company hasn't gathered relevant statistical data and will pay continual attention to this issue in the future.	It will be handled in consideration of the future conditions.
4. Social issues				
(1) Has the Company established relevant management policies and procedures based on relevant laws, regulations, and international conventions on human rights?	V		The Company abides by relevant labor laws and regulations, secures the employees' legitimate rights and interests, holds labor-capital meetings periodically, and values the employees' heartfelt wishes and their rights and interests.	No significant abnormality
(2) Has the Company established and implemented reasonable employee welfare	V		1. The Company attaches importance to employees' physical and mental health, and holds fellowship	No significant abnormality

<p>measures (include salary and compensation, leave and others), and appropriately linked operational performance or achievements with employee salary and compensation?</p>		<p>campaigns and employee get-together dining periodically.</p> <p>2. The employees are provided with a leave system that is superior to that stipulated in the Labor Standards Act.</p> <p>3. Employee achievement bonus, yearend bonus and employee reward are paid according to the Company's operational performance, and the operational performance or achievements are appropriately linked with the employee salary and compensation.</p>	
<p>(3) Has the Company provided a safe and healthy environment to its employees and periodically implemented safety and health education to employees?</p>	<p>V</p>	<p>The Company pays attention to a safe and healthy work environment, handles relevant matters in accordance with provisions of the regulations governing labor safety and health organization management and automatic inspection, and conducts environmental detection and evaluation periodically.</p>	<p>No significant abnormality</p>
<p>(4) Has the Company established an effective career competence training program for its employees?</p>	<p>V</p>	<p>The Company imported TTQS (Talent Training Quality-management System) in 2010 and managed to further improve the establishment of the internal training system of LEO and correctly link organizational goals with training effect using PDDRO training cycle as the basis of training course development. Also, the Company has studied out KPI for employees to follow definite objectives and maintain the thinking of innovative technologies and continual improvements at any time through continuous improvement and enhancement, for the</p>	<p>No significant abnormality</p>

			purpose of providing the best services for customers. Furthermore, the Company won a special honor of silver medal evaluated by the Workforce Development Agency, the Ministry of Labor in 2011 and 2016 respectively.	
(5) Has the Company followed relevant regulations and international rules and formulated relevant policies and appeal procedures to protect consumers' or customers' interests regarding issues like customer health and safety, customer privacy, marketing and labeling concerning products and services?	V		Most local and foreign suppliers of the Company are original manufacturers who have cooperated with us for a long term, and all products of the Company comply with the provisions of laws and regulations to ensure service safety. Also, a customer service center is set up in the Company to protect customers' or customers' interests.	No significant abnormality
(6) Has the Company established supplier management policy and requested the suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor rights, and what is the execution status?	V		<ul style="list-style-type: none"> ● The company has a purchase management method, and the standard procurement operation should follow the procedures. ● The company regularly evaluates the top 20 suppliers for annual purchases. ● Require the top 10 suppliers of annual purchases to sign a letter of integrity commitment. ● For major or necessary projects, the manufacturer must sign a confidentiality letter. 	No significant abnormality
5. Has the Company prepared reports that disclose its non-financial information like sustainability report with reference to the international universal report preparation criteria or guidelines? Have the preceding reports acquired confirmation or guarantee opinion from third-party verification unit?		V	The Company hasn't prepared corporate social responsibility report yet, but will strengthen the disclosure of relevant information on its official website.	<p>(1) It will be handled at the right moment in the future based on actual needs or statutory and regulatory provisions.</p> <p>(2) No significant deviation</p>

6. If the Company has established Sustainable Development Best Practice Principles according to “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please explain its operation and difference from the principles formulated: The Company hasn’t established relevant best practice principles yet.
7. Other important information that facilitates a better understanding of the Company’s implementation of promotion of sustainable development: (1) The Company continually introduces environment-friendly and energy-saving products for sales, and actively steps into the field of urban energy conservation, to reduce the energy consumption. (2) The Company sponsors CGCH Foundation For Education for a long term and helps junior high school and elementary school students from poverty-stricken families in Taiwan continuously so that they can study without worries; the Company hopes that the effective resource integration of this Foundation can effectively feedback to the society with more specific actions, and perform its corporate social responsibility thoroughly.

Note 1. If the execution status is checked as “Yes”, please specifically explain the important policies, strategies and measures taken as well as execution status; if the execution status is checked as “No”, please explain the deviations and reasons thereof in the column in “Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof” and explain the plans for adoption of relevant policies, strategies and measures in the future.

Note 2. Materiality principle refers to the material influence of issues related to environment, society and corporate governance on the investors and other stakeholders of the Company.

Note 3. The disclosing method is shown in the reference examples of the best practices on the website of TWSE Corporate Governance Center.

G. Performance status of ethical corporate management and implementing measures:

Performance Status of Business Integration Management, Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Assessment item	Execution status			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reason thereof
	Yes	No	Summary	
<p>1. Establishment of integrity policies and solutions</p> <p>(1) Has the Company established integrity policies approved by the Board of Directors and disclosed, in a memorandum or external correspondence, the policies and practices it has in place to maintain business integrity? Are its Board of Directors and senior management actively implementing these policies and practices?</p> <p>(2) Has the Company established an evaluation mechanism for the risks of dishonest conduct to periodically analyze and evaluate business activities that have a relatively high risk of dishonest conduct and established plans for prevention of such dishonest conduct accordingly that at least covers the preventive measures indicated in in Paragraph 2 of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Has the Company clearly established, implemented, and executed operating procedures, guidelines for conduct and actions to punish and appeal violations in the plans for prevention of dishonest conduct, and periodically reviewed and corrected the preceding plans?</p>	V		<p>The Company established “Ethical Corporate Management Best Practice Principles” and “Code of Ethics” on April 24, 2015, and the Board of Directors and senior management actively implement the commitments of the business policy.</p> <p>The General Manager Office of the Company serves as the unit promoting the ethical corporate management and takes charge of auditing whether any situations in violation of ethical corporate management exist in the Company. Also, in accordance with the work responsibilities and scope of each unit in the Company, the General</p>	No significant deviation

Assessment item	Execution status			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reason thereof
	Yes	No	Summary	
			Manager Office assists the Board of Directors and the management in supervising and executing the ethical corporate management policy and preventive plans. Furthermore, it reports the execution status of the ethical corporate management to the Board of Directors at least once every year.	
2. Implementation of ethical corporate management				
(1) Has the Company evaluated the integrity records of counterparties with which it has business relationship and clearly stipulated integrity clauses in the contracts signed with these counterparties?	V		(1)The employee handbook of the Company places a particular emphasis on the Company's corporate culture, and the down-to-earth working style.	No significant deviation
(2) Has the Company established a unit specializing in the promotion of ethical corporate management and subordinate to the Board of Directors, and has this unit reported its integrity policies, plans for prevention of dishonest conduct and implementation supervision conditions to the Board of Directors periodically (at least once a year)?	V		(2) to (5) The General Manager Office of the Company serves as the unit promoting ethical corporate management and takes charge of auditing whether any situations in violation of ethical corporate	

Assessment item	Execution status			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reason thereof
	Yes	No	Summary	
<p>(3) Has the Company adopted any policy for the prevention of conflicts of interest, provided proper statement channels, and implemented and executed them?</p> <p>(4) Has the Company established effective accounting system and internal control system to implement ethical corporate management, and has the internal audit unit drafted relevant audit plan based on the evaluation results of the risk of dishonest conduct to check the abidance by the plans for prevention of dishonest conduct, or entrusted accountants to execute the audit?</p> <p>(5) Has the Company organized internal and external education and training on a regular basis to maintain its ethical corporate management?</p>	V		management exist in the Company. Also, in accordance with the work responsibilities and scope of each unit in the Company, the General Manager Office assists the Board of Directors and the management in supervising and executing the ethical corporate management policy and preventive plans. Furthermore, it reports the execution status of the ethical corporate management to the Board of Directors at least once every year. In the future, education and training will be held in accordance with relevant laws and regulations.	
<p>3. Operation of the Company's whistleblowing system</p> <p>(1) Has the Company established specific whistleblowing and rewarding systems, set up channels that facilitate whistleblowing, and assigned proper dedicated personnel for the reported objects?</p>	V		(1)The Auditorial Department of the Company is the channel that facilitates whistleblowing.	No significant deviation

Assessment item	Execution status			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reason thereof
	Yes	No	Summary	
(2) Has the Company established any standard operating procedures for the investigation of reports accepted as well as subsequent measures and relevant confidentiality mechanism after completion of investigation?	V		(2)The Company has established “Ethical Corporate Management Best Practice Principles”, “Code of Ethics” and “Regulation on Whistleblowing” to standardize the acceptance of reported matters and protect the whistleblower’s related work.	
(3) Has the Company taken measures to protect whistleblower from improperly disposal due to whistleblowing?	V		(3) Same as above.	
4. Enhancement of information disclosure Has the Company disclosed the contents and promotion effect of its Ethical Corporate Management Best Practice Principles on its website and MOPS?	V		The content of the Ethical Corporate Management Best Practice Principles of the Company has already been disclosed on the Company’s website.	No significant deviation
5. If the Company has established Ethical Corporate Management Best Practice Principles in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies), please explain its operation as well as deviations from the principles established: No significant deviation.				
6. Other important information that facilities a better understanding of the Company’s implementation of ethical corporate management: (e.g., details of the Company’s review and correction of its Ethical Corporate Management Best Practice Principles): None.				

H. Method to query the Corporate Governance Best Practice Principles and relevant rules and regulations established by the Company if any: “Corporate Governance Best Practice Principles”, “Ethical Corporate Management Best Practice Principles”, “Code of Conduct” and “Regulation on Whistleblowing” are disclosed in the special zone for investors on the Company’s website.

- I. Other important information to facilitate a better understanding of the Company's corporate governance:
In order to establish a good internal major information processing and disclosure mechanism to avoid improper information leakage and guarantee the consistency and correctness of information published by the Company to the outside world, the Company already formulated "Procedure for Processing of Major Internal Information" which was passed by the Board of Directors on December 29, 2009. This procedure was recently revised on November 7, 2022. Please refer to "Important Internal Corporate Regulations" in "Corporate Governance" at "Special Zone for Investors" on the Company's website for details of this procedure.
- J. Execution status of internal control system:
1. Statement of Internal Control: Please refer to P139 of this annual report.
 2. CPAs' review report shall be disclosed if they are entrusted to the project review of the Company's internal control system: None.
- K. Legal penalties imposed on the Company and its internal personnel, penalties imposed by the Company on its internal personnel due to their violation of the provisions of the internal control system, in recent year and as of the publication date of the annual report, as well as principal deficiencies and improvements: None.

L. Important resolutions of the Shareholders' Meeting and the Board of Directors in recent year and as of the publication date of the annual report:

1. Execution status of important resolutions of the regular Shareholders' Meeting in 2023:

Date	Resolution of the regular Shareholders' Meeting	Shareholder questions and company responses	Execution status
June 7, 2023	1. Proposal for Business Report and Financial Statements of 2022.	No shareholder questions and company replies	The result of the resolution was already followed.
	2. Proposal for Profit Distribution in 2022.	No shareholder questions and company replies	1. The net profit for the year of the Company in 2022 reached NT\$285,370,012, and it planned to appropriate NT\$222,165,308 for distributing cash dividends. Cash dividend distributed per share: NT\$2.49323848 2. Ex-dividend base date: July 24, 2023 3. Cash dividend payment date: August 15, 2023
	3. Proposal for Amendment to Some Provisions of "Articles of Association".	No shareholder questions and company replies	It has already been operated according to the amended "Articles of Association".
	4. Proposal for Amendment to Some Provisions of "Company's Rules of Procedure for Shareholders Meetings".	No shareholder questions and company replies	It has already been operated according to the amended procedure.
	5. Election to fill vacancy in 17 th term of one independent director.	No shareholder questions and company replies	Independent directors after the by-election shall perform their duties in accordance with the law.

2. List of director attendees for the 2023 annual meeting of shareholders : Chairman

Wang,Chau-Chyun, Director Shao,Huey-Jou, Independent director and convener of the audit committee Cheng,Sheng-In, Independent director Liu,Thu-Hua , etc.Four seats, accounting for 57% of all seven-seat directors.

3. The 2023 annual meeting of shareholder did not pass a temporary motion, and the resolution was not changed within 7 days before the meeting procedure.

Important resolutions of the Board of Directors in recent year (2023) and as of the publication date of the annual report:

Date	Meeting session	Content of resolution
January 16, 2023	11 th meeting of the 17 th Board of Directors	1. Proposal for Business Budget of 2023.
		2. Proposal for Payment of “Performance Achievement Bonus for Heads of Business Units in 2022”.
		3. Proposal for Payment of “Performance Achievement Bonus for Business Units in 2022”.
		4. "2022 Digital Learning Advanced Program Project Bonus".
		5. The company's "2022 year-end bonus" case.
		6. Proposal for “Promotion and Salary Adjustment in 2023” of the Company.
March 8, 2023	12 th meeting of the 17 th Board of Directors	1. Proposal for Reward Distribution of Employees and Directors in 2022.
		2. Business Report and Financial Statements of 2022.
		3. Proposal for Profit Distribution in 2022.
		4. Assessment of Effectiveness of Internal Control System of the Company and Statement of Internal Control System in 2022.
		5. Proposal for Amendment to Some Provisions of “Articles of Association” of the Company.
		6. Amendments to some articles of the company's "Rules of Procedure for Shareholders' Meetings".
		7. By-election of one independent director.
		8. Nominate and review the list of candidates for independent directors.
		9. Matters Related to the Convening of the Regular Shareholders’ Meeting of the Company in 2023.
		10. Proposal for Amendment of “Corporate Governance Best Practice Principles” of the Company.
		11. Proposal for Amendment of “Procedures for handling requests from directors” of the Company.
		12. The case of changing the appointment of certified public accountants and the evaluation of their competence and independence and the appointment remuneration.
		13. Proposal for Application of Bank Financing Limit.
May 8, 2023	13 th meeting of the 17 th Board of	1. Recognize Special Assistant Peng Hung-Chin as head of the Financial Management Department, concurrently as spokesperson and corporate governance officer Manager and promoted to Director.
		2. Lifting the non-competition restrictions between managers and financial and accounting directors.
		3. The company’s consolidated financial report for the first quarter of 2023.
		4. The case of converting the company’s employee stock option certificates into new shares of the company’s ordinary shares.
		5. Proposal for Application of Bank Financing Limit.
August 9, 2023	14 th meeting of the 17 th Board of	1. The Company’s “2022 Directors’ Remuneration Distribution” Case.
		2. The company’s “2022 employee and manager remuneration distribution” case.
		3. The company’s “2022 employee and manager performance bonus” case.
		4. The Company’s Consolidated Financial Report for the Second Quarter of 2023.
		5. Proposal for Application of Bank Financing Limit.
		6.The company plans to provide financing endorsement guarantee for related enterprises.
		7. The company plans to provide financing endorsement guarantee for LEO System Inc. (China).

Date	Meeting session	Content of resolution
		8. The company plans to provide financing endorsement and guarantee for LEO Image Inc. 9. Revision of some articles of the organizational rules of the Company's Salary and Remuneration Committee. 10. The proposed appointment of Professor Liao, Hsiang-Ruei as a member of the company's "Salary and Remuneration Committee".
November 10, 2023	15 th meeting of the 17 th Board of	1. The company's employee stock option certificates were converted into new shares of the company's ordinary shares. 2. The company's consolidated financial report for the third quarter of 2023. 3. Formulate the company's 2024 audit plan. 4. The case of the company's donation to the CGCH Foundation for Education.
February 5, 2024	16 th meeting of the 17 th Board of	1. The company's employee stock option certificates were converted into new shares of the company's ordinary shares. 2. 2024 operating budget. 3. "Performance Bonus for Business Division Managers in 2023" Issuance Case. 4. "2023 Business Division Performance Bonus" Issuance Case. 5. The company's "2023 year-end bonus" case. 6. The Company's "2024 Promotion and Salary Adjustment" Case.
March 8, 2024	17 th meeting of the 17 th Board of	1. Remuneration distribution plan for employees and directors in 2023. 2. 2023 annual business report and financial statements case. 3. Profit distribution proposal for 2023. 4. Assessment of the effectiveness of the company's internal control system in 2023 and statement of internal control system. 5. Proposal for Amendment to Some Provisions of "Articles of Association" of the Company. 6. Revision of some provisions of the company's "Standards of Procedures for Board of Directors". 7. Comprehensive re-election of directors. 8. Nomination of Directors and Independent Director Candidates. 9. Lifting restrictions on non-competition behavior of new directors and their representatives. 10. Convening matters related to the company's 2024 regular shareholders' meeting. 11. Assessment of the competency and independence of Certified Public Accountants and appointment remuneration case.

M. Major contents of record or written statement regarding different opinions of directors or supervisors on the important resolutions passed by the Board of Directors in recent year and as of the publication date of the annual report: None.

N. Summary of resignation and removal of chairman, general manager, accounting manager, financial manager, internal audit officer, and R&D officer in recent year and as of the publication date of the annual report:

Job title	Name	Resignation /Dismissal	Arrival date	Dismissal date	Reason
Finance/Accounting Supervisor/Corporate Governance Office	Wu, Chien-Fang	Resignation	November 12, 2021	March 31, 2023	Career planning

(V) Information of CPAs' fees

A. Information of CPAs' fees

Unit of amount: NT\$1,000

Name of accounting firm	Name of CPA	CPAs' audit period	Audit fee	Non-audit fee	Total	Remark
Deloitte & Touche, Taiwan	Chang, Chih-Yi	January 1-December 31, 2023	2,400	673	3,073	Note 1
	Shyu, Wen-Yea	January 1-December 31, 2023				

Note 1. The total amount of the non-audit fee was NT\$673,000 which included tax certification fee of NT\$370,000, Non-supervisor salary review fees, translation fees, printing fees, etc. NT\$303,000.

B. If the accounting firm is replaced, and the audit fee paid in the year of replacement is decreased compared with that in the previous year, the amount of audit fees before and after replacement, as well as the reason thereof shall be disclosed: None.

C. If the audit fee is decreased by more than ten percent compared with that in the previous year, the decreased amount and ratio of the audit fee as well as the reason thereof shall be disclosed: None.

(VI) Information of replacement of CPAs

- A. Information regarding former CPA: None.
- B. Information regarding succeeding CPA: None
- C. Reply letter from the former CPA: None.

(VII) Employment of chairman, general manager, financial manager or accounting manager of the Company to the accounting firm where the CPAs work or its affiliates in recent year:

None.

(VIII) Changes (transfer and pledge) of equity of directors, directors, supervisors, managers, and shareholders with shareholding ratio exceeding ten percent in recent year and as of the publication date

of the annual report

A. Changes of equity of directors, supervisors, managers, and major shareholders

Unit: Share

Title	Name	2023		As of April 7, 2024	
		Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Chairman	University Venture Co., Ltd.	0	0	0	0
Chairman's representative	Wang,Chau-Chyun	30,000	0	0	0
Chairman's representative	Wen,Chien-Liang (Note1)	0	0	NA	NA
Chairman	WYC God-loving Foundation for Charity	0	0	0	0
Chairman's representative	Chien Lambert Ming Long	0	0	0	0
Chairman's representative	Jou,Shao-Huey	(7,000)	0	0	0
Independent Director	Cheng,Sheng-In	(20,000)	0	0	0
Independent Director	Liu,Thu-Hua	0	0	0	0
Independent Director	Chen,Yen-Hui	0	0	0	0
Independent Director	Liao,Hsiang-Ruei (Note2)	0	0	0	0
General Manager	Wang,Chau-Chyun	30,000	0	0	0
Co-COO	Jou,Shao-Huey	(7,000)	0	0	0
Co-COO	Wen,Chien-Liang	10,000	0	0	0
Senior Vice President	Chang, Yu-Chin	40,000	0	0	0
Senior Vice President	Tang,Hui-Kang	0	0	10,000	0
Vice President	Wang,Shih-Chao	32,000	0	0	0
Vice President	Liao,Chen-Hsiang (Note3)	(6,500)	0	0	0
Assistant Vice President	Wang,Yueh-Hsing	7,500	0	0	0
Assistant Vice President	Li,Hsiang-Jui	0	0	9,000	0
Assistant Vice President	Ku,Hung-Yi	7,500	0	0	0
Senior Director	Kao,Yung-Jay	5,000	0	0	0
Senior Director	Shih,Ming-Long	4,000	0	0	0
Senior Director	Chen,Wen-Pin	(21,500)	0	0	0
Senior Director	Hung,Ho-Yi	6,000	0	(10,000)	0
Director	Chiu,Wei-Buh	12,000	0	0	0
Director	Wu,Chien-Fang (Note4)	0	0	NA	NA
Director	Yang,Chang-Cheng(Note5)	0	0	0	0
Director	Chang,Jung-Mao	(24,000)	0	0	0
Director	Chen,Hhi-Fang	3,000	0	0	0
Director	Shyh,Tuoh-Yeu	4,000	0	0	0

Title	Name	2023		As of April 7, 2024	
		Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Chairman	University Venture Co., Ltd.	0	0	0	0
Financial and accounting supervisor	Wu,Chien-Fang (Note4)	0	0	NA	NA
Financial and accounting supervisor	Peng,Hung-Chin (Note6)	0	0	0	0
Director	Lin,Meng-Hung	6,000	0	0	0
Director	Chang,Yung-Chieh (Note7)	0	0	0	0
Director	Peng,Hung-Chin (Note6)	0	0	0	0
Director	Chang,Chia-Chi (Note8)	0	0	0	0

Note : 1.Resigned as Chairman's representative on May 12, 2023.

- 2.The regular meeting of shareholders on June 7, 2023 has added one independent director, Liao,Hsiang-Ruei.
3. As reported on February 5, 2024, the board of directors approved the promotion to vice president effective retroactively on January 1, 2024.
- 4: He resigned on March 31, 2023.
- 5: He resigned on April 2, 2024.
- 6: He took office as a special assistant on March 31, 2023. After being reported to the board of directors on May 8, 2023, he was promoted to director with effect from May 9, 2023.
- 7: Director Chang,Yung-Chieh took office on January 1,2023.
- 8: After being reported to the board of directors on February 5, 2024, the promotion to director was approved with effect from February 6, 2024.

B. Information of equity transfer and pledge

1. Information of equity transfer: There was no such situation that any counterparty of equity transfer was a related party.
2. Information of equity pledge: There was no such situation that any counterparty of equity pledge was a related party.

(IX) Information of relations among top-10 shareholders in terms of shareholding ratio including related parties stipulated in Financial Accounting Standards Communique No. 6 or spouse and kinship within second degree

Name	Shares held		Shares held by spouse and underage children		Total shares held in the name of others		Name or designation or relation of top-10 shareholders as related party, or spouse, or kinship within second degree, and relation		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name or designation	Relation	
WYC God-loving Foundation for Charity: Chien Wong,Hsueh-Ling	7,218,436	8.08%	0	0	0	0	Cher Wang	Relative of representative within second degree	None
							FICG	Relative of representative within first degree	
FICTA Technology Inc. Representative: Lin, Tung-Hsing	3,366,966	3.77%	0	0	0	0	None	None	None
Cher Wang	2,979,283	3.33%	0	0	0	0	WYC God-loving Foundation for Charity	Relative of representative within second degree	None
Xu, Wei-Lun	2,506,000	2.80%	0	0	0	0	None	None	None
Huiju Investment Co., Ltd. Representative: Xie, Cai-Luan	2,383,000	2.67%	0	0	0	0	None	None	None
Li, Yue-Lin	2,341,000	2.62%	0	0	0	0	None	None	None
Chi Hsin Investment Inc. Representative: Lin, Qiu-Qin	2,024,761	2.27%	0	0	0	0	None	None	None

FIC Global, Inc. Representative: Chien Leo Ming Tz	1,787,360	2.00%	0	0	0	0	WYC God- loving Foundation for Charity	Relative of representative within first degree	None
Barclays Capital Securities Limited.	1,133,000	1.27%	0	0	0	0	None	None	None
University Venture Co., Ltd. Representative: Li, Peng-Hsuan	981,399	1.10%	0	0	0	0	None	None	None

Note 1. All the top-10 shareholders shall be presented. As for corporate shareholders, their names and names of their representatives shall be presented separately.

Note 2. Calculation of shareholding ratios refers to the calculation of shareholding ratios in the name of shareholders themselves, spouses, underage children or others.

Note 3. Shareholders presented above include legal persons and natural persons, and their mutual relations shall be disclosed.

(X) Shares held by the Company and its directors, supervisors, and managers as well as enterprise(s) directly or indirectly controlled by the Company and consolidated calculation of comprehensive shareholding ratios:

Date: March 31, 2024; unit: Share/%

Invested enterprise	Investment of the Company		Investments of directors, supervisors, managers, and enterprises(s) directly or indirectly controlled		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Lotrich Information Co., Ltd.	15,030,000	30.00%	-	-	15,030,000	30.00%
LEO Image Inc.	11,000,000	100.00%	-	-	11,000,000	100.00%
GeoIntelligence Systems, Inc.	760,917	18.13%	1,966,610	46.85%	2,727,527	64.98%
Full Fortune Technology Co., Ltd (Cayman)	-	-	1,570,000	100%	1,570,000	100%
Unity SmartTech Inc.	900,000	90%	-	-	900,000	90%
LEO System Inc. (China)	37,367	100.00%	-	-	-	100%

Note: Refer to long-term investments of the Company using equity method.

IV. Fundraising Status

(I) Capital and shares:

A. Sources of share capital

April 7, 2024

Month/year	Issue price (NT\$)	Authorized share capital		Paid-in share capital		Remark		
		Number of shares (share)	Amount (NT\$)	Number of shares (share)	Amount (NT\$)	Source of share capital	Stock capital paid with properties other than cash	Other
Sep. 1985	10	1,000,000	10,000,000	1,000,000	10,000,000	Incorporation	None	None
Dec. 1988	10	3,000,000	30,000,000	3,000,000	30,000,000	Capital increase of NT\$20,000,000 in cash	None	None
Mar. 1990	10	8,000,000	80,000,000	8,000,000	80,000,000	Capital increase of NT\$50,000,000 in cash	None	None
Aug. 1994	10	18,000,000	180,000,000	18,000,000	180,000,000	Capital increase of NT\$100,000,000 in cash	None	(83) S. No. 116045
Dec. 1994	10	19,350,000	193,500,000	19,350,000	193,500,000	Combined issuance of new shares worth NT\$13,500,000	None	(84) S. No. 103194
Jul. 1995	10	49,350,000	493,500,000	49,350,000	493,500,000	Capital increase of NT\$300,000,000 in cash	None	(84) T.C.Z. (I) No. 53712
Dec. 1995	10	68,850,000	688,500,000	68,850,000	688,500,000	Combined issuance of new shares worth NT\$19,500,000	None	(86) T.C.Z. (I) No. 63086
Dec. 1997	15	90,000,000	900,000,000	90,000,000	900,000,000	Capital increase of NT\$215,000,000 in cash	None	(86) T.C.Z. (I) No. 77833
Jul. 1998	20	250,000,000	2,500,000,000	139,000,000	1,390,000,000	Capital increase of NT\$400,000,000 in cash Capital reserve of	None	(87) T.C.Z. (I) No. 46187

Month/year	Issue price (NT\$)	Authorized share capital		Paid-in share capital		Remark		
		Number of shares (share)	Amount (NT\$)	Number of shares (share)	Amount (NT\$)	Source of share capital	Stock capital paid with properties other than cash	Other
						NT\$90,000,000		
Jul. 2000	10	250,000,000	2,500,000,000	160,597,312	1,605,973,120	Capital increase of NT\$146,473,120 by conversion of earnings Capital reserve of NT\$69,500,000	None	(89) T.C.Z. (I) No. 52741
Jan. 2002	6.05	250,000,000	2,500,000,000	156,448,312	1,564,483,120	Decrease of capital of NT\$41,490,000 by treasury shares	None	(90) T.C.Z. (III) No. 177148
Oct. 2003	10.24	250,000,000	2,500,000,000	152,961,312	1,529,613,120	Decrease of capital of NT\$34,870,000 by treasury shares	None	(89) T.C.Z. (III) No. 103103
Aug. 2004	10	250,000,000	2,500,000,000	82,000,000	820,000,000	Capital decrease of NT\$709,613,120	None	J.G.Z.Y. No.0930127550
May 2006	10	250,000,000	2,500,000,000	81,308,573	813,085,730	Cancellation of NT\$6,914,270 for merger with Daji	None	None
Sep. 2006	10	250,000,000	2,500,000,000	47,780,000	477,800,000	Capital decrease of NT\$335,285,730	None	J.G.Z.Y. No.0950133073
Jan. 2008	10	250,000,000	2,500,000,000	83,631,250	836,312,500	Merger with Zongdian, Daisen and Super Network and issuance of new shares worth NT\$358,512,500	None	J.G.Z.Y. No.0960059239 J.S.S.Zi No. 09701022190
Dec. 2008	4.54	250,000,000	2,500,000,000	82,180,250	821,802,500	Decrease of capital of NT\$14,510,000	None	J.G.Z.S.Zi No.0970065359 J.S.S.Zi No.

Month/year	Issue price (NT\$)	Authorized share capital		Paid-in share capital		Remark		
		Number of shares (share)	Amount (NT\$)	Number of shares (share)	Amount (NT\$)	Source of share capital	Stock capital paid with properties other than cash	Other
						by treasury shares		09701320290
Oct. 2010	10	250,000,000	2,500,000,000	84,707,680	847,076,800	Capital increase of NT\$24,654,080 by conversion of earnings, and NT\$620,220 by employee dividends	None	J.G.Z.F.Zi No.0990047812 J.S.S.Zi No.09901237770
Sep. 2011	10	250,000,000	2,500,000,000	89,705,433	897,054,330	Capital increase of NT\$49,977,530 by conversion of earnings	None	J.G.Z.F.Zi No.1000034244 J.S.S.Zi No.10001209860
Mar. 2013	10	250,000,000	2,500,000,000	86,705,433	867,054,330	Decrease of capital of NT\$30,000,000 by treasury shares	None	J.G.Z.F.Zi No.1020003963 J.S.S.Zi No.10201054070
Sep. 2013	10	250,000,000	2,500,000,000	89,740,123	897,401,230	Capital increase of NT\$30,346,900 by conversion of earnings	None	J.G.Z.F.Zi No.1020026834 J.S.S.Zi No.10201180340
Feb. 2016	10	250,000,000	2,500,000,000	85,900,123	859,001,230	Decrease of capital of NT\$38,400,000 by treasury shares	None	J.G.Z.F.Zi No.1040045564 J.S.S.Zi No.10501034390
May 2021	10	250,000,000	2,500,000,000	87,306,123	873,061,230	Conversion of employee stock option certificates by NT\$14,060,000	None	J.G.Z.F.Zi No.1070341239 J.S.S.Zi No.11001092950
Dec. 2021	10	250,000,000	2,500,000,000	87,370,123	873,701,230	Conversion of employee stock option certificates by NT\$640,000	None	J.G.Z.F.Zi No.1070341239 J.S.S.Zi No.11001219770
May 2022	10	250,000,000	2,500,000,000	88,100,623	881,006,230	Conversion of	None	J.G.Z.F.Zi

Month/year	Issue price (NT\$)	Authorized share capital		Paid-in share capital		Remark		
		Number of shares (share)	Amount (NT\$)	Number of shares (share)	Amount (NT\$)	Source of share capital	Stock capital paid with properties other than cash	Other
						employee stock option certificates by NT\$7,305,000		No.1070341239 J.S.S.Zi No. 11101089130
Sep. 2022	10	250,000,000	2,500,000,000	88,140,123	881,401,230	Conversion of employee stock option certificates by NT\$395,000	None	J.G.Z.F.Zi No.1070341239 J.S.S.Zi No. 11101167930
Nov. 2022	10	250,000,000	2,500,000,000	88,230,123	882,301,230	Conversion of employee stock option certificates by NT\$900,000	None	J.G.Z.F.Zi No.1070341239 J.S.S.Zi No. 11101220660
May. 2023	10	250,000,000	2,500,000,000	89,085,123	890,851,230	Conversion of employee stock option certificates by NT\$8,550,000	None	J.G.Z.F.Zi No.1070341239 J.S.S.Zi No. 11230086230
Dec. 2023	10	250,000,000	2,500,000,000	89,148,123	891,481,230	Conversion of employee stock option certificates by NT\$630,000	None	J.G.Z.F.Zi No.1070341239 J.S.S.Zi No. 11230223820
Mar. 2024	10	250,000,000	2,500,000,000	89,389,123	893,891,230	Conversion of employee stock option certificates by NT\$2,410,000	None	J.G.Z.F.Zi No.1070341239 J.S.S.Zi No. 11330027170

April 7, 2024

Type of share	Authorized share capital			Remark
	Outstanding shares (TPEX listed)	Unissued shares	Total	
Ordinary share	89,389,123	160,610,877	250,000,000	-

Information related to summarized application system: N/A

B. Shareholder structure

April 7, 2024

Shareholder structure Quantity	Government agency	Financial institution	Other legal person	Individual	Foreign institution and foreigner	Total
Number of shareholders	1	10	283	45,825	58	46,177
Number of shares held	18	128,826	19,393,171	66,977,353	2,889,755	89,389,123
Shareholding ratio	0.00%	0.14%	21.70%	74.93%	3.23%	100.00%

C. Equity separation status

1. Equity separation status of ordinary shares:

Face value per share: NT\$ 10/April 7, 2024

Shareholder ratio (share)	Number of shareholders	Shares held	Shareholding ratio
1~999	35,148	917,100	1.03%
1,000~5,000	8,692	17,374,467	19.44%
5,001~10,000	1,297	10,236,273	11.45%
10,001~15,000	331	4,182,076	4.68%
15,001~20,000	222	4,090,762	4.58%
20,00 ~30,000	192	4,873,439	5.45%
30,001~40,000	103	3,672,668	4.11%
40,001~50,000	52	2,416,344	2.70%
50,001~100,000	85	6,030,226	6.75%
100,001~200,000	29	3,903,712	4.36%
200,001~400,000	14	3,876,113	4.33%
400,001~600,000	1	488,449	0.55%
600,001~800,000	1	606,289	0.68%
800,001~1,000,000	1	981,399	1.10%
Above 1,000,001	9	25,739,806	28.79%
Total	46,177	89,389,123	100.00%

2. Equity separation status of special shares: The Company didn't issue special share.

D. List of major shareholders

List of Top-10 Major Shareholders

April 7, 2024

Name of major shareholder	Number of shares held (share)	Shareholding ratio (%)
WYC God-loving Foundation for Charity	7,218,436	8.08%
FICTA Technology, Inc.	3,366,966	3.77%
Cher Wang	2,979,283	3.33%
FICTA Technology Inc.	2,506,000	2.80%
Xu, Wei-Lun	2,383,000	2.67%
Huiju Investment Co., Ltd.	2,341,000	2.62%
Li, Yue-Lin	2,024,761	2.27%
Chi Hsin Investment Inc.	1,787,360	2.00%
Barclays Capital Securities Limited.	1,133,000	1.27%
University Venture Co., Ltd.	981,399	1.10%

E. Market value per share, net worth, earnings and dividends in recent two years, and relevant information

Item		Year		As of March 31, 2024 in currency
		2022	2023	
Market value per share	Max	38.4	39.10	34.65 (Note 6)
	Min	23.75	30.50	32.90 (Note 6)
	Average	31.58	33.67	33.62 (Note 6)
Net worth per share	Before distribution	16.27	16.14	Note 4
	After distribution	13.75	14.03 (Note 5)	Note 4
Earnings per share	Weighted average number of shares (1,000 shares)	88,112	89,080	Note 4
	Earnings per share	3.24	2.12	Note 4
Dividend per share	Cash dividends	2.5	2.1	-
	Stock grants	0	0	-
		0	0	-
	Accumulated unpaid dividends	0	(Note 5)	-
Analysis of return on investment	Price-to-earnings ratio (Note 1)	9.75	15.88	Note 4
	Price-to-dividend ratio (Note 2)	12.63	16.03	Note 4
	Dividend yield (Note 3)	7.92%	6.24%	Note 4

Note 1: Price-to-earnings ratio = Average closing price per share in current year/Earnings per share

Note 2: Price-to-dividend ratio = Average closing price per share in current year/Cash dividends per share

Note 3: Dividend yield = Cash dividends per share/Average closing price per share in current year

Note 4: The amount as March 31, 2024 hasn't been audited and reviewed by CPAs as of the publication date of the annual report.

Note 5: The Shareholders' Meeting hasn't passed a resolution on the proposal for the profit distribution in 2023.

Note 6: The statistics of information of market value per share for the current year have been gathered until April 8, 2024.

F. Dividend policy of the Company and execution status:

1. Dividend policy established in the Articles of Association:

Based on the operational needs of the Company and in consideration of the maximization of shareholders' interests, the dividend policy of the Company will be established in accordance with the long- and short-term capital demand of the Company in the future. The Company is specialized in the information service industry, and is now in the industrial growth period. Therefore, the Company needs to make continuous investments in the future with the objective to engaging in R&D and business expansion activities to maintain its market competitive advantages. To establish a policy for dividend distribution, we need to consider the future capital budget planning, strengthen the financial structure, and moderately satisfy the shareholders' demand for cash inflows. Then, the earnings of current year available for distribution can be fully distributed according to relevant distribution proposal drafted by the Board of Directors according to law and then submitted to the Shareholders' Meeting. The earnings can be distributed in form of cash dividend or stock dividend, but the distribution ratio of cash dividends shall not be lower than thirty percent of the total amount of shareholders' dividends distributed in current year.

Note: In order to improve the company's dividend policy and strengthen corporate governance, a proposal was made at the regular shareholders' meeting on June 5, 2024 to amend the company's dividend policy in the company's Article 21-2 dividend policy is revised, which will " the earnings of current year available for distribution can be fully distributed " be revised to " the provision of dividends ranging from 10% to 90% of the accumulated undistributed earnings is revised " .

2. Status of distribution of dividends proposed in this Shareholders' Meeting:

The after-tax earnings of the Company in 2023 was NT\$188,446,847. With the approval of relevant resolution made by the Board of Directors on March 8, 2024, the Company planned to appropriate NT\$187,717,158 for cash

dividends. The profit distribution statement of 2023 is shown as follows:

LEO Systems, Inc.
Profit Distribution Statement of 2023

Unit: NT\$

Item	Amount
Beginning undistributed profit	89,910,556
Actuarial (loss) profit included to retained earnings	(4,599,264)
Undistributed profit after adjustment	85,311,292
Net profit after tax in 2023	188,446,847
Less: 10% of profit withdrawn as statutory surplus reserve	(18,384,758)
Add: Reversal of special surplus reserve in accordance with law	22,416,512
Profit available for distribution	277,789,893
Distribution items	
Shareholders' dividends-NT\$2.1 per share in cash (Note)	(187,717,158)
Undistributed profit at the end of period	90,072,735

Note: The number of shares above is calculated as 89,389,123 outstanding shares as of February 29, 2024.

G. Influence of stock grants proposed in this Shareholders' Meeting on the Company's operational performance and earnings per share: Not applicable since stock grants were not involved in the proposal for profit distribution proposed in this Shareholders' Meeting.

H. Employee reward, director reward and supervisor reward

1. Percentage or scope of employee reward, director reward and supervisor reward specified in the Articles of Association:

It is stipulated as follows in the Articles of Association of the Company:

The Company shall appropriate 5% of profits obtained in current year to distribute employee reward, as well as no more than 2% of profits to distribute director reward. However, accumulated losses of the Company shall be compensated for if any.

The profits obtained in current year as mentioned in the preceding paragraph refer to the interests obtained by the Company after deduction of employee reward and director reward distributed from the before-tax interests in current year.

2. Estimation basis of employee reward, director reward, and supervisor reward, basis for calculation of shares distributed for employee reward as well as accounting treatment in case of deviation of amount actually distributed from the estimated amount in 2023:

When the payment amount indicated in the resolution of the Board of Directors is significantly changed after end of the year, this change shall be used to adjust to the originally recognized annual expenses. If the amount is still changed upon the resolution date of the Shareholders' Meeting, it shall be changed as accounting estimate change, and then adjusted and entered to the accounts in the year of resolution made by the Shareholders' Meeting. If the Shareholders' Meeting makes a resolution to distribute employee reward in form of stock, the number of stocks distributed will be determined by dividing the fair value of stock from the amount of dividends resolved. The fair value of stock refers to the closing price of the stock on the day before the resolution date of the Shareholders' Meeting under a calculation basis determined in consideration of the influence of ex-rights and ex-dividends.

3. Distribution of rewards approved by the Board of Directors:

Distribution of employee reward, director reward, and supervisor reward in 2023 as passed by the Board of Directors on March 8, 2024:

- (1) In 2023, the Company made a resolution to distribute employee reward of NT\$12,272,167 and director reward and supervisor reward of NT\$4,908,867 in cash respectively according to the provisions of the Articles of Association. The amount is consistent the estimated amount in the accounts.
- (2) Amount of employee reward distributed in form of stock, as well as the ratio of this amount over the net income after tax and total amount of employee reward indicated in the individual or independent financial report in current period: Not involved.

4. Actual distribution of employee reward, director reward, and supervisor reward in previous year:

In 2023, the Company actually distributed NT\$18,691,563 of employee reward and NT\$7,476,625 of director reward and supervisor reward for the year of 2022 respectively, which was not different from the estimated amount.

- I. Repurchase of corporate shares by the Company: None.

(II) Handling status of corporate bond

The Company had no such situation and it is thus not applicable.

(III) Handling status of special share

The Company had no such situation and it is thus not applicable.

(IV) Handling status of overseas depository receipts

The Company had no such situation and it is thus not applicable.

(V) Handling status of employee stock option certificate

- A. The handling status of employee stock option certificate of the Company not yet expired and the influence on the shareholders' rights and interests as of the publication date of the annual report shall be disclosed.

March 31, 2024

Type of employee stock option certificate	1 st (period) employee stock option certificate in 2018	1 st (period) employee stock option certificate in 2022
Effective date of application and total number of units	November 16, 2018 4,200,000 units (shares)	April 6, 2022 5,800,000 units (shares)
Date of issue (handling)	January 9, 2019	May 20, 2022
Number of units already issued	4,200,000 units (shares)	5,800,000 units (shares)
Number of units still available for issuance	-	-
Ratio of number of subscribed shares already issued over the total number of shares already issued	4.70%(Note 1)	6.49% (Note 1)
Existence period of stock subscription	January 9, 2019-January 8, 2024	May 20, 2022-May 19, 2027
Contract performance method	Delivery by issuing new shares	Delivery by issuing new shares
Period and ratio (%) of stock subscription restriction period	Accumulated exercisable stock subscription ratio of 50% after expiry of 2 years Accumulated exercisable stock subscription ratio of 75% after expiry of 3 years Accumulated exercisable stock subscription ratio of 100% after expiry of 4 years	Accumulated exercisable stock subscription ratio of 50% after expiry of 2 years Accumulated exercisable stock subscription ratio of 75% after expiry of 3 years Accumulated exercisable stock subscription ratio of 100% after expiry of 4 years
Number of shares already executed	3,489,000shares	-

Stock subscription amount already executed	NT\$43,677,170	-
Number of shares not executed	711,000 shares	5,800,000 shares
Subscription price per share of shares not executed	Note 2	NT\$21.3
Ratio of number of shares not executed over the total number of shares already issued (%)	Note 2	6.49% (Note 1)
Influence on shareholders' rights and interests	Executed by years after expiry of 2 years, with an insignificant influence on shareholders' rights and interests.	Executed by years after expiry for 2 years, with an insignificant influence on shareholders' rights and interests.

Note 1: The number of shares already issued reached 89,389,123 as of April 30, 2024.

2: The subscription period has expired on January 8, 2024 and the subscription deadline.

B. Names, and acquisition and subscription status of managers and top-10 employees obtaining employee stock option certificates:

1. First employee stock option certificate in 2018

March 31, 2024

Unit: Share/NT\$

	Title	Name	Number of shares acquired	Ratio of number of shares acquired over the total number of shares already issued	Executed				Not yet executed			
					Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued	Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued
Managers	General Manager	Wang,Chau-Chyun	686,000	0.77% (Note 6)	662,000	13.49 12.52 11.6 10.7	8,160,150	0.74% (Note 6)	(Note 7)			
	Co-COO	Wen,Chien-Liang										
	Co-COO	Jou,Shao-Huey										
	Senior Vice President	Tang,Hui-Kang										
	Senior Vice President	Chang, Yu-Chin										
	Vice President	Wang,Shih-Chao										
	Vice President	Liao,Chen-Hsiang (Note 1)										
	Assistant Vice President	Ku,Hung-Yi										
	Assistant Vice President	Wang,Yueh-Hsing (Note 2)										
	Assistant Vice	Li,Hsiang-Jui										

	Title	Name	Number of shares acquired	Ratio of number of shares acquired over the total number of shares already issued	Executed				Not yet executed				
					Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued	Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued	
	President												
	Senior Director	Shih,Ming-Long											
	Senior Director	Kao,Yung-Jay											
	Senior Director	Hung,Ho-Yi											
	Senior Director	Chen,Wen-Pin											
	Director	Chiu.Weï-Buh											
	Director	Yang,Chang-Cheng											
	Director	Cheng, Yu-Ping (Note 3)											
	Director	Cheng, Shuang-Feng (Note 3)											
	Director	Chang,Jung-Mao											
	Director	Chen,Hhi-Fang											
Top-10 employees	Senior Manager	Wang, Yen-Hsin	250,000	0.28% (Note 6)	226,000	13.49	2,881,630	0.25% (Note 6)					(Note 7)
	Director	Chang, Chia-Chi(Note 4)											
	Director	Lin, Meng-Hung (Note 5)											

	Title	Name	Number of shares acquired	Ratio of number of shares acquired over the total number of shares already issued	Executed				Not yet executed			
					Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued	Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued
	Manager	Chan, Tang-Fu										
	Senior Manager	Huang, Chih-I										
	Manager	Chang, Kai-Hsiang										
	PM	Chiang, Chien-Hsiang										
	Manager	Hsu, Wei-Chih										
	Manager	Su, Chien-Chang										
	Manager	Chiu, Yu-Huang										

Note 1: The former senior director was already promoted to assistant vice president on January 1, 2021. As reported on February 5, 2024, the board of directors approved the promotion to vice president effective retroactively on January 1, 2024.

Note 2: The former senior director was already promoted to assistant vice president on January 1, 2021.

Note 3: Already resigned.

Note 4: Promoted to Director on February 6, 2024.

Note 5: Promoted to Director on January 1, 2022.

Note 6: The number of issued shares as of April 30, 2024 is 89,389,123 shares.

Note 7: The subscription period has expired on January 8, 2024 and the subscription deadline.

2. First employee stock option certificate in 2022

March 31, 2024

Unit: Share/NT\$

	Title	Name	Number of shares acquired	Ratio of number of shares acquired over the total number of shares already issued	Executed				Not yet executed			
					Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued	Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued
Managers	General Manager	Wang, Chau-Chyun	848,000	0.95% (Note 1)	-	-	-	-	848,000	21.3	18,062,400	0.95% (Note 1)
	Co-COO	Wen, Chien-Liang										
	Co-COO	Jou, Shao-Huey										
	Senior Vice President	Tang, Hui-Kang										
	Senior Vice President	Chang, Yu-Chin										
	Vice President	Wang, Shih-Chao										
	Assistant	Li, Hsiang-										

	Title	Name	Number of shares acquired	Ratio of number of shares acquired over the total number of shares already issued	Executed				Not yet executed			
					Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued	Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued
	Vice President	Jui										
	Vice President	Liao,Chen-Hsiang (Note2)										
	Assistant Vice President	Wang,Yueh-Hsing										
	Assistant Vice President	Ku,Hung-Yi										
	Senior Director	Shih,Ming-Long										
	Senior Director	Kao,Yung-Jay										
	Senior	Hung,Ho-Yi										

	Title	Name	Number of shares acquired	Ratio of number of shares acquired over the total number of shares already issued	Executed				Not yet executed				
					Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued	Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued	
	Director												
	Senior Director	Chen, Wen-Pin											
	Director	Chiu, Wei-Buh											
	Director	Yang, Chang-Cheng											
	Director	Chang, Jung-Mao											
	Director	Chen, Hhi-Fang											
	Director	Lin, Meng-Hung											
	Director	Wu, Chien-Fang(Note3)											

	Title	Name	Number of shares acquired	Ratio of number of shares acquired over the total number of shares already issued	Executed				Not yet executed			
					Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued	Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued
Top-10 employees	Director	Chang, Chia-Chi(Note4)	286,000	0.32% (Note 1)	-	-	-	-	286,000	21.3	6,091,800	0.32% (Note 1)
	Senior Manager	Huang, Chih-I										
	Senior Manager	Wang, Yen-Hsin										
	Manager	Chiu, Yu-Huang										
	PM	Tsai, Tsung-Yu										
	Manager	Chang, Chin-Yuan										
	Manager	Chang, Kai-Hsiang										
	Project Deputy	Tu, Chia-Jung										

	Title	Name	Number of shares acquired	Ratio of number of shares acquired over the total number of shares already issued	Executed				Not yet executed				
					Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued	Number of shares subscribed	Subscription price	Subscription amount	Ratio of number of shares acquired over the total number of shares already issued	
	Manager												
	Manager	Chan, Tang-Fu											
	Manager	Chang, Hsien-Ming											

Note: 1. The number of issued shares as of April 30, 2024 is 89,389,123 shares.

Note: 2. As reported on February 5, 2024, the board of directors approved the promotion to vice president effective retroactively on January 1, 2024.

Note: 3. Already resigned on March 31, 2023.

Note: 4. Promoted to Director on February 6, 2024.

(VI) Handling status of new share that restricts employees' rights

Not involved

(VII) Handling status of new share that restricts employees' rights:

- A. New shares issued through completion of merger, acquisition or acceptance of other companies' shares in recent year and as of the publication date of the annual report:
1. Evaluation opinion issued by sponsoring securities underwriter of new shares merged, acquired or accepted from other companies in the recent quarter: The Company had no such situation and it is thus not applicable.
 2. Execution status in the recent quarter. For example, if the progress or benefit of execution does not reach the expected objective, the influence on shareholders' rights and interests as well as improvement plan shall be specifically explained: The Company had no such situation and it is thus not applicable.
- B. If new shares are issued with the shares merged, acquired or accepted from other companies as approved by the resolution of the Board of Directors in recent year and as of the publication date of the annual report, the execution status as well as the basic information of the merged or acquired company or accepted company shall be disclosed: The Company had no such situation and it is thus not applicable.

(VIII) Execution status of capital application plans

Each previously issued or privately placed valuable securities not yet completed as of the quarter prior to the publication date of the annual report, or plans already completed within three years but with planned benefits not shown yet: The Company had no such situation and it is thus not applicable.

V. Overview of Operation

(I) Business content

A. Business scope

1. Main business content:

LEO is dedicated to the customer information planning and establishment services in each field, and its customer bases cover all major industries, and military, public, political and educational units. LEO provides high-quality products and technical support, and expands its service scope all over Taiwan. The Company owns system integration solutions for information, communication, finance, medical, education, manufacturing, network, and e-commerce services. By offering professional services including business development, marketing activities, product integrated development, product agency and distribution, strategic alliance, consulting, project management, information system, education and training, and overall system establishment, LEO can better satisfy customers' information requirements, and create or add industrial value to them.

The Company merged three professional service companies, i.e., Daisen, Zongdian and Super Network, in 2008, and make organizational adjustments in early 2024 to divide its business operation to BU1, BU2, BU3, BU4, BU5, BU7, and Research & Development Center. As a result, the labor division of each business unit becomes clear and relevant synergies can be produced. The benefits of this arrangement lie in the improvement of efficiency, avoidance of duplication, reduction of cost, enriching of product lines, and strengthening of core expertise and industry competitiveness of LEO.

To strengthen the core expertise and competitiveness, and realize the vision of providing technical services for leading manufacturers, the Company applied to the Ministry of Economic Affairs for a subsidy for establishment of a R&D center in Taiwan in 2010, continuously studied the application of advanced information technology, and developed unique solutions to the Company, to profoundly cultivate core ability and competitive advantages.

2. Main business items (per the Articles of Association):

- (1) F113050 Wholesale of Computing and Business Machinery Equipment
- (2) F113020 Wholesale of Household Appliance
- (3) F113070 Wholesale of Telecom Instruments
- (4) F118010 Wholesale of Computer Software
- (5) F119010 Wholesale of Electronic Materials
- (6) F213010 Retail Sale of Household Appliances
- (7) F213030 Retail sale of Computing and Business Machinery Equipment
- (8) F213060 Retail Sale of Telecom Instruments
- (9) F218010 Retail Sale of Computer Software
- (10) F219010 Retail Sale of Electronic Materials
- (11) F213110 Retail Sale of Batteries
- (12) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
- (13) CC01110 Computers and Computing Peripheral Equipments Manufacturing
- (14) E605010 Computing Equipments Installation Construction
- (15) F401010 International Trade
- (16) I301030 Digital Information Supply Services
- (17) E601010 Electric Appliance Construction
- (18) E603010 Cable Installation Engineering
- (19) E603050 Automatic Control Equipment Engineering
- (20) E701010 Telecommunications Construction

- (21) EZ05010 Instrument and Meters Installation Engineering
- (22) EZ99990 Other Construction
- (23) E603080 Traffic Signs Installation Engineering
- (24) F113030 Wholesale of Precision Instruments
- (25) F213040 Retail Sale of Precision Instruments
- (26) I301010 Information Software Services
- (27) I301020 Data Processing Services
- (28) JE01010 Rental and Leasing
- (29) I103060 Management Consulting Services
- (30) I401010 General Advertising Services
- (31) I599990 Other Designing
- (32) JB01010 Conference and Exhibition Services
- (33) F108031 Wholesale of Medical Equipment
- (34) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject

3. Business ratios

Unit: NT\$1,000

Product item	Year	2022		2023	
		Amount	Ratio (%)	Amount	Ratio (%)
PC		4,234,302	63.72	1,583,553	45.80
System integration product (business)		265,545	4.00	189,431	5.48
Automatic equipment		269,416	4.05	297,680	8.61
Other		1,875,853	28.23	1,387,053	40.11
Total		6,645,116	100.00	3,457,717	100.00

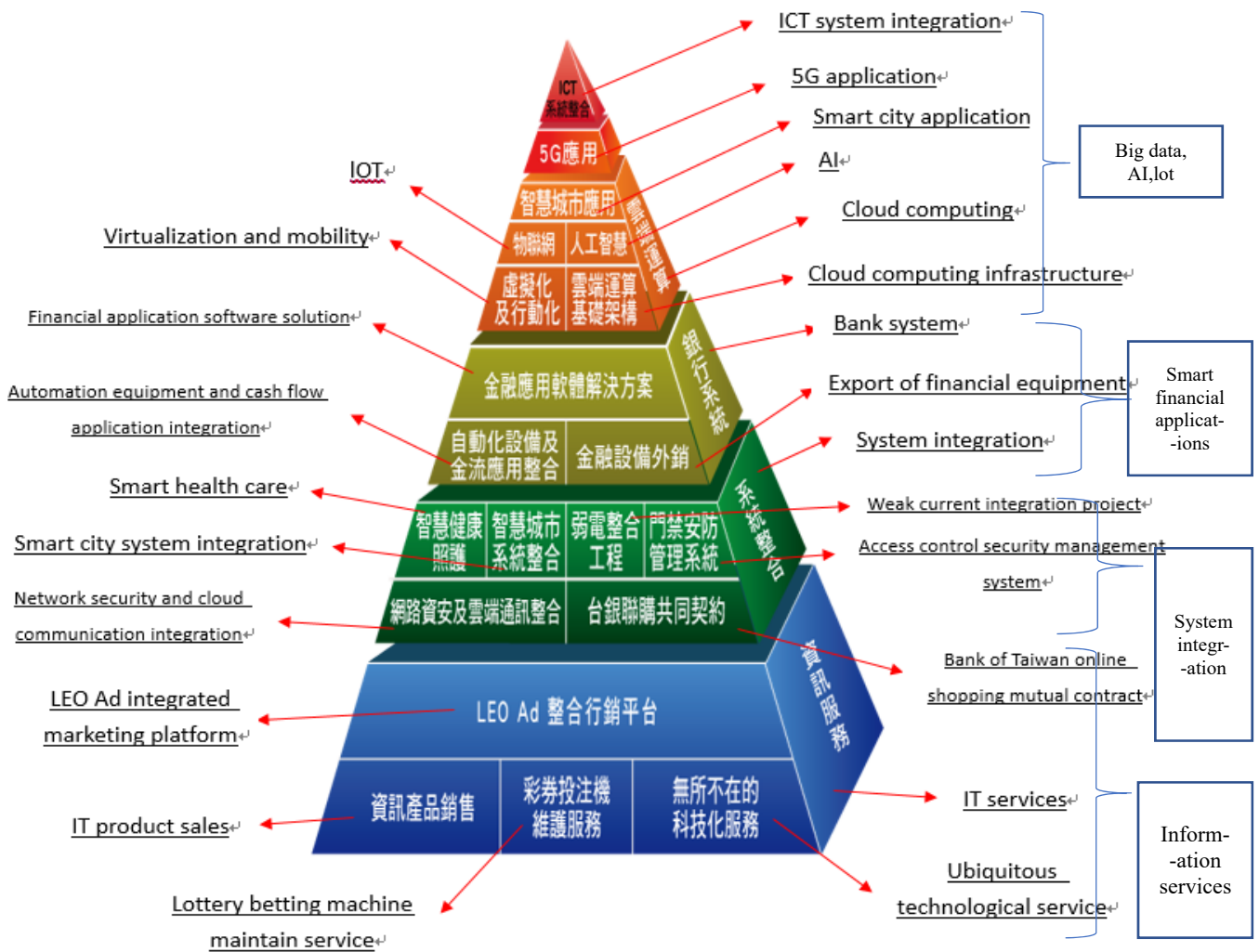
4. Current commodities and services provided by the Company:

Item	Type	Main sales instructions to commodities (services)
1	PC, laptop and peripherals	Provision of personal information products for each famous brand, e.g., PC, laptop, tablet computer, printing equipment, projection equipment, scanning equipment, storage equipment and other relevant products
2	Automation, security and weak current integration	Provision of various planning, design and establishment services of monitoring, security, access control, and weak current integration for customers
3	Network system equipment	Provision of wired and wireless products used in computer network system to link various types of networks or network domains and integrate communication, network and information systems
4	Server and host system products	Provision of major original server host hardware products and relevant system software for leading brands in the market
5	Automatic service equipment integration in financial industry	Provision of various kinds of financial automatic equipment, different industry capital flow integration products, and relevant application software system development for leading brands in the market
6	Information security products and services	Provision of software and hardware products and services intended to reinforce information security management based on customer requirements and budgets.
7	Sales of smart classroom products	Mainly implement the follow-up plan of the forward-looking plan 2.0 of the education department, the digital learning improvement program plan for primary and secondary schools, and the implementation of project plans for each school.

Item	Type	Main sales instructions to commodities (services)
8	Cloud computing system integration and services	Provision of rules for the cloud computing architecture of public and private institutions, and establishment, repair and provision of integration between cloud innovative services and mobile application
9	5G enterprise dedicated network and AIoT platform integration technology	Provision of real-time integration technology for the real-time data-system integration of 5G enterprise dedicated network and AIoT system big data, intelligent patrolling technical platform, 4K interactive collaborative technology, etc. Integration with diversified communication systems used in large manufacturing industry and petrochemical associated industries, including optimization of information system and work security monitoring system, diversified communication and positioning technologies, and large information system, as well as the import and system integration application of international IoT networking system.
10	AI R&D technology	The R&D team of the Company has already possessed data information integration capability. In recent years, the R&D team has engaged in the development of AI and machine learning, researched and developed AI technological integration application platform, established training emulators, and worked on the development of AI preventive medical techniques, etc. Development of technical application services including predictive maintenance of AI equipment, healthcare and diagnosis calculation of machine condition, and AI monitoring and analysis of equipment AI of large factories Development of relevant R&D projects through cooperation with the academic circles and legal persons, including AI preventive medical technology, AI retina image analysis, AI intelligent long-term care added technical research, and AI medical image analysis and application.
11	Bonus point integration platform	The bonus point integration platform that can be shared in the whole channel integrates various marketing activities, bonus points and exchange channels in the group or organization. The bonuses will not be accumulated and exchanged separately. Also, the launch time of each wave of marketing activities can be shortened, and different customer bases can be attracted through the conversion and utilization rate of different types of points so that the transaction volume and loyalty can be increased.
12	Information equipment contract repair services	Provision of different grades of professional stationed or on-demand maintenance services according to customer requirements that involve the joint procurement bid project of Bank of Taiwan and private enterprises' contract information equipment services.
13	Lottery betting machine device and repair services	Execution of national arrival services for public welfare lottery and sports lottery betting equipment (more 7,500 sets), including installation and establishment, troubleshooting, periodic maintenance, and standard routine installation, withdrawal, resumption and relocation work.
14	Network integration marketing services	Provision of assistance for customers in network integration marketing and diversified online advertising, and provision of overall integration marketing, advertising account management, advertising marketing strategy suggestion, advertising investment benefit, and analysis of return on investment by centering on Google digital advertising
15	Government projects related to digital marketing	Provision of assistance in the integration marketing services for governments and public associations

5. Main business and core expertise of the Company

The main business of the Company is to provide information planning and establishment services for customers in each field. In addition to the physical information communication integration schemes, we also provide innovative media marketing services, AIoT cloud application system and industrial application development and establishment, and other relevant services. The core expertise of the Company includes AIoT value-added technical platforms that address AIoT intelligent networking and IIoT intelligent manufacturing. The Company aims to become a professional AIoT system integration technical team in the field of SI and serve relevant fields including smart factory, smart medical, and smart government based on cloud computing, ESG, network communication, IoT and AI.



6. Independently developed new commodities and services:

- (1) Modular audit management system and multi-channel bonus point exchange system of the banking industry
- (2) Services of self-service payment machines in banks or medical facilities as well as equipment management notification system
- (3) Online customer service system of integration network repair application and ERP internal control, real-time control and management of smart phone APP, and extension of integrated smart services
- (4) Cloud services of digital integrated marketing applications per industry with

- the benefits of promoting the marketing business of keyword advertising
- (5) Nurse calling system and bedside care system needed in medical facilities
- (6) Technical development plan of 5G AI intelligent patrolling sharing platform
- (7) Small and medium-sized enterprises mobile smart application plan.
- (8) Research and development plan for mobile intelligent analysis system of manufacturing equipment status and pipeline hotspots.
- (9) An integrated platform for ophthalmoscope vision detection and preventive medical treatment based on artificial intelligence (AI).
- (10) LEO SYSTEMS, INC.'s AIoT product-data decision assistant (Leo d.d.a.) helps enterprises provide competitiveness and innovation.

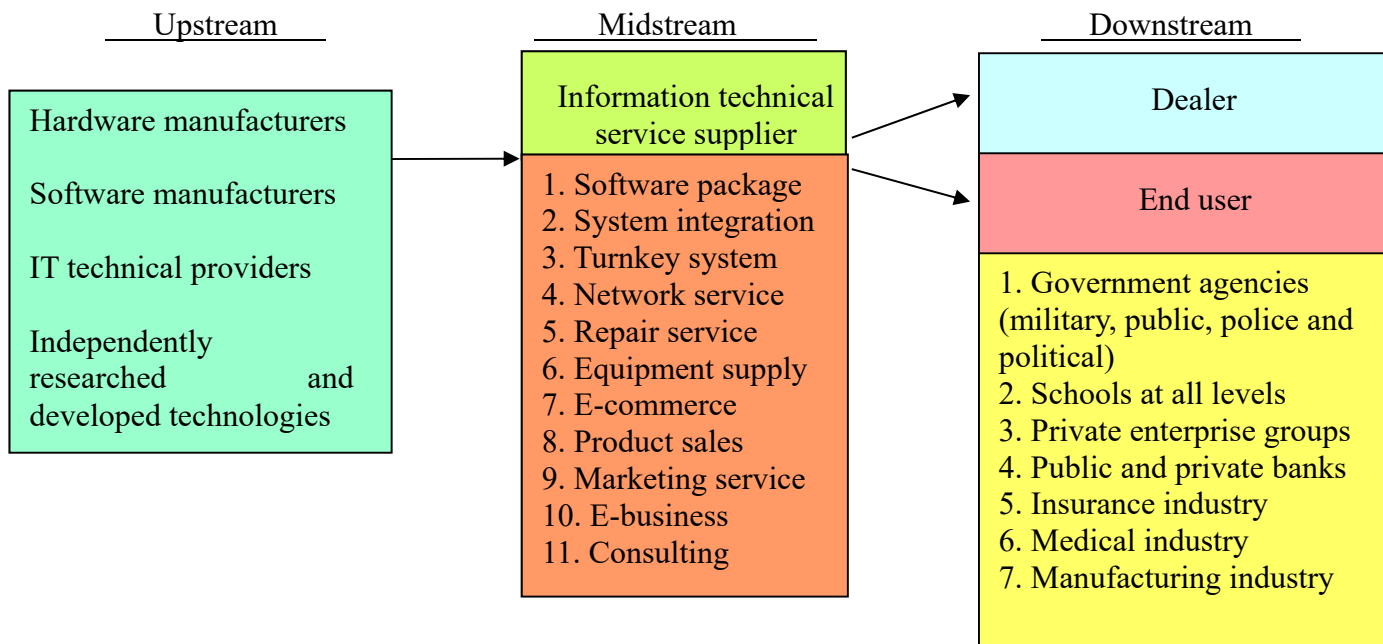
B. Industry overview: Clarification of status quo and development of the industry, relevancy of upstream, midstream and downstream of the industry, and various development trends and competition of products

1. Status quo and development of the industry

- (1) The Company is specialized in a large system integration industry which is highly competitive despite its stable growth for many years. The Company has developed in this industry for a long time, and acquired recognition and support there. Wang,Chau-Chyun, chairman of the Company, received the 71st Merchant Award from the General Chamber of Commerce of the Republic of China in 2017.
- (2) The tasks of system industry are to provide software/hardware and solutions regarding information and communication, integrate them according to customer requirements, and satisfy customers' various computerized, networking and electronic applications and create value for them.
- (3) The factors influencing the success of this industry include profound maintenance of long-term customers, possession of professional core expertise, or price advantages for product supply. Therefore, to satisfy the customers, we must have sufficient working capital, good customer relations, and technical energy in the specialty of information communication.
- (4) Cloud computing, cloud service and mobile application are the mainstreams of the future information technology with tremendous development potential. The Company also actively makes relevant arrangements to master the business opportunities of cloud. Taipei Computer Association established "Cloud Application Service Alliance" in 2012, and chairman Wang,Chau-Chyun of the Company was elected the president of this alliance.

2. Relevancy of upstream, midstream and downstream of the industry

The Company is a product agent combining diversified and famous brand information, and a technical service manufacturer for professional information. The upstream entities of the Company include hardware and software manufacturers/IT technical service providers/or self-owned products of the Company, while the downstream entities are mainly dealers of sales information products. The public and private institutions/public and private enterprises/public and private financial units are the end users. The association of these entities is shown in the following diagram. As far as the upstream manufacturers are concerned, software and hardware manufacturers mainly focus on various local and foreign famous large, medium and small servers, software tool platforms, storage equipment, and network equipment; IT technical service providers are mainly various local and foreign famous information technology solution suppliers; the independently researched and developed products are products independently researched, developed and innovated by the Company.



3. Various development trends and competition of products

Product	Development trend	Competition status
Banking automation equipment (ATM, RATM, banknote fitness sorter, passbook reissue machine, cash deposit machine, self-service payment machine, teller cash processing equipment, foreign currency cash exchange teller machine, coin recycler, Palm Vein device integration application, etc.)	<ul style="list-style-type: none"> ·The automatic equipment market of the banks in Taiwan is already saturated, and there are requirements for upgrading in each subsequent year. ·Considerable growth of recycler ATM ·Requirement of other industries for integration of cash processing equipment 	<ul style="list-style-type: none"> ·Currently, the competitive manufacturers in Taiwan include Diebold Nixdorf, NCR, and Mercuries Data Systems Ltd. (HITACHI). ·The Company serves as the exclusive agent of OKI RTAM and integrated coin recycling module of teller cash processing machine. ·The Company introduced Hyosung automatic equipment from South Korea to increase its product lines in 2021.
Banking application software <ul style="list-style-type: none"> ·Document submission/credit investigation flow control and management ·Bank audit management system ·Bonus point sharing platform ·Development per bank requirements 	<ul style="list-style-type: none"> ·Space for growth with the gradual increase of depth and breadth of application ·Coordination with banks to develop exclusive functions in order to satisfy customer requirements for business development 	<ul style="list-style-type: none"> ·Most competitive manufacturers are small-sized software companies. ·Competitive technical advantage of the Company
R&D of digital marketing science and technology	<ul style="list-style-type: none"> ·Development of LEO Ads Platform + Advertising AI application ·Development of LEO B2B DMP accurate marketing system for external sales 	<ul style="list-style-type: none"> ·Continuously taking the lead in the R&D of marketing and technology integration application services ·Serving as an agent for Google Ads to provide high-quality marketing services for external sales

Product	Development trend	Competition status
Various information communication IT products and professional services needed for cloud computing architecture	·Technologies including server, network, database, virtualization, nonlocal backup and cloud resource management have become gradually mature, and the markets are also growing year by year.	·The competition at the terminals (PC/NB, etc.) is quite fierce, and the Company will conduct value-added sales at the could. ·The Company distributes famous-brand products including HP, Dell, VMware, Cisco and EMC, and has maintained good relationships with ASUS, ACER and other local original manufacturers.
Smart medical and mobile medical solutions	·Medical institutions in Taiwan are actively promoting investments in mobile medical, e-nursing, automation and paperless operations	·The Company has exerted efforts to the network system of Chang Gung medical system for many years. ·The Company is a quality distributor of Cisco and will reinforce cooperation of technology and marketing in the field of medical nursing. ·The Company actively popularizes smart medical related solutions.
Smart classroom related products	The budget related to the government's development of the policy of "everyone has a tablet, every class has an Internet".	·Mainly implement the follow-up plan of the forward-looking plan 2.0 of the education department, the digital learning improvement program plan for primary and secondary schools, and the implementation of special project plans for each school. ·Increase sales of vehicle management system technical maintenance services and sales of Apple computer classroom solution services in order to increase gross profit ·Strengthen the relationship with Apple, AVer, BenQ and other original manufacturers

C. Overview of technology and R&D: R&D expenses spent, and technologies or products developed in recent year and as of the publication date of the annual report

1. R&D expenses invested

Unit: NT\$1,000

Year	2023	As of February 28, 2024 in current year
Amount	40,021	6,890

2. Technologies or products independently and successfully developed by the Company

- (1) Audit management system for financial industry
- (2) Multi-channel bonus point exchange platform system for financial industry

- (3) Integrated recycler ATM, and cash deposit machine of coin module
- (4) Bank or hospital smart self-service payment machine
- (5) Foreign currency cash exchange teller machine
- (6) Bank document and image management system, document submission and credit investigation system for unguaranteed consumer finance business, and personal credit loan automatic loan granting system
- (7) Hospital intelligent ward and mobile medical system (e.g., nursing information display integration system)
- (8) Indoor and outdoor wireless network system
- (9) Information equipment virtualization technology (VM ware)
- (10) Computer center nonlocal backup
- (11) Planning, establishment, application and services of private cloud
- (12) SMEs cloud application services (e.g., customer relation management)
- (13) Integration of weak current works including access control, security, machine room, etc.
- (14) Remote services, online repair application customer service system, and mobile maintenance management system
- (15) Technical development plan of 5G AI smart patterning sharing platform
- (16) Small and medium-sized enterprises mobile smart application plan
- (17) Research and development plan for mobile intelligent analysis system of manufacturing equipment status and pipeline hotspots
- (18) An integrated platform for ophthalmoscope vision detection and preventive medical treatment based on artificial intelligence (AI)

D. Long-term and short-term business development plans

1. Short-term business development direction

- (1) Integrate and improve the professional technical and sales ability of various products, and focus on the establishment of a service brand. The Company honorably received key potential guidance of hard-core enterprises by the Ministry of Economic Affairs in 2015.
- (2) Expand the participation in each system integration project of government and enterprises and increase the ratio of system integration.
- (3) Expand the sales of automatic bank products, including teller cash processing machine, recycler ATM, banknote fitness sorter, financial different-business integration equipment, as well as develop the derivative requirements of original customer system integration projects.
- (4) Strengthen the sales of Cisco network and data center series products.
- (5) Strengthen the sales of servers and storage equipment.
- (6) Strengthen the sales and services of products related to information security management. Establish a dedicated information security team to actively seek relevant business opportunities.
- (7) Deeply cultivate large long-term customers.
- (8) Reinforce the technical strength of cloud related technical teams.
- (9) Strengthen the relations with strategical original manufacturers, and improve the sales ratio of strategic products.
- (10) Strengthen the market expansion of private enterprises and improve information communication high-end infrastructure and cloud computing solutions.
- (11) Actively strive to obtain orders from the Ministry of Education regarding “Program for Promotion of Online Learning in Primary and Secondary Schools”.

2. Long-term business development direction

- (1) Establish sustainable core expertise (e.g., IT infrastructure, cloud computing

architecture, system management, smart medical, network integration marketing, mobile application, and regional IT all-around repair service, etc.) to improve enterprise competitiveness.

- (2) Have a foothold in Taiwan, provide the mainland market, and provide Taiwanese merchant groups with enterprise information and communication one-stop services across the Taiwan Straits.
- (3) Become one of the top-5 system integration providers in Taiwan, position as an IT infrastructure system integration provider, and transform to a provider that offers value-added services and solutions.
- (4) Deeply cultivate large main customers and become the first choice of information communication service partners and customers that have a long-term partnership with us.
- (5) Make LEO a famous brand in the Greater China Region, specializing in IT infrastructure system integration.
- (6) Invest in cloud system technologies and develop cloud services.
- (7) Become the first brand for the regional, all-around, and all-product line information product repair services in Taiwan.
- (8) Integrate Google AdWords advertisements, gradually develop intelligent digital marketing applications based on AI technology, and establish overall digital marketing capacity to improve customer satisfaction and advertising effect.

(II) Overview of market and production & sales

A. Market analysis

The regions of sales (provision) of main commodities (services) of the Company and their market shares as well as the future supply/demand and growth of the market, competitive niches, and favorable and unfavorable factors of the development prospect, and responsive measures are analyzed.

1. Regions of sales of main commodities (services):

Unit: NT\$1,000

Region of sales \ Year	2022		2023	
	Amount	Ratio (%)	Amount	Ratio (%)
Local sales	6,630,574	99.78	3,321,283	96.05
Foreign sales	14,542	0.22	136,434	3.95
Total	6,645,116	100.00	3,457,717	100.00

2. Market share of main products

It is planned to express the market share with the ratio of the operating income of the Company to the total operating income of the industry

Unit: NT\$1,000

Name of company	Operating income of 2023	Ratio (%)
SYSTEX(6214)	35,184,378	49.73%
Stark Technology(2480)	7,270,862	10.28%
SYSCOM(2453)	6,383,820	9.02%
Genesis(6221)	5,474,704	7.74%
Tatung System Technologies(8099)	4,179,561	5.91%
JETWELL Computer(3147)	3,989,155	5.64%
Mercuries Data Systems(2427)	3,971,077	5.61%
LEO(5410)	3,457,717	4.89%
Ares(2471)	841,834	1.18%
Total	70,753,108	100.00%

Data source: MOPS

3. Future supply and demand as well as growth of market
 - (1) System integration is an important process in the information service industry, and it has maintained stable growth for many years. The Company has already taken a place in this sector.
 - (2) The rise of the cloud computing architecture has imposed a huge impact on the information infrastructure and application software. Reconstruction requirements for virtualization, integration and enlargement of computer centers have been raised for both public or private enterprises, all of which is the business opportunity for system integration.
 - (3) The Company has accumulated 30 years' system integration experience as well as massive customer bases involving military, public, governmental, educational, medical, finance, manufacturing and service sectors. Customers from all walks of life have the requirements for establishment or replacement of information communication infrastructure, including host, server, storage equipment, network equipment, virtualization software, database management system, terminal equipment, computer room monitoring, information security software and hardware, etc. This market will continuously grow.
 - (4) Relying on years' experience accumulated in the market and industry, the Company researches and develops "marketing + technology" integration application and combines digital marketing technologies of Google Ads and Facebook Ads to develop intelligent marketing technical application platform and continually develop business opportunities in the digital marketing.
 - (5) Given considerable potential for the growth of smart medical and mobile medical, the Company has actively seized the opportunity.
4. Competitive niches
 - (1) Complete and rich product portfolios
The products sold and distributed by the Company under agency from terminal information products to advanced cloud servers, network devices at each level and terminal equipment can meet enterprises' requirements. Furthermore, with the experience in software and hardware integration technology, the Company is capable of completely establishing enterprise information system solutions, and providing enterprises with products from personal devices, network systems, application hosts, and information tools to software and hardware equipment needed for commercial applications.
 - (2) Complete technical service team
LEO has concentrated on the market expansion of the information industry as well as the improvement of professional technologies since its incorporation, and the provision of professional services that fulfill customers' expectations and the strengthening of each product and solution have been the business principles valued by LEO for a long term.
 - (3) Good corporate image and familiarity
LEO has deeply cultivated the information industry for a long term. Thanks to professional technical capacity and abundant experience, LEO has won recognition and appraisal from customers; also, since the Company places emphasis on the provision of professional diversified services and quality techniques, LEO has become a priority choice for customers.
 - (4) Excellent R&D team
The Company has established a "Technical Service" R&D Center with the financial subsidy granted by the Department of Industrial Technology, the Ministry of Economic Affairs, with the purpose of researching forward-looking information technology and innovative service products. The

- Company has obtained achievements in three fields and realized commercialization after three years' efforts.
- (5) Human resources management and talent training system: The Company has continually obtained TTQS (Talent Training Quality-management System) from the Workforce Development Agency, the Ministry of Labor.
 - (6) In 2012, the Company won the praise of "Outstanding Enterprise" of the National Brand Yushan Award which was an approval of the achievements obtained by the Company in terms of actual operational performance, R&D capacity, quality policy, marketing services, competitive niches, and enterprise vision.
 - (7) In 2015, the Company was selected by Industrial Development Bureau, the Ministry of Economic Affairs as "Potential Hardcore Enterprise" and therefore it can enjoy preferential policy tools and intensive coaching.
5. Favorable and unfavorable factors of development prospect and responsive measures
- (1) Favorable factors
 - a. Local marketing and technical services

After years' operation and development, the Company has currently set up business bases in Neihu and Xindian in Taipei, branch companies in Taichung and Kaohsiung, and representative offices in Taoyuan, Hsinchu, and Tainan respectively. Furthermore, the Company has arranged a repair service system all over the province for the purpose of timely satisfying requirements and providing services for customers in Taiwan.
 - b. All-around system integration
 - The customer bases of the Company are spread all over military, public institutions, governmental departments, police stations and other government agencies as well as industries including finance, securities, telecommunications, medical treatment, education, etc.
 - The Company has hired certified engineers with various kinds of experience and techniques to provide customers with pre-sales and after-sales consulting, planning, repair, and other technical services. The employees of the Company hold more than three hundred professional licenses in total.
 - c. Superior service quality
 - The Company attaches importance to product quality and services, and always completes its missions. Therefore, it has established a good reputation in the industry.
 - The Company ranked the first place in the customer satisfaction survey organized by the Electronic Data Processing Center of Directorate-General of Budget, Accounting and Statistics of the Executive Yuan for three consecutive years, thus revealing superior service quality.
 - d. Abundant human resources
 - The employees of the Company have abundant practical experience and professional knowledge, and they perform their own duties and functions so that the Company's operation constitution and management system become increasingly complete.
 - The Company owns software and hardware talents in the field of system integration and they can adequately support various kinds of system integration projects.
 - e. Acquisition of preemptive opportunities and competitive advantages in the fields of cloud computing and mobile application

- Develop AI plans in the fields of preventive medicine and smart education.
 - Gradually expand and develop cloud popularization plans of the public industry associations.
- f. Niches in the fields of smart medical and mobile medical
- Years' profound service experience in the medical system
 - Core expertise in the medical network as a partner of Cisco for many years
 - Possession of integration solutions including smart hospital and medical comprehensive IOT
- g. Layout of system development in 5G enterprise dedicated network and IoT
- Layout and construction of 5G enterprise dedicated network and technical development of integration of diversified communication system
 - R&D of large IoT system platform through technical cooperation with major international manufacturers
 - Popularization of integration technologies of 5G enterprise dedicated network, AI and IoT to the professional application markets of large enterprises that are specialized in smart manufacturing and smart medical.
- (2) Unfavorable factors and responsive measures
- (A) Unfavorable factors
- a. Fierce competition in the system integration business
 - b. Since the gross profit on sales of traditional hardware is relatively low, many system manufacturers have gradually adjusted their business emphasis to the high-end server, storage equipment and network. The competitors are numerous.
 - c. The difficulties in the execution of information communication bid projects of governments and public institutions are increased.
- (B) Responsive measures
- a. Exert more efforts in the expansion of the sales of high-end information equipment with the objective to increase gross profit:
 - Recruit talents specialized in server, storage and network equipment.
 - Establish system laboratory and virtualized testing environment.
 - Train relevant business and technical talents.
 - Strengthen strategic alliance with original manufacturers and professional suppliers.
 - b. Apply the scientific and technological service R&D center to research forward-looking information technology and develop innovative service models, e.g.,
 - Cloud computing and virtual resource management technology
 - Application of mobile communication, remote repair and tablet PC
 - Application of the integration of document images and data in the document submission, registration, and credit investigation process management of financial projects.
 - Cloud services of network integration marketing per industry
 - c. Improve software quality and become a provider of value-added software through transformation.
 - The Company passed Capability Maturity Model Integration 3

- (CMMI3) international certification in 2011 and its software development quality complies with the industry standards.
- Improve application software, develop efficiency, and become a value-added software and solution integrator through transformation.
- d. Deeply cultivate major customers, and provide integrated value-added services, e.g.,
- Contracting of information business of the government agencies
 - Equipment virtualization and data center nonlocal backup
 - Construction and operation of wireless network
 - Cloud computing architecture and mobile broadband application
 - BYOD (Bring Your Own Device) products and technical development
 - Sales and technical services of information security protection products
- e. Establish professional technical and sales teams in the market of private enterprises, expand enterprise market, and reduce the reliance on public sectors.

B. Important usage of major products and production process

1. Important usage of main products sold by the Company:

Product line	Commodity and service item	Important usage or function
Network servers	Types of commodities: ◎ Tableside host ◎ Rack-type host	Satisfaction with the automation requirements of each type of enterprise office and factory
System products	Types of commodities: ◎ Desktop, laptop and palm computer ◎ Wired and wireless network products ◎ Workstations, servers and storage equipment ◎ Information work management tools and system software ◎ Commercial application software per industry ◎ Bank operation risk management system ◎ Asset management and information security management software product ◎ Workflow management software product ◎ System software including large project management software ◎ Information solution planning and management ◎ Agency of marketing tools of Google AdWords keyword advertising ◎ Advertising services including Yahoo and Facebook	Provision of integration solutions for enterprises and government agencies
Financial automatic products	Types of commodities: ◎ OKI tell cash recycler and teller cash processing machine of Japan ◎ Hyosung recycler ATM and cash machine of South Korea ◎ GLORY banknote fitness sorter of Japan ◎ GLORY and JCM coin recyclers of Japan	Satisfaction with the demands of automation of financial market

Product line	Commodity and service item	Important usage or function
	<ul style="list-style-type: none"> ◎ JCM paper money deposit machine of Japan ◎ Self-service payment machine ◎ Automatic passbook reissue machine ◎ Foreign currency cash exchange teller machine, cash deposit machine and self-service payment machine ◎ MICR magnetic banknote reading and key printing equipment ◎ Special account banknote printing system ◎ Document image processing system ◎ Credit card application and credit investigation automatic flow control system ◎ All-bank sharing document submission platform system ◎ Loan application and credit investigation automatic flow control system 	
Peripherals	Types of commodities: <ul style="list-style-type: none"> ◎ Computer modules ◎ Printer ◎ Monitor ◎ Scanning machine ◎ Disc drive and floppy drive ◎ Multimedia related products ◎ Network equipment ◎ Other consumables 	Computer data input, display and storage Multimedia sound, image and data processing equipment and software Network connected equipment and relevant software
Application software	<ul style="list-style-type: none"> ◎ Audit management system for financial industry ◎ All-bank document submission management system for financial industry ◎ Bonus management system for financial industry ◎ Self-service payment service and backstage management notification system for medical facilities 	Application of management information and mobile computing per industry

2. Production process: Not applicable since the Company is not engaged in manufacturing industry.

C. Supply status of main raw material

The Company provides computer related products and system integration systems in the information service industry. The main products purchased by the Company include PC, peripherals, multimedia products, system products, relevant software, etc. In 2023, the Company mainly purchased products from Unitech computer co., ltd. and Synnex Technology International Corp., etc., featuring stable sources of goods.

D. Specify names of customers taking up more than ten percent of total purchasing (selling) amount of the Company in either of the recent two years and their purchasing (selling) amount and ratios, and explain the reasons for change (increase/decrease).

Information of Main Suppliers in Recent Two Years

Unit: NT\$1,000

		2022			2023			
Item	Name	Amount	Ratio in net purchasing amount in the whole year (%)	Relation with the issuer	Name	Amount	Ratio in net purchasing amount in the whole year (%)	Relation with the issuer
1	Synnex	2,303,205	39.20	None	Unitech	484,331	18.16	None
2	Unitech	893,967	15.21	None	Synnex	347,391	13.02	None
	Others	2,678,953	45.59	None	Others	1,835,962	68.82	None
	Net purchasing amount	5,876,125	100.00		Net purchasing amount	2,667,684	100.00	

Reason for change (increase/decrease): To meet the business requirements.

Information of Main Sales Customers in Recent Two years

Unit: NT\$1,000

		2022			2023			
Item	Name	Amount	Ratio in net selling amount in the whole year (%)	Relation with the issuer	Item	Name	Amount	Ratio in net selling amount in the whole year (%)
Note								
	Net selling amount	6,645,116	100.00		Net selling amount	3,457,717	100.00	

Note: The Company didn't have any customer with total selling amount reaching more than ten percent of the total selling amount in 2022 and 2023.

E. Production value in recent two years

Not applicable since the Company is specialized in information service industry.

F. Sales volume and value in recent two years

Since the Company is specialized in the information service industry, involving numerous types of products sold, and the products sold are mostly projects and system integration products, it is thus difficult to gather statistics of the sales volume. In this case, the statistics of sales value are listed as follows:

Unit: NT\$1,000

Main commodity \ Year	2022				2023			
	Local sale		Foreign sale		Local sale		Foreign sale	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
PC	na	4,234,302	na	0	na	1,583,553	na	0
System integration products	na	265,545	na	0	na	189,431	na	0
Automatic (business) equipment	na	269,416	na	0	na	297,680	na	0
Others	na	1,746,822	na	129,031	na	1,250,619	na	136,434
Total	na	6,516,085	na	129,031	na	3,321,283	na	136,434

(III) Information of employees

Number of employees, average service seniority, average age, and education distribution ratios of employees in recent two years and as of the publication date of the annual report

March 31, 2024

Year		2022	2023	As of March 31, 2024 in current year
Number of employees	Management	82	80	77
	Business	33	29	27
	Technology	217	219	224
	Administration	52	52	47
	Total	384	380	375
Average age		42.22	43.49	43.49
Average service seniority		10.47	11.05	11.17
Education distribution ratio	Doctorate	0	0	0
	Master	31	32	32
	Junior college	330	329	322
	High school	23	19	21
	Below	0	0	0

(IV) Information of environmental protection expenditure

Disclose the total amount of losses suffered (including compensations) and penalties disposed due to environmental pollution in recent year and as of the publication date of the annual report, and explain future responsive measures (including improving measures) and possible expenditure (including estimated amount of losses, penalties and compensations possibly incurred due to failure to take relevant responsive measures. If such amount cannot be reasonably estimated, the fact why it cannot be reasonably estimated shall be clarified): None.

(V) Labor-capital relationship

- A. Employees' welfare measures, continuing education, training and retirement system and their implementation status as well as status of labor-capital agreement and measures for safeguarding of employees' rights and benefits:

1. Employee welfare measures and implementation status:
 - (1) Labor insurance (in accordance with the provisions of labor insurance regulations)
 - (2) National health insurance (in accordance with the provisions of National Health Insurance Act)
 - (3) Group insurance (including employees and their family members)
 - (4) Coupons for Dragon Boat Festival/Mid-Autumn Festival/birthday, year-end get-together dinner, and lot drawing for prize
 - (5) Paid birthday bonus
 - (6) Annual employee profit sharing system
 - (7) Periodic health checkups for employees
 - (8) Wedding cash gift and birthday coupon for employees
 - (9) Funeral grant (including employees and their spouse, children and parents)
 - (10) Travel/cultural and recreational subsidies
 - (11) Food allowance
 - (12) Application for emergency relief
2. Employees' code of conduct and code of ethics

For the purposes of clearly stipulating the rights and obligations of the labor and capital, improving the modern business management system, and urging the two parties to exert concerted effort to pursue joint development, the Company has specifically developed work rules and other relevant systems which are extracted as follows:

 - (1) Take care of the Company's honors, give play to the teamwork spirit, and faithfully and diligently perform work tasks.
 - (2) Obey the supervision and guidance from the executive staff and pay attention to work safety
 - (3) Workers are obliged to keep the Company's secrets absolutely.
 - (4) Do not appear excessively greedy and lazy or take other behaviors that damage the reputation of themselves and the Company.
 - (5) Do not accept others' gifts and invitations by taking advantage of the position.
 - (6) Do not bring relatives and friends to the Company for a tour without permission.
 - (7) Do not use the Company's name arbitrarily except the handling of the relevant business of the Company.
3. Retirement system and implementation status
 - (1) Implementation of the old system:

The Company legally established "Employee Retirement Reserve Supervisory Commission of LEO Systems, Inc." in accordance with 85.F.L.E.Zi No. 8501239 Brief Official Document issued by the government of Taipei City on February 15, 1996, and appropriated 2% of total salary amount as reserve for retirement to a special account opened at Central Trust of China on a monthly. Also, the Company established retirement measures for the handling of employees' retirement.
 - (2) Implementation of new system: Withdrawal of employee pension

Since July 1, 2005, the Company began to withdraw employee pension and deposit it in the individual special pension accounts of local employees in Taiwan on a monthly basis from the joining date of employees to the date of exit in accordance with the Labor Standards Act. The employees may voluntarily withdraw pension within a scope of 6% of monthly salary. The part voluntarily withdrawn by the employees may be deducted in full from the total personal comprehensive income in current year.
4. Status of labor-capital agreement

The Company has always valued the labor-capital relationship since its establishment, and its labor-capital relationship has always been harmonious. Also, labor-capital meetings are convened periodically; relevant employee welfare and major measures are advocated in the internal network in a real-time manner, and employees are also able to fully express their voice through various communicating channels.

5. Employees' further education and training

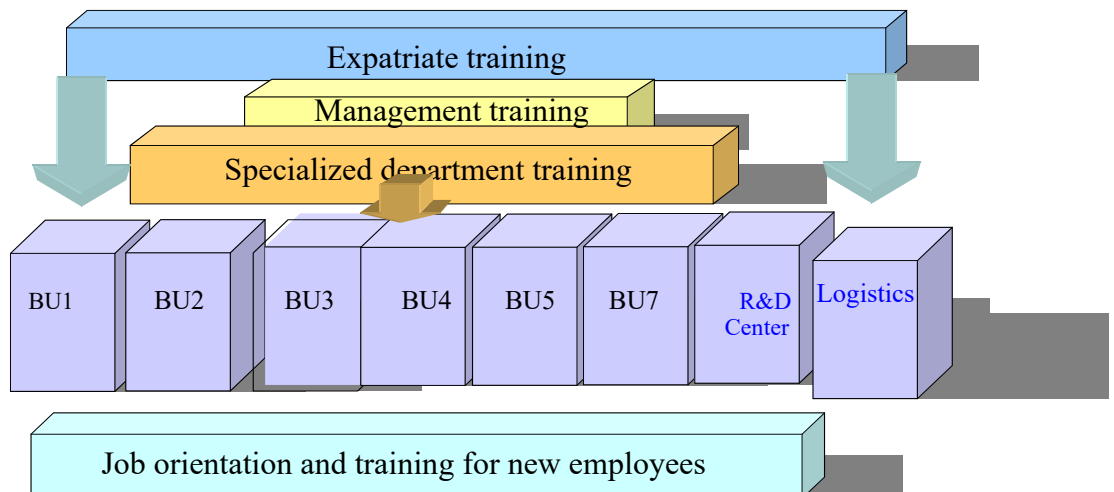
(1) Purposes of education and training:

To improve the quality of human resources, and urge personnel in all levels to give full play to their functions and enhance their personal knowledge and skills, so as to cultivate operation management talents needed and realize the operational goals and vision of the Company.

(2) Education and training system:

The education and training development system of the Company is classified as follows:

- (A) Job orientation and training for new employees
- (B) Specialized department training
- (C) Management training
- (D) Expatriate training

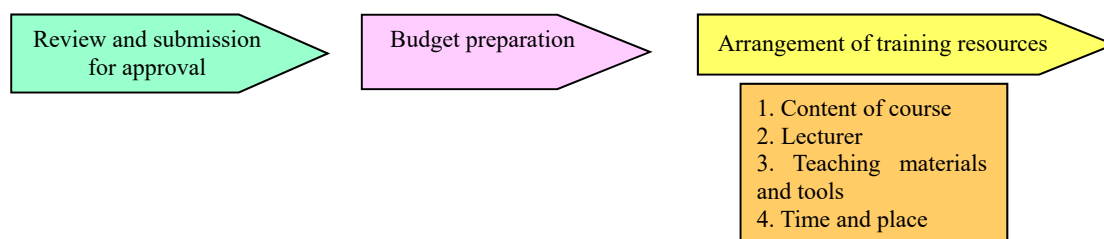


(3) Evaluation of requirements for education and training:

HR Department investigates training requirements periodically every year, and the head of each department shall fill out relevant training requirement questionnaire for the purpose of improving the quality of human resources in the department according to the Company's annual business plan, and then provide education and training requirement planning based on requirement analysis.

- (A) Personal analysis: Make plans for course requirements according to personal ability needed as well as employees' attitude and beliefs, e.g., new employees.
- (B) Work analysis: Make plans for course requirements according to the professional knowledge and ability needed by each department.
- (C) Organizational analysis: Make plans for course requirements regarding strategic planning with the objective to achieve the Company's vision and goals.

(4) Planning of education and training:



(A) Review and submission for approval:

- a. Each department shall, based on their business development needs, submit project training plans itself, but shall initiatively notify the HR Department for verification and filing.
- b. Either internal or external training shall be applied in advance, and countersigned by the HR Department. Relevant training may be handled only after relevant approval is obtained from the competent and responsible supervisor.

(B) Content of course:

- a. Management courses: Intended to cultivate the management ability required of managers at each level in different positions.
- b. Specialized courses: Intended to cultivate each professional skill needed by colleagues in their work.
- c. Basic courses: Intended to train the general skills or improve work efficiency as needed by all colleagues, e.g., training of language, briefing, communication, etc.

(5) The actual performance of training of core values in 2023 is shown as follows:

Unit: NT\$

Item	Number of classes	Number of hours	Person-times	Expense
Management course	2	14	72	63,300
Specialized course	59	335	201	690,902
Basic course	1	3	47	0
Subtotal	62	352	320	754,202

(6) Relevant licenses obtained by relevant financial personnel from competent authorities:

- (A) The financial manager of the Company participated in “Continuing Education Class for Accounting Supervisors” held by Accounting Research and Development Foundation, and passed the assessment.
- (B) The auditors of the Company participated in “On-the-job Further Education Class for Internal Audit” held by The Institute of Internal Auditors-Chinese Taiwan, and passed the assessment.
- (C) The company arranges professional training for corporate governance executives according to law every year.

6. Protective measures for work environment and employees’ personal safety:

Allocation of work safety and health management personnel: One class-A work safety and health business supervisor, one class-B work safety and health management technician, and one first-aid officer. In addition to the periodic detection of work environment, these personnel are able to timely maintain the safety of the work environment.

The Company detects the operation and CO₂ concentration of firefighting equipment in the office building periodically. Also, all employees participate in

- group accident insurance to provide them with comprehensive, necessary assistance.
- B. Losses suffered from labor-capital dispute(s) in recent year and as of the publication date of the annual report, as well as possible amount incurred at present and in the future as estimated shall be disclosed. If such amount cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be clarified: None.

(VI) Information security management

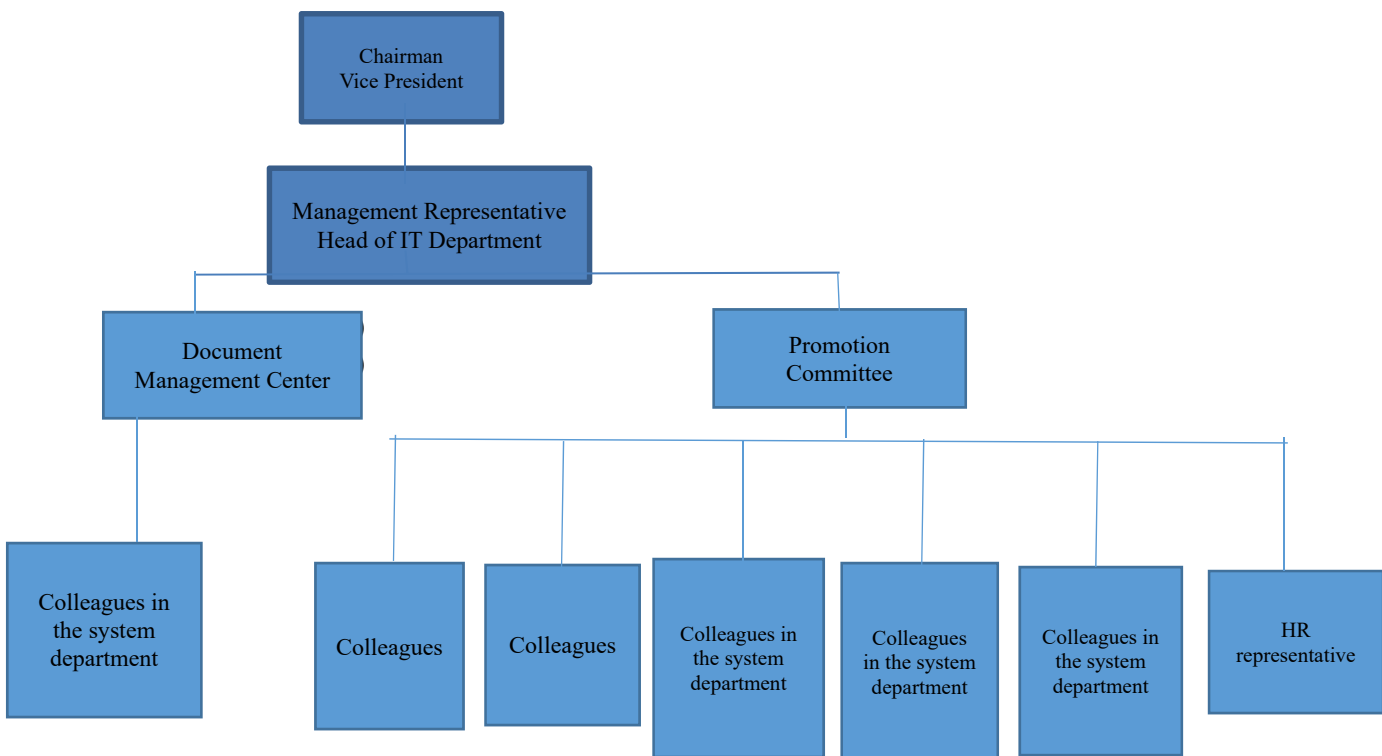
- A. Explain information security risk management structure, information security policies, specific management schemes and resources allocated for information security management.

1. Information security risk management structure

(1) Enterprise information security governance organization

For the purpose of ensuring its internal compliance with information security criteria, procedures and regulations, LEO Systems, Inc. established “Information Security Management Committee” in 2020, and the general manager assigned the senior management to serve as the chairperson of this committee. The chairperson of this committee is responsible for verifying and approving the Company’s policies and objectives regarding information security management system, and acquiring, distributing, coordinating, supervising and guiding the resources of relevant business. The chairperson of the committee assigned an appropriate person to serve as management representative who is responsible for establishing, implementing and sustaining each standard system regarding information security, and coordinating, studying and discussing relevant matters including resource allocation. The management representative bears all supervising powers and duties related to the operation of the information security management system. When any abnormality occurs to the operation of the information security management system, the management representative has the power to directly report to the senior management. Also, the management representative shall assist the convening of relevant management review meetings and information security meetings. Furthermore, the management representative is also responsible for the following tasks: Require the establishment, execution and maintenance of documented procedures that comply with information security management activities according to the provisions of the customer requirements; supervise and urge the distribution and coordination of information security affairs, including contact window of information security management certification unit; assist the senior management in enhancing all staff members’ awareness of customers’ information security requirements and relevant laws and regulations; report the implementation effect of information security management to the management as a basis for system improvement based on the achievements of internal audit activities.

(2) Enterprise information security organization structure of LEO Systems, Inc.
Information Security Management Committee



2. Information security policy

(1) Enterprise information security management strategies and structure

An information security policy is hereby formulated in order to strengthen the information security management, guarantee the confidentiality, integrity and availability of information assets, provide a continuous business operation environment for the Company, and meet the requirements of relevant laws and regulations to protect the Company from internal and external threats, intentionally or accidentally. The Company established a complete information security management system (ISMS) in 2020 and continually passed international information security management system certification (ISO/IEC27001), covering 14 management matters, for the purposes of avoiding the occurrence of situations including improper use, leakage, tampering or damage of information due to factors such as human negligence and natural disasters to cause various possible risks and hazards to the Company. The management matters are shown as follows:

- (A) Information security policy
- (B) Information security organization
- (C) Human resources security
- (D) Asset management
- (E) Access control
- (F) Cryptology
- (G) Physical and environmental security
- (H) Operational security
- (I) Communication security
- (J) System acquisition, development and maintenance
- (K) Supplier relations
- (L) Information security accident management

- (M) Information security level of continual operational management
- (N) Compliance
- (O) Definitions

Information security refers to the application of management procedures and safety protection techniques in each information task, including software and hardware equipment of each information system used in execution of work, archives media used to store various kinds of information and data, and a variety of statements printed by printers, with the objective to ensure the security of information searching, processing, transmission, storage and circulation.

The Company adopts “Everyone is responsible for information security” as its information security policy to strengthen its information security management, cultivate the concept of information security, ensure the confidentiality, integrity and availability of data processing of customers and colleagues, provide security for the data processing of the Company all the way, and offer safe, stable, high-efficiency information services.

- (2) Risk management and continual improvement structure of enterprise information security

The Company has established an information security panoramic authentication and risk assessment procedure for the purposes of learning about the current environment of the Company, responding to the risks and opportunities possibly produced due to the change of the situation, taking countermeasures or control measures in advance based on risk evaluation results, and ensuring the effective operation of the management system through the analysis of current internal and external environments of the Company as well as the issues concerned by stakeholders. The scope of this procedure covers issues regarding internal and external environments related to the information security activities and services, needs and expectations of stakeholders, and each information asset. The results of information evaluation are adopted as the main reference and promotion for the adoption of responsive measures.

The Company has established a continuous operation management procedure for the purposes of executing necessary alternative schemes and given safe replies when the key business of the information maintenance system cannot be continuously operated, and ensuring the safety of employees and the continuous operation of the key business, so as to lower the losses caused by accidents. The Company evaluates the risks and threats existing in the information system services and information business operations, studies out business continuity strategies, and establishes business continuity plans. Additionally, the Company tests and reviews the existing business continuity plans periodically every year, and revises the contents of these plans based on test results with the objective to maintain the effectiveness of such plans. Moreover, the Company reviews the appropriateness of the contents of the business continuity plans and the test results.

The Company provides information security education and training for all the colleagues annually for the purpose of improving their awareness of information security.

3. Specific management schemes

Type	Description	Content executed
Authority management	Management measures for personnel account management, and system operations	<ul style="list-style-type: none"> ●Management and review of personnel's account authority ●Periodic execution of system authority setting inspection and verification
Access control	Control measures for personnel's access to internal and external systems and data transmission channels	<ul style="list-style-type: none"> ●Internal/external access control measures ●Control measures for data leakage channels ●Recording and analysis of tracks of operating behaviors
External threats	Potential weak points of internal system, poisoning channels, and protective measures	<ul style="list-style-type: none"> ●Periodic execution of system authority setting inspection and verification ●Installation of anti-virus software in server and computer host ●Host/computer vulnerability detection and periodic system updating ●Virus protection, malware detection, and automatic updating of virus characteristics
Daily operation maintenance	Data backup and relevant check	<ul style="list-style-type: none"> ●Data backup based on nature of data ●Nonlocal backup storage ●Periodic execution of data restoration test ●Check if the server logs are abnormal on a daily basis. ●Periodic check of computers
Handling of information security events	Disaster recovery plan	<ul style="list-style-type: none"> ●Establishment of "Management Procedure for Information Security Accidents" and "Management Procedure for Operation Continuity" ●Periodic simulation and drills of occurrence of disasters ●Compilation, review and improvement of disaster restoration drill planning and execution
System availability	Available system status and disposal measures upon service interruption	<ul style="list-style-type: none"> ●System/network available status monitoring and notification mechanism ●Responsive measures for service interruption ●Data backup measures and local/nonlocal backup mechanism ●Periodic disaster restoration drill

The Company provides all its employees with information security education and training periodically, plans information security courses of different natures for different roles and functional personnel, and aims to improve the colleagues' awareness of information security and internalize it in each work through continuous training, to implement the safest and strict information security guarantee.

4. Resources engaged in information security management

The Company continuously engages resources in its information security affairs every year, including the strengthening of information security defense equipment like firewall and mail virus prevention and continual improvement of information security management system, education and training, etc. These measures are implemented entirely from managerial dimension to technical dimension to enhance information security capacity. As for prevention of events, in addition to the execution of continual operation drill of the enterprise at the information level every year, the Company executes weekly periodical backup and nonlocal storage of backup media, and conducts vulnerability scanning on a regular basis.

As for the improvement of colleagues' information security awareness, the

Company provides all colleagues with social engineering attack drills every quarter, and implements information security education and training for all colleagues. Courses provided include: Knowing Social Engineering Attacks and Advocating Information Security Highlights, ISO 27001 Information Security Management and Implementation, Learning Skills to Identify Phishing Email, Contracted Safety Management of Information Work, Network Security and Management, etc. In addition, the Company posts relevant announcements regarding information security issues through the enterprise's internal website for the purpose of advocating and guiding all colleagues to prevent ransomware and know the application safety of emails, etc.

- B. Specify losses suffered from major information security events, possible influence and responsive measures in recent year and as of the publication date of the annual report. If they could not be reasonably estimated, the facts related to the failure for reasonable estimation should be explained.

Not involved.

(VII) Important contracts

Nature of contract	Party concerned	Starting and ending time of contract	Main content	Restrictive clause
Except for general commercial activities, the company currently has no important contracts.				

VI. Financial Status

(I) Condensed balance sheet and consolidated income statement in recent five years

A. Condensed consolidated balance sheet-IFRS

Unit: NT\$1,000

		Year	Financial data in recent five years (Note 1)				
			2019	2020	2021	2022	2023
Item							
Current assets			1,611,475	1,792,869	1,585,991	3,784,161	1,946,686
Property, plant and equipment (Note 2)			72,361	240,410	159,492	82,031	67,250
Intangible assets			96,069	95,605	95,207	94,989	96,292
Other assets (Note 2)			544,785	510,593	697,640	788,605	825,159
Total assets			2,324,690	2,639,477	2,538,330	4,749,786	2,935,387
Current liabilities	Before distribution		1,079,825	1,357,571	1,095,554	3,196,980	1,387,524
	After distribution		1,208,675	1,505,378	1,258,215	3,419,145	Note3
Noncurrent liabilities			86,240	81,571	130,410	116,120	108,080
Total liabilities	Before distribution		1,166,065	1,439,142	1,225,964	3,313,100	1,495,604
	After distribution		1,294,915	1,586,949	1,388,625	3,535,265	Note3
Total equity attributable to the owners of the Company			1,158,625	1,200,335	1,312,366	1,435,703	1,438,664
Capital surplus			859,001	859,001	873,701	882,301	891,481
Capital collected in advance			0	0	75	209	2,408
Capital reserve			2,961	4,975	10,800	15,494	20,259
Retained earnings	Before distribution		330,889	371,689	431,732	560,116	521,799
	After distribution		202,039	223,882	269,091	337,951	Note3
Other equity			(34,226)	(35,330)	(3,942)	(22,417)	2,717
Treasury stock			0	0	0	0	0
Non-controlling interests			0	0	0	983	1,119
Total equity	Before distribution		1,158,625	1,200,335	1,312,366	1,436,686	1,439,783
	After distribution		1,029,775	1,052,528	1,149,705	1,214,521	Note3

*If the Company has prepared an individual financial report, it shall prepare the condensed balance sheet and consolidated income statement in recent five years.

Note 1: The financial data of each year above was already audited and certified by CPAs.

Note 2: Asset reevaluation was not handled in current year.

Note 3: The profit distribution of 2023 should be determined with relevant resolution made by the regular Shareholders' Meeting scheduled on June 5, 2024.

B. Condensed consolidated income statement-IFRS

Unit: NT\$1,000

Item	Year	Financial data in recent five years (Note 1)				
		2019	2020	2021	2022	2023
Operating revenue		3,449,191	3,548,851	3,590,677	6,645,116	3,457,717
Gross profit		573,736	570,727	611,565	854,261	649,480
Profit from operations		148,290	143,192	179,899	301,392	184,926
Non-operating revenue and expenses		49,273	66,960	45,208	49,498	43,882
Profit before income tax		197,563	210,152	225,107	350,890	228,808
Profit of continuing operation units for the current period		166,692	172,916	186,493	285,353	188,582
Loss of closed units		0	0	0	0	0
Net profit (loss) for the year		166,692	172,916	186,493	285,353	188,582
Other comprehensive income (loss)		(12,867)	(4,370)	52,745	(12,800)	20,535
Total comprehensive income (loss) for the year		153,825	168,546	239,238	272,553	209,117
Net profit attributable to owners of the company		166,692	172,916	186,493	285,370	188,447
Net profit attributable to non-controlling interests		0	0	0	(17)	135
Total comprehensive income (loss) attributable to owners of the company		153,825	168,546	239,238	272,570	208,982
Total comprehensive profit (loss) attributable to non-controlling interests		0	0	0	(17)	135
Earnings per share		1.94	2.01	2.14	3.24	2.12

Note: The financial data of each year above was already audited and certified by CPAs.

C. Condensed individual balance sheet-IFRS

Unit: NT\$1,000

Year		Financial data in recent five years (Note 1)				
		2019	2020	2021	2022	2023
Item						
Current assets		1,456,478	1,615,913	1,433,566	3,468,573	1,831,303
Property, plant and equipment (Note 2)		72,128	240,295	159,384	81,909	67,137
Intangible assets		96,069	95,605	95,207	94,989	96,292
Other assets		641,303	619,194	813,253	891,719	914,873
Total assets		2,265,978	2,571,007	2,501,410	4,537,190	2,909,605
Current liabilities	Before distribution	1,021,113	1,289,101	1,058,635	2,985,367	1,362,861
	After distribution	1,149,963	1,436,908	1,221,296	3,207,532	Note3
Noncurrent liabilities		86,240	81,571	130,409	116,120	108,080
Total liabilities	Before distribution	1,107,353	1,370,672	1,189,044	3,101,487	1,470,941
	After distribution	1,236,203	1,518,479	1,351,705	3,323,652	Note3
Share capital		859,001	859,001	873,701	882,301	891,481
Capital collected in advance		0	0	75	209	2,408
Capital surplus		2,961	4,975	10,800	15,494	20,259
Retained earnings	Before distribution	330,889	371,689	431,732	560,116	521,799
	After distribution	202,039	223,882	269,071	337,951	Note3
Other equity		(34,226)	(35,300)	(3,942)	(22,417)	2,717
Treasury stock		0	0	0	0	0
Total equity	Before distribution	1,158,625	1,200,335	1,312,366	1,435,703	1,438,664
	After distribution	1,029,775	1,052,528	1,149,705	1,213,538	Note3

Note 1: The financial data of each year above was already audited and certified by CPAs.

Note 2: Asset reevaluation was not handled in current year.

Note 3: The profit distribution of 2023 should be determined with relevant resolution made by the regular Shareholders' Meeting scheduled on June 5, 2024.

D. Condensed individual income statement-IFRS

Unit: NT\$1,000

Item \ Year	Financial data in recent five years (Note)				
	2019	2020	2021	2022	2023
Operating revenue	3,186,856	3,184,762	3,397,644	6,202,141	3,248,817
Gross profit	552,776	547,753	592,614	814,120	621,594
Profit from operations	140,701	134,056	174,131	282,172	180,207
Non-operating revenue and expenses	57,428	74,921	48,903	65,491	48,055
Profit before income tax	198,129	208,977	223,034	347,663	228,262
Profit of continuing operation units for the current period	166,692	172,916	186,493	285,370	188,447
Loss of closed units	0	0	0	0	0
Net profit (loss) for the year	166,692	172,916	186,493	285,370	188,447
Other comprehensive income (loss)	(12,867)	(4,370)	52,745	(12,800)	20,535
Total comprehensive income (loss) for the year	153,825	168,546	239,238	272,570	208,982
Earnings per share	1.94	2.01	2.14	3.24	2.12

Note: The financial data of each year above was already audited and certified by CPAs.

E. CPAs in recent five years and their audit opinions

Year	Name of CPA	Audit opinion
2023	Chang,Chih-Yi, Shyu,Wen-Yea	Unqualified opinion
2022	Liu,Shu-Lin, Shyu,Wen-Yea	Unqualified opinion
2021	Liu,Shu-Lin, Shyu,Wen-Yea	Unqualified opinion
2020	Liu,Shu-Lin, Shyu,Wen-Yea	Unqualified opinion
2019	Liu,Shu-Lin, Cheng,Te-Chen	Unqualified opinion

(II) Financial analysis in recent five years

A. Financial analysis of consolidated statements

		Year (Note 1)	Financial analysis in recent five years				
			2019	2020	2021	2022	2023
Analysis item (Note 3)							
Financial structure%	Ratio of liabilities to assets		50	55	48	70	51
	Ratio of long-term capital to property, plant and equipment		1,720	533	904	1,893	2,302
Solvency %	Current ratio		149	132	145	118	140
	Quick ratio		104	97	125	103	118
	Times interest earned ratio		247	125	211	109	50
Operating ability	Accounts receivable turnover (turns)		4.94	4.96	3.97	3.43	1.84
	Average collection period		74	74	92	106	198
	Inventory turnover(turns)		9.32	7.20	10.03	19.28	8.10
	Payables turnover(turns)		4.53	4.20	3.92	3.92	1.80
	Average days in sales		39	51	36	19	45
	Property, plant and equipment turnover(turns)		48.43	22.69	17.95	55.03	46.32
	Total assets turnover(turns)		1.55	1.43	1.39	1.82	0.90
Profitability	Return on total asset(%)		7.51	7.02	7.24	7.90	5.00
	Return on stockholders' equity (%)		14.67	14.66	14.84	20.77	13.11
	Ratio of profit from operations to issued capital (%) (Note 7)		17.26	16.67	20.59	34.16	20.74
	Ratio of pre-tax income to issued capital (%) (Note 7)		23.00	24.46	25.76	39.77	25.67
	Profit ratio (%)		4.83	4.87	5.19	4.29	5.45
	Earnings per share (NT\$)		1.94	2.01	2.14	3.24	2.12
Cash flow	Cash flow ratio (%)		27.08	3.14	5.38	-7.04	85.20
	Cash flow adequacy ratio (%)		91.54	84.83	71.32	33.46	197.78
	Cash reinvestment ratio (%)		21.17	0	0	0	111.84
Leverage	Operating leverage		3.50	3.60	3.14	2.57	3.23
	Financial leverage		1.01	1.01	1.01	1.01	1.03

Please explain the reasons for changes of each financial ratio in recent two years. (If the change (increase/decrease) does not reach 20%, analysis may not be conducted.)

1. The ratio of liabilities to assets decreased: Due to the significant decrease in operating revenue during the current period, the amount of purchases decreased, resulting in a significant decrease in the amount of notes payable and accounts payable at the end of the period.
2. The ratio of long-term capital to property, plant and equipment has increased significantly, which is due to the decrease in depreciation and amortization of property, plants and equipment in the current period.
3. The decrease in times interest earned ratio is due to the increase in interest expenses in the current period as the amount of bank loans increases.
4. The decrease in accounts receivable turnover rate and the increase in the average collection period were due to the significant decrease in operating revenue during the current period.
5. The decrease in inventory turnover and Payables turnover and the increase in average days in sales were due to the significant decrease in operating costs in the current period.
6. The decrease in total assets turnover was due to the significant decrease in operating revenue in the current period.
7. The decrease in return on total asset and return on stockholders' equity was due to the decrease in net profit for the year for the current period.
8. The decrease in the ratio of profit from operations to issued capital, ratio of pre-tax income to issued capital, profit ratio and earnings per share is due to the significant decrease in operating revenue during the current period and the simultaneous decrease in profits.
9. The increase in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio is mainly due to the significant decrease in accounts receivable in the current period, resulting in an increase in net cash flow from operating activities in the current period.
10. The increase in operating leverage is due to the significant decrease in operating revenue during the current period and the simultaneous decrease in operating profits.

*If the Company has prepared an individual financial report, it shall prepare its analysis of individual financial ratios.

*If the period of financial data prepared using IFRS is less than 5 years, the financial data in Table (2) below shall be prepared according to the enterprise accounting standards of Taiwan.

Note 1. The year in which the financial data is not audited and certified by CPAs shall be specified.

Note 2. The company already listed or with stock already traded at the business premises of relevant securities dealer shall include the financial data of current year as of the publication date of the annual report into analysis.

Note 3. The following calculation formula shall be presented at the end of this table in the annual report.

1. Financial structure

(1) Ratio of liabilities to assets = Total liabilities/Total assets

(2) Ratio of long-term capital to property, plant and equipment = (Total equity + Noncurrent liabilities)/Net amount of property, plant and equipment

2. Solvency

(1) Current ratio = Current assets/Current liabilities

(2) Quick ratio = (Current assets - Inventories - Prepayments)/Current liabilities

(3) Times interest earned ratio = Net income before income tax and interest cost/Interest expenditure for the current period

3. Operating ability

(1) Accounts receivable turnover rate (including accounts receivable and notes receivable from operation) = Net amount of operating revenue/Balance of average receivables in each period (including accounts receivable and notes receivable from operation)

(2) Average collection period = 365/Accounts receivable turnover rate

(3) Inventory turnover = Operating cost/Average inventory amount

- (4) Accounts payables turnover(including accounts payable and notes payable from operation) = Operating cost/Balance of average payables in each period (including accounts payable and notes payable from operation)
 - (5) Average days in sales = 365/Inventory turnover
 - (6) Property, plant and equipment turnover = Net amount of operating revenue /Average net amount of property, plant and equipment
 - (7) Total assets turnover = Net amount of operating revenue/Average total assets
 4. Profitability
 - (1) Return on asset = (Profit and loss after tax + Interest expenses × (1 - Tax rate)/Average total assets
 - (2) Return on stockholders' equity = Profit and loss after tax/Average total equity
 - (3) Profit ratio = Profit and loss after tax/Net amount of operating revenue
 - (4) Earnings per share = (Net profit or loss attributable to owners of the company - Special shares dividends)/Weighted average shares already issued (Note 4)
 5. Cash flows
 - (1) Cash flow ratio = Net cash flows from operating activities/Current liabilities
 - (2) Cash flow adequacy ratio = Net cash flows from operating activities in recent five years/(Capital expenditure + Increase in inventory + Cash dividends) in recent five years
 - (3) Cash reinvestment ratio = (Net cash flows from operating activities - Cash dividends)/(Gross amount of property, plant and equipment + Long-term investments + Other noncurrent assets + Operating capital) (Note 5)
 6. Leverage:
 - (1) Operating leverage = (Net amount of operating revenue - Change in operating cost and expenses)/Profit from operations
 - (2) Financial leverage = Profit from operations/(Profit from operations - Interest expenses)
- Note 4. As for the preceding calculation formula of earnings per share, special attention shall be paid to the following matters upon measurement:
1. The weighted average number of ordinary shares shall be adopted as the basis instead of the number of shares already issued at the end of year.
 2. If capital increase in cash or transaction of treasury stock is involved, the weighted average number of shares shall be calculated during its circulation.
 3. If earnings or capital reserve are transferred to increase capital, retroactive adjustment shall be carried out per ratio of capital increase during the calculation of earnings per share of previous years and half a year. It is not required to consider the issuance period of this capital increase.
 4. If the special share is inconvertible cumulative special share, the dividends in current year (granted or not) shall be the net profit after tax after deduction or increase of net loss after tax. If the special share has a non-cumulative nature, the dividends of special share shall be deducted from the net profit after tax if any; no adjustment is needed in case of loss.
- Note 5. Special attention shall be paid to the following matters upon measurement during analysis of cash use:
1. Net cash flows from operating activities refer to the net cash inflows from operating activities as indicated in the cash flow statement.
 2. Capital expenditure refers to cash outflows of annual capital investments.
 3. Increased amount of inventories is included only when the ending balance is greater than the beginning balance. If the inventories are decreased at the end of year, it will be calculated as zero.
 4. Cash dividends include cash dividends from ordinary and special shares.
 5. The gross amount of property, plant and equipment refers to the total amount of property, plant and equipment before deduction of accumulated depreciation.
- Note 6. The issuer shall classify each operating cost and operating expense to fixed and variable based on their nature. If estimation or subjective judgment is involved, its reasonableness and consistency shall be noticed.
- Note 7. If the corporate stock has no face value or the face value per share is not NT\$10, the preceding paid-in capital ratio calculated shall be calculated as the ratio of equity attributable to owners of parent company in the balance sheet.

B. Financial analysis of individual statements

Analysis item		Year (Note 1)	Financial analysis in recent five years				
			2019	2020	2021	2022	2023
Financial structure%	Ratio of liabilities to assets		49	53	48	68	51
	Ratio of long-term capital to property, plant and equipment		1,726	533	905	1,895	2,304
Solvency %	Current ratio		143	125	135	116	134
	Quick ratio		95	90	117	100	113
	Times interest earned ratio		247	191	439	135	53
Operating ability	Accounts receivable turnover (turns)		4.80	4.86	4.04	3.42	1.84
	Average collection period		76	75	90	107	198
	Inventory turnover(turns)		8.66	6.52	9.81	18.50	7.75
	Payables turnover(turns)		4.39	3.88	3.80	3.91	1.80
	Average days in sales		42	56	37	20	47
	Property, plant and equipment turnover(turns)		44.99	20.39	17.00	54.41	43.59
	Total assets turnover(turns)		1.46	1.32	1.34	1.76	0.87
Profitability	Return on total asset(%)		7.68	7.19	7.37	8.17	5.16
	Return on stockholders' equity (%)		14.67	14.66	14.84	20.77	13.11
	Ratio of profit from operations to issued capital (%)		16.38	15.61	19.93	31.98	20.21
	Ratio of pre-tax income to issued capital (%)		23.07	24.33	25.53	39.40	25.60
	Profit ratio (%)		5.23	5.43	5.49	4.60	5.80
	Earnings per share (NT\$)		1.94	2.01	2.14	3.24	2.12
Cash flows	Cash flow ratio (%)		25.52	8.96	2.01	-9.14	88.24
	Cash flow adequacy ratio (%)		82.65	71.64	57.70	30.43	111.00
	Cash reinvestment ratio (%)		16.90	0	0	0	105.94

Leverage	Operating leverage	3.55	3.68	3.13	2.61	3.28
	Financial leverage	1.01	1.01	1.00	1.01	1.02

Please explain the reasons for changes of each financial ratio in recent two years. (If the change (increase/decrease) does not reach 20%, analysis may not be conducted.)

1. The ratio of liabilities to assets decreased: Due to the significant decrease in operating revenue during the current period, the amount of purchases decreased, resulting in a significant decrease in the amount of notes payable and accounts payable at the end of the period.
2. The ratio of long-term capital to property, plant and equipment has increased significantly, which is due to the decrease in depreciation and amortization of property, plants and equipment in the current period.
3. The decrease in times interest earned ratio is due to the increase in interest expenses in the current period as the amount of bank loans increases.
4. The decrease in accounts receivable turnover rate and the increase in the average collection period were due to the significant decrease in operating revenue during the current period.
5. The decrease in inventory turnover and Payables turnover and the increase in average days in sales were due to the significant decrease in operating costs in the current period.
6. The decrease in total assets turnover, return on total asset, return on stockholders' equity, ratio of profit from operations to issued capital, ratio of pre-tax income to issued capital and earnings per share is due to the significant decrease in operating revenue during the current period and the simultaneous decrease in profits.
7. The increase in profit ratio was due to the the fact that the decrease in operating revenue for the current period is greater than the decrease in net profit for the year.
8. The increase in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio is mainly due to the significant decrease in accounts receivable in the current period, resulting in an increase in net cash flow from operating activities in the current period.
9. The increase in operating leverage is due to the significant decrease in operating revenue during the current period and the simultaneous decrease in operating profits.

Note 1: The financial data of each year (quarter) above was already audited and certified (verified) by CPAs.

- (III) Audit report of the Audit Committee for the financial report in recent year
Please refer to P140.
- (IV) Consolidated financial statements of parent company and subsidiaries audited and certified by CPAs in recent year
Please refer to Annex 1.
- (V) Individual financial statements audited and certified by CPAs in recent year
(Not including detailed statement of important accounting items)

Please refer to Annex 2.

- (VI) Influence of difficulties of the Company and its affiliates in financial turnover on the Company's financial status in recent year and as of the publication date of the annual report
Not involved

VII. Review and Analysis of Financial Status and Operating Results and Evaluation of Risk Issues

(I) Financial status

Unit: NT\$1,000

Item \ Year	2023	2022	Deviation	
			Amount	%
Current assets	1,946,686	3,784,161	(1,837,475)	-48.56
Property, plant and equipment	67,250	82,031	(14,781)	-18.02
Intangible assets	96,292	94,989	1,303	1.37
Other assets	825,159	788,605	36,554	4.64
Total assets	2,935,387	4,749,786	(1,814,399)	-38.20
Current liabilities	1,387,524	3,196,980	(1,809,456)	-56.60
Long-term liabilities	-	-	-	-
Other liabilities	108,080	116,120	(8,040)	-6.92
Total liabilities	1,495,604	3,313,100	(1,817,496)	-54.86
Share capital	891,481	882,301	9,180	1.04
Capital collected in advance	2,408	209	2,199	1,052.15
Capital surplus	20,259	15,494	4,765	30.75
Retained earnings	521,799	560,116	(38,317)	-6.84
Other equity	2,717	(22,417)	25,134	112.12
Treasury stock	-	-	-	-
Non-controlling interests	1,119	983	136	13.84
Total shareholders' equity	1,439,783	1,436,686	3,097	0.22

1. Main reasons for major changes in recent two years and their influence:
 - (1) The decrease in current assets is due to the substantial decrease in operating revenue in the current period, resulting in a substantial decrease in notes receivable, accounts receivable, and inventories.
 - (2) The decrease in total assets was due to the substantial decrease of operating revenue in the current period, resulting in an decrease in notes receivable and accounts receivable, inventory and deposits.
 - (3) The decrease in current liabilities is due to the substantial decrease of operating revenue in the current period, and the decrease in short-term loans, notes payable and accounts payable.
 - (4) The decrease in total liabilities is due to the substantial decrease of operating revenue in the current period, and the decrease in short-term loans, notes payable and accounts payable.
 - (5) The increase in share capital, capital collected in advance and capital surplus was caused by the company issuing employee stock option certificates.
 - (6) The increase in other equity is due to the increase in the unrealized appraisal profit of equity instrument investment measured at fair value through other comprehensive profit and loss.
2. Explanation of future responsive plans for those with significant influence: None.

(II) Financial performance

Analysis of Operating Results

Unit: NT\$1,000

Item/year	2023	2022	Increased (decreased) amount	Ratio of change%
Operating revenue	3,457,717	6,645,116	(3,187,399)	-47.97
Operating costs	2,808,237	5,790,855	(2,982,618)	-51.51
Gross profit	649,480	854,261	(204,781)	-23.97
Operating expenses	464,554	552,869	(88,315)	-15.97
Profit from operations	184,926	301,392	(116,466)	-38.64
Non-operating income and expenses	43,882	49,498	(5,616)	-11.35
Profit before income tax	228,808	350,890	(122,082)	-34.79
Income tax expense	40,226	65,537	(25,311)	-38.62
Net profit for the year	188,582	285,353	(96,771)	-33.91
Other comprehensive income (loss)	20,535	(12,800)	33,335	260.43
Total comprehensive income (loss) for the year	209,117	272,553	(63,436)	-23.27

1. Main reasons for major changes in recent two years:
 - (1) Increase in operating revenue, operating costs, gross profit, and profit from operations, profit before income tax, income tax expense and net profit for the year: Benefited from the Ministry of Education's "Promotion of Digital Learning Improvement Program for Primary and Secondary Schools", both revenue and profit have grown significantly in 2022.
 - (2) The increase in other comprehensive income is due to the increase in the unrealized appraisal profit of equity instrument investment measured at fair value through other comprehensive profit and loss.
 - (3) Increase in total comprehensive income (loss) for the year: Benefited from the Ministry of Education's "Promotion of Digital Learning Improvement Program for Primary and Secondary Schools", both revenue and profit have grown significantly in 2022.
2. Estimated sales volume and its basis as well as possible influence on the Company's future financial business and responsive plan: The business policy of the Company for 2024 was to continually improve the value and efficiency of customer service, develop all-around information communication infrastructure cloud services, and smart integration services for the application of AI fields, and continuously march towards the strategic direction of application planning of 5G, IoT, AIoT, smart medical and system integration.

(III) Cash flows:

Analysis of Cash Use

Unit: NT\$1,000

Beginning cash balance	Net cash flows from operating activities in the whole year	Cash inflows (outflows) in the whole year	Remaining (insufficient) cash amount	Remedial measure for cash insufficiency	
				Investment plan	Financing plan
307,135	1,119,665	226,733	533,868	None	None
1. Analysis of changes of cash flows in current year:					
(1) Operating activities: Net cash inflow was 1,119,665, mainly due to the substantial growth in performance last year. Therefore, the significant increase in notes and accounts receivable at the end of last year was recovered this year.					
(2) Investing activities: Net cash outflow of 120,859 was mainly caused by the increase in financial assets measured at fair value through profit and loss during the period, resulting in cash outflow.					
(3) Financing activities: Net cash outflow of 771,333 was mainly caused by the repayment of short-term bank borrowings in the current period.					
(4) The cash and equivalent cash were decreased by NT\$740,000 due to the influence of change in exchange rate.					
2. Remedial measure for cash insufficiency and liquidity analysis:					
(1) Remedial measure for cash insufficiency: The net cash outflow from operating activities in the current period is mainly due to the fact that a large proportion of income is generated at the end of the year, resulting in a large balance of accounts receivable. After the accounts receivable are recovered, net cash inflows can be generated, and the company's bank line is sufficient, there is no shortage of cash.					
(2) Liquidity analysis:					
	Year	2023	2022	Increased or decreased ratio%	
Item					
Cash flow ratio (%)		85.20	-7.04	1,310.23	
Cash flow adequacy ratio (%)		197.78	33.46	491.09	
Cash reinvestment ratio (%)		111.84	0	100.00	
1. Increase of cash flow ratio: It is the cash inflow from operating activities in the current period.					
2. Increase of cash flow adequacy ratio: It is the cash inflow from operating activities in the current period.					
3. Increase of cash reinvestment ratio: It is the cash inflow from operating activities in the current period.					
3. Analysis of cash liquidity in the next year:					
Beginning cash balance	Estimated net cash flows from operating activities in the whole year	Estimated cash inflows (outflows) in the whole year	Estimated remaining (insufficient) cash amount	Remedial measure for cash insufficiency	
				Investment plan	Financing plan
533,868	657,000	177,585	711,453	None	None
The estimated cash flow from operating activities in 2024 is based on the operating conditions in 2023 and the estimated changes in profit, depreciation, amortization, inventory, receivables and payables in 2024. The estimated inflow from operating activities is 657,000,000, and another the net cash outflow of investment and financing is 479,415,000, and the expected cash inflow for the whole year is 177,585,000.					

(IV) Influence of major capital expenditure on financial business in recent year

There was no major capital expenditure plan in recent year.

(V) Reinvestment policies in recent year, main reasons for profit or loss, improvement plan, and investment plan for the next year

December 31, 2023

Unit: NT\$1,000

Name of investee	Original investment amount	Policy	Investment income or loss recognized in current period	Main reason for profit or loss	Improvement plan
LEO Image Inc.	122,638	Operating demand	2,913	Effective business expansion and stable profits	N/A
Lotrich Information	150,300	Operating demand	5,804	Stable corporate operation and stable profits	N/A
Full Fortune Technology (Cayman)	54,464	Reinvestment in the China	0	General investment	N/A
LEO Systems, Inc. (China)	25,447	Market expansion	4,765	Effective business expansion and stable profits	N/A
GeoIntelligence Systems, Inc.	13,589	Market expansion	2,055	Effective business expansion and stable profits	N/A
Unity SmartTech Inc.	9,000	Innovative technology & application services	1,219	In the second year since its establishment, the company has turned from a loss to a profit.	N/A

Investment plan in the next year: None.

(VI) Analysis and evaluation of risk issues in recent year and as of the publication date of the annual report

(Including information security risks)

The executing and responsible units of the risk management organization structure of the Company are as follows:

Responsible unit	Executed content
General Manager Office	It is mainly responsible for evaluating operation decision-making risks and operating risks, and executing responsive measures, and supervising, guiding and coordinating the relevant matters of each department.
Internal Audit	It is mainly responsible for linking corporate goals, risk tolerance and strategies, and actively assisting the managers of the Company in handling all correlated risks of the entire enterprise.
Business Group	The Marketing Business Department includes six major business units which are mainly intended to master market trends and direction at any time to lower the Company's risks in order receipt processes in consideration of evaluation of market risks and execution of responsive measures.
Financial Management Department	As the unit responsible for the evaluation of relevant financial risk management of the Company and the execution of responsive measure, this department mainly focuses on the evaluation and control of financial risks, liquidity risks and credit risks.

Information Management Department	It is mainly responsible for the evaluation of the Company's network information security and the execution of responsive measures.
Administration Department	It is mainly responsible for the evaluation and control of the Company's legal risks and crisis risk management.

- A. Influence of interest rate, change in exchange rate, and inflation on the Company's profit or loss as well as future responsive measures:

1.

Unit: NT\$1,000

Item	2023	2022
Net interest income (expense)	14,631	4,403
Net exchange profit (loss)	698	2,324
Ratio of net interest income (expense) to the net operating revenue	0.42%	0.07%
Ratio of net interest income (expense) to the profit before income tax	6.39%	1.25%
Ratio of net exchange profit (loss) to the net operating revenue	0.02%	0.03%
Ratio of net exchange profit (loss) to the profit before income tax	0.31%	0.66%

2. The company's 2023 annual interest expense is NT\$4,641,000, and the net interest income after deducting interest expenses from interest income is NT\$14,631,000, which has little impact on profit. However, the company is actively cooperating with various banks to strive for the best preferential interest rate.
3. Since the Company mainly focused on local sale and the trading amount of its foreign sale was not high, the influence of change in exchange rate on the Company's operation was extremely low.
4. According to the Executive Yuan's estimated consumer price index target, the average annual growth rate of Taiwan's consumer price index in 2023 is 2.50%. Since the company is a system-integrated information service industry, the increase in purchase cost due to inflation can also increase the selling price of goods, so inflation has little impact on the company's profit and loss.
5. Future responsive measures:
- (1) Change in interest rate: In 2023, due to the expansion of the operating scale, the amount of short-term loans will increase. However, in the long run, the company has sufficient funds. Under risk control, appropriate funds will be used.
 - (2) Change in exchange rate: Master information regarding change in exchange rate, buy or sell foreign currency needed for the business at the right moments, and ask the business department to consider the influence of fluctuation of exchange rate on the selling prices upon quotations, to ensure the Company's reasonable profits.
 - (3) Change in inflation: The Company actively maintains benign interaction with suppliers/original manufacturers, and flexibly applies capital to lower purchasing cost.

- B. Policies for high-risk and high-leverage investments, lending of funds to others, endorsement guarantee and derivatives trading, main reasons for profit or loss, and future responsive measures:

1. The Company hasn't engaged in any high-risk and high-leverage investment since 2023.
2. The Company hasn't been involved in the lending of funds to others since 2023.

3. The endorsement guarantee of the Company since 2023 is as follows:
The endorsement guarantee provided by the Company for its subsidiary LEO System Inc. (China) reached NT\$30,000,000 respectively as of March 31, 2024.

The aforesaid endorsement guarantee was the guarantee among companies 100% held by the Group and the ratio of the amount of such endorsement guarantee to the net worth of the Company was insignificant.

4. The Company hasn't engaged in derivatives trading since 2023. If the Company conducts derivatives trading in the future, it will focus on hedging operations, and handle it accordance with "Procedure for Acquisition or Disposal of Assets" of the Company.
 5. Future responsive measures: The Company didn't engage in high-risk and high-leverage investments and derivative trading in the past three years, and will still avoid such trading in the future. Lending of funds and endorsement guarantee will be handled in accordance with relevant measures and laws in the future, and relevant risks will be strictly controlled and managed.
- C. Future R&D plan and estimated R&D expenses:

The business policy of the Company for 2024 was to continually improve the value and efficiency of customer service, develop all-around information communication infrastructure cloud services, and smart integration services for the application of AI fields, and continuously march towards the strategic direction of application planning of 5G, IoT, AIoT, smart medical and system integration. The R&D expenses to be spent in the next two years are expected to reach approximately NT\$80,000,000.

- D. Influence of changes of important local and foreign policies and laws in recent year on the Company's finance and business as well as responsive measures:

The Company and its subsidiaries were not subject to the influence of changes of important local and foreign policies and laws on the Company's finance and business in recent year and as of the publication date of the annual report. The Company and its subsidiaries pay attention to the local and foreign political and economic developments at any time, and come up with impact evaluation and responsive plans. The Company also invites external legal consultants to provide problem inquiries and handle relevant legal issues as necessary.

- E. Influence of changes of science and technology (including information security risks) as well as industries on the Company's finance and business as well as responsive measures:

The information security risks in innovative fields such as big data analysis, IoT, mobile application service and smart medical, as well as each industry are drawing increasing attention, which benefits the expansion of information services and system integration markets as well as future explosive potential. This trend has a positive influence on the Company.

- F. Influence of change of corporate image on the enterprise's crisis management as well as responsive measures:

The Company has actively strengthened its internal management and improved service quality since the incorporation with the objective to establish an excellent corporate image and further enhance customers' trust in the Company. No predictable crisis has been found in recent year and as of the publication date of the annual report.

- G. Expected benefits and possible risks of merger and acquisition as well as responsive measures:

The Company integrated Public Power Systems Corporation, Dai-Sheng Technology Corporation and SuperNet Technology Corporation on January 1, 2008

- to combine four to one and give play to synergies. The Company has continuously profited in recent year, and currently it has no other merger and acquisition plans.
- H. Expected benefits and possible risks of plant enlargement as well as responsive measures: The Company focuses on information service industry and therefore does not have such plan.
 - I. Risks faced in centralized purchasing or selling of goods as well as responsive measures:
 - 1. The Company has maintained normal contacts with suppliers who are original manufacturers or main distributors in the industry, featuring abundant but decentralized purchasing sources. Therefore, the Company does not have the risk of centralization of purchasing.
 - 2. The Company didn't have a customer with total selling amount reaching more than ten percent of the total amount in 2022 and 2023 so far, and therefore there was no risk of centralized selling of goods.
 - J. Influence and risks of abundant transfer or replacement of equity held by directors, supervisors, or major shareholders holding more than ten percent of shares of the Company on the Company as well as responsive measures: None.
 - K. Influence and risks of change of managerial right on the Company as well as responsive measures: The Company had no such situation and it is thus not applicable.
 - L. For litigation or non-litigation events, the major litigation, non-litigation, or administrative dispute events already judged or currently being investigated that involve the Company and its directors, supervisors, general manager, substantial principal, shareholders with shareholding ratio above ten percent and subordinate companies shall be specified. If the results of such events may have a major influence on the shareholders' equity or securities prices, the facts of the disputes, target amount, starting date of litigation, main parties involved in the litigation, and the handling status of such events as of the publication date of the annual report shall be disclosed: The Company had no such situation and it is thus not applicable.
 - M. Other important risks and responsive measures: The Company had no such situation and it is thus not applicable.

(VII) Other important matters

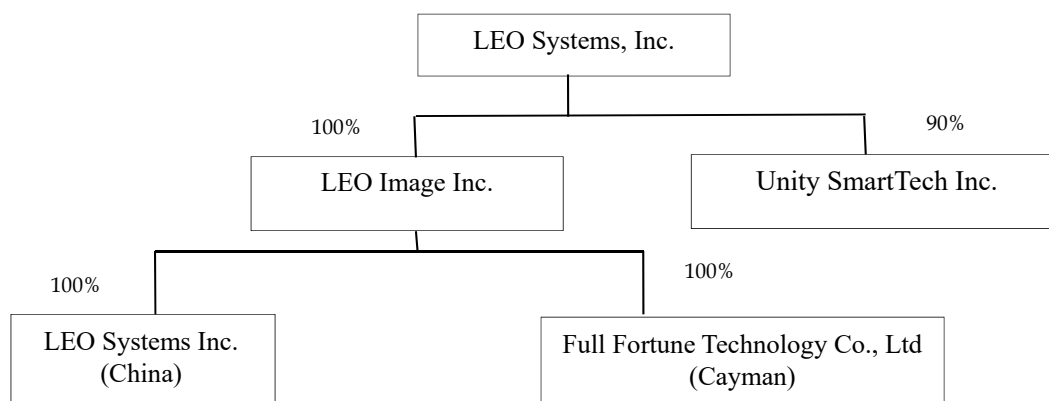
None.

VIII. Special Notes

(I) Related information of affiliates

A. Joint venture report

1. Affiliates' organization:



2. Basic information of affiliates:

March 31, 2024

Name of enterprise	Date of incorporation	Address	Paid-in capital (Unit: NT\$)	Main business or production item
LEO Image Inc.	July 22, 1997	3F, No. 133, Minquan Road, Xindian District, New Taipei City	NTD110,000,000	PC sales
LEO System Inc. (China)	July 2, 2007	Rm1320, Qinghai Mansion, No.7043, Beihuan Road, Futian District, Shenzhen, China	USD809,000	System integration
Full Fortune Technology Co., Ltd (Cayman)	May 6, 2002	4th Floor, P.O. BOX 2804, George Town, Grand Cayman, Cayman Islands	USD1,570,000	Investment
Unity SmartTech Inc.	April 15, 2022	No. 1-1, Nantai Road, Taishan District, New Taipei City	NTD10,000,000	Innovative development and operating services of smart medical, preventive medicine, and scientific long-term care

- (1) Control and subordinate relations assumed according to Article 369-3 of the Company Act: None.
- (2) Business operated by all affiliates: PC sales, software planning and design, computer hardware maintenance, agency of large computer systems, and investment business

3. Information of directors and supervisors of affiliates:

March 31, 2024; unit: Share; %

Name of enterprise	Title	Name or representative	Shares held	
			Number of shares	Shareholding ratio
LEO Image Inc.	Chairman	Representative of LEO Systems, Inc.: Wen,Chien-Liang	11,000,000	100
LEO System Inc. (China)	Chairman	Representative of LEO Image Inc.: Wang,Shih-Chao	Note	100
Full Fortune Technology Co., Ltd (Cayman)	Chairman	Representative of LEO Image Inc.: Liu, Jui-Hsing	1,570,000	100

Unity SmartTech Inc.	Chairman	Representative of LEO Systems, Inc.: Jou,Shao-Huey	900,000	90
	Director	Representative of LEO Systems, Inc.: Wang,Shih-Chao		
	Director	Representative of LEO Systems, Inc.: Tang,Hui-Kang		
	Supervisor	Hung. Kuo-Yung	100,000	10

Note: As limited companies, the companies above haven't issued any share.

4. Operation overview of affiliates:

December 31, 2023 Unit: NT\$1,000

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Profit(loss) from operations	Net profit for the year	Earnings per share (NT\$) after tax
LEO Image Inc.	110,000	130,529	13,504	117,025	72,147	6,951	2,913	0.26
LEO System Inc. (China)	25,447	55,854	14,484	41,370	136,434	4,881	4,765	-
Full Fortune Technology Co., Ltd (Cayman)	54,464	2	0	2	0	0	0	-
Unity SmartTech Inc.	10,000	20,314	9,123	11,191	12,781	1,601	1,355	1.36

B. (II) Consolidated financial statements of affiliates: Please refer to the consolidated financial statements of parent company and subsidiaries in Financial Status.

C. (III) Relation report: None.

(II) Handling status of private placement of valuable securities in recent year and as of the publication date of the annual report

Not involved

(III) Status of subsidiaries' holding or disposal of the Company's stock in recent year and as of the publication date of the annual report

Not involved

(IV) Other necessary supplementary clarifications

Not involved

IX. Event having a major influence on shareholders' equity or securities prices as stipulated in Article 36-2-2 of the Securities and Exchange Act in recent year and as of the publication date of the annual report

Not involved

LEO Systems, Inc.
Statement of Internal Control System

Date: March 8, 2024

Based on the findings of self-assessment, the Company states the following regarding its internal control system in 2023:

1. The Company knows clearly that its Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system, and it has already established this system. The purpose of the internal control system is to provide reasonable assurance of the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws, and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Furthermore, the effectiveness of an internal control system may be subject to change due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as the “Regulations”). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component covers certain items. Please refer to the “Regulations” for the preceding items.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, as of December 31, 2023, it has maintained an effective internal control system in all material aspects (including the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws, and regulations.
6. This Statement is an integral part of the Company’s annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of Securities and Exchange Act.
7. This Statement was passed by the Board of Directors in their meeting held on March 8, 2024. Among 7 directors attending the meeting, no one raised an objection and all of them approved the content of this statement and hereby made this statement.

LEO Systems, Inc.

Chairman:

General Manager:

Signature and seal

Signature and seal

LEO Systems, Inc.

Audit Report of the Audit Committee

The Board of Directors prepared and submitted individual and consolidated financial reports for the year 2023, and these reports have already been verified by Deloitte & Touche, Taiwan which issued an audit report. The Audit Committee has reviewed and confirmed that no inconsistency has existed in the aforesaid financial reports together with business report and proposal for profit distribution, and thus reports as above for review according to the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Regards

Regular Shareholders' Meeting of the Company in 2024

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

March 8, 2024

Annex 1 :

**Consolidated financial statements
of parent company and
subsidiaries audited and certified
by CPAs in 2023 and 2022.**

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	<u>1,946,686</u>	<u>66</u>	<u>3,784,161</u>	<u>80</u>
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	<u>988,701</u>	<u>34</u>	<u>965,625</u>	<u>20</u>
TOTAL	<u>\$ 2,935,387</u>	<u>100</u>	<u>\$ 4,749,786</u>	<u>100</u>
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	<u>1,387,524</u>	<u>47</u>	<u>3,196,980</u>	<u>67</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 28)	18,949	1	18,949	1
Lease liabilities - non-current (Notes 4, 15 and 34)	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	<u>108,080</u>	<u>4</u>	<u>116,120</u>	<u>3</u>
Total liabilities	<u>1,495,604</u>	<u>51</u>	<u>3,313,100</u>	<u>70</u>
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	<u>1,438,664</u>	<u>49</u>	<u>1,435,703</u>	<u>30</u>
Non-controlling interests	1,119	-	983	-
Total equity	<u>1,439,783</u>	<u>49</u>	<u>1,436,686</u>	<u>30</u>
TOTAL	<u>\$ 2,935,387</u>	<u>100</u>	<u>\$ 4,749,786</u>	<u>100</u>

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

LEO SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 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										Total Equity
	Share Capital	Capital Collected in Advance	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity Attributable to Owners of the Company	Non-controlling Interests	
				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	<u>1,119,665</u>	<u>(225,737)</u>
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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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 rereasurement) 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. Rereasurement, 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. Rereasurement 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

	<u>December 31</u>	
	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

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

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

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

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
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	<u>% of Ownership</u>		Remark
			<u>2023</u>	<u>2022</u>	
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

	<u>December 31</u>	
	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

	<u>% of Ownership</u>	
	<u>December 31</u>	
	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.

	<u>December 31</u>	
	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:

	December 31	
	<u>2023</u>	<u>2022</u>
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

	<u>December 31</u>	
	2023	2022
<u>Carrying amount</u>		
Buildings	<u>\$ 43,487</u>	<u>\$ 57,254</u>
	<u>For the Year Ended December 31</u>	
	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

	<u>December 31</u>	
	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:

	<u>December 31</u>	
	2023	2022
Buildings	1.00%-2.30%	1.00%-2.10%

c. Other lease information

	<u>For the Year Ended December 31</u>	
	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

	<u>December 31</u>	
	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

	<u>December 31</u>	
	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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<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:

- a. 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.
- b. 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.
- c. 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:

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

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.

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

22. EQUITY

Share Capital

Ordinary shares

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

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)</u>		
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>

- a. 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).
- b. 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.
- c. Such capital surplus arises from the effects of employee share option and cannot be used for any purpose.

Retained Earnings and Dividend Policy

- a. 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.
- b. 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	(762)	457
Balance at December 31	\$ (971)	\$ (209)

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>	
	<u>2023</u>	<u>2022</u>
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>	
	<u>2023</u>	<u>2022</u>
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>	
	<u>2023</u>	<u>2022</u>
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>
	<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:

	<u>For the Year Ended December 31</u>	
	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:

	<u>For the Year Ended December 31</u>	
	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

	<u>For the Year Ended December 31</u>	
	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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
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	\$ 18,949	\$ -	\$ -	\$ 18,949

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

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	<u>\$ 2.12</u>	<u>\$ 3.24</u>
Diluted earnings per share	<u>\$ 2.05</u>	<u>\$ 3.16</u>

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	<u> -</u>	<u> -</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 188,447</u>	<u>\$ 285,370</u>

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	<u> 445</u>	<u> 656</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u> 91,944</u>	<u> 90,177</u>

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<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
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,117,572	3,005,256

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

<u>Related party</u>	<u>Related Party Category</u>
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	\$ 1,200	\$ 1,200

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

	<u>Training Expense</u>	
	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
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:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
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:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
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

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

Prepaid expense

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

Refundable deposits

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
An important stockholder of the Company	\$ <u>2,193</u>	\$ <u>2,193</u>

c. Lease arrangements - the Group is lessee

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

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

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

d. Compensation of key management personnel

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

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:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
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	<u>3,274</u>	<u>3,454</u>
	\$ <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.

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.

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.

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.

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.

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.

Annex 2 :
Individual financial
statements audited and
certified by CPAs in 2023
and 2022.

Leo Systems, Inc.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Leo Systems, Inc.

Opinion

We have audited the accompanying financial statements of Leo Systems, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the financial statements for the year ended December 31, 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.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 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 financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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

LEO SYSTEMS, INC.

BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 475,062	16	\$ 206,624	5
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	100,000	4	-	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 32)	11,820	-	7,420	-
Notes and accounts receivable, net (Notes 4 and 9)	805,957	28	2,579,717	57
Notes and accounts receivable - related parties (Notes 4, 9 and 33)	49,290	2	51,890	1
Inventories (Notes 4 and 11)	256,446	9	416,064	9
Other financial assets (Notes 4 and 10)	94,824	3	141,875	3
Other current assets (Notes 16, 33 and 34)	37,904	1	64,983	1
Total current assets	<u>1,831,303</u>	<u>63</u>	<u>3,468,573</u>	<u>76</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 32)	35,188	1	13,692	1
Investments accounted for using the equity method (Notes 4 and 12)	311,331	11	323,629	7
Property, plant and equipment (Notes 4, 13 and 34)	67,137	2	81,909	2
Right-of-use assets (Notes 4 and 14)	43,487	2	57,254	1
Computer software (Note 4)	1,546	-	243	-
Goodwill (Notes 4 and 15)	94,746	3	94,746	2
Deferred tax assets (Notes 4 and 27)	1,189	-	381	-
Refundable deposits (Notes 16 and 33)	370,959	13	352,472	8
Finance lease receivables - non-current (Notes 4 and 10)	146,880	5	139,947	3
Other assets - non-current (Notes 16 and 34)	5,839	-	4,344	-
Total non-current assets	<u>1,078,302</u>	<u>37</u>	<u>1,068,617</u>	<u>24</u>
TOTAL	<u>\$ 2,909,605</u>	<u>100</u>	<u>\$ 4,537,190</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ -	-	\$ 550,000	12
Notes and accounts payable (Note 18)	886,969	31	2,028,513	45
Accounts payable - related parties (Note 33)	15,688	1	1,365	-
Other payables (Note 19)	189,904	7	218,952	5
Other payables - related parties (Note 33)	501	-	501	-
Current tax liabilities (Notes 4 and 27)	13,295	-	46,623	1
Lease liabilities - current (Notes 4, 14 and 33)	14,023	-	14,753	-
Other current liabilities (Note 19)	242,481	8	124,660	3
Total current liabilities	<u>1,362,861</u>	<u>47</u>	<u>2,985,367</u>	<u>66</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 27)	18,949	1	18,949	-
Lease liabilities - non-current (Notes 4, 14 and 33)	30,123	1	43,398	1
Net defined benefit liabilities (Notes 4 and 20)	57,618	2	52,383	1
Guarantee deposits	1,390	-	1,390	-
Total non-current liabilities	<u>108,080</u>	<u>4</u>	<u>116,120</u>	<u>2</u>
Total liabilities	<u>1,470,941</u>	<u>51</u>	<u>3,101,487</u>	<u>68</u>
EQUITY (Note 21)				
Share capital	891,481	30	882,301	20
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	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 29)	5,545	-	3,398	-
	<u>20,259</u>	<u>1</u>	<u>15,494</u>	<u>-</u>
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)	-
Total equity	<u>1,438,664</u>	<u>49</u>	<u>1,435,703</u>	<u>32</u>
TOTAL	<u>\$ 2,909,605</u>	<u>100</u>	<u>\$ 4,537,190</u>	<u>100</u>

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

LEO SYSTEMS, INC.

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 33)	\$ 3,248,817	100	\$ 6,202,141	100
OPERATING COSTS (Notes 11, 23, 24 and 33)	<u>2,627,223</u>	<u>81</u>	<u>5,388,021</u>	<u>87</u>
GROSS PROFIT	<u>621,594</u>	<u>19</u>	<u>814,120</u>	<u>13</u>
OPERATING EXPENSES (Notes 4, 9, 20, 24, 25, 26 and 33)				
Selling and marketing expenses	307,708	9	391,887	6
General and administrative expenses	112,808	4	83,836	2
Research and development expenses	40,022	1	39,353	1
Expected credit (gain) loss	<u>(19,151)</u>	<u>(1)</u>	<u>16,872</u>	<u>-</u>
Total operating expenses	<u>441,387</u>	<u>13</u>	<u>531,948</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>180,207</u>	<u>6</u>	<u>282,172</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	18,762	-	7,569	-
Other income (Notes 30 and 33)	24,436	1	33,106	1
Other gains and losses (Note 33)	(2,747)	-	1,196	-
Finance costs (Note 33)	(4,387)	-	(2,590)	-
Share of profit or loss of subsidiaries and associates (Note 12)	<u>11,991</u>	<u>-</u>	<u>26,210</u>	<u>-</u>
Total non-operating income and expenses	<u>48,055</u>	<u>1</u>	<u>65,491</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	228,262	7	347,663	5
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(39,815)</u>	<u>(1)</u>	<u>(62,293)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>188,447</u>	<u>6</u>	<u>285,370</u>	<u>4</u>

(Continued)

LEO SYSTEMS, INC.

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 20)	\$ (5,749)	-	\$ 7,094	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	25,896	-	(18,932)	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Notes 4 and 27)	<u>1,150</u>	<u>-</u>	<u>(1,419)</u>	<u>-</u>
	<u>21,297</u>	<u>-</u>	<u>(13,257)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss (Note 21)				
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>-</u>	<u>(12,800)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 208,982</u>	<u>6</u>	<u>\$ 272,570</u>	<u>4</u>
EARNINGS PER SHARE (Note 28)				
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 financial statements.

(Concluded)

LEO SYSTEMS, INC.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Share Capital	Capital Collected in Advance	Capital Surplus	Retained Earnings			Other Equity		Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2022	\$ 873,701	\$ 75	\$ 10,800	\$ 134,481	\$ 76,584	\$ 220,667	\$ (666)	\$ (3,276)	\$ 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)
Changes in percentage of ownership interests in the subsidiary	-	-	65	-	-	-	-	-	65
Changes in associates accounted for using the equity method	-	-	77	-	-	-	-	-	77
Compensation cost of employee share options	8,600	134	4,552	-	-	-	-	-	13,286
Net profit for the year ended December 31, 2022	-	-	-	-	-	285,370	-	-	285,370
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	5,675	457	(18,932)	(12,800)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	291,045	457	(18,932)	272,570
BALANCE AT DECEMBER 31, 2022	882,301	209	15,494	155,266	45,196	359,654	(209)	(22,208)	1,435,703
Appropriation of 2022 earnings									
Legal reserve	-	-	-	29,105	-	(29,105)	-	-	-
Special reserve	-	-	-	-	18,475	(18,475)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(222,165)	-	-	(222,165)
Changes in percentage of ownership interests in the subsidiary	-	-	102	-	-	-	-	-	102
Compensation cost of employee share options	9,180	2,199	4,663	-	-	-	-	-	16,042
Net profit for the year ended December 31, 2023	-	-	-	-	-	188,447	-	-	188,447
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	(4,599)	(762)	25,896	20,535
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	183,848	(762)	25,896	208,982
BALANCE AT DECEMBER 31, 2023	\$ 891,481	\$ 2,408	\$ 20,259	\$ 184,371	\$ 63,671	\$ 273,757	\$ (971)	\$ 3,688	\$ 1,438,664

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

LEO SYSTEMS, INC.

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	\$ 228,262	\$ 347,663
Adjustments for:		
Depreciation expense	32,880	98,456
Amortization expense	114	463
Expected credit (gain) loss recognized on accounts receivable	(19,151)	16,872
Net gain on fair value changes of financial assets at fair value through profit or loss	-	(2,283)
Finance costs	4,387	2,590
Interest income	(18,762)	(7,569)
Dividend income	(99)	-
Compensation costs of employee share options	3,230	2,468
Share of profit or loss of subsidiaries and associates	(11,991)	(26,210)
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	1,792,886	(1,685,958)
Notes and accounts receivable - related parties	2,625	(1,228)
Inventories	159,618	(255,907)
Other current assets	27,092	(28,075)
Other financial assets	483	882
Finance lease receivables	39,635	(53,940)
Notes and accounts payable	(1,141,544)	1,307,051
Notes and accounts payable - related parties	14,323	(300)
Other payables	(29,048)	32,344
Other payables - related parties	-	(55)
Other current liabilities	117,821	13,179
Net defined benefit liabilities	(514)	(778)
Cash generated from (used in) operations	1,202,609	(240,336)
Interest received	18,749	7,569
Interest paid	(4,387)	(2,590)
Income tax paid	(72,801)	(38,242)
Net cash generated from (used in) operating activities	<u>1,144,170</u>	<u>(273,599)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(100,000)	-
Increase in investments accounted for using the equity method	-	(9,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	12,333
Payments for property, plant and equipment	(4,687)	(5,997)
Proceeds from disposal of property, plant and equipment	734	-
Increase in refundable deposits	(18,487)	(67,896)
Payments for intangible assets	(1,417)	(245)

(Continued)

LEO SYSTEMS, INC.

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	\$ (1,495)	\$ (929)
Dividend received from associates	<u>23,728</u>	<u>15,672</u>
Net cash used in investing activities	<u>(101,624)</u>	<u>(56,062)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(550,000)	550,000
Refund of guarantee deposits received	-	(419)
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	<u>12,812</u>	<u>10,818</u>
Net cash (used in) generated from financing activities	<u>(774,108)</u>	<u>383,917</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	268,438	54,256
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>206,624</u>	<u>152,368</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 475,062</u>	<u>\$ 206,624</u>

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

(Concluded)

LEO SYSTEMS, INC.

NOTES TO 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

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.

Shares of the Company 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, the Company 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 functional currency of financial statements of Leo System, Inc. presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The 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 Company's accounting policies.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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 financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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 New IFRSs 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 financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

These 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.

When preparing these financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these financial statements.

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 financial statements are authorized for issue; and
- c. Liabilities for which the Company 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.

Foreign Currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company'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 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.

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 Subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business 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 Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss. When the Company acquires a subsidiary that does not constitute a business, the Company appropriately allocates the cost of acquisition to the Company's share of the amounts of the identifiable assets acquired (including intangible assets) and liabilities assumed, and the transaction does not give rise to goodwill nor gains.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

Investments in Associates

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

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

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

Any excess of the cost of acquisition over the Company'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 Company'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 Company's proportionate interest in the associate. The Company 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 Company's share of losses of an associate equals or exceeds the Company'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 Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company 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 Company 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 Company 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 Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate of parties that are not related to the Company.

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 Company'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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 32.

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 Company 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 Company'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 Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in equity instruments that are measured at FVTOCI, finance lease receivables, as well as contract assets.

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Company 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 Company 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.

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, except for investments in equity instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

The Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company assesses whether the contract is, or contains, a lease.

a. The Company 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 Company as lessee

The Company 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 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 Company 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 Company 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 Company 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 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 Company 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 Company 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 Company 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 rereasurement) 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. Rereasurement, 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. Rereasurement 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 Company'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 Company'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 Company 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 Company 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 Company 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 Company 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 Company'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 Company 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

	<u>December 31</u>	
	2023	2022
Cash on hand	\$ 508	\$ 508
Checking accounts and demand deposits	<u>474,554</u>	<u>206,116</u>
	<u>\$ 475,062</u>	<u>\$ 206,624</u>

7. FINANCIAL ASSETS AT FVTPL

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

In May 2022, the Company 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 Company sold all mutual fund and recognized gain of \$33 thousand in September 2022.

8. FINANCIAL ASSETS AT FVTOCI

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

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 Company's strategy of holding these investments for long-term purposes.

9. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>At amortized cost</u>		
Notes receivable	\$ 6,733	\$ 160,151
Accounts receivable	807,365	2,446,833
Accounts receivable - related parties	<u>49,788</u>	<u>52,413</u>
	863,886	2,659,397
Less: Allowance for impairment loss	(8,141)	(27,267)
Less: Allowance for impairment loss - related parties	<u>(498)</u>	<u>(523)</u>
	<u>\$ 855,247</u>	<u>\$ 2,631,607</u>

Receivables

The average credit period of sales of goods was 30 to 60 days. In determining the recoverability of receivables, the Company 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 Company 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 Company's own trading records to rate its major customers. The Company'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 Company 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 Company'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 Company's different customer base.

The Company 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 Company 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:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
0-60 days	\$ 845,311	\$ 1,885,735
61-90 days	6,057	256,250
91-180 days	760	333,350
181-365 days	37	19,872
Over 365 days	<u>4,988</u>	<u>4,039</u>
	<u>\$ 857,153</u>	<u>\$ 2,499,246</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	\$ 27,790	\$ 10,918
Add: Net remeasurement of loss allowance	-	16,872
Less: Net remeasurement of loss allowance	<u>(19,151)</u>	<u>-</u>
Balance at December 31	<u>\$ 8,639</u>	<u>\$ 27,790</u>

10. FINANCE LEASE RECEIVABLES

	December 31	
	2023	2022
<u>Undiscounted lease payments</u>		
Year 1	\$ 100,494	\$ 151,445
Year 2	81,028	57,634
Year 3	50,433	53,593
Year 4	18,789	31,225
Year 5	<u>3,570</u>	<u>6,875</u>
	254,314	300,772
Less: Unearned finance income	<u>(13,351)</u>	<u>(20,174)</u>
Lease payments receivable	<u>240,963</u>	<u>280,598</u>
Net investment in lease receivables	<u>\$ 240,963</u>	<u>\$ 280,598</u>
Net investment in leases presented as finance lease receivables	\$ 94,083	\$ 140,651
Within 1 year	<u>146,880</u>	<u>139,947</u>
Over 1 year and less than 5 year	<u>\$ 240,963</u>	<u>\$ 280,598</u>

The Company 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 Company 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 Company 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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Merchandise	\$ 236,470	\$ 394,953
Borrowed goods	12,175	12,127
Loan product	<u>7,801</u>	<u>8,984</u>
	<u>\$ 256,446</u>	<u>\$ 416,064</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$2,441,016 thousand and \$5,232,637 thousand, respectively, and due to devaluation and obsolescence of inventories were zero both.

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

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Investment in subsidiaries	\$ 126,396	\$ 139,424
Investment in associates	<u>184,935</u>	<u>184,205</u>
	<u>\$ 311,331</u>	<u>\$ 323,629</u>

a. Investments in subsidiaries

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Leo Magic, Inc.	\$ 116,324	\$ 130,581
Unity SmartTech, Inc.	<u>10,072</u>	<u>8,843</u>
	<u>\$ 126,396</u>	<u>\$ 139,424</u>

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Company were as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Leo Magic, Inc.	100.00%	100.00%
Unity SmartTech, Inc.	90.00%	90.00%

The Company received cash dividends from Leo Magic, Inc. with \$16,500 thousand and \$9,240 thousand on June 27, 2023 and December 12, 2022, respectively.

The Company established Unity SmartTech, Inc. and invested \$9,000 thousand with 90% of ownership in 2022 and please refer to Note 34 for the related information.

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.

b. Investments in associates

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
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>

1) Material associates

	<u>% of Ownership</u>	
	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Lotrich Information Co., Ltd.	30	30

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

Refer to Table 3 of Note 35 “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the associate.

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

The summarized financial information below represents amounts shown in the associates’ financial statements prepared in accordance with IFRS Accounting Standards adjusted by the Company for equity accounting purposes.

Lotrich Information Co., Ltd.

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
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 Company’s ownership	30%	30%
Equity attributable to the Company	\$ 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>

2) Aggregate information of the not individually material associate is set out below:

	For the Year Ended December 31	
	2023	2022
The Company'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 Company decreased from 19% to 18.13% accordingly.

The Company 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 investment was 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.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2023	2022
Assets used by the Company	\$ 67,137	\$ 68,996
Assets leased under operating leases	<u>-</u>	<u>12,913</u>
	<u>\$ 67,137</u>	<u>\$ 81,909</u>

a. Assets used by the Company

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	\$ 14,286	\$ 15,389	\$ 104,802
Additions	-	-	-	2,589	472	1,626	4,687
Disposal	-	-	-	(2,949)	(558)	(1,352)	(4,859)
Reclassification	-	-	-	-	-	-	-
Balance at December 31, 2023	<u>\$ 48,665</u>	<u>\$ 11,734</u>	<u>\$ 259</u>	<u>\$ 14,109</u>	<u>\$ 14,200</u>	<u>\$ 15,663</u>	<u>\$ 104,630</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ 6,893	\$ 259	\$ 7,753	\$ 10,068	\$ 10,833	\$ 35,806
Additions	-	255	-	1,810	1,776	1,596	5,437
Disposal	-	-	-	(1,840)	(558)	(1,352)	(3,750)
Reclassification	-	-	-	-	-	-	-
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 7,148</u>	<u>\$ 259</u>	<u>\$ 7,723</u>	<u>\$ 11,286</u>	<u>\$ 11,077</u>	<u>\$ 37,493</u>
Carrying amount December 31, 2023	<u>\$ 48,665</u>	<u>\$ 4,586</u>	<u>\$ -</u>	<u>\$ 6,386</u>	<u>\$ 2,914</u>	<u>\$ 4,586</u>	<u>\$ 67,137</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ 48,665	\$ 11,734	\$ 706	\$ 13,524	\$ 10,635	\$ 20,286	\$ 105,550
Additions	-	-	-	1,791	3,818	388	5,997
Disposal	-	-	(447)	(846)	(167)	(5,616)	(7,076)
Reclassification	-	-	-	-	-	331	331
Balance at December 31, 2022	<u>\$ 48,665</u>	<u>\$ 11,734</u>	<u>\$ 259</u>	<u>\$ 14,469</u>	<u>\$ 14,286</u>	<u>\$ 15,389</u>	<u>\$ 104,802</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 6,637	\$ 694	\$ 6,926	\$ 8,587	\$ 13,705	\$ 36,549
Additions	-	256	12	1,673	1,648	2,744	6,333
Disposal	-	-	(447)	(846)	(167)	(5,616)	(7,076)
Reclassification	-	-	-	-	-	-	-
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 6,893</u>	<u>\$ 259</u>	<u>\$ 7,753</u>	<u>\$ 10,068</u>	<u>\$ 10,833</u>	<u>\$ 35,806</u>
Carrying amount December 31, 2022	<u>\$ 48,665</u>	<u>\$ 4,841</u>	<u>\$ -</u>	<u>\$ 6,716</u>	<u>\$ 4,218</u>	<u>\$ 4,556</u>	<u>\$ 68,996</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 34 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
Additions	<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
Additions	<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:

	December 31	
	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
-------------------	---------

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2023	2022
<u>Carrying amount</u>		
Buildings	<u>\$ 43,487</u>	<u>\$ 57,254</u>
	<u>For the Year Ended December 31</u>	
	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

	<u>December 31</u>	
	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:

	<u>December 31</u>	
	2023	2022
Buildings	1.00%-2.30%	1.00%-2.10%

c. Other lease information

	<u>For the Year Ended December 31</u>	
	2023	2022
Expenses relating to short-term leases	<u>\$ 220</u>	<u>\$ 642</u>
Total cash outflow for leases	<u>\$ (15,511)</u>	<u>\$ (15,082)</u>

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

15. GOODWILL

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
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, the Company merged with Public Power Systems Co., Ltd., Daesung Technology Co., Ltd. and SuperNet Technology Co. The value of issuing shares by the Company 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 Company 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 Company management estimation for the next five years and was calculated using an annual discount rate of 10.53%.

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

16. OTHER ASSETS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Prepaid expense	\$ 37,904	\$ 31,171
Excess value-added tax paid	-	32,348
Restricted assets (Note 34)	<u>-</u>	<u>1,464</u>
	<u>\$ 37,904</u>	<u>\$ 64,983</u>
<u>Non-current</u>		
Refundable deposits	\$ 370,959	\$ 352,472
Restricted assets (Note 34)	<u>5,839</u>	<u>4,344</u>
	<u>\$ 376,798</u>	<u>\$ 356,816</u>

Refundable deposits are mainly paid by the Company 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 34.

17. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Secured borrowings</u>		
Bank loan (Note 34)	\$ <u> -</u>	\$ <u>550,000</u>

The interest rates on bank loans was 1.65%-4.67% per annum at December 31, 2022.

18. NOTES AND ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Notes payable	\$ 115	\$ 877
Accounts payable	<u>886,854</u>	<u>2,027,636</u>
	<u>\$ 886,969</u>	<u>\$ 2,028,513</u>

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

19. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Other payables		
Bonuses	\$ 82,396	\$ 90,035
Remuneration of employees and directors (Note 26)	17,181	26,168
Commission	21,171	23,123
Salaries	19,675	19,195
Others (including rent, transportation and stationery, etc.)	<u>49,481</u>	<u>60,431</u>
	<u>\$ 189,904</u>	<u>\$ 218,952</u>
Other liabilities		
Contract liabilities	\$ 235,845	\$ 116,767
Temporary receipts	3,513	5,012
Others	<u>3,123</u>	<u>2,881</u>
	<u>\$ 242,481</u>	<u>\$ 124,660</u>

20. 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. The Company 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 Company 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 Company 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 Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the obligation of the Company 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 gain - changes in financial assumptions	588	-	588
Actuarial gain - 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 Company is exposed to the following risks:

- a. 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.
- b. 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.
- c. 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:

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

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.

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

21. EQUITY

Share Capital

Ordinary shares

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

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 29, the Company'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 Company increased to \$891,481 thousand on December 31, 2023.

Capital Surplus

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)</u>		
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>

- a. 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).
- b. 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.
- c. Such capital surplus arises from the effects of employee share option and cannot be used for any purpose.

Retained Earnings and Dividend Policy

- a. 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 26.
- b. 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	(762)	457
Balance at December 31	\$ (971)	\$ (209)

Exchange differences relating to the translation of the results of operations and net assets of the Company's foreign operations from their functional currencies to the Company'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 gain (loss) on financial assets at FVTOCI

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

22. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Sale of goods	\$ 2,800,889	\$ 5,780,164
Maintenance	382,706	345,465
Commission	64,944	71,579
Other operating revenue	<u>278</u>	<u>4,933</u>
	<u>\$ 3,248,817</u>	<u>\$ 6,202,141</u>

23. COST

	For the Year Ended December 31	
	2023	2022
Cost from contracts with customers		
Cost of goods sold	\$ 2,441,016	\$ 5,232,637
Maintenance	131,160	92,549
Commission	55,019	60,464
Other operating costs	<u>28</u>	<u>2,371</u>
	<u>\$ 2,627,223</u>	<u>\$ 5,388,021</u>

24. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 18,350	\$ 83,803
Right-of-use assets	14,530	14,653
Computer software	<u>114</u>	<u>463</u>
	<u>\$ 32,994</u>	<u>\$ 98,919</u>
An analysis of depreciation by function		
Operating costs	\$ 12,913	\$ 77,470
Selling and marketing expenses	2,550	4,505
General and administrative expenses	17,181	16,608
Research and development expenses	<u>350</u>	<u>336</u>
	<u>\$ 32,994</u>	<u>\$ 98,919</u>

25. EMPLOYEE BENEFITS EXPENSE

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Post-employment benefits (Note 20)		
Defined contribution plans	\$ 13,176	\$ 12,688
Defined benefit plans	783	508
Short-term benefits		
Salaries	314,435	342,084
Insurance	29,839	27,555
Remuneration of directors	4,909	7,477
Others	<u>14,581</u>	<u>17,564</u>
	<u>377,723</u>	<u>407,876</u>
Share-based payment (Note 29)	<u>3,230</u>	<u>2,468</u>
Total employee benefits expense	<u>\$ 380,953</u>	<u>\$ 410,344</u>
An analysis of employee benefits expense by function		
Selling and marketing expenses	\$ 274,971	331,708
General and administrative expenses	66,311	39,619
Research and development expenses	<u>39,671</u>	<u>39,017</u>
	<u>\$ 380,953</u>	<u>\$ 410,344</u>

26. EMPLOYEES' COMPENSATION AND REMUNERATION OF DIRECTORS

According to the Company's Articles, Leo System, 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. 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, 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%

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

If there is a change in the amounts after the annual 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 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.

27. 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	\$ 40,687	\$ 60,086
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>\$ 39,815</u>	<u>\$ 62,293</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>\$ 228,262</u>	<u>\$ 347,663</u>
Income tax expense calculated at the statutory rate (20%)	\$ 45,652	\$ 69,532
Unrealized Investment gain or loss in subsidiaries	(2,398)	(5,242)
Non-deductible expenses in determining taxable income	1	-
Investment credits	(2,206)	(2,084)
Tax-exempt income	(20)	(457)
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>\$ 39,815</u>	<u>\$ 62,293</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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Current tax liabilities		
Income tax payable	<u>\$ 13,295</u>	<u>\$ 46,623</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				
Defined benefit obligations	\$ 205	\$ (103)	\$ 1,150	\$ 1,252
Allowance for ECLs	<u>176</u>	<u>(239)</u>	<u>-</u>	<u>(63)</u>
	<u>\$ 381</u>	<u>\$ (342)</u>	<u>\$ 1,150</u>	<u>\$ 1,189</u>

Deferred tax liabilities

Temporary differences				
Defined benefit obligations	\$ 18,949	\$ -	\$ -	\$ 18,949

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				
Defined benefit obligations	\$ 1,779	\$ (155)	\$ (1,419)	\$ 205
Allowance for ECLs	176	-	-	176
Unrealized loss	<u>445</u>	<u>(445)</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,400</u>	<u>\$ (600)</u>	<u>\$ (1,419)</u>	<u>\$ 381</u>

Deferred tax liabilities

Temporary differences				
Defined benefit obligations	\$ 17,886	\$ 1,063	\$ -	\$ 18,949

e. Income tax assessments

The Company's tax returns through 2021 have been assessed and approved by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

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

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 of the Company	\$ 188,447	\$ 285,370
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	<u> -</u>	<u> -</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 188,447</u>	<u>\$ 285,370</u>

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	656
Employees' compensation or bonuses issued to employees	<u>445</u>	<u>1,409</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u>91,944</u>	<u>90,177</u>

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.

29. 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
Options exercisable at end of the year	<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 \$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 \$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	<u>-</u>	-	<u>(178)</u>	23.00
Balance at December 31	<u>5,622</u>	21.30	<u>5,622</u>	23.00
Options exercisable at end of the year	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (NT\$)	<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 \$3,230 thousand and \$2,468 thousand for the years ended December 31, 2023 and 2022, respectively.

30. GOVERNMENT GRANTS

The Company resulted in a credit to income of \$17,320 thousand and \$26,260 thousand during the years ended December 31, 2023 and 2022, respectively.

31. CAPITAL MANAGEMENT

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

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

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

32. 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 balance sheets

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Mutual funds	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>
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	Debt	Equity	Debt	
		Instruments	Instruments	Instruments	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	Debt	Equity	Debt	
		Instruments	Instruments	Instruments	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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 100,000	\$ -
Financial assets at amortized cost (Note 1)	1,942,972	3,472,525
Financial assets at FVTOCI		
Equity instruments	47,008	21,112
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,094,452	2,800,721

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 Company's financial instruments mainly include equity and debt investments, accounts receivable, accounts payable, lease liability and loan. The Company'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 Company 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 Company 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 Company'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 Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

a. Market risk

The Company'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 Company is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. Please refer Note 17 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 Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, 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 Company 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 Company 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 Company uses other publicly available financial information and its own trading records to rate its major customers. The Company'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 Company's balance sheets.

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

c. Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company had available unutilized short-term bank loan facilities amounted to \$958,248 thousand and \$582,566 thousand, respectively. As of December 31, 2023, the aggregate principal of the Company was described in Note 17. 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.

33. RELATED-PARTY TRANSACTIONS

Transactions between the Company and other related parties are disclosed as follows.

a. The names and relationships of related parties

<u>Related party</u>	<u>Related Party Category</u>
Leo Magic, Inc.	Subsidiary
Leosys, China	Subsidiary
FIC Global, Inc.	An important stockholder of the Company
First International Computer, Inc.	An important stockholder of the Company

(Continued)

<u>Related party</u>	<u>Related Party Category</u>
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

	<u>Revenue</u>		<u>Cost</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
An important stockholder of the Company	\$ 4,732	\$ 1,562	\$ 3,150	\$ -
Subsidiaries	81	226	12,381	-
Associates				
Lotrich Information Co., Ltd.	92,634	94,610	-	-
Other related parties	31	-	-	-
Other related parties	<u>555</u>	<u>2,885</u>	<u>-</u>	<u>-</u>
	<u>\$ 98,033</u>	<u>\$ 99,283</u>	<u>\$ 15,531</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.

	<u>Advice Fee</u>	
	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
An important stockholder of the Company	\$ 4,800	\$ 4,800
Subsidiaries	4,650	3,600
Associates	<u>143</u>	<u>-</u>
	<u>\$ 9,593</u>	<u>\$ 8,400</u>

	<u>Repair and Maintenance</u>	
	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries	<u>\$ -</u>	<u>\$ 2,000</u>

	Rental Income		Lease Expense	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2023	2022	2023	2022
An important stockholder of the Company	\$ -	\$ -	\$ 28	\$ 15
Subsidiaries	120	120	-	-
Associates	<u>914</u>	<u>914</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,034</u>	<u>\$ 1,034</u>	<u>\$ 28</u>	<u>\$ 15</u>

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

	Other Income		Other Expense	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2023	2022	2023	2022
Subsidiaries	\$ 120	\$ 120	\$ -	\$ -
Associates	<u>1,706</u>	<u>1,378</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,826</u>	<u>\$ 1,498</u>	<u>\$ -</u>	<u>\$ -</u>

	Donation	
	For the Year Ended December 31	
	2023	2022
Other related parties	<u>\$ 1,200</u>	<u>\$ 1,200</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
Subsidiaries	21	166
Associates		
Lotrich Information Co., Ltd.	49,404	49,987
Others	324	4
Other related parties	<u>-</u>	<u>1,547</u>
	49,788	52,413
Less: Allowance for impairment loss	<u>(498)</u>	<u>(523)</u>
	<u>\$ 49,290</u>	<u>\$ 51,890</u>

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
An important stockholder of the Company	\$ 3,307	\$ -
Subsidiaries	12,381	-
Other related parties	<u>-</u>	<u>1,365</u>
	<u>\$ 15,688</u>	<u>\$ 1,365</u>

Other payables

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

Prepaid expense

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

Refundable deposits

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
An important stockholder of the Company	<u>\$ 2,193</u>	<u>\$ 2,193</u>

Lease arrangements - the Company is lessee

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

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

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

c. Compensation of key management personnel

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

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

34. 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)	5,839	4,344
Property, plant and equipment		
Land	43,857	43,857
Buildings	<u>3,274</u>	<u>3,454</u>
	<u>\$ 52,970</u>	<u>\$ 53,119</u>

35. 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. Information on investees: Table 3

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 4
- 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 5)

LEO SYSTEMS, INC.

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 (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	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 (Note 1)	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.

LEO SYSTEMS, INC.

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 3 and Table 4 for the information of investment in subsidiaries and associates.

LEO SYSTEMS, INC.

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, Minguan 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. 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 4.

LEO SYSTEMS, INC.

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	Net Income (Loss) of the Investee	% 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	\$ 4,765	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 5**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 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.

LEO SYSTEMS, INC.

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STATEMENT 1

LEO SYSTEMS, INC.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		\$ 508
Cash in banks		
Checking accounts and demand deposits	Including US\$56 thousand @30.775, CNY238 thousand @4.352, HK\$0.164 thousand @3.961, JPY10,153 thousand @0.2194, EUR1.093 thousand @34.208	<u>474,554</u>
		<u>\$ 475,062</u>

LEO SYSTEMS, INC.

**STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	Name of Financial Instruments	Shares	Acquisition Cost	Fair Value		Note
				Unit Price (In Dollars)	Total Amount	
Financial assets designated as at FVTPL						
Other securities						
Funds	Taishin Ta-Chong Money Market	6,845,095.5	<u>\$ 100,000</u>	14.609	<u>\$ 100,000</u>	

LEO SYSTEMS, INC.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Shares	Par Value (In Dollars)	Amount	Interest Rates (%)	Acquisition Cost	Fair Value	
							Unit Price (In Dollars)	Total Amount
Listed shares FIC Global, Inc.		200,000	10.00	<u>\$ 2,000</u>		<u>\$ 5,265</u>	\$ 59.10	<u>\$ 11,820</u>

LEO SYSTEMS, INC.**STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Client Name	Description	Amount
Notes receivable		
Others (Note)	Payments	<u>\$ 6,733</u>
Accounts receivable		
Taiwan Railways Administration	Payments	75,469
Hsinchu County Education Research Development and Network Center	Payments	68,478
Hualien County Government	Payments	61,022
Chang Gung Medical Foundation Corporation	Payments	57,246
Others (Note)	Payments	<u>545,150</u>
		<u>807,365</u>
		814,098
Less: Allowances for impairment loss		<u>(8,141)</u>
		<u>\$ 805,957</u>

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

STATEMENT 5

LEO SYSTEMS, INC.

STATEMENT OF OTHER FINANCIAL ASSETS - CURRENT

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Financial lease receivables		\$ 100,494
Less: Unearned finance income		(6,411)
Others	Government grants and incentive	<u>741</u>
		<u>\$ 94,824</u>

LEO SYSTEMS, INC.**STATEMENT OF INVENTORIES****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	
		Cost	Net Realizable Value
Merchandise		\$ 238,671	\$ 236,470
Borrowed goods		12,193	12,175
Loan product		<u>8,514</u>	<u>7,801</u>
		259,378	<u>\$ 256,446</u>
Less: Allowance for valuation losses		<u>(2,932)</u>	
		<u>\$ 256,446</u>	

Note 1: The Company's 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.

Note 2: The Company does not pledge its inventories as collateral.

LEO SYSTEMS, INC.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - NON-CURRENT
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Beginning Balance		Increase in Investment		Decrease in Investment		Ending Balance		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
Lottofun Technology Co., Ltd.	245,000	\$ -	-	\$ -	-	\$ -	245,000	\$ -	None
Yiji Information Co., Ltd.	110,385	-	-	-	-	-	110,385	-	None
Formosa 21, Inc.	9,965	-	-	-	-	-	9,965	-	None
		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>	

LEO SYSTEMS, INC.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON CURRENT

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Beginning Balance		Increase in Investment		Decrease in Investment		Ending Balance		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
Formolight Technologies, Inc.	2,728,000	\$ 12,003	-	\$ 21,551	-	\$ -	2,728,000	\$ 33,554	None
Strawberry Software Inc.	109,154	239	-	-	-	55	109,154	184	None
First Communication, Inc.	250,000	<u>1,450</u>	-	<u>-</u>	-	<u>-</u>	250,000	<u>1,450</u>	None
		<u>\$ 13,692</u>		<u>\$ 21,551</u>		<u>\$ 55</u>		<u>\$ 35,188</u>	

LEO SYSTEMS, INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Beginning Balance		Increase in Investment		Decrease in Investment		Investment Gain (Loss)	Ending Balance			
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Percentage of Ownership (%)	Amount	Collateral
Leo Magic, Inc. (Note 1)	11,000,000	\$ 143,912	-	\$ 92	-	\$ (17,262)	\$ 2,913	11,000,000	100.00	\$ 129,655	None
Unity SmartTech, Inc. (Note 2)	900,000	8,843	-	10	-	-	1,219	900,000	90.00	10,072	None
Lotrich Information Co., Ltd. (Note 3)	15,030,000	164,663	-	-	-	(5,608)	5,804	15,030,000	30.00	164,859	None
GeoIntelligence System, Inc. (Note 4)	760,917	<u>19,542</u>	-	-	-	<u>(1,521)</u>	<u>2,055</u>	760,917	18.13	<u>20,076</u>	None
		336,960		102		(24,391)	11,991			324,662	
Less: Accumulated impairment		<u>(13,331)</u>		-		-	-			<u>(13,331)</u>	
		<u>\$ 323,629</u>		<u>\$ 102</u>		<u>\$ (24,391)</u>	<u>\$ 11,991</u>			<u>\$ 311,331</u>	

Note 1: The increase in the current period is due to the change in equity of the investee amount to \$92 thousand. The decrease in the current period is due to the dividends amount to \$16,500 thousand and exchange loss amount to \$762 thousand on translating foreign operation.

Note 2: The increase in the current period is due to the changes in percentage of ownership interests in subsidiary of \$10 thousand.

Note 3: The decrease in the current period is due to the dividend proceeds.

Note 4: The decrease in the current period is due to the dividend proceeds.

LEO SYSTEMS, INC.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Increase in the Current Period	Decrease in the Current Period	Ending Balance	Note
Buildings	<u>\$ 96,672</u>	<u>\$ 1,109</u>	<u>\$ (519)</u>	<u>\$ 97,262</u>	

LEO SYSTEMS, INC.

**STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
DECEMBER 31, 2023**

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Increase in the Current Period	Decrease in the Current Period	Ending Balance	Note
Buildings	<u>\$ 39,418</u>	<u>\$ 14,530</u>	<u>\$ (173)</u>	<u>\$ 53,775</u>	

LEO SYSTEMS, INC.

STATEMENT OF CHANGES IN INTANGIBLE ASSETS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Increase in the Current Period	Decrease in the Current Period	Ending Balance	Note
Goodwill	\$ 94,746	\$ -	\$ -	\$ 94,746	
Computer software	<u>243</u>	<u>1,417</u>	<u>(114)</u>	<u>1,546</u>	
	<u>\$ 94,989</u>	<u>\$ 1,417</u>	<u>\$ (114)</u>	<u>\$ 96,292</u>	

LEO SYSTEMS, INC.

STATEMENT OF NOTES AND ACCOUNTS PAYABLE

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount
Notes payable		
Others (Note)	Payments	\$ <u>115</u>
Accounts payable		
Synnex Technology International Corporation	Payments	117,608
BESTCOM Infotech Corp.	Payments	82,455
Jector Digital Corporation	Payments	66,316
Unitech Computer Co., Ltd.	Payments	63,376
Xander International Corp.	Payments	56,118
Others (Note)	Payments	<u>500,981</u>
		<u>886,854</u>
		\$ <u>886,969</u>

Note: The amount of individual supplier in others does not exceed 5% of the account balance.

LEO SYSTEMS, INC.

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Lease Term	Discount Rates	Ending Balance	Note
Buildings		1-6 years	1.00%-2.30%	\$ 44,146	
Less: Current portion				<u>(14,023)</u>	
				<u>\$ 30,123</u>	

LEO SYSTEMS, INC.

**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Sales		\$ 2,802,132
Maintenance		383,568
Commission		65,169
Other operating revenue		278
Less: Sales discounts and allowances		<u>(2,330)</u>
		<u>\$ 3,248,817</u>

LEO SYSTEMS, INC.**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Amount
Cost of goods sold - merchandise	
Merchandise, January 1	\$ 395,494
Add: Merchandise purchased	2,423,829
Others	20,804
Less: Transferred to maintenance costs	(86,360)
Transferred to other accounts	(74,081)
Merchandise, December 31	<u>(238,670)</u>
Cost of goods sold - merchandise	2,441,016
Maintenance costs	131,160
Commission costs	55,019
Other operating costs	<u>28</u>
	<u>\$ 2,627,223</u>

LEO SYSTEMS, INC.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

	Marketing	Administration	Research	Expected Credit Gain	Total
Payroll	\$ 228,218	\$ 61,147	\$ 33,209	\$ -	\$ 322,574
Insurance	23,032	4,593	3,161	-	30,786
Depreciation	2,436	17,181	350	-	19,967
Professional service	2,345	13,565	-	-	15,910
Pension	11,678	497	1,784	-	13,959
Meal	9,346	518	1,143	-	11,007
Shipping	6,523	40	-	-	6,563
Employee welfare	3,029	170	375	-	3,574
Entertainment	1,465	998	-	-	2,463
Utility	-	2,299	-	-	2,299
Postage	407	1,354	-	-	1,761
Donation	1	1,206	-	-	1,207
Stationery	463	769	-	-	1,232
Royalty	34	1,397	-	-	1,431
Maintenance	582	263	-	-	845
Travelling	1,926	129	-	-	2,055
Amortization	114	-	-	-	114
Miscellaneous	16,109	6,682	-	-	22,791
Expected credit loss	-	-	-	(19,151)	(19,151)
	<u>\$ 307,708</u>	<u>\$ 112,808</u>	<u>\$ 40,022</u>	<u>\$ (19,151)</u>	<u>\$ 441,387</u>

LEO SYSTEMS, INC.**STATEMENT OF NON-OPERATING INCOME AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Share of profit or loss of subsidiaries and associates		\$ 11,991
Government grants		17,320
Interest income		18,762
Rental income		1,341
Foreign exchange income		762
Dividend income		99
Financial costs		(4,387)
Others		<u>2,167</u>
		<u>\$ 48,055</u>

LEO SYSTEMS, INC.

**STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expenses						
Salary and bonus	\$ -	\$ 317,665	\$ 317,665	\$ -	\$ 344,552	\$ 344,552
Labor and health insurance	-	29,839	29,839	-	27,555	27,555
Pension	-	13,959	13,959	-	13,196	13,196
Remuneration to directors	-	4,909	4,909	-	7,477	7,477
Others	-	14,581	14,581	-	17,564	17,564
	<u>\$ -</u>	<u>\$ 380,953</u>	<u>\$ 380,953</u>	<u>\$ -</u>	<u>\$ 410,344</u>	<u>\$ 410,344</u>
Depreciation	\$ 12,913	\$ 19,967	\$ 32,880	\$ 77,470	\$ 20,986	\$ 98,456
Amortization	<u>\$ -</u>	<u>\$ 114</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ 463</u>	<u>\$ 463</u>

Note 1: The average number of employees of the Company in 2023 and 2022 were 391 and 387, respectively, which included 5 and 4 non-employee directors, respectively.

Note 2: Average employee benefits expenses for the years ended December 31, 2023 and 2022 were \$974 thousand and \$1,052 thousand, respectively.

Note 3: Average salary and bonus for the years ended December 31, 2023 and 2022 were \$823 thousand and \$900 thousand, respectively.

Note 4: The average salary and bonus decreased by 8.56% year over year.

Note 5: The Company established an audit committee; thus, the Company did not have supervisors.

Note 6: The remuneration of directors and managers of the Company is based on the degree of participation in operations, the value of their contributions, the actual operating conditions the relationship of future risks, and industry standard. It is determined by the remuneration committee and submit to the board meeting for approval. The remuneration of the company's employees is based on the company's salary policy, taking into account the employee's education experience, job nature and category, market level and company's internal balance, etc., and is determined after the approval of the competent managers.

LEO Systems, Inc.

Chairman Wang, Chau-Chyun



Professionalism · Technology · Quality · Service