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Lelon Electronics
Lelon Electronics Corp.

2022 Annual Report

Printed on 30 April 2023

I. Name, title, contact numbers and email addresses of the spokesperson and acting spokesperson of the Company

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IV. Name, firm name, address, website and contact number of the CPA for the annual report for the most recent year

CPAs: Yu-Ting Huang and Ming-Hung Chen

Accounting Firm: Ernst & Young, Taiwan

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V. The name of the marketplace where the overseas securities are listed for trading and information on overseas securities: N/A.

VI. Company website: www.lelon.com

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Chapter I. A Letter to Shareholders

LeLon Electronics Corp.

2022 Business Report

Dear Shareholders:

The Company would like to express the sincere appreciation to all shareholders and directors for their unwavering support, which has led to outstanding achievements during the past fiscal year. 2022 has been marked by the ongoing challenges of the COVID-19 pandemic and the global semiconductor shortage, causing significant shifts in people's lives and business operations. The demand for remote work, online education, and virtual meetings has continued to surge. Furthermore, the upward trends in 5G, AIoT, and electric vehicles have brought about a prosperous era for the electronics industry. LeLon Electronics has adeptly responded to the rapid market changes and effectively seized opportunities in relevant application domains, particularly in the automotive sector. As a result, our consolidated revenue and profits in 2022 have reached new historical highs, setting a remarkable milestone for the company.

In response to the demand in the high-end application market and the need to expand the production capacity of solid-state capacitors and aluminum electrolytic capacitors, the company has successfully completed the expansion plans for the new factories in Suzhou and Huizhou, and production has commenced. The Company believes that with the dedicated efforts of all LeLon's employees and the utilization of the company's strengths, we will fully seize the opportunities and achieve the operational goals.

I. 2022 operating results

1. Implementation of the 2022 Business Plan

The Company's revenue for 2022 was NT\$3,859,967 thousand, representing an increase of NT\$627,140 thousand or 19.4% compared to the revenue of NT\$3,232,827 thousand for 2021. The net profit after tax for 2022 was NT\$1,230,167 thousand, representing an increase of NT\$248,602 thousand compared to the net profit after tax of NT\$981,565 thousand for 2021.

The consolidated revenue for 2022 was NT\$10,347,189 thousand, representing an increase of NT\$390,016 thousand or 3.9% compared to the revenue of NT\$9,957,173 thousand in 2021. The net profit after tax for 2022 was NT\$1,732,763 thousand, which increased by NT\$257,920 thousand compared to the net profit after tax of NT\$1,474,843 thousand in 2021.

2. 2022 Budget Implementation

The Company did not disclose a financial forecast for 2022. The actual operating results for the year are presented in the following table:

Item	Unit: NT\$ Thousands	
	2022 Actual Amount (Parent Only)	2022 Actual Amount (Consolidated)
Operating Revenue	3,859,967	10,347,189
Cost of Goods Sold	3,175,432	7,175,476
Gross Profit	684,535	3,171,713
Operating Expenses	400,199	1,200,297
Operating Income (Loss)	284,336	1,971,416
Net Non-Operating Incomes and Expenses	1,065,576	267,957

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Item	2022 Actual Amount (Parent Only)	2022 Actual Amount (Consolidated)
Income before Taxes	1,349,912	2,239,373
Income Tax Expense	119,745	506,610
Net Income	1,230,167	1,732,763
Other Comprehensive Income	87,606	136,304
Total Comprehensive Income	1,317,773	1,869,067

3. Analysis of receipts, expenditures, and profitability for 2022

(1). Parent Only

Unit: NT\$ Thousands

Item	2022	2021
Net Cash Provided by Operating Activities	642,105	91,138
Net Cash Provided by Investing Activities	64,695	39,921
Net Cash (Used in) Financing Activities	(291,824)	(442,260)
Return on Assets	16.0%	14.5%
Return on Equity	19.2%	17.9%
Net Profit Margin	31.9%	30.4%
Basic Earnings per Share (NT\$)	7.53	6.12
Diluted Earnings per Share (NT\$)	7.45	6.04

(2). Consolidated

Unit: NT\$ Thousands

Item	2022	2021
Net Cash Provided by Operating Activities	2,584,994	658,916
Net Cash Used in Investing Activities	(1,069,533)	(1,288,678)
Net Cash Provided by Financing Activities	(612,278)	(225,327)
Return on Assets	12.7%	12.3%
Return on Equity	18.1%	18.0%
Net Profit Margin	16.8%	14.8%
Basic Earnings per Share (NT\$)	7.53	6.12
Diluted Earnings per Share (NT\$)	7.45	6.04

4. 2022 Research and Development Work

In 2022, the Company has completed the development of the following new products, which have contributed significantly to the business expansion:

- ①. Hybrid High-Temperature Capacitors (HUE/HRE Series 145°C Endurance 2000Hrs).
- ②. Hybrid High-Temperature Capacitors (HUI/HRJ Series 150°C Endurance 1000Hrs).

II. The Summary of the Business Plan for the Current Year (2023)

1. 2023 Business Policy

- (1). Continuing and sustaining the implementation of the established long-term strategic development plan.

- ※ Lelon has achieved an excellent result in the high-end electronic products sector and will continue to promote various long-term plans to strengthen its competitiveness.
- ※ Expanding the production capacity for niche products and launching new high-end products will contribute positively to strengthen Lelon's competitiveness in the market.



- (2). Continuing to cultivate the fundamental market and demonstrating the value of LeLon to customers
 - ※ Deepening strategic partnerships with customers, gaining market insights, creating market opportunities together, and creating more value for shareholders.
- (3). Continuously improving service and operational efficiency.
 - ※ To improve organizational efficiency and customer service through resource integration and process improvement to enhance the overall profitability of the company.
 - ※ Increase production efficiency through production automation.
- (4). Continuous development of niche products
 - ※ Developing high value-added products based on customer product development direction for industries such as automotive electronics, telecommunications, medical, green energy, smart grid, and cloud IoT equipment, in response to market demand. In addition to in-house development, the Company also collaborates with the Industrial Technology Research Institute and material and equipment suppliers to develop new materials and process equipment.
- (5). Introducing strategic investors at the appropriate time
 - ※ Considering introducing strategic investors who can bring benefits to the company's future operations at the appropriate time to enhance LeLon's overall competitiveness in the market.
- (6). Fulfilling corporate social responsibility
 - ※ LeLon is committed to improving its product manufacturing processes and using environmentally friendly materials to meet the requirements of energy conservation and waste reduction, thereby meeting the expectations of society for green enterprises. LeLon values product safety and employee work safety, and place importance on employee health and environmental cleanliness, actively improving epidemic prevention measures. With a sustainable management approach, LeLon contributes to the progress and safety of society.

2. Sales Volume Forecast and the Basis Thereof for 2023

The new factory in Suzhou is expected to gradually increase its production capacity this year, driven by the growing demand in markets such as automotive electronics, industrial automation, and energy storage equipment, which is expected to boost the demand for aluminum capacitors.

3. Important Production and Sales Policies for 2023

- ①. Continuously adjusting product and customer structures, avoiding red sea markets and deepening in high-end electronic products, improving the selling price, and enlarging the gap with competitors through market segmentation.
- ②. Continuously expanding the high value-added product lines and production capacity.
- ③. Striving to become a strategic partner supplier to international manufacturers.
- ④. Improving the cost structure to increase product gross margin.

III. The Company's Future Development Strategy

1. Product Strategy:

- ①. Expanding market share in the niche product market, such as SMD aluminum electrolytic capacitors, organic conductive polymer capacitors (OP-CAP), conductive polymer hybrid capacitor, and other high-margin capacitor products.
- ②. Developing high value-added products for niche markets and providing customers with the best solutions.



- ③. Adjusting product sales structure and continuously developing towards high-end applications to increase profit margin.

2. Marketing Strategy:

- ①. Strengthening the image of Lelon as an industrial brand through high-quality products and services.
- ②. Strengthening the global sales and service network and working closely with the customers.
- ③. Forming strategic alliances with international manufacturers to seize market opportunities.

IV. The Effect of External Competition, the Legal Environment, and the Overall Business Environment.

1. The Effect of External Competition

- ★ The development of electric vehicles has driven the electrification trends, and the increasing number of digital dashboard and various new electronic functions have greatly increased the demand for electronic components in automobiles, including aluminum capacitors.
- ★ Power outages and a significant increase in electricity prices have led to a strong growth momentum for energy storage equipment and demand for aluminum capacitors.

2. The Effect of Legal Environment

The increasingly stringent environmental requirements and enforcement of environmental regulations in China have forced manufacturers to upgrade their production equipment to comply with the standards. As a result, the production costs for manufacturers in China have continued to rise, leading to the small manufacturers being squeezed while the overall industry grows bigger.

3. The Effect of the Overall Business Environment

- ★ Inflation, rising costs of raw materials, and transport costs.
- ★ Change in exchange rate.

Established for over 46 years, Lelon is now the largest aluminum electrolytic capacitor manufacturer in Taiwan. With high-quality and stable capacitor products, the brand has been recognized and adopted by world-renowned manufacturers. In the passive components industry, the trend of “the big will get bigger” is becoming more evident and enhancing competitiveness through updated management systems and equipment is an important factor in winning customer trust. This year, Lelon has continued to secure orders from international manufacturers this year, actively developed new customers, and adjusted its product mix to enhance competitiveness and gross profit. In terms of research and development and manufacturing, Lelon will continue to develop new and niche products, with established achievements in the areas of automotive electronics, telecommunications, medical devices, green energy, smart grids, and cloud IoT equipment. These efforts are believed to contribute to Lelon's business and profitability.

Wishing the shareholders

all the best

Chairman



Chapter II. Company Profile

I. Date of Establishment: 12 February 1976

II. Company History

Year	Highlights
1976	◆ Lelon Electronics Corp. was established with a capital of NT\$3,000,000.
1985	◆ Relocated to a new factory at No. 963, Sec. 4, Wenxin Rd., Beitun Dist., Taichung City, with a factory area of over 1,653 square meters.
1987	◆ Awarded by the Small and Medium Enterprise Administration of the Ministry of Economic Affairs as a factory with excellent performance in modernization management. ◆ Capital raised to NT\$18,000,000.
1988	◆ Full-scale computerization of factories. Awarded again by the Selected as a Computerized Excellent Factory by the Small and Medium Enterprise Administration (SMEA) of the Ministry of Economic Affairs (MOEA)" as one of the best computerized factories for small and medium enterprises. ◆ Capital raised to NT\$24,000,000.
1989	◆ Exported the entire electrolytic capacitor factory to India and assisted in the establishment of the ALCAP capacitor factory. ◆ Capital raised to NT\$36,000,000.
1990	◆ Invested and established the Lifu Machinery Industrial Factory to produce electrolytic capacitors and production automation machines for domestic and overseas sales.
1992	◆ Re-exported the entire electrolytic capacitor factory to India and assisted in the establishment of the INCAP capacitor factory.
1993	◆ Chairman T.C. Wu was elected as the Convenor of the Electrolytic Capacitor Group of the Taiwan Electrical and Electronic Manufacturers' Association. ◆ Relocated to Dali City, Taichung County to expand operations and production, with a factory area of over 6,000 square meters.
1994	◆ Investing Liton Technology Corp. to engage in the production of aluminum foil, which is the most important raw material for electrolytic capacitors. ◆ Capital raised to NT\$72,000,000.
1995	◆ The Dali factory was awarded the ISO 9002 certificate for Quality Management System. ◆ Founded ELNA-SONIC in Malaysia as a joint venture with ELNA Japan. ◆ Establishing ELNA PCB factory in Malaysia with ELNA Japan to produce printed circuit boards.
1996	◆ Building a factory in Taiyang Industrial Zone, Huizhou County, Guangdong Province, China, to produce electrolytic capacitors. ◆ Capital raised to NT\$144,000,000.
1997	◆ Capital raised to NT\$194,680,000.
1998	◆ Approved by the Securities and Futures Institute for public offering. ◆ The Dali factory was awarded the ISO9001 certificate for Quality Management System. ◆ Capital raised to NT\$342,870,000.



Year	Highlights
1999	<ul style="list-style-type: none"> ◆ The Dali factory and the Huizhou factory in China were awarded the ISO14001 certificate for Quality Management System. ◆ Investing in a new factory in Wujiang City, Jiangsu Province, China to produce electrolytic capacitors. ◆ Capital raised to NT\$454,920,000.
2000	<ul style="list-style-type: none"> ◆ Approved by the Securities and Futures Institute for listing on the OTC market. ◆ The Huizhou and Suzhou factories in China were awarded the ISO9001 certificate for Quality Management System. ◆ Established SURGE-LELON USA as a joint venture with SURGE. ◆ Manufacturing of chip tantalum electrolytic capacitors in Elna-Lelon Electronics (Suzhou), a joint venture with ELNA, Japan. ◆ Capital raised to NT\$670,000,000.
2001	<ul style="list-style-type: none"> ◆ Approved by the Taiwan Stock Exchange for listing and the listed shares are transferred to the Taiwan Stock Exchange. ◆ The Dali factory was awarded the QS9000 certificate for Quality Management System. ◆ Capital raised to NT\$907,500,000.
2002	<ul style="list-style-type: none"> ◆ Investing in aluminum foil chemical plants - Liton Technology Corp. was listed on the OTC market. ◆ Capital raised to NT\$1,184,000,000.
2003	<ul style="list-style-type: none"> ◆ Capital raised to NT\$1,388,280,000.
2004	<ul style="list-style-type: none"> ◆ Development of Organic Conductive Polymer Capacitors (OP-CAP) has been completed and has entered mass production. ◆ Capital raised to NT\$1,480,500,000.
2006	<ul style="list-style-type: none"> ◆ Dali (Taiwan) and Huizhou and Suzhou (China) have been awarded the TS-16949 Certification for Quality Management System.
2008	<ul style="list-style-type: none"> ◆ Elna-Lelon Electronics (Suzhou), a joint venture with ELNA Japan, ceased operations and went into liquidation.
2009	<ul style="list-style-type: none"> ◆ Cancellation of 1,457,000 shares of treasury stock in May 2009 and change in capital to NT\$1,469,970,000. ◆ Capacitors for wind power generation launched in mass production.
2010	<ul style="list-style-type: none"> ◆ Diversified into the field of automotive electronics. ◆ LED-TV pen-type capacitor launched in mass production. ◆ Issued a total of NT\$300 million convertible bonds in August 2010 with maturity on 31 August 2013.
2011	<ul style="list-style-type: none"> ◆ Purchase of land on Guoguang Road, Dali District, Taichung City for operational purposes. ◆ Capacitors for solar power generation launched in mass production. ◆ Establishing the Remuneration Committee.
2014	<ul style="list-style-type: none"> ◆ Construction of the new office building on Guoguang Road, Dali District, Taichung City started. ◆ Expanding production of capacitors for 4G base stations.



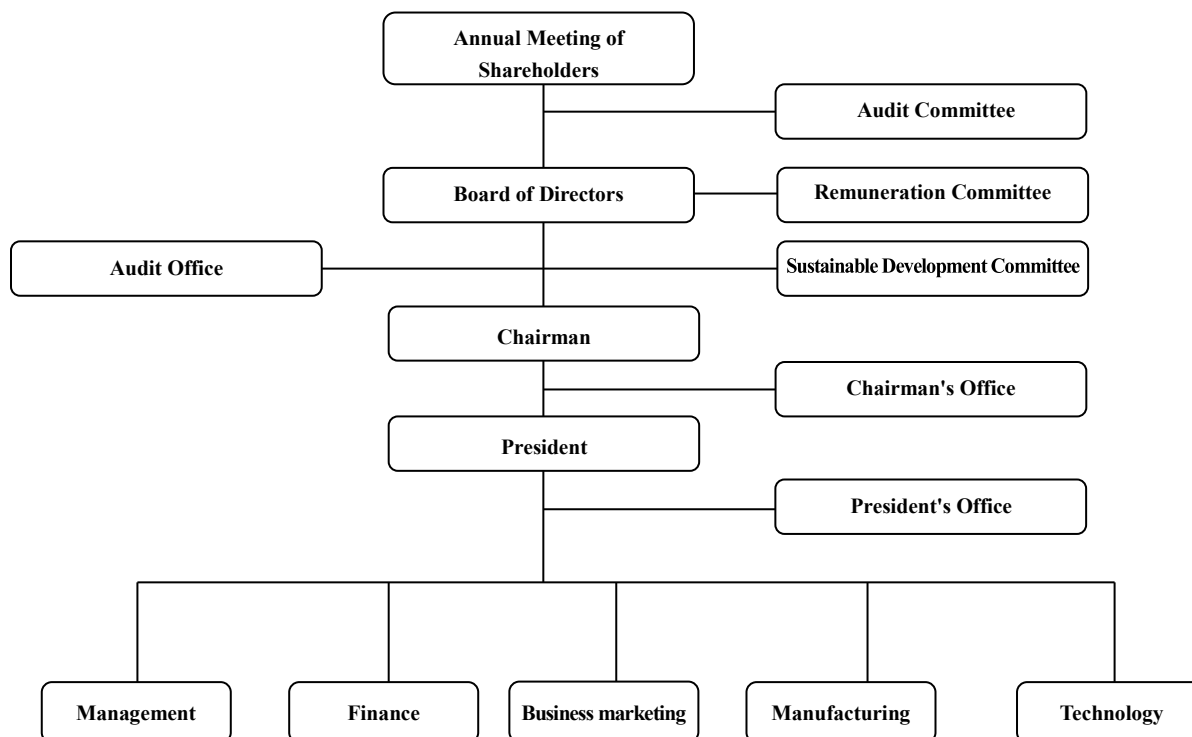
Year	Highlights
2015	<ul style="list-style-type: none"> ◆ Relocated to the new office building on Guoguang Road, Dali District, Taichung City. ◆ Processing of cash reductions and refunds of share capital. The capital was changed to NT\$1,311,950,000.
2016	<ul style="list-style-type: none"> ◆ Celebrated the 40th anniversary and the opening ceremony of the new office building. ◆ Expanding OP-CAP deployment - Purchasing equipment from Matsuki polymer Technology Co., Ltd.
2017	<ul style="list-style-type: none"> ◆ Expanding production of capacity for capacitors for fast charging. ◆ Expanding production of capacity for OP-CAP
2018	<ul style="list-style-type: none"> ◆ Construction of Factory III in Huizhou commenced. (Huizhou Phase 3) ◆ Accelerating the market for automotive capacitors. ◆ Cancellation of 1,975,000 shares of treasury stock and change in capital to NT\$1,292,200,000.
2019	<ul style="list-style-type: none"> ◆ Launch production of Factory III in Huizhou. (Huizhou Phase 3) ◆ Development of capacitors for 5G base stations. ◆ Issued a total of NT\$600 million convertible bonds in March 2019 with maturity on 18 March 2022.
2020	<ul style="list-style-type: none"> ◆ Construction of a new factory in Suzhou began. ◆ Expanding production of capacitors for OP-CAP. ◆ Accelerating the market for 48V in automotive system. ◆ Issued a total of NT\$600,000,000 convertible bonds in July 2020 with maturity on 22 July 2023. ◆ Capital raised in cash of NT\$80,000,000 in December 2020.
2021	<ul style="list-style-type: none"> ◆ The main body of the new factory in Suzhou was completed. ◆ The registered capital was changed to NT\$1,622,000,000 due to conversion of convertible bonds into ordinary shares.
2022	<ul style="list-style-type: none"> ◆ Installation of equipment started at the new factory in Suzhou. ◆ The registered capital was changed to NT\$1,635,000,000 due to conversion of convertible bonds into ordinary shares.
As of 30 April 2023	<ul style="list-style-type: none"> ◆ The new plant in Suzhou has commenced production. ◆ The registered capital was changed to NT\$1,641,000,000 due to conversion of convertible bonds into ordinary shares.



Chapter III. Corporate Governance Report

I. Organizational System

(I) Organizational structure of the Group





(II) Operations of the main departments

Department	Division	Job Description
Audit Office	—	<ul style="list-style-type: none"> ☞ Development of audit system and implementation of audit procedures ☞ Supervising and reviewing the self-inspection and risk assessment activities of departments and subsidiaries ☞ Review the petty cash allocation for Taiwan ☞ Archiving of Contract Documents ☞ Review of ERP system programs ☞ Supervising matters relating to internal audits of subsidiaries
Chairman's Office	—	<ul style="list-style-type: none"> ☞ Assisting the Chairman in supervising/controlling the profit and loss and operational management of the Company and each of its investments
President's Office	—	<ul style="list-style-type: none"> ☞ Assisting the President in all operational and management matters ☞ Supervising the operation of functional organizations
Management Features (Department)	Management Division	<ul style="list-style-type: none"> ☞ Education and training for employees ☞ Documentation of personnel information, assessment, attendance and payroll matters ☞ Recruitment and human resource planning ☞ Labor and health insurance matters, employees' benefits, labor relations ☞ Management of general affairs ☞ Environmental protection and workplace safety management ☞ Execution and tracking of purchases for general supplies ☞ Management of waste ☞ Scrap disposal ☞ Maintenance and management of factories ☞ Supervising human resources and organizational matters of subsidiaries
	Information Centre	<ul style="list-style-type: none"> ☞ Management of computerized information system planning and design ☞ Management of computer network planning and maintenance ☞ Procurement of computer hardware and software, IT supplies and property management ☞ Information security and protection ☞ Supervising the management of computers and information systems of subsidiaries
Financial Features (Department)	Finance Division	<ul style="list-style-type: none"> ☞ Financial operations: Funds management and cashier matters ☞ Accounting operations: General accounting, budgeting, analysis of financial gains and losses, and tax reporting ☞ Calculation and analysis of information on the costs of factories ☞ Analysis of financial gains and losses



Department	Division	Job Description
		<ul style="list-style-type: none"> ☞ Supervising the financial matters, the guarantee of endorsement, and loans of funds of subsidiaries.
Business Features (Department)	Business Administration Division	<ul style="list-style-type: none"> ☞ Establishment, implementation and revision of business administration related management practices ☞ Preparation of operating budgets and control of expenses ☞ Supervising the business administration of subsidiaries
	Marketing Division	<ul style="list-style-type: none"> ☞ Analysis of data compilation on market conditions ☞ Compilation and analysis of industry conditions ☞ Development of product strategy, pricing strategy and marketing strategy ☞ Company profile information and catalog planning ☞ Assessment of the market feasibility of new product development ☞ Assist in the pre-development of target clients ☞ Planning of the Company's website ☞ Marketing planning, exhibition and advertising
	Business Division	<ul style="list-style-type: none"> ☞ Development of new markets and customers and review and signing of customer contracts ☞ Review of sales targets, strategies and recommendations ☞ Customer service and increase in customer satisfaction ☞ Provide technical support to customers on product applications ☞ Assist in debt collection and credit limit control ☞ Supervising the sale of subsidiaries ☞ Application of new products: <ul style="list-style-type: none"> - Market development of new products and businesses - Developing/maintaining new and existing customers and markets to achieve established business objectives - Preparation and implementation of marketing plans - Planning for new business and other investment opportunities - Supervising the procurement of new products to ensure delivery, quality and price - Planning/promoting internal training courses for new products to enhance business quality ☞ Customer visits and after-sales service
	Application Engineering Division	<ul style="list-style-type: none"> ☞ Project Customer (Technical) service ☞ Assessment of new materials and product planning (design) ☞ Technical services and products introduction ☞ Preparation / compilation of product technical briefings and staff training ☞ Analysis of new design trends for customers ☞ Customer visits and after-sales service



Department	Division	Job Description
Manufacturing Features (Department)	Material Division	<ul style="list-style-type: none"> ☞ Management of the production process and preparation of materials for production ☞ Control of stock of production materials and in-process products ☞ Preparation and tracking of orders, scheduling of delivery dates and tracking control ☞ Search and qualification review of new materials and qualified suppliers ☞ Procurement management of raw materials ☞ Management of finished goods, in-process warehouses and packaging/dispatch ☞ Outsourcing/Shipment management of finished goods and in-process goods
	Production Technology Division	<ul style="list-style-type: none"> ☞ Development of new product processes ☞ Development of new equipment ☞ Production operations of manufacturing in Taiwan ☞ Procurement and inspection of parts and equipment ☞ Design planning and management of electrical power systems ☞ Asset management of machinery and equipment ☞ Maintenance and management of electrical and mechanical equipment ☞ Supervising the procurement of machinery and spare parts and inventory management of subsidiaries
	Production Division	<ul style="list-style-type: none"> ☞ Production ☞ Verification of product quality and analysis of process irregularities for improvement ☞ Control and improvement of production costs ☞ Review of production progress and resolution ☞ Installation and testing, repair, inspection and maintenance of production equipment for the entire factory ☞ Self-inspection for in-process quality control ☞ Quantitative implementation of equipment rationalization ☞ Collection, provision and recommendation regarding production data ☞ Improvements in the rationalization of production operations for employees ☞ Supervising the production and manufacturing of stocks of subsidiaries
Technical Features (Department)	Research and Development Division	<ul style="list-style-type: none"> ☞ Product design, research and development business ☞ Material development, testing and recognition ☞ Customer acknowledgment and sample management ☞ Production procedure design, improvement and development



Department	Division	Job Description
		<ul style="list-style-type: none"> ☞ Supervising the research and development of subsidiaries
	Quality Assurance Division	<ul style="list-style-type: none"> ☞ Establishment and maintenance of quality management and quality assurance systems ☞ Establishment and implementation of quality assurance plans and targets, and tracking ☞ Receiving and inspection services ☞ Handling and tracking of customer complaints, and improving ☞ Sampling of semi-finished products and making corrections ☞ Management of Quality Certificates and Quality Contracts ☞ Management and review of suppliers ☞ Supervision of measuring calibration systems of measuring equipment ☞ Auditing, tracking and improvement of quality control systems ☞ Control of documents and data ☞ Quality management of outsourced goods ☞ Reliability management ☞ Assessment of international environmental laws and regulations and establishment of internal system management ☞ Inspection of incoming finished goods and processing of returned goods ☞ Scanning of finished goods and documentation of shipping inspection logs ☞ Product inspection and processing ☞ Supervising the quality management of subsidiaries



II. Information on Directors, Supervisors, President, Vice President, Associates, Heads of Departments and Divisions

(I) Directors and Supervisors

1. Profiles of Directors and Supervisors

30 April 2023; Unit: Share

Title	Nationality or place of registration	Name	Gender Age	Date Elected	Tenure	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major work experience (education)	Concurrent positions with the Company and other companies	Other officers, Directors or Supervisors who are spouses or kindred within the 2nd tier			Remark
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relation	
Chairman	R.O.C	ChiFa Enterprise Co., Ltd.	-	29 June 2022	3 years	29 June 2022	25,486,291	15.59%	25,619,291	15.55%	0	0	0	0		None	None	None	None	
		Legal representative T.C. Wu	Male 80-90	29 June 2022	3 years	12 February 1976	0	0	8,031,115	4.87%	0	0	0	0	Electrical Engineering graduate, National Cheng Kung University Head of Engineering (Engineering Section Manager), Taiwan Power Company	Note 1	Director and President	Jimmy Wu	Father and son	Note 9
																Senior Manager	C.M. Wu	Father and son		
Director	R.O.C	Cheng-Hung Chang	Male 70-80	29 June 2022	3 years	12 February 1976	3,086,493	1.89%	3,086,493	1.87%	681,494	0.41%	0	0	Graduate, Kuang-Hwa Vocational Senior High School of Technology in Taichung Vice President, LeLon Electronic Corp.	Note 2	None	None	None	
Director	R.O.C	Xing-Shu Ke	Male 70-80	29 June 2022	3 years	15 May 2001	211,188	0.13%	211,188	0.13%	0	0	0	0	Business Administration graduate, National Chung Hsing University Graduate, National Hsinchu University of Education Chairman, Sweeten(Sweeten Real Estate Development Co., Ltd.)	Note 3	None	None	None	
Director	R.O.C	Lien-Heng Liao	Male 70-80	29 June 2022	3 years	4 June 2002	0	0	0	0	0	0	0	0	International Business graduate, Feng Chia University Deputy Chairman, Sinon Corporation	Note 4	None	None	None	
Director	R.O.C	Jimmy Wu	Male 60-70	29 June 2022	3 years	15 June 2004	7,624,929	4.66%	7,624,929	4.66%	856,432	0.52%	0	0	Master of Engineering Management, LAMAR UNIVERSITY (TEXAS), USA Manager of Production Division, LeLon Electronics Corp.	Note 5	Chairman	T.C. Wu	Father and son	Note 9
																Senior Manager	C.M. Wu	Brothers		
Independent Director	R.O.C	Jimmy Ou	Male 70-80	29 June 2022	3 years	22 June 2016	0	0	0	0	0	0	0	0	Electrical Engineering graduate, National Cheng Kung University Chairman, Universal Microelectronics Co., Ltd.	Note 6	None	None	None	

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Title	Nationality or place of registration	Name	Gender Age	Date Elected	Tenure	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major work experience (education)	Concurrent positions with the Company and other companies	Other officers, Directors or Supervisors who are spouses or kindred within the 2nd tier			Remark
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relation	
Independent Director	R.O.C	Chi-Wei Lin	Male 70-80	29 June 2022	3 years	22 June 2016	0	0	0	0	0	0	0	0	Accounting graduate, National Cheng Kung University Partner, Ernst & Young (Formerly known as Diwan)	Note 7	None	None	None	
Independent Director	R.O.C	C. Y. Wei	Male 60-70	29 June 2022	3 years	29 June 2022	0	0	0	0	0	0	0	0	Communication Engineering, National Chiao Tung University Chairman/ President, Universal Global Scientific Industrial Co., Ltd.)	Note 8	None	None	None	
Independent Director	R.O.C	Samuel Kuo	Male 60-70	29 June 2022	3 years	29 June 2022	0	0	0	0	4,000	0.00%	0	0	Electronics Engineering, Tokyo Electronics College Chairman, Ty-Ohm Electronic Works Co., Ltd.	Note 9	None	None	None	
Supervisor	R.O.C	De-Fu Wu	Male 70-80	22 June 2019	3 years	12 February 1976	2,649,119	2.05%	2,771,647	1.68%	0	0	0	0	Graduate, Taichung Municipal Feng Yuan Commercial High School Employee, Tan-Zi Farmers' Association	None	Chairman	T.C. Wu	Brothers	Note 10
Supervisor	R.O.C	Kuo-Ching Cheng	Male 60-70	22 June 2019	3 years	23 June 2010	170,215	0.13%	178,087	0.11%	42	0	0	0	Graduate, Kun Shan University (President, Lifu Machinery Industrial Co., Ltd.	Note 11	None	None	None	Note 10

Note 1: Chairman of LIRO (BVI), Chairman of Liton Technology Corp., Chairman of LITON (BVI), Chairman of EVERTECH CAPA CO.,LTD., Chairman of V-TECH CO., LTD., Chairman of FOREVER CO., LTD., Chairman of Lelon International Industrial Ltd., Chairman of Lifu Machinery Industrial Co., Ltd., Chairman of Li-Yang Estate Development Co., Ltd., Director of Lelon Electronics (Huizhou) Co., Ltd., Director of Lelon Electronics (Suzhou) Co., Ltd., Director of Bao Qian Co., Ltd. and Independent Director of Universal Microelectronics Co., Ltd.

Note 2: Director of Lelon Electronics (Huizhou) Co., Ltd., Director of Lelon Electronics (Suzhou) Co., Ltd., Director of Lifu Machinery Industrial Co., Ltd., Director of Regent Rich (Hong Kong) Co., Ltd., Chairman of Lijing Real Estate Development (Huizhou) Co., Ltd. and Chairman of Huizhou Liquan Property Management Co., Ltd..

Note 3: Chairman of Sweeten(Sweeten Real Estate Development Co., Ltd.), Chairman of Jingle Construction Co., Ltd., Director of China Electric Mfg. Corp., Director of Tianxing Investment Co., Ltd., Director of Tiansheng Investment Co., Ltd., Chairman of Taidaxing Industrial Co., Ltd., Chairman of Tianqi Investment Co., Ltd., Chairman of (StunTing Estate Development Co., Ltd., Chairman of Sweeten Huanhui Enterprise Co., Ltd. and Independent Director of Universal Microelectronics Co., Ltd.

Note 4: Deputy Chairman of Sinon Corporation, Director of Taiwan Fresh Supermarket Corporation, Director of Yumei Biotec Corporation, Director of Sinon Trading Co., Ltd., and Independent Director of Sweeten Real Estate Development Co., Ltd.

Note 5: President of Lelon Electronics Corp., Chairman and President of Lelon Electronics (Huizhou) Co., Ltd., Chairman and President of Lelon Electronics (Suzhou) Co., Ltd., Director of Liton Technology Corp., Chairman of Liton Electronics Corp. (Huizhou), Chairman of Liton Electronics Technology (Abazhou) Corp., Chairman of Dongguan Lihong Trading Co., Ltd., Supervisor of Lifu Machinery Industrial Co., Ltd., Director of Global Brands Manufacture Ltd., Supervisor of Ruyuan Lidon Electronic Technology Co., Ltd., Chairman of Lelon Electronics Corp. (Suzhou) and Director of. Chyi Fa Co., Ltd.

Note 6: Chairman and President of Universal Microelectronics Co., Ltd., Chairman of Asia Pacific Microsystems, Inc., Director of UMEC Investment(BVI) Co., Ltd., Director of UMEC(H.K.) Company Ltd., Director of UMEC USA Inc., Director of Global Development Co.,Ltd., Chairman of Tianlong Investment Limited, Chairman of Advanced Radar Technology Co., Ltd., Chairman of Oumeiya Investment Ltd., Director of Bao Qian Co., Ltd., Independent Director of Sweeten Real Estate Development Co., Ltd., Director of Phoenix Ginseng Innovation Venture Capital Co., Ltd. and Chairman of Photonicore Technologies Co., Ltd.

Note 7: Independent Director of Nien Made Enterprise Co., Ltd.

Note 8: Director of USI Inc., Director of Huntingtons Holdings International Co., Ltd., Director of Unitech Holdings International Co., Ltd., Director of Real Tech Holdings Limited, Director, Director of USI Enterprise Limited, Director and President of Universal Scientific Industrial (Shanghai) Co., Ltd., Director of Universal Global Technology Co., Ltd., Director of Universal Global Technology (Kunshan) Co., Ltd., Director of Universal Global Technology (Shanghai) Co., Ltd., Director/Legal Representative/ President,Director of Universal Global Electronics (Shanghai) Co., Ltd., Chairman/Legal Representative of USI Electronics (Shenzhen) Co., Ltd., Director of Universal Global Industrial Co., Limited, Chairman/Legal Representative of Universal Global Scientific Industrial Co., Ltd., Director/CEO of USI America Inc., Director/Representative Director of USI Japan Co., Ltd., Director/President of Universal Scientific Industrial De Mexico S. A. De C. V., Director of Universal Global Electronics Co., Ltd., Chairman/Legal Representative of Universal Scientific Industrial Co., Ltd, Director of Universal Global Technology (Huizhou) Co., Ltd., Chairman/ President of Universal Scientific Industrial (France) , Chairman of Universal Scientific Industrial Vietnam Co., Ltd., Director of Financiere AFG, Chairman/Legal Representative/President of USI Science and Technology (Shenzhen) Co., Ltd., Director of Memtech International PTD. Ltd. and Director of MUTEK Electronics Co.,Ltd.



Note 9: Representative of the institutional shareholder of Ty-Ohm Electronic Works Co., Ltd., Chairman and President of Ty-Ohm (Suzhou) Electronic Works Co., Ltd., Chairman and President of Asia Akita Electronic Technology Company, Chairman and President of, Asia Akita Electronic Technology (Shenzhen) Co., Ltd., Chairman of Asia Akita (BVI) Co., Ltd. and Chairman of TY-OHM (Samoa) Electronic Works Co., Ltd.

Note 10: In the 2022 meeting of shareholders, there was a re-election and addition of independent directors, as well as the establishment of an audit committee. As a result, the former supervisor has stepped down from the position.

Note 11: Director and President of Lifu Machinery Industrial Co., Ltd.

Note 12: If the Chairman also holds the position of president or position of relevant function (e.g., the top manager), or these positions were held by a spouse or next of kin, explain and justify the necessity and responses:

- (1) The current Board of Directors consists of 9 members, including 4 independent directors. Among them, the Chairman and Director Jimmy Wu have a first-degree relative relationship, but do not constitute a majority of the board seats. The remaining 7 directors do not hold any positions as employees of the company, further strengthening the independence of the Board of Directors.
- (2) The President has been serving in the company for over 30 years and possesses a deep understanding of the company's operations. Under their leadership, the company has achieved steady growth year after year.

2. Directors and Supervisors who are representatives of institutional shareholders and their substantial shareholders:

Major Shareholder of Institutional Shareholders

30 April 2023

Name of institutional shareholder (Note 1)	Major shareholder of institutional shareholders (Note 2)
ChiFa Enterprise Co., Ltd.	Jen-Ming Wu(29.43%), C.M. Wu(29.43%), Peggy Lo(17.73%), Jimmy Wu(11.69%), Yu-Jie Wu(1.95%), Yu-Fong Wu(1.95%), Yu-Je Wu(1.95%), Yu-Shiue Wu(1.95%) and Yu-Ching Wu(3.91%)

3. Directors and Supervisors who are representatives of institutional shareholders and the substantial institutional shareholders of the substantial institutional shareholders thereof: N/A.

4. Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors:

30 April 2023

Name	Condition	Professional designation and work experience	Status of independence	Number of concurrently serving as independent directors in other public companies
Representative, ChiFa Enterprise Co., Ltd. T.C. Wu Chairman		Experience of over five years in business, legal, financial, accounting or business operations. Currently Chairman of Lelon Electronics. There are no circumstances under the provisions of Article 30 of the Company Act.		1
Cheng-Hung Chang (Director)		Experience of over five years in business, legal, financial, accounting or business operations. Formerly Vice President of Lelon Electronics. There are no circumstances under the provisions of Article 30 of the Company Act.	N/A	0
Xing-Shu Ke (Director)		Experience of over five years in business, legal, financial, accounting or business operations. Currently Chairman of Sweeten Construction. There are no circumstances under the provisions of Article 30 of the Company Act.		1



Name	Condition	Professional designation and work experience	Status of independence	Number of concurrently serving as independent directors in other public companies
Lien-Heng Liao (Director)		Experience of over five years in business, legal, financial, accounting or business operations. Currently Vice Chairman of Sinon Corporation. There are no circumstances under the provisions of Article 30 of the Company Act.		1
Jimmy Wu (Director)		Experience of over five years in business, legal, financial, accounting or business operations. Currently president of Lelon Electronics. There are no circumstances under the provisions of Article 30 of the Company Act.		0
Jimmy Ou (Independent Director)		Experience of over five years in business, legal, financial, accounting or business operations. Currently Chairman of Universal Microelectronics. There are no circumstances under the provisions of Article 30 of the Company Act.		1
Chi-Wei Lin (Independent Director)		Experience of over five years in business, legal, financial, accounting or business operations. Certified professional and technical accountant who has passed the national examination for accountants. Formerly a Certified Public Accountant at Diwan & Company (now known as Ernst & Young). There are no circumstances under the provisions of Article 30 of the Company Act.	All Independent Directors comply with the relevant provisions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 1) relevant regulations	1
C. Y. Wei (Independent Director)		Experience of over five years in business, legal, financial, accounting or business operations. Currently the Chairman of Universal Global Scientific Industrial Co., Ltd. There are no circumstances under the provisions of Article 30 of the Company Act.		0
Samuel Kuo (Independent Director)		Experience of at least five years in business, legal, financial, accounting or business operations. Currently the Chairman of Ty-Ohm Electronic Works Co., Ltd. There are no circumstances under the provisions of Article 30 of the Company Act.		0

Note 1: During the two years preceding the election and during the term of office, none of the following has occurred:

- (1) Not employed by the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates. (Except where the company and its parent company, subsidiary or subsidiary of the same parent company are serving concurrently as Independent Directors in accordance with the Act or the laws of the country in which they are established).
- (3) An individual shareholder who does not hold more than 1% of the total number of issued shares or the top 10 shareholdings in the name of himself/herself, his/her spouse, minor



children or in the name of another person.

- (4) Not a manager listed in (1) or a spouse, a relative within the second degree of consanguinity or a relative within the third degree of consanguinity listed in (2) or (3).
- (5) A director, supervisor or employee of a institutional shareholder who does not directly hold more than 5% of the total number of issued shares of the company, or who is not one of the top five holders of shares or who has appointed a representative to act as a director or supervisor of the company in accordance with Article 27 (1) or (2) of the Companies Act (except where the company and its parent company, subsidiary or subsidiary of the same parent company are serving concurrently as Independent Directors in accordance with the Act or the laws of the country in which they are established).
- (6) A director, supervisor or employee of another company who is not controlled by the same person as more than half of the directorships or voting shares of the company (except where the company and its parent company, subsidiary or subsidiary of the same parent company are serving concurrently as Independent Directors in accordance with the Act or the laws of the country in which they are established).
- (7) A director, supervisor or employee or its spouse of any other company or organization who is not the same person as the chairman, president or equivalent of the company (except where the company and its parent company, subsidiary or subsidiary of the same parent company are serving concurrently as Independent Directors in accordance with the Act or the laws of the country in which they are established).
- (8) Directors, supervisors, managers or shareholders holding more than 5% of the shares of a particular company or organization that does not have financial or business relations with the Company (where a particular company or institution holds more than 20% but not more than 50% of the total number of issued shares of the company, and where the company and its parent company, subsidiary or subsidiary of the same parent company serve concurrently as independent directors in accordance with this Law or the laws of the country in which they are established, there shall be no such limitation).
- (9) Professionals, sole proprietors, partners, directors, supervisors, managers, and their spouses who do not provide audit services or receive remuneration from the Company or its affiliates for business, legal, financial, accounting, or other related services that have not exceeded NT\$500,000 in the last two years. However, this does not apply to members of the Remuneration Committee, the Public Takeover Review Committee () or the Special Committee on Mergers and Acquisitions who perform their duties and responsibilities in accordance with the Securities and Exchange Act or the relevant provisions of the Mergers and Acquisitions Act.

Note 2: In the 2022 meeting of shareholders, there was a re-election and addition of independent directors, as well as the establishment of an audit committee. As a result, the former supervisor has stepped down from the position.

5. Diversity and independence of the board:

(1) Diversity of the board:

A. Diversity policy for board members

- ①. In accordance with the Article 20 of “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, which states that the functions of the Board should be strengthened, and the composition of the Board should be diversified and to develop an appropriate diversity approach to its operations, business model, and development, which includes but is not limited to the following two broad criteria:
 - I Fundamental condition and value: gender, age, nationality and education.
 - II Professional designation and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills, and industry experience.
- ②. Members of the Board shall be disciplined with the knowledge, skills, and accomplishment in their respective areas of expertise. For achieving the objective of corporate governance, the Board in general shall be capable of the following:
 - I Judgement in operation.
 - II Accounting and financial analysis.
 - III Corporate management



- IV Crisis management.
- V Industry knowledge
- VI International view of the market
- VII Leadership
- VIII Decision-making

B. Management Objectives of the Company's Diversity Policy

- ①. The Board of Directors of the Company values operational judgment, management and crisis management skills, and at least two-thirds of the Board members should be competent in the relevant core areas.
- ②. The number of directors who concurrently act as managers of the Company shall not exceed one-third of the number of Directors in order to achieve the purpose of supervision.

C. Implementation of the Company's diversity policy

- ①. The Company's current board of directors consists of nine directors (including four independent directors), that are professionals with diverse backgrounds, extensive industry experience, expertise and outstanding insight.
- ②. One director who is also managers of the Company represents 11% of the total number of directors, which is not more than one-third of the total number of directors, and the directors have supervisory purposes.

- ③. The Company is committed to operational judgment, business management and crisis management skills, and all Board members have the ability to meet the management objectives.

- ④. The relevant implementation status is set out in the table below:

Item Name of Director	Concurrently serves as an employee of the Company	Age			Years of service as Independent Directors	Business experience	Accounting and finance profession	Electronic industry experience	Operation management
		51~60	60~70	71 and above					
Representative, ChiFa Enterprise Co., Ltd. T.C. Wu				V		V		V	V
Cheng-Hung Chang				V		V		V	V
Xing-Shu Ke				V		V			V
Lien-Heng Liao				V		V			V
Jimmy Wu	V		V			V		V	V
Jimmy Ou (Independent Director)				V	7	V		V	V
Chi-Wei Lin (Independent Director)				V	7	V	V		
C. Y. Wei (Independent Director)			V		1	V		V	V
Samuel Kuo (Independent Director)			V		1	V		V	V



D. Overall competence of the Board

Competence Name of Directors	Eligibility							
	Judgment in operation	Accounting and financial analysis	Corporate management	Crisis management	Industry knowledge	International view of the market	Leadership	Decision-making
Representative, ChiFa Enterprise Co., Ltd. T.C. Wu	V	V	V	V	V	V	V	V
Cheng-Hung Chang	V	V	V	V	V	V	V	V
Xing-Shu Ke	V	V	V	V	*	V	V	V
Lien-Heng Liao	V	V	V	V	*	V	V	V
Jimmy Wu	V	V	V	V	V	V	V	V
Jimmy Ou	V	V	V	V	V	V	V	V
Chi-Wei Lin	V	V	V	V	*	V	V	V
C. Y. Wei	V	V	V	V	V	V	V	V
Samuel Kuo	V	V	V	V	V	V	V	V

Note: * shall refer to having partial competence

(2) Independence of the Board:

In addition to assessing the educational qualifications of each candidate, reference is made to the "Regulations for Election of Directors and Supervisors" and the "Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies" to ensure the diversity and independence of the Board of Directors.

The current term of the Company comprises 9 Directors, of which 4 are independent Directors representing 44% of the total number of Directors.

The current term comprises 9 seats of Directors, of which the Chairman is related to the Director, Jimmy Wu, as a second degree of consanguinity which does not exceed 50% of the seats; There are no circumstances specified in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act that would compromise the independence of the Board of Directors.



(II) President, Vice President, Senior Managers, Heads of Departments and Divisions

30 April 2023; Unit:Share NT\$

Title	Nationality or place of registration	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major work experience (education)	Concurrent positions with the Company and other companies	Other officer or Director who is the spouse or kindred within the 2nd tier			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C	Jimmy Wu	Male	1 May 2006	7,624,929	4.63%	856,432	0.52%	0	0	Master of Engineering Management, LAMAR UNIVERSITY (TEXAS), USA Manager of Production Division, LeLon Electronics Corp.	Note 1	Senior Manager	C.M. Wu	Brothers	Note 4
Vice President	R.O.C	Linda Chen	Female	1 May 2006	0	0	0	0	0	0	EMBA graduate, National Chiao Tung University Secretary, Lung Jung Development Co., Ltd	Note 2	None	None	None	
Vice President	R.O.C	David Wang	Male	31 August 2007	158,196	0.10%	31,311	0.02%	0	0	Electrical Engineering graduate, Hsiuping University of Science and Technology Manager of Management Division, LeLon Electronics Corp.	None	None	None	None	
Senior Manager	R.O.C	Jenny Chang	Female	1 May 2006	12,511	0.01%	0	0	0	0	EMBA graduate, National Chung Hsing University Senior of Audit, Diwan & Company	None	None	None	None	
Marketing Senior Manager	R.O.C	Ethan Lin	Male	31 August 2007	0	0	0	0	0	0	Master of Graduate Institute of Industrial Economics of National Central University Head of Sales Division, Taicon Corporation	None	None	None	None	
Sales Senior Manager	R.O.C	Andy Yeh	Female	31 August 2007	30,000	0.02%	0	0	0	0	International Trade graduate, Tatung Institute of Commerce and Technology Sales Secretary, Whale Chem Co., Ltd.	None	None	None	None	
Senior Manager	R.O.C	C.M. Wu	Male	31 May 2017	7,805,734	4.74%	0	0	0	0	Business and Entrepreneurship graduate, Lawrence University President of President's Office, LeLon Electronics Corp	Note 3	President	Jimmy Wu	Brothers	
Senior Manager	R.O.C	Addie Lin	Male	28 May 2018	21,755	0.01%	0	0	0	0	Master of Chemical Engineering, National Cheng Kung University Manager, Liton Technology Corp.	None	None	None	None	
Senior Manager	R.O.C	Jackson Yen	Male	28 May 2018	10,540	0.01%	0	0	0	0	Graduate in Chemistry, Chinese Culture University President, Shanghai Shenya Travel Agency	None	None	None	None	
Marketing Senior Manager	R.O.C	Matt Chien	Male	28 May 2018	5,000	0.01%	0	0	0	0	Industrial Engineering & Management graduate, National Chin-Yi University Chief (team leader), Kosmos Variable Speed Transmission Works Co., Ltd.	None	None	None	None	
Manager of Finance Department	R.O.C	Erica Lin	Female	15 November 2007	62,377	0.04%	0	0	0	0	Master of Accounting, Case Western Reserve University Accounting Assistant Manager, Doupon Precision Inc.	None	None	None	None	

Note 1: Chairman and President of LeLon Electronics (Huizhou) Co., Ltd., Chairman and President of LeLon Electronics (Suzhou) Co., Ltd., Director of Liton Technology Corp., Chairman of Liton Electronics Corp. (Huizhou), Chairman of Liton Electronics Technology (Abazhou) Corp., Chairman of Dongguan Lihong Trading Co., Ltd., Supervisor of Lifu Machinery Industrial Co., Ltd., Director of Global Brands Manufacture Ltd., Supervisor of Ruyuan Lidon Electronic Technology Co., Ltd., Chairman of LeLon Electronics Corp. (Suzhou) and Director of Chyi Fa Co., Ltd.

Note 2: Director of Regent Rich (Hong Kong) Ltd. and Director of Dongguan Lihong Trading Co., Ltd..

Note 3: Chairman of Suzhou Liding Automotive Technology Co., Ltd. and Chairman of Chyi Fa Co., Ltd.

Note 4: If the Chairman also holds the position of President or position of relevant function (e.g., the top manager), or these positions were held by a spouse or next of kin, explain and justify the necessity and responses:

- (1) The current Board of Directors consists of 9 members, including 4 independent directors. Among them, the Chairman and Director Jimmy Wu have a first-degree relative relationship, but do not constitute a majority of the board seats. The remaining 7 directors do not hold any positions as employees of the company, further strengthening the independence of the Board of Directors.
- (2) The President has been serving in the company for over 30 years and possesses a deep understanding of the company's operations. Under their leadership, the company has achieved steady growth year after year.



III. Remuneration to Directors, Supervisors, President and Vice President, etc. for the most recent year

(I) Remuneration to Directors

Remuneration to Directors and Independent Directors (Disclose the name and form of remuneration separately)

Unit: NT\$ Thousands

Title	Name	Remuneration to Directors								The sum of A, B, C and D in proportion to net income (Note 10)		Related payment in performing the duties as employees								The sum of A, B, C, D, E, F and G in proportion to net income (Note 10)		Any payment from direct investee companies other than the subsidiaries or the parent company (Note 11)		
		Remuneration (A) (Note 2)		payment (B)		Remuneration to Directors(C) (Note 3)		Professional allowances (D) (Note 4)				Salaries, bonus and special expense account (E) (Note 5)		Pension and severance(F)		Remuneration to employees (G) (Note 6)								
		The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	Cash	Stock	Cash	Stock	The Company	All companies included in the financial statements (Note 7)			
Director	Chairman	Representative, Chi'fa Enterprise Co., Ltd.TC. Wu	7,609	8,289	0	0	4,214	4,214	35	60	11,858	12,563	0	0	0	0	0	0	0	0	0	11,858	12,563	0
			0	0	0	0					0.96%	1.02%										0.96%	1.02%	
	Director	Cheng-Hung Chang	0	0	0	0	2,528	2,528	35	35	2,563	2,563	0	0	0	0	0	0	0	0	0	2,563	2,563	0
			0	0	0	0					0.21%	0.21%										0.21%	0.21%	
	Director	Xing-Shu Ke	0	0	0	0	2,528	2,528	35	35	2,563	2,563	0	0	0	0	0	0	0	0	0	2,563	2,563	0
			0	0	0	0					0.21%	0.21%										0.21%	0.21%	
	Director	Lien-Heng Liao	0	0	0	0	2,528	2,528	35	35	2,563	2,563	0	0	0	0	0	0	0	0	0	2,563	2,563	0
			0	0	0	0					0.21%	0.21%										0.21%	0.21%	
	Director	Jimmy Wu	0	354	0	0	2,528	3,270	40	65	2,568	3,689	3,564	6,392	0	0	2,215	0	2,215	0	0	8,347	12,296	0
			0	0	0	0					0.21%	0.30%										0.68%	1.00%	
Independent Director	Independent Director	Jimmy Ou	0	0	0	0	2,949	2,949	145	145	3,094	3,094	0	0	0	0	0	0	0	0	0	3,095	3,095	0
			0.25%	0.25%	0.25%	0.25%																		
	Independent Director	Chi-Wei Lin	0	0	0	0	2,949	2,949	145	145	3,094	3,094	0	0	0	0	0	0	0	0	0	3,095	3,095	0
			0.25%	0.25%	0.25%	0.25%																		
	Independent Director	C. Y. Wei	0	0	0	0	1,475	1,475	40	40	1,515	1,515	0	0	0	0	0	0	0	0	0	1,515	1,515	0
			0.12%	0.12%	0.12%	0.12%																		
	Independent Director	Samuel Kuo	0	0	0	0	1,475	1,475	45	45	1,520	1,520	0	0	0	0	0	0	0	0	0	1,520	1,520	0
			0.12%	0.12%	0.12%	0.12%																		

1. Specify the policy, system, standard and structure of the fees for Independent Directors, and the association between the duties performed, the risk, the commitment of time and related factors and the amount of payment:

(1) In accordance with the Company's Articles of Incorporation, the remuneration to the Chairman, Directors and Supervisors is delegated to the Board of Directors based on the extent of their participation in and value of their contribution to the operations of the Company and with reference to the industry standard.

(2) The Articles of Incorporation specify a maximum of 4% of annual profit as Remuneration to Directors. The Independent Directors are not currently paid a fixed remuneration. The Company shall make provision for the payment of remuneration to the Directors and Supervisors as and when the Company makes a profit.

2. Further to the disclosure in the above table, the remuneration to the Directors from all companies included in the financial statements for the service rendered (such as consultant, which is not in the capacity as an employee): None.



- Note 1: List the names of the directors separately (for institutional shareholders, list the name of the institutional shareholder and the representative separately), as well as the Directors and Independent Directors, and disclose all payments in aggregate. If a director also holds the position of president or vice president, fill in this table and the table (3-1) below, or Table (3-2) below.
- Note 2: Refers to the remuneration to the Directors in the previous period (including salaries, professional allowances, severance payment, different types of bonuses, gratuities, etc.).
- Note 3: Refers to the amount of Remuneration to Directors approved by the Board of Directors in the most recent year.
- Note 4: Related professional allowances paid to the Directors in the previous period (including traveling subsidy, special expense account, allowances, and payment in kinds such as accommodation and company car). If housing, company car or other transportation vehicle or exclusive expense is incurred, disclose the nature and cost of the assets, the actual amount of rent or estimated at fair value, fuel payment and other payment. If a driver is assigned, specify the remuneration to the driver by the Company but not included as a part of the remuneration.
- Note 5: Refers to payment to Directors who also performed the duties as employees (including holding the position as President, Vice President, managers, and other personnel) including salaries, professional allowances, severance payment, different types of bonuses, gratuities, traveling subsidy, special expense account, allowances, and payment in kind such as accommodation, company car.
- Note 6: If the Directors also performed the duties as employees (including holding the position as President, Vice President, managers, and other personnel) and received payment as employees (including stock and cash), disclose the amount of remuneration to employee in the previous period passed by the Board. If the estimation is not possible, calculate the amount planned to pay out in current period on the basis of the actual amount payment in the previous year, and fill in Table 1-(3).
- Note 7: Disclose the total amount of payment from all companies (including the Company) included in the consolidated financial statements to the Directors of the Company.
- Note 8: Disclose the names of the Directors in respective brackets of the payment scale by the total amount of payment from the Company.
- Note 9: Disclose the total of all itemized payments from all companies (including the Company) included in the consolidated financial statements to each Director of the Company, and disclose the names of the Directors in respective brackets of the payment scale.
- Note 10: Net income refers to the net income of the previous period.
- Note 11: a. Put down the amount of remuneration from direct investee companies other than the subsidiaries or the parent company to the Directors of the Company (If there is no payment, put down "None").
- b. If the Directors have received payment from direct investee companies other than the subsidiaries or the parent company, include this amount in Column I of the payment scale, and rename the column name as "parent company and all direct investee companies".
- c. Remuneration refers to the reward, payment (including payment to employees, Directors, and Supervisors) and performing professional duties to Directors who also act in the capacity of Directors, Supervisors or Managers in the direct investee companies other than the subsidiaries.

*The content of remuneration disclosed in this table is different from the purpose of taxation. This table is just for disclosure of information only, not as reference for taxation.

(II) Remuneration to Supervisors

Remuneration to Supervisors (Disclose the name and form of remuneration separately)

Unit: NT\$ Thousands

Title	Name	Remuneration to Supervisors						The sum of A, B and C in proportion to net income(Note 8)		Any payment from direct investee companies other than the subsidiaries or the parent company (Note 9)
		Salary (A) (Note 2)		Remuneration (B) (Note 3)		Professional allowances(C) (Note 4)		The Company	All companies included in the financial statements (Note 5)	
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)			
Supervisor	De-Fu Wu	0	0	1,264	1,264	15	15	1,279	1,279	0
								0.10%	0.10%	
Supervisor	Kuo-Ching Cheng	0	0	1,264	1,264	15	15	1,279	1,279	0
								0.10%	0.10%	



- Note 1: List the names of the Supervisors separately (for institutional shareholders, list the name of the institutional shareholder and the representative separately), and disclose all payments in aggregate.
- Note 2: Refers to the remuneration to the Supervisors in the previous period (including salaries, professional allowances, severance payment, different types of bonuses, gratuities, etc.).
- Note 3: Refers to the amount of Remuneration to Supervisors approved by the Board of Directors in the most recent year.
- Note 4: Related professional allowances paid to the Supervisors in the previous period (including traveling subsidy, special expense account, allowances, and payment in kinds such as accommodation and company car).
- Note 5: Disclose the total amount of payment from all companies (including the Company) included in the consolidated financial statements to the Supervisors of the Company.
- Note 6: Disclose the names of the Supervisors in respective brackets of the payment scale by the total amount of payment from the Company.
- Note 7: Disclose the total of all itemized payments from all companies (including the Company) included in the consolidated financial statements to each Supervisor of the Company, and disclose the names of the Supervisors in respective brackets of the payment scale.
- Note 8: Net income refers to the net income of the previous period; If IFRS has been adopted in reporting, net income shall be referred to the net income as presented in the separate financial statement covering the previous period.
- Note 9: a. Put down the amount of remuneration from direct investee companies other than the subsidiaries or the parent company to the Supervisors of the Company.
 b. If the Supervisors have received payment from direct investee companies other than the subsidiaries or the parent company, include this amount in Column D of the payment scale, and rename the column name as "parent company and all direct investee companies".
 c. Remuneration refers to the reward, payment (including payment to employees, Directors, and Supervisors) and performing professional duties to Supervisors who also act in the capacity of Directors, Supervisors or Managers in the direct investee companies other than the subsidiaries.
- * The content of remuneration disclosed in this table is different from the purpose of taxation. This table is therefore provided for disclosure only and is not used for taxation purposes.

(III) Remuneration to President and Vice President

Remuneration to President and Vice President (disclosure of the names in relevant bracket of the payment scale)

Unit: NT\$ Thousands

Title	Name	Salary (A) (Note 2)		Pension and severance(B)		Salaries, bonus and special expense account (C) (Note 3)		Remuneration to employees (D) (Note 4)				The sum of A, B, C and D in proportion to net income (Note 8)		Any payment from direct investee companies other than the subsidiaries or the parent company (Note 9)
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
President	Jimmy Wu	10,005	15,019	0	0	0	0	5,474	0	5,474	0	15,479	20,494	0
Vice President	Linda Chen											1.26%	1.67%	
Vice President	David Wang													

* Disclose all persons holding positions equivalent to the President, Vice Presidents (e.g.: President, CEO, Chief Officer, and so forth) regardless of the occupational title.



Remuneration Scale

Remuneration to individual Presidents and Vice Presidents along the payment scale	Names of President and Vice Presidents	
	The Company (Note 6)	All companies included in the financial statements (Note 7) E
NT\$1,000,000 and below	0	0
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	0	0
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	0	0
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Linda Chen, David Wang	Linda Chen
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Jimmy Wu	Jimmy Wu, David Wang
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	0	0
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	0	0
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	0	0
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	0	0
NT\$100,000,000 and above	0	0
Total	3	3

Note 1: List the president and vice presidents by name and disclose the amount of itemized payment in aggregate. If a director also holds a position as president or vice president, fill in this form and the form above.

Note 2: Put down the salaries, professional allowances, and severance payments of the president and the vice presidents in the previous period.

Note 3: Put down different types of bonuses, gratuities, traveling subsidies, special expense accounts, allowances, and payments in kind including accommodation and company vehicles for the president and vice presidents in the previous period.

Note 4: Put down the amount of remuneration to the President and Vice Presidents as employees (including stock and cash) passed by the Board in the previous period. If the estimation is not possible, calculate the amount in proportion to the actual payment of the previous year, and fill in Table 1-(3). Net income refers to the net income of the previous period. If IFRSs is adopted in reporting, net income shall be the net income stated in the separate financial statements.

Note 5: Disclose the total payment from all companies included in the financial statements (including the Company) to the president and the vice presidents of the Company.

Note 6: The total amount of payment to the president and each vice president of the Company and disclose the names of the persons in relevant brackets along the payment scale.

Note 7: Disclose the total amount of payment from all companies included in the financial statements (including the Company) to the president and each vice president and disclose the names of the persons in relevant brackets along the payment scale.

Note 8: Net income refers to the net income of the previous period. If IFRS has been adopted in reporting, net income shall be referred to the net income as presented in the separate financial statement covering the previous period.

Note 9: a. Put down the amount of related payment to the president and the vice presidents from all direct investee companies other than the subsidiaries or the parent company (If there is no payment, put down "None").

b. If the president and the vice presidents were remunerated by direct investee companies other than the subsidiaries, put down the amount paid to the president and the vice presidents of the Company from direct investee companies other than the subsidiaries or the parent company in relevant brackets along the payment scale in column E, and change the name of the column as "Parent company and all direct investee companies".

c. Remuneration includes the reward and wages (including payment to employees, directors and supervisors) and professional allowances to the president and vice presidents of the Company from direct investee companies other than the subsidiaries or the parent company in the capacity of directors, supervisors or managers of these companies.

* The content of remuneration disclosed in this table is different from the purpose of taxation. This table is therefore provided for disclosure only and is not used for taxation purposes.



(IV) Names of managers with remuneration as employees and the disbursement:

Name of the manager responsible for the distribution of the employee's remuneration and the distribution

30 April 2023 Unit: NT\$ Thousands

	Title (Note 1)	Name (Note 1)	Employee Compensation - in Stock	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	President	Jimmy Wu	0	14,796	14,796	1.20%
	Vice President	Linda Chen				
	Vice President	David Wang				
	Senior Manager	Jenny Chang				
	Marketing Senior Manager	Ethan Lin				
	Sales Senior Manager	Andy Yeh				
	Senior Manager	C.M. Wu				
	Senior Manager	Addie Lin				
	Senior Manager	Jackson Yen				
	Sales Assistant Manager	Matt Chien				
	Finance Manager	Erica Lin				

Note 1: Disclose the name and occupational title of each person, and the distribution of earnings may be disclosed in aggregate.

Note 2: Put down the amount of remuneration to the Managers as employees (including stock and cash) passed by the Board in the previous period. If the estimation is not possible, calculate the amount in proportion to the actual payment of the previous year. Net income refers to the net income of the previous period. If IFRSs is adopted in reporting, net income shall be the net income stated in the separate financial statements.

Note 3: The scope of Managers shall be defined under Letter (92) Tai-Tsai-Cheng-(San) No. 0920001301 dated March 27, 2003 specified as follows:

- (1) President and equivalent rank
- (2) Vice President and equivalent rank
- (3) Senior Manager and equivalent rank
- (4) Head of Finance
- (5) Head of Accounting
- (6) Other persons who have the right to manage the affairs and sign on behalf of the Company

Note 4: If the Directors, President and Vice Presidents were remunerated as employees (including stock and cash), fill in Table 1-(2), and also this form.

(V) Provide a comparative analysis of the total remuneration paid to the Company's Directors, Supervisors, President and Vice President as a proportion of net profit after tax of the Company's individual or separate financial statements for the most recent two years for the Company and for all companies in the consolidated financial statements respectively, and describe the policy, criteria and mix of remuneration payments, the process for setting remuneration, and the connection to operating performance and future risks

1. The total remuneration paid to the Directors, Supervisors, President and Vice President of the Company as a proportion of net profit after tax for the most recent two years by the Company and all companies included in the consolidated financial statements is as follows:

Title	2022		2021	
	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements
Director	4.01%	4.57%	4.14%	4.78%
Supervisor				
President and Vice President				



2. The policy, standard and components of remuneration:

- (1) The remuneration for directors of the company is determined in accordance with Article 14 of the Articles of Incorporation. The board of directors distributes the compensation for directors based on their level of involvement and contribution to the company's operations, taking into consideration industry standards. Additionally, as stipulated in Article 25 of the Articles of Incorporation, if the company generates profits in a given year, a maximum of 4% shall be allocated for director and supervisor remuneration. The distribution of director remuneration is calculated based on indicators such as company profitability, individual director's participation in board meetings, and contribution. The company conducts regular evaluations of director remuneration, and the appropriateness of performance assessment and compensation is reviewed by the Remuneration Committee and the board of directors.
- (2) The remuneration of the President and Vice President of the Company shall consist of salary, bonus and employee's bonus. Salary is determined by reference to qualifications, experience, performance, years of experience and industry benchmarks. In accordance with the Articles of Incorporation, not less than 2% of the Company's annual profit shall be contributed to the remuneration of the employees. The remuneration of the managers is determined in accordance with relevant regulations such as the "Regulations on Employee Performance Management" and "Regulations on Salary Management". Salaries, bonuses, and employee bonuses are provided to acknowledge and reward employees for their hard work and dedication. The issuance of related bonuses is also contingent upon the company's annual business performance, financial condition, operational status, and individual job performance. Furthermore, according to Article 25 of the Articles of Incorporation, if the company generates profits in a given year, a minimum of 2% shall be allocated for employee compensation. The evaluation of manager performance and the subsequent issuance of performance bonuses are conducted in accordance with the "Regulations on Executive Performance Assessment". Managerial performance assessment includes both financial indicators (such as achievement rates of company revenue and net profit after-tax) and non-financial indicators (such as quality yield). Compensation is determined based on their operational performance and is subject to periodic review to align with actual business conditions and relevant regulations.
- (3) The composition of remuneration provided by the company is determined in accordance with the charter of the Remuneration Committee and includes cash compensation, stock options, employee bonuses, retirement benefits or severance pay, various allowances, and other substantial incentive measures. The scope of the remuneration aligns with the Regulations Governing Information to be Published in Annual Reports of Public Companies regarding remuneration to directors and managers.

3. Procedure for determining remuneration:

The remuneration of directors, supervisors, and managers is subject to regular evaluation and review by the Company's Remuneration Committee in accordance with regulations. The evaluation takes into account individual performance achievements and contributions to the company, as well as overall operational performance, future industry risks and development trends. The remuneration system is periodically reviewed in accordance with actual operating conditions and relevant laws and regulations, and it is implemented upon



approval of the Board of Directors.

4. Relevance to operational performance:

- (1) The performance evaluation of the Directors shall be conducted regularly every year and the results shall be reported to the Board of Directors in the following year in accordance with Article 3 of the Company's Board of Directors' Self-Evaluation Policy, and the results of the Board of Directors' performance evaluation shall be used as a reference in the selection or nomination of Directors; The results of the performance evaluation of individual directors are used as a reference for determining their individual remuneration. The remuneration of Directors and Supervisors is based on the participation and contribution of Directors and Supervisors to the Board of Directors, with reference to indicators such as Board attendance rate and appointment ratio.
- (2) The remuneration of the Company's Managers consists of salary, bonus and employee's bonus with reference to qualifications, experience, performance, years of experience and industry benchmarks. Bonuses and employee bonuses are measures of the performance of Managers, which include financial indicators (e.g., revenue, annual budget objectives, net profit after tax rate, etc.) and non-financial indicators (quality yield, etc.).

5. Relevance to future risk:

The risk to the Company's operations is minimal as the Directors, Supervisors, President and Vice President of the Company are experienced professionals with a good understanding of the Company's industry and do not engage in conduct that is beyond the risk of the Company for the purpose of seeking remuneration for a short while.



IV. The Operation of Corporate Governance

(I) The operation of the Board

Information on the operation of the Board

The Board of Directors convened for 7 (A) meetings in the most recent year and the attendance of Directors and Supervisors is as follows:

Title	Name (Note 1)	Attendance in Person B	By proxy	Actual attendance rate (%) [B/A] (Note 2)	Remarks
Chairman	Representative, ChiFa Enterprise Co., Ltd. T.C. Wu	7	0	100.0	
Director	Cheng-Hung Chang	7	0	100.0	
Director	Xing-Shu Ke	7	0	100.0	
Director	Lien-Heng Liao	7	0	100.0	
Director	Jimmy Wu	7	0	100.0	
Independent Director	Jimmy Ou	7	0	100.0	
Independent Director	Chi-Wei Lin	7	0	100.0	
Independent Director	C. Y. Wei	4	0	100.0	Newly elected on 29 June 2022
Independent Director	Samuel Kuo	4	0	100.0	Newly elected on 29 June 2022
Supervisor	De-Fu Wu	3	0	100.0	Step down on 29 June 2022
Supervisor	Kuo-Ching Cheng	3	0	100.0	Step down on 29 June 2022

Additional information:

I. The Board of Directors shall state the date and duration of the Board meeting, the content of the motion, the opinions of all Independent Directors and the Company's response to the opinions of the Independent Directors, if any of the following circumstances apply to the operation of the Board:

(I) Particulars inscribed in Article 14-3 of the Securities and Exchange Act

Date of Board Meeting	Content of the Motion	All opinions of the Independent Directors and the Company's response to the opinions of the Independent Directors
The 17 th session of the 15 th term 20 January 2022	The sub-subsidiaries of the Company, Lelon Electronics (Huizhou) Co., Ltd., in connection with the loan of funds to the Company's sub-subsidiary, Lelon Electronics Technology (Suzhou) Co., Ltd.:-	Approved by the Independent Directors.
The 18 th session of the 15 th term 24 March 2022	Amendments to certain provisions of the Company's "Procedures for the Acquisition or Disposal of Assets". Amendments to certain provisions of the Company's "Procedures for Lending Funds to Others". Amendments to certain provisions of the Company's "Procedures for the Treatment of Endorsements and Guarantees". Lelon Electronics (Suzhou) Company Limited, a sub-subsidiary of the Company, in connection to the loan of funds to the sub-subsidiary of the Company, Lelon Electronics Technology (Suzhou) Co., Ltd.	



Date of Board Meeting	Content of the Motion	All opinions of the Independent Directors and the Company's response to the opinions of the Independent Directors
The 19 th session of the 15 th term 11 May 2022	Amendments to certain provisions of the Company's "Procedures for Engaging in Derivatives Trading" Proposal for private placement to increase capital	Approved by the Independent Directors.
The 2 nd session of the 16 th term 21 July 2022	Amendments to certain provisions of the "Regulations on Implementation of Internal Control". Proposal to increase the Company's indirect investment in Lelon Electronics Technology (Suzhou) Co., Ltd.	
The 4 th session of the 16 th term 10 November 2022	Amendments to certain provisions of the "Procedures of Management of Control Activities". Professional fees for the CPAs of the company	
The 6 th session of the 16 th term 23 March 2023	Replacement of the attesting CPA for the company's financial statements	

(II) In addition to the matters set out in the preceding paragraph, other matters resolved by the Board which have been objected to or qualified by the Independent Directors and for which records or written statements are available: None.

II. The recusal of the Directors from motions involving a conflict of interest. Specify the names of the Directors, the content of the motions, the reasons for recusal and the participation in voting:

Date of Board Meeting	Name of Director	Content of the Motion	Reasons for recusal and participation in voting
The 17 th session of the 15 th term 20 January 2022	T.C. Wu	Remuneration to the Chairman and year-end bonus	Related to personal remuneration. Recusal from discussion and voting
	Jimmy Wu	Annual performance evaluation and year-end bonuses for Managers	
The 19 th session of the 15 th term 11 May 2022	T.C. Wu	Annual salary adjustment	
	Jimmy Wu	Annual salary adjustment	
The 3 rd session of the 16 th term 10 August 2022	T.C. Wu	Project bonus for senior managerial officers	
	Jimmy Wu	Distribution of employee profit-sharing compensation for managerial officers	
The 5 th session of the 16 th term 12 January 2023	T.C. Wu	Remuneration to the Chairman and year-end bonus	
	Jimmy Wu	Annual performance evaluation and year-end bonuses for Managers	

III. Information on the evaluation cycle and period, scope, approach and content of the Board's self- (or peer) evaluation:



(I) The Board's performance evaluation:

Evaluation cycle (Note 1)	Evaluation period (Note 2)	Evaluation scope (Note 3)	Evaluation approach (Note 4)	Evaluation contents (Note 5)
Once a year	1 January 2022 to 31 December 2022	Evaluation of the performance of the Board, individual Board members and functional committees	1. Self-Assessment of the Board 2. Self-Assessment of the members of the Board 3. Self-Assessment of the Audit Committee 4. Self-Assessment of the Remuneration Committee 5. Self-Assessment of the Corporate Sustainable Development Committee	1. Self-Assessment of the Board (1) Level of participation in the operation of the Company (2) Improvement in the quality of the Board's decision-making (3) Composition and structure of the Board (4) Elections and continuing education of Directors (5) Internal control 2. Self-Assessment of the members of the Board (1) Mastery of the company's objectives and goals (2) Awareness of Directors' duties (3) Level of participation in the operation of the Company (4) Management of internal relations and communication (5) Professions and continuing education for Directors (6) Internal control 3. Self-Assessment of the Audit Committee (1) Level of participation in the operation of the Company (2) Awareness of Audit Committee duties (3) Improvement in the quality of the Audit Committee's decision-making (4) Composition and election of members of the Remuneration Committee (5) Internal control 4. Self-Assessment of the Remuneration Committee (1) Level of participation in the operation of the Company (2) Awareness of Remuneration Committee duties (3) Improvement in the quality of the Remuneration Committee's decision-making (4) Composition and election of members of the Remuneration Committee 5. Self-Assessment of the Sustainable Development Committee (1) Level of participation in the operation of the Company (2) Awareness of Sustainable Development Committee (3) Improvement in the quality of the Sustainable Development Committee's decision-making (4) Composition and election of members of the Sustainable Development Committee



Note 1: This refers to the implementation cycle of the Board of Directors' evaluation, e.g., once annually.

Note 2: This refers to the period covered by the Board of Directors' evaluation, e.g., evaluation of the Board of Directors' performance from 1st January 2019 to 31st December 2019.

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

Note 4: The evaluation approach includes self-evaluation of the Board internally, self-evaluation by Board members, peer evaluation, the appointment of external professional bodies, experts or other appropriate approaches to performance evaluation.

Note 5: The evaluation shall cover the following items at least by the scope of evaluation:

- (1) Self-Assessment of the Board: Shall cover at least the level of participation in the operation of the Company, the quality of the Board's decision-making, composition and structure of the Board, elections and continuing education for Directors and internal control, etc.
- (2) Self-Assessment of the members of the Board: Shall cover at least the mastery of the objectives and goals of the Company, awareness of Directors' duties, level of participation in the operation of the Company, management of internal relations and communication, professions and continuing education for Directors and internal control, etc.
- (3) Self-Assessment of the Remuneration Committee: The level of participation in the operation of the Company, awareness of the Functional Committee's duties, quality of the Functional Committee's decision-making, composition and structure of the Functional Committee and internal control, etc.

To implement corporate governance and enhance the Company's board functions, and to set forth performance objectives to improve the operation efficiency of the board of directors, the Company has established "Regulations Governing the Self-Evaluation of Board Performance" pursuant to Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies for compliance. The performance evaluation shall be carried out at least once a year which covers the entire board of directors, individual director and functional committees.

Evaluation period

The evaluation period is from 1 January 2022 to 31 December 2022. In the first quarter of 2023, the relevant self-evaluation questionnaires will be distributed and the unit responsible for evaluation or the secretariat of the board will then collect all information. The evaluation process shall be completed before the end of the first quarter.

Evaluation approach

The evaluation approach includes internal evaluation of the Board, self-evaluation by the board members of themselves or peers' self-evaluation of Audit Committee, self-evaluation of the Remuneration Committee and self-evaluation of Sustainable Development Committee, etc. After the self-assessment questionnaires are completed by the 9 directors, 3 Remuneration Committee members, and 3 Sustainable Development Committee members, the unit responsible for evaluation or the secretariat of the board will then collect all information, aggregate and analyze the questionnaire results, record the evaluation results in a report, and submit the report to the Board of Directors for discussion and improvement.

Based on the aforementioned evaluation results, the performance evaluations for the company's board of directors, individual directors, Audit Committee, Remuneration Committee, and Sustainable Development Committee for the year 2022 have all achieved the "excellent" rating according to the evaluation scope. This indicates that the overall operations of the Board of Directors, directors, Audit Committee, Remuneration Committee, and Sustainability Committee are in favorable condition.

The recommendations and improvement measures for the Board of Directors and Functional Committees are as follows:

- (1) Board of Directors: Due to the impact of the pandemic, some directors were unable to return to Taiwan for the 2022 Annual Meeting of Shareholders, resulting in a board attendance rate of 57%. Once the pandemic situation eases, directors' ability to attend the Annual Meeting of Shareholders is expected to improve. The Company will comply with legal requirements and practical needs in determining the frequency of board meetings and is gradually establishing a talent pool of potential director candidates to ensure a diversified composition of the board. This will enable the company to meet the strategic development needs of the company at different stages and provide a broader selection of director candidates.



- (2) Audit Committee: Regularly report the state of the implementation of internal audit to the Audit Committee.
- (3) Sustainable Development Committee: The Company will engage professional consultants to provide guidance and advice, aiming to offer timely and objective recommendations for the board of directors' decision-making.

V. Assessment of the objectives of the current and most recent year to enhance the functions of the Board (e.g., establishment of an Audit Committee, enhancement of information transparency, etc.) and their implementation:

In order to build up a well-established governance system of the Board of Directors, the Company has established the Company's "Code of Conduct for Board Meetings" in accordance with the "Regulations Governing Procedures for Board of Directors Meetings of Public Companies" for compliance and to enhance information transparency. The attendance of Directors at Board meetings is reported on the Market Observation Post System and disclosure of material Board resolutions is available on the Company's website.

In order to improve corporate governance, a Remuneration Committee was established in 2011 to recommend, evaluate and supervise the overall remuneration policy of the Company and the remuneration of Directors, Supervisors and Managers.

The Company has resolved to establish the "Standard Operating Procedures for Addressing Directors' Requests" at the 16th meeting of the 14th term of the Board of Directors on 10 May 2019.

In the 2022 meeting of shareholders, there was an election to appoint 4 independent directors and establish an Audit Committee.

Note 1: Where the directors and supervisors are institutional shareholders, the names of the institutional shareholders and the names of their representatives shall be disclosed.

Note 2: (1) Where a director or supervisor has resigned before the end of the year, the date of resignation should be stated in the Remarks column. The actual attendance rate (%) is calculated on the basis of the number of meetings convened by the Board and the actual number of meetings attended by the Board during the term of office.

(2) Where there is a re-election of a supervisor of the directors before the end of the year, the new and existing supervisor of the directors should be stated, and the date of re-election should be indicated in the Remarks column as the former, new or re-elected supervisor and the date of re-election. The actual attendance rate (%) is calculated on the basis of the number of meetings convened by the Board and the actual number of meetings attended by the Board during the term of office.



(II) The operation of the Audit Committee or the involvement of the Supervisors in the operation of the Board:

1. Information on the operation of the Audit Committee:

Operation of the Audit Committee

The Audit Committee convened 4 (A) meetings in the most recent year and the attendance of the Independent Directors is as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B/A) (Notes 1 and 2)	Remarks
Independent Director	Jimmy Ou	4	0	100.0	
Independent Director	Chi-Wei Lin	4	0	100.0	
Independent Director	C.Y.Weii	4	0	100.0	
Independent Director	Samuel Kuo	4	0	100.0	

Other information required to be disclosed:

1. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:

(1) Any matter under Article 14-5 of the Securities and Exchange Act.

Date of Audit Committee Meeting Sessions	Content of the Motion(s)	Content of Independent Directors' opinions or significant recommendation and outcomes of resolutions,
The 2 nd session of the 1 st term 21 July 2022	Amendment to certain provisions of "Regulations on Implementation of Internal Control". Proposal to increase the Company's indirect investment in Lelon Electronics Technology (Suzhou) Co., Ltd	Unanimously approved by all attending committee members
The 3 rd session of the 1 st term 10 August 2022	2022 Q2 Consolidated Financial Statements	
The 4 th session of the 1 st term 10 November 2022	Amendments to certain provisions of the "Procedures of Management of Control Activities". Professional fees for the CPAs of the company	
The 5 th session of the 1 st term 23 March 2023	Internal control system self-assessment plan for 2022 Proposal of release of the prohibition on directors from participation in competitive business. Replacement of the attesting CPA for the company's financial statements	

(2) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors: None.

2. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: specify the independent director's name, the content of the motion, the cause for recusal, and whether and how the independent director voted: None.

3. Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the company's finances and business and the method(s) and outcomes of the communication):

(1) The independent directors of the company and the chief internal audit officer maintain regular communication regarding the audit report result and have adequately discussed the state of the implementation of audit operation, tracking of identified deficiencies and the effectiveness of



improvement measures. Internal audit reports are presented during board meetings, and in case of any exceptional circumstances, immediate reporting is made to the independent directors and the supervisor. There were no exceptional circumstances in 2022. The communication between the independent directors and the chief internal audit officer has been positive.

- (2) The independent directors, supervisors, and CPAs of the company shall hold at least two communication meetings annually, with the additional meetings to be convened as necessary. During the meetings, the CPAs provide reports on the audit results of the financial statements of the company and its domestic and overseas subsidiaries, as well as other communication matters related to legal requirements. In case of any exceptional circumstances, reports can also be made to the independent directors and supervisors. There were no such exceptional circumstances in 2022. The communication between the independent directors and the CPAs has been positive.
- (3) The communication matters among the independent directors, supervisors, chief internal audit officers, and CPAs are as follows:

Date	Communication Matters	Outcome
24 March 2022	Discussion and communication regarding the auditor's opinion for the 2021 financial statements, updates on regulatory compliance, and corporate governance.	The communication has been positive and there were no adverse opinions from the independent directors.
10 August 2022	Discussion and communication regarding the review matters of the 2022 Q2 financial statements, the auditor's opinion to be issued, and updates on regulatory compliance and tax laws.	
23 March 2023	Discussion and communication regarding the auditor's opinion on the 2022 financial statements, updates on regulatory compliance and corporate governance, as well as revisions to the International Code of Ethics for Professional Accountants.	

Note 1: If any independent director left office before the end of the fiscal year, specify the date that they left office in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of audit committee meetings held and the number they attended in person during the period they were in office.

Note 2: If any by-election for independent directors was held before the end of the fiscal year, the names of the new and old independent directors should be filled in the table, with a note stating whether the independent director left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in-person attendance rate (%) should be calculated based on the number of board meetings held and the number attended in person during the period of each such person's actual time in office.



2. Participation of Supervisors in the operation of the Board

Participation of Supervisors in the operation of the Board

The Board of Directors convened 3 (A) meetings in the most recent year and the attendance of the Supervisor is as follows:

Title	Name	Actual attendance(B)	Actual attendance rate (%) [B/A] (Note)	Remark
Supervisor	De-Fu Wu	3	100.0	After the 2022 shareholders' meeting, an Audit Committee was established, and the position of supervisor was no longer appointed.
Supervisor	Kuo-Ching Cheng	3	100.0	

Additional information:

I. Composition and duties of the Supervisors:

(I) Communication between the Supervisor and the employees and Shareholders of the Company (e.g., channels of communication, means of communication, etc.):

- ① A spokesperson and investor contact email address is available on the Company's website for employees and Shareholders to communicate with the Supervisor and make inquiries.
- ② The Supervisors attending the Annual General Meeting would create the benefit of direct communication with Shareholders.
- ③ The Supervisor may contact and communicate directly with employees and Shareholders as deemed necessary.

(II) Communication between the Supervisor and the Head of Internal Audit and the CPA (e.g. on matters, manner and results of communication regarding the Company's financial and business position).

- ① The Head of Audit submits an audit report to the Supervisor in the month following the completion of the audit and communicates with the Supervisor by telephone or in person as necessary.
- ② The Head of Audit has attended regular Board meetings and given reports on audit activities and the communication with the Supervisor has been adequate.
- ③ Both the Supervisor and the CPA were present at the Annual General Meeting for direct communication with each other.
- ④ The Independent Directors, the Supervisor, the Head of Internal Audit and the CPA shall meet at least twice a year and as often as necessary to communicate with each other. The CPA shall report on the results of the audit of the financial statements of the Company and its domestic and overseas subsidiaries and on any other communication as required by the relevant laws and regulations. Where there are unusual circumstances, the Head of Internal Audit may also report them to the Independent Directors and Supervisors and there were no such unusual circumstances in 2022.

II. There were no instances where the Supervisors who attended the Board have presented their opinions. If any supervisor has expressed an opinion at a board meeting, specify the board meeting date, meeting session number, content of the motion, the outcome of the resolution by the board, and the measures taken by the Company based on the opinion expressed by the supervisor.

Note:

- * If any supervisor left office before the end of the fiscal year, specify the date that they left office in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of meetings they attended in person during the period they were in office.
- * If any by-election for supervisors was held before the end of the fiscal year, the names of the new and old supervisors should be filled in the table, with a note stating whether the supervisor left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in-person attendance rate (%) should be calculated based on the number of meetings attended in person during the period of each such supervisor's actual time in office.



(III) The operation of Corporate Governance and the variation from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons therefor

Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
I. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company and its publicly traded subsidiary (Liton Technology Corp.) currently do not have the “Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies” in place, but they have been assessing the status of compliance with corporate governance on a case-by-case basis and have set forth other measures or practices for the purpose of compliance.	There is no breach of the “Corporate Governance Best Practice Principles”.
II. Shareholding Structure and Shareholders’ Rights				
(I) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		(I) The Company and its publicly traded subsidiary (Liton Technology Corp.) value the shareholders' rights and suggestions and have established a dedicated investor section on the Company's website and a spokesperson system to address related matters.	(I) In compliance with “Corporate Governance Best Practice Principles”.
(II) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	V		(II) The Company and its publicly traded subsidiary (Liton Technology Corp.) have kept a list of the substantial shareholders and the ultimate controllers of the substantial shareholders who effectively control the Company and report changes in the shareholdings of insiders (directors, supervisors, managers, shareholders holding more than 10% of the total shares) on a monthly basis as required by law.	(II) In compliance with “Corporate Governance Best Practice Principles”.
(III) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	V		(III) Where the Company has business interactions with affiliates, there is a clear distinction between management and assets, finance and business operations; relevant management procedures, as well as a mechanism for the supervision of subsidiaries, and regular audits by auditors to supervise their implementation, are also specified. The Company is committed to the principles of fairness and reasonableness and to the elimination of non-arm’s length transactions.	(III) In compliance with “Corporate Governance Best Practice Principles”.
(IV) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	V		(IV) The Company has established the “Internal Procedures for Handling Material Information” and the “Code of Ethics”, which prohibit insiders from using the Company's property or information or obtaining benefits for personal gain by virtue of their duties.	(IV) In compliance with “Corporate Governance Best Practice Principles”.
III. Composition and responsibilities of the board of directors				
(I) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	V		(I) In accordance with the “Corporate Governance Best Practice Principles”, the Company has formulated a policy on board diversity. The composition of the board of directors should be considered in terms of diversity and an appropriate diversity policy should be formulated in relation to its operation, business model and	(I) In compliance with “Corporate Governance Best Practice Principles”.
(II) Has the Company voluntarily established other functional	V			



Evaluation Item	Implementation Status		Summary description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No		
committees in addition to the remuneration committee and the audit committee?			development needs. The Company establishes specific management objectives:	
(III) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	V		1. The board of directors of the Company values operational judgement, business management and crisis management skills, and at least two-thirds of the board members should be competent in the relevant core areas. 2. The number of directors who also serve as managers of the Company shall not exceed one-third of the total number of Directors for the purpose of supervision. Implementation of the diversity policy: The Board of Directors of the Company currently consists of 9 Directors (including 4 independent Directors), all of whom are professionals with diverse backgrounds, extensive industry experience, professional knowledge and excellent insight.	
(IV) Does the Company regularly evaluate its external auditors' independence?	V		The proportion of directors who are also managers of the Company is 11%, which is not more than one-third of the total number of directors, and the members of the Board fulfil the purpose of supervision. (II) Except for the establishment of a Remuneration Committee, Audit Committee and Sustainable Development Committee as legally required, each department of the Company is responsible for the daily operation of the Company in accordance with its own duties and responsibilities. The establishment of other functional committees will be assessed in the future, depending on the circumstances of the Company. (III) The Company has established the "Self-Evaluation of the Performance of the Board of Directors" at the 3rd meeting of the 15th term of the Board of Directors on 12 November 2019. An evaluation of the performance of the Board of Directors is undertaken annually and the results of the evaluation are used as a reference for the selection or nomination of Directors; The results of the evaluation of the performance of the Directors are also used as a reference for determining their individual remuneration. (IV) The company and its subsidiaries engage a domestic large-scale accounting firm as their CPAs. The company conducts regular assessments of the independence and suitability, referencing the Audit Quality Indicators (AQIs) and considering factors such as the size and reputation of the accounting firm, whether they are involved in the decision-making process of the company, any concurrent roles in the company's routine operations, ownership of company stock, prior service to the company within the last two years, relationships involving joint investments or shared interests, and the absence of a seven-year period without	(II) In compliance with "Corporate Governance Best Practice Principles". (III) There is no breach of the "Corporate Governance Best Practice Principles". (IV) In compliance with "Corporate Governance Best Practice Principles".



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			changing CPAs. After conducting the necessary checks, it has been confirmed that the CPAs do not have any issues affecting their independence and suitability. A statement on auditor independence and the assessment results are submitted for review and approval by the Audit Committee and the Board of Directors.	
IV. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	V		<p>In order to enhance corporate governance and enable the Board of Directors to fulfill its responsibilities in safeguarding the rights and interests of investors, the company made a decision on August 10, 2022, to appoint Jenny Chang, Senior Manager of the President's Office, as the Chief Corporate Governance Officers. Ms. Chang has over twenty years of experience in senior financial management positions in public companies.</p> <p>The Chief Corporate Governance Officer is primarily responsible for handling matters related to board meetings and shareholders' meetings in accordance with the law, preparing minutes of board and shareholders' meetings, assisting directors in their appointments and continuing education, providing necessary information for directors to carry out their duties, ensuring compliance with laws and regulations, reporting to the Board of Directors on the qualifications of independent directors during their nomination, appointment, and term and handling director-related changes, among other duties.</p> <p>The subsidiary (Liton Technology Corp.) of the company, which is also a public company, established the position of Chief Corporate Governance Officer on 9 August 2022, as approved by its Board of Directors. Mr. Roger Wang, Senior Manager of the Administrative Management Department of Liton Technology Corp., was appointed as the Chief Corporate Governance Officer. Mr. Wang has over three years of experience in financial operations of public companies and is required to complete at least 12 hours of continuing education annually. His main responsibilities include handling matters related to board meetings and shareholders' meetings in accordance with the law, preparing minutes of board and shareholders' meetings, assisting directors in their appointments and continuing education, providing necessary information for directors to carry out their duties, and ensuring compliance with laws and regulations.</p>	There is no breach of the "Corporate Governance Best Practice Principles".
V. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility	V		<p>The Company has maintained smooth communication channels with its stakeholders, including banks and other creditors, employees, customers and suppliers, and has set up a stakeholder section on the Company's website.</p> <p>The Company and its publicly traded subsidiary (Liton Technology Corp.) have appointed a spokesperson and disclosed and provided contact information on the Company's website to establish a channel of communication with stakeholders, as well as dedicated investor relations personnel to address</p>	There is no breach of the "Corporate Governance Best Practice Principles".



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
issues?			shareholder inquiries.	
VI. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		The Company and its publicly traded subsidiary (Liton Technology Corp.) have appointed the Stock Transfer Agency Department of Taishin Securities Co., Ltd. to handle matters related to the Company's stock exchange.	In compliance with "Corporate Governance Best Practice Principles".
VII. Information Disclosure (I) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status? (II) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (III) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	V V V		(I) The website of the Company and its publicly traded subsidiary (Liton Technology Corp.) has a special section for investors to disclose information on financial operations and a corporate governance section for the reference of investors and stakeholders, and is maintained and updated by dedicated personnel according to their duties. (II) The Company and its publicly traded subsidiary (Liton Corporation) have established a spokesperson and a proxy spokesperson and disclosed the contact details on the Company's website. Also, dedicated investor relations personnel is in place to address shareholder enquiries. (III) The Company and its publicly traded subsidiary (Liton Corporation) have announced and reported their financial statements and monthly operations by the deadline. The Company will consider making early announcements and filing annual financial reports in the future, depending on the Company's operating conditions and relevant statutory requirements.	(I) In compliance with "Corporate Governance Best Practice Principles". (II) In compliance with "Corporate Governance Best Practice Principles". (III) There is no breach of the "Corporate Governance Best Practice Principles".
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		(I) In order to build a well-established governance system for the Board of Directors, the Company and its publicly traded subsidiary (Liton Technology Corp.) have established the "Code of Conduct for Board Meetings" in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" for compliance and to enhance information transparency. The attendance of Directors at board meetings is available on the Market Observation Post System and important board resolutions are disclosed on the Company's website. (II) In order to improve corporate governance, the Company and its publicly traded subsidiary (Liton Technology Corp.) have established a Remuneration Committee in 2011 to recommend, evaluate and supervise the Company's overall remuneration policy and the remuneration of directors, supervisors and managers. (III) Please refer to pages 41 to 44 of this annual report for the composition, duties and operations of the Remuneration Committee of the Company. (IV) Supplier relations: The Company maintains good relationships with its suppliers. (V) Rights of stakeholders: Stakeholders may communicate with the Company in order to	In compliance with "Corporate Governance Best Practice Principles".

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Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			protect their rights and interests. (VI) Directors' continuing education: The directors of the Company have extensive experience in management practices and industry, please refer to the table below for further information. (VII) Implementation of customer relations policies: The Company maintains a stable and good relationship with its customers for the purpose of generating profits for the Company. (VIII) The Company has purchased the liability insurance for directors and supervisors.	

IX. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. (If the Company was not included among the companies evaluated for the given recent year, this item does not need to be completed).

Matters that have been improved:

Voluntary e-voting has been introduced in 2017 to provide a fair mechanism for all shareholders.

Disclosure of the implementation of resolutions of the Annual General Meeting (AGM) in the Annual Report starting from 2018.

Voluntary disclosure of the amount and nature of non-audit fees paid to the CPA and the affiliates of the accounting firm since the 2017 Annual Report.

Since the 2017 AGM, motions have been voted on a case-by-case basis and the results of each motion agreed, opposed and waived by shareholders were recorded in the meeting minutes.

In 2018, the board of directors' proposal was sent to the AGM to amend the Articles of Incorporation, a candidate nomination system would be fully adopted for the election of directors and supervisors after the approval.

All directors of the company fulfill their continuing education requirements in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".

Key priorities for improvement:

Enhancing the content of the Company's website to improve the transparency of the Company's information.

The English version of the annual report and annual financial statements shall be uploaded 16 days prior to the meeting of shareholders.

The Sustainable Development Committee and its members are established to conduct risk assessments related to environmental, social, or corporate governance issues relevant to the company's operations. They also establish risk management policies or strategies in response to these issues and are supervised by the Board of Directors in promoting sustainable development.

Note 1: The term "Corporate Governance Self-Evaluation Report" refers to the report on the current operation and performance of the company under each of the Corporate Governance Self Evaluation items, as assessed and described by the Company itself.

Note 2: Additional information relevant to the operation of Corporate Governance:

The summary of the continuing education of the Directors and Supervisors of the Company and its publicly traded subsidiary (Liton Technology Corp.) is as follows:

Title	Name	Date	Organizers	Course Name	Hours
Chairman of the Company and Liton Technology Corp.	T.C. Wu	10 March 2022	Quantum International Corp. ∙ TWSE	An International Perspective on Independent Directors and the 2022 Annual Meeting of Shareholders	1.0
		22 April 2022	Taiwan Institute for Sustainable Energy	Transform to Net Zero	3.0
		20 May 2022	Securities & Futures Institute	2022 Prevention of Insider Trading Campaign	3.0
Director of the Company	Cheng-Hung Chang	10 March 2022	Quantum International Corp. ∙ TWSE	An International Perspective on Independent Directors and the 2022 Annual Meeting of Shareholders	1.0
		22 April 2022	Taiwan Institute for Sustainable Energy	Transform to Net Zero	3.0
		20 May 2022	Securities & Futures Institute	2022 Prevention of Insider Trading Campaign	3.0
		20 July 2022	TWSE	Sustainable Development Roadmap	2.0

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Title	Name	Date	Organizers	Course Name	Hours
Director of the Company	Xing-Shu Ke	22 June 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Workshop Class 19	3.0
		20 August 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Workshop, Class 20	3.0
		12 October 2022	Securities & Futures Institute	2022 Legal Compliance Briefing on Insider Equity Transactions	3.0
		09 November 2022	Taiwan Corporate Governance Association	Discussion on the Three Codes of Ethics, Corporate Governance and Corporate Social Responsibility and best practice examples	3.0
Director of the Company	Lien-Heng Liao	24 June 2022	Taiwan Corporate Governance Association	Trends and Challenges in Information Security Governance	3.0
		18 September 2022	Taiwan Investor Relations Institute	Corporate Governance - Analysis of ESG and Tax Practices	3.0
Chairman of the Company and Director of Liton Technology Corp.	Jimmy Wu	10 March 2022	Quantum International Corp. · TWSE	An International Perspective on Independent Directors and the 2022 Annual Meeting of Shareholders	1.0
		22 April 2022	Taiwan Institute for Sustainable Energy	Transform to Net Zero	3.0
		20 May 2022	Securities & Futures Institute	2022 Prevention of Insider Trading Campaign	3.0
		25 October 2022	Taiwan Corporate Governance Association	2022 Study and Vision on Key Economic and Trade Topics	3.0
Independent Director of the Company and Liton Technology Corp.	Jimmy Ou	22 April 2022	Taiwan Institute for Sustainable Energy	Transform to Net Zero	3.0
		10 June 2022	Securities & Futures Institute	2022 Prevention of Insider Trading Campaign	3.0
Independent Director of the Company	Chi-Wei Lin	02 August 2022	Taiwan Corporate Governance Association	Business Management Practice: Industry 4.0 is not what you think it is	3.0
		02 August 2022	Taiwan Corporate Governance Association	Mergers and Acquisitions Trends and Practice Sharing	3.0
Independent Director of the Company	C. Y. Wei	20 July 2022	TWSE	Sustainable Development Roadmap	2.0
		30 September	Corporate Operating and Sustainable Development Association	Independent Directors and Functional Committee Members	3.0
		14 October 2022	Securities & Futures Institute	2022 Prevention of Insider Trading Campaign	3.0
		18 October 2022	The Business Development Foundation of the Chinese Straits	China's Current External Challenges and Global Governance Strategies	3.0
		15 November 2022	Taiwan Corporate Governance Association	Analysis of Competition for Ownership and Prevention Strategies	3.0
Independent Director of the Company	Samuel Kuo	22 September 2022	Corporate Operating and Sustainable Development Association	Illustrations and Case Studies on Directors' and Supervisors' Responsibilities under Corporate Governance	3.0
		14 October 2022	Securities & Futures Institute	2022 Prevention of Insider Trading Campaign	3.0
		25 October 2022	Taiwan Corporate Governance Association	Interpreting Key Corporate Governance Decisions: Directors' Responsibilities at the Core	3.0
		15 November 2022	Taiwan Corporate Governance Association	Analysis of Competition for Ownership and Prevention Strategies	3.0
Director of Liton Technology Corp.	Cun-Xian Ke	22 April 2022	Taiwan Institute for Sustainable Energy	Transform to Net Zero	3.0
		25 August 2022	Taipei Exchange	Briefing session for insiders on shareholdings in TWSE/ TPEX listed companies	3.0
Director of Liton Technology Corp.	Yong-Chang Zhu	22 April 2022	Taiwan Institute for Sustainable Energy	Transform to Net Zero	3.0
Independent Director of Liton Technology Corp.	Yan-Chong Zou	22 June 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop	3.0
		27 September 2022	Taiwan Corporate Governance Association	Legal Issues in Instant Messaging	3.0
Independent Director of Liton Technology Corp.	Ying-Tang Zeng	15 August 2022	Securities & Futures Institute	Advanced Practice Seminar - How directors can analyse the bottom line of financial statements to manage corporate risk	3.0
		23 September 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop	3.0



(IV) Where the Company has a Remuneration Committee or Nominating Committee, the composition, duties and operation of the Committee should be disclosed:

1. Profile of the members of Remuneration Committee

Profile of the members of Remuneration Committee

30 April 2023

Identity (Note 1)	Condition Name	Professional designation and work experience (Note 2)	Status of independence (Note 3)	Number of companies where the members of the Remuneration Committee also hold concurrent position as members of Remuneration Committee
Convening Member Independent Directors	Jimmy Ou	Have more than 30 years of experience in the business and corporate sector and have not been subject to the provisions of Section 30 of the Company Act.	1. Not employed by the Company or its affiliates. 2. Not holding a position of director or Supervisor of the Company or its affiliates. 3. A individual shareholder who does not hold more than 1% of the total number of issued shares or the top ten shares in the name of himself/herself, his/her spouse, minor children or in the name of another person.	1
Member	Hsiang-Ying Huang	1. A lecturer from a public or private university with a degree in business, finance, accounting and related subjects required for corporate business. 2. Professional and technical personnel who have passed the national examination for accountants and are certified. 3. Have more than 20 years of experience in business, finance, accounting or corporate practice and have not been subject to the provisions of Section 30 of the Company Act.	4. Not a manager listed in 1. or the spouse, relatives within the 2nd degree of consanguinity or relatives in the direct line of consanguinity up to the 3rd degree listed in 2. or 3. 5. A Director, supervisor or employee of a institutional shareholder who does not directly hold more than 5% of the total number of issued shares of the Company, not among the top five holders of shares or who has not designated a representative to act as a Director or Supervisor of the Company in accordance with Article 27 (1) or (2) of the Company Act. 6. Not holding a position as Director, Supervisor, or employee of companies with special relation to the Company that is controlled by the same person of the Company.	2
Member Independent Directors	Chi-Wei Lin	1. Professional and technical personnel who have passed the national examination for accountants and are certified. 2. Have more than 20 years of experience in business, finance, accounting or corporate practice and have not been subject to the provisions of Section 30 of the Company Act.	7. Not a director, supervisor or employees at another Company where the Chairman, President or others of the equivalent positions is the same person or spouses of the Company. 8. Not a director, supervisor, manager or a shareholder holding more than 5% of shares of a specific company or institution that have financial or business interactions. 9. Professionals, sole proprietors, partners, directors (or governor), supervisors, managers and their spouses who do not provide business, legal, financial, accounting or other related services for the Company or its affiliates that are audited or have been remunerated in the last two years. 10. Not related to another director as a spouse or consanguineous within two degrees.	1

Note 1: Specify the relevant years of service, professional qualifications and experience and independence of each member of the Remuneration Committee in the form. Put down Director,



Independent Director, or others for identity (specify if the person is the convener).

For Independent Directors, refer to Page 12, Appendix I, Profiles of Directors and Independent Directors (I) content as stated in the remark column.

Note 2: Professional designation and experience: specify the professional designation and experience of individual members of the Remuneration Committee.

Note 3: Status of independence: specify the status of independence of the members of the Remuneration Committee, including but not limited to holding a position as Director, Supervisor or employee of the Company and its affiliates by the person, spouse, kindred within the 2nd tier. Quantity and proportion of Company shares held by the person, spouse, and kindred within the 2nd tier (or in the name of a third party), holding a position as Director, Supervisor or employee of companies in special relation with the Company (refer to Subparagraphs 5~8 of Paragraph 1 under Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on Taiwan Stock Exchange or Taipei Exchange), the amount of remuneration for rendering services in commerce, legal affairs, finance, and accounting to the Company or its affiliates in the last 2 years.

Note 4: Please refer to the best practice principles examples on the Taiwan Stock Exchange Corporate Governance Centre website for disclosure practices.

2. Information on the operation of the Remuneration Committee

Information on the operation of the Remuneration Committee

- (1) The Remuneration Committee of the Company consists of 3 members.
- (2) Term of office of current members: 29 June 2022 to 28 June 2025
- (3) The attendance: The Remuneration Committee of the Company convened for 4 meetings in 2022 (A) and the qualifications and attendance of the members are as follows:

Title	Name	Attendance in Person (B)	By proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Jimmy Ou	4	0	100%	Renewed term of office (Re-election on 29 June 2022)
Member	Hsiang-Ying Huang	4	0	100%	Renewed term of office (Re-election on 29 June 2022)
Member	Chi-Wei Lin	4	0	100%	Renewed term of office (Re-election on 29 June 2022)

Additional information:

- I. If the Board turned down or revised the recommendation of the Remuneration Committee, specify the date, session of the Board, the content of the motion, the resolution of the Board and the response of the Company to the opinions of the Remuneration Committee (if the resolution on remuneration passed by the Board is senior to the recommendation of the Remuneration Committee, explain the difference and the reason): None.
- II. If there is any adverse opinion or qualified opinion on record or in written declaration on the resolutions of the Remuneration Committee, specify the date, session of the committee meeting, content of the motion, opinions of all members and response to the opinions of the members: None.

3. Duties of the Remuneration Committee

The Remuneration Committee of the Company has carried out the following terms of reference under the due care of a good administrator and has submitted its recommendations to the Board for discussion.

- (1) Establish and regularly review policies, systems, standards and structures for the evaluation of performance and remuneration of directors, supervisors and managers.
- (2) Regularly assess and determine the remuneration of directors, supervisors and managers.



4. Matters discussed by the Remuneration Committee, the results of resolutions and the Company's response to members' opinions for the most recent year and up to the date of printing of the Annual Report

Information on meetings of the Remuneration Committee

Date of session	Key resolutions of the Remuneration Committee	Execution
20 January 2022 The 11 th session of the 4 th term	Cause of action: Review of the proposed remuneration for the Directors, Supervisors and Managers of the Company for 2022. Resolution: Passed with no objection by the Chairman after consultation with all members present.	Approved by the Board and acted upon.
	Cause of action: Review of the results of performance evaluation and year-end bonuses for the Managers of the Company for 2021. Resolution: Passed with no objection by the Chairman after consultation with all members present.	Approved by the Board and acted upon.
	Cause of action: Review of the year-end bonus for the Chairman of the Company and the year-end bonus for 2021. Resolution: Following the discussion of the Remuneration Committee, it was recommended that the Chairman's year-end bonus for 2021 should be calculated in accordance with Option 3 of the Company's proposal, " Payment of Year-end Bonus to the Chairman of the Board of Directors".	Approved by the Board and acted upon.
24 March 2022 The 12 th session of the 4 th term	Cause of action: Review of the remuneration for Directors, Supervisors and employees of the Company for the year 2021. Resolution: Passed with no objection by the Chairman after consultation with all members present.	Approved by the Board and acted upon.
11 May 2022 The 13 th session of the 4 th term	Cause of action: Review of the salary adjustments/promotions of the managerial officers for 2022. Resolution: Passed with no objection by the Chairman after consultation with all members present.	Approved by the Board and acted upon.
	Cause of action: Review of the annual salary adjustment for the chairman in 2022. Resolution: Upon consultation by the Chairman and the decision of all attending members, Management Proposal 2 was adopted without objections. The motion has been approved.	Approved by the Board and acted upon.
10 August 2022 The 1 st session of the 5 th term	Cause of action: Review of the proposal of distribution of 2021 director and supervisor remuneration. Resolution: Passed with no objection by the Chairman after consultation with all members present.	Approved by the Board and acted upon.
	Cause of action: Review of the proposed amendments to the various remuneration items for the directors, audit committee members, sustainable development committee (ESG) members, and managerial officers of the company for 2022. Resolution: Passed with no objection by the Chairman after consultation with all members present.	Approved by the Board and acted upon.
	Cause of action: Review of the employee compensation for managerial officers for 2021. Resolution: Passed with no objection by the Chairman after consultation with all members present.	Approved by the Board and acted upon.
	Cause of action: Review of the project bonus of senior managerial officer for 2022. Resolution: Passed with no objection by the Chairman after consultation with all members present.	Approved by the Board and acted upon.
	Cause of action: Discussion on the 2023 work plan of the Remuneration Committee. Resolution: Passed with no objection by the Chairman after consultation with all members present.	Approved by the Board and acted upon.



Date of session	Key resolutions of the Remuneration Committee	Execution
12 January 2023 The 2 nd session of the 5 th term	Cause of action: Review of the proposed remuneration items for the directors, audit committee members, sustainable development committee (ESG) members, and managerial officers of the company for 2023. Resolution: Passed with no objection by the Chairman after consultation with all members present.	Approved by the Board and acted upon.
	Cause of action: Review of the performance evaluation results and year-end bonus for the managerial officers of the company for 2022. Resolution: Passed with no objection by the Chairman after consultation with all members present.	Approved by the Board and acted upon.
	Cause of action: Review of the payment method for the year-end bonus of the chairman and the proposal of year-end bonus for 2022. Resolution: As discussed by the Remuneration Committee, it was recommended that the Chairman's year-end bonus for 2022 be calculated in accordance with Option 3 of the Company's proposal, namely the "Chairman's Year-end Bonus Payment Method".	Approved by the Board and acted upon.
23 March 2023 The 3 rd session of the 5 th term	Cause of action: Review of the directors and employees compensation for 2022. Resolution: Passed with no objection by the Chairman after consultation with all members present.	Approved by the Board and acted upon.

5. Information on the profile and operation of the Nominating Committee

N/A, as the Company has not established a Nominating Committee.



(V) The implementation status of sustainable development promotion:

Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Item	Implementation status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reason
	Yes	No	Summary description	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		<p>The Company has established the Sustainable Development Committee in August 2022, as resolved by the Board of Directors. The committee members are appointed by the Board and shall consist of no less than three individuals, including senior managerial offers and independent directors of the company. At least one independent director shall be involved in the oversight. The President is designated as the Chairperson of the committee.</p> <p>The committee's purpose is to assist the Board of Directors in promoting corporate social responsibility and enhancing corporate governance, aiming to achieve sustainable business practices. Its responsibilities shall include, but not be limited to, the following:</p> <ol style="list-style-type: none"> 1. Formulate corporate social responsibility (CSR) and sustainability directions and goals and develop related management policies and specific implementation plans. 2. Promote and implement integrity in business operations and risk management. 3. Track, review, and revise the implementation and effectiveness of corporate sustainability initiatives. 4. Handle other matters as determined by the Board of Directors and assigned to the Sustainable Development Committee. <p>The Sustainable Development Committee shall report annually to the Board of Directors on the implementation achievements and future work plans in sustainable development. In 2022, one meeting was convened, covering the (1) Organizational structure and responsibilities of the Sustainable Development Committee. (2) Identification of key sustainability issues requiring attention and development of corresponding action plans.</p>	No variation.
II. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 2)	V		<p>The Company stipulated the "Business Planning Operation Procedures" and "Business Risk Analysis and Control Procedures" according to the requirement of management regulation of IATF16949及ISO45001. The Company has implemented and executed business plans, and management policies, including environmental, social and corporate governance risk analysis, assessment, policy and strategy formulation and operation promotion business plan to meet the needs and expectations of each stakeholder.</p> <p>The Company conducts relevant risk assessments on important issues, based on the principle of the materiality of corporate social responsibility. The Company conducts relevant risk assessments on important issues. And according to the risks after assessment, we have stipulated relevant risk management policies and strategies as follows:</p>	Consistent.



Item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reason																
	Yes	No	Summary description																	
			<table border="1"> <thead> <tr> <th>Important issues</th> <th>Risk assessment items</th> <th>Risk management policies or strategies</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Environmental Protection and Ecological Conservation</td> <td>The Company has obtained ISO 14001 and IECQ QC 080000 certifications and is scheduled to renew the certifications in August 2023 and is committed to environmental protection and has responded to green production and cleaner production. Through the implementation of process safety management and institutionalized PDCA management cycle, the pollution emissions and the impact on the environment have been effectively reduced. Meanwhile, plans and proposals for implementation are formulated every year, and the progress of various goals is regularly tracked and reviewed to ensure the achievement of the goals.</td> </tr> <tr> <td>Social</td> <td>Occupational safety</td> <td>The Company has acquired the certificate of ISO 45001 and is scheduled to renew the certifications in August 2023. The environmental, manufacturing, and occupational safety departments in each factory conduct daily inspections on occupational safety. The various factories and affiliates mutually supervise and exchange experiences to further enhance occupational safety and health management systems. Additionally, annual fire drills and occupational safety education and training are held to cultivate employees' emergency response and self-safety management capabilities.</td> </tr> <tr> <td>Corporate governance</td> <td>Product safety</td> <td>The company's products comply with various government regulations and service ordinances. They also meet the requirements of the European Union's RoHS directive and are free from any harmful substances. The Company ensures the highest product quality through rigorous quality system management, providing customers with stable product quality. Additionally, to ensure customer service excellence and enhance customer satisfaction, the Company has established a dedicated customer service department and conducts regular proactive customer satisfaction surveys to strengthen the cooperation with customers. By fostering mutually beneficial relationships with the customers, the Company strives to become a cornerstone of sustainable business development.</td> </tr> <tr> <td></td> <td></td> <td>Socioeconomic and Legal Compliance</td> <td>By establishing corporate governance dedicated unit and the implementing internal control systems, the Company can make sure that all of our employees and operation comply with relevant regulations.</td> </tr> </tbody> </table>	Important issues	Risk assessment items	Risk management policies or strategies	Environment	Environmental Protection and Ecological Conservation	The Company has obtained ISO 14001 and IECQ QC 080000 certifications and is scheduled to renew the certifications in August 2023 and is committed to environmental protection and has responded to green production and cleaner production. 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Item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reason
	Yes	No	Summary description	
III. Environmental Issues				
(I) Has the Company set an environmental management system designed to industry characteristics?	V		(I) To comply with international environment regulations, laws, and rules, the Company has established ISO14001 Environmental Management Systems, and set up policies on environment-	Consistent.
(II) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		“Comply with the laws and regulations, make good use of resources, full participation, continual improvement, corporate image, and corporate responsibility”. The relevant information has been disclosed on the Company’s website, and the general affairs unit of management department is responsible for Environmental Management Systems, the implementation of environmental policies, and supervising relevant matters.	
(III) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		The Company’s subsidiary listed above (Liton Technology Corp.) has passed the ISO14001 Environmental Systems Certificate and has set up a security unit that is responsible for environmental maintenance and public safety.	
(IV) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		(II) The Company adopts advanced technology and equipment, and is committed to environmental protection, energy conservation, industrial waste reduction and resource recovery and reuse. We promote the correct concept of environmental protection, develop good habits of pollution prevention and waste reduction, and require all the staff to participate in green environmental protection activities. The Company’s subsidiary listed above (Liton Technology Corp.) has improved raw material usage efficiency and reduced overall raw material usage. The cardboard boxes, old pallets, and iron pipes used in the manufacturing process have been recycled and reused to reduce waste.	
			(III) The Company abides by international green products regulations and fulfills the requirements of customers and has stipulated “Environmental Substance Management Policy” to regulate the hazardous substance content. The Company manages the substance composition of suppliers according to the “Environmental Substance Management Policy” and produce environmental protection products that meet customer requirements. Eliminate the use of prohibited substances and meet the requirements of environmental protection. The Company’s subsidiary listed above (Liton Technology Corp.) currently has no operational items to assess the impact of climate change on enterprises.	No variation.
			(IV) The Company adds up electricity consumption and CO2 emissions every month to control the implementation status of energy-saving and carbon-reduction operations in each unit and set up rainwater recycling to supply landscape ponds and toilet waste basins to save water consumption. For waste management, the Company implements garbage sorting, recycling of cash boards used in the manufacturing process, recycling of old pallets, etc., to achieve the purpose of garbage reduction.	Consistent.



Item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reason																						
	Yes	No	Summary description																							
			<p style="text-align: center;">Statistics for the last two years are as follows:</p> <p>Unit: tons</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <thead> <tr> <th rowspan="2">Item</th> <th colspan="2">Greenhouse gas (tCO₂e)</th> <th rowspan="2">Water consumption (t)</th> <th colspan="2">Total weight of waste (t)</th> </tr> <tr> <th>Category 1</th> <th>Category 2</th> <th>Hazardous waste</th> <th>General waste</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>557.2</td> <td>45,496.8</td> <td>319,741</td> <td>244.7</td> <td>160.7</td> </tr> <tr> <td>2021</td> <td>584</td> <td>48,053</td> <td>292,156</td> <td>231.3</td> <td>211.8</td> </tr> </tbody> </table> <p>Note 1: Category 1 refers to direct emissions from a process or facility. Category 2 refers to indirect emissions from the consumption of purchased electricity, heat, or steam as energy sources.</p> <p>Note 2: The data in the form is the result of the Company's own statistics and calculations and has not been checked by a third party.</p> <p>The Company's subsidiary listed above (Liton Technology Corp.) promotes energy-saving and carbon-reduction measures and uses equipment and products with energy-saving labels to reduce energy consumption and promote energy-saving and carbon reduction.</p>	Item	Greenhouse gas (tCO ₂ e)		Water consumption (t)	Total weight of waste (t)		Category 1	Category 2	Hazardous waste	General waste	2022	557.2	45,496.8	319,741	244.7	160.7	2021	584	48,053	292,156	231.3	211.8	
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<p>IV. Social Issues</p> <p>(I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p> <p>(II) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?</p> <p>(III) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?</p> <p>(IV) Has the Company established effective career development training programs for employees?</p> <p>(V) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?</p> <p>(VI) Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other report and other reports disclosing</p>	<p>V</p> <p style="text-align: center;">~</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(I) In the Company's human resources management system and work rules, all labor-related regulations (employment, working hours, wages, holidays, rewards and punishments, resignation, etc.) follow the national "Labor Laws" relevant regulations and respect for internationally recognized basic labor human rights principles and other requirements, and strictly require personnel of relevant units to implement accordingly.</p> <p>The Company's subsidiary listed above (Liton Technology Corp.) has stipulated employee codes and follows relevant labor laws and regulations, and protects the rights and interests of employees in the following ways :</p> <ol style="list-style-type: none"> (1) Handle employee health insurance, labor insurance, medical insurance and accident insurance. (2) Provide free regular health checks. (3) Set up an employee welfare committee to handle company trips and various employee benefits. (4) Allocate pension according to the law. (5) Provide on-the-job training for employees. (6) Formulate sexual harassment prevention, complaint and punishment measures. (7) Hold regular labor-management meetings. <p>(II) The Company stipulates various employee welfare measures such as salary, vacation, company trip, and severance pay in the work rules. The Company has established a performance appraisal system linked to individual and company operating results, and issue performance bonuses, year-end bonuses, employee bonuses and other remuneration based on the performance appraisal system.</p> <p>The Company's subsidiary listed above (Liton Technology Corp.) has formulated a remuneration</p>	<p>Consistent.</p> <p style="text-align: center;">~</p> <p>Consistent.</p>																						



Item	Implementation status (Note1)		Summary description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reason
	Yes	No		
non-financial information? Does the company obtain third party assurance or certification for the reports above?			system related to personnel regulations. The business performance will be reflected in employees' remuneration.	
			(III) The Company promises and abides by international conventions and National Work Safety Laws and Regulations , the company maintains industrial safety and employee health, and establishes a good occupational safety and health management system. The Company ensures the maintenance of occupational safety and health, continuously improves safety and health management, and regularly implements occupational safety and health education and training and employee health checks. The dedicated safety and environmental personnel will check the safety of the working environment at any time of the Company's subsidiary listed above (Liton Technology Corp.), and regularly hold safety training and physical health check for employees.	Consistent.
			(IV) The heads of units of the Company and the Company's subsidiary listed above (Liton Technology Corp.) at all levels formulate corresponding annual training plans according to their organizational goals and are trained according to the training plan.	Consistent.
			(V) The Company and the Company's subsidiary listed above (Liton Technology Corp.) abide by the marketing and labeling of products and services are handled in accordance with relevant laws, international standards and practices. We advocate and continue to promote green manufacturing and provide green products that comply with the relevant specifications of the EU Environmental Protection Directive (RoHS). Also, we also require material suppliers to effectively control prohibited substances, and jointly abide by the standards of the world's environmental protection policies. The Company's subsidiary listed above (Liton Technology Corp.) has established customer service professionals. They provide transparent and effective complaint handling for products and services.	Consistent.
			(VI) The Company and the Company's subsidiary listed above (Liton Technology Corp.) have to go through a supplier review before dealing with suppliers to assess its related operations and management policies in compliance with relevant norms such as environmental protection, occupational safety and health, or labor rights. In addition, for the new regulations, it is also required to provide relevant information for the Company's evaluation. The contract that the Company signed with major manufacturers has stated that it must "comply with the requirements of international environmental protection regulations". In addition, the Company may terminate or rescind the contract if they breach the contract, or the breach of the contract does not improve.	Consistent.
			The Company determines the environmental requirements for service procurement: Procurement	

Lelon's 2022 Annual Report



Item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reason
	Yes	No	Summary description	
			units require safety data sheets (SDS) for suppliers of raw materials and components identified by the R&D department that will affect or may affect major environmental considerations. And require these suppliers to comply with the requirements of environmental management and relevant regulations to decrease possible contamination.	
V. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquired third party verification or statement of assurance?	V		The Company has disclosed the "Social Responsibility" policies, regulations and measures and related implementation matters on the "Corporate Social Responsibility" webpage of the Company's website. And prepare the corporate social responsibility report with reference to the internationally accepted reporting guidelines. However, according to the assessment on regulations and management needs, there is no need to obtain third-party verification. N/A. The Company and the Company's subsidiary listed above (Liton Technology Corp.) did not submit corporate social responsibility or sustainability reports for verification in 2022.	No variation.
<p>VI. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: Establish a high-quality living environment, create a sustainable business philosophy, and implement the following goals.</p> <ol style="list-style-type: none"> 1. Environmental protection: Practice the participation of all employees in green environmental protection activities, energy saving and carbon reduction, resource recycling and reuse. And the Company will continually make improvements. 2. Health and Safety: Establish a safe, healthy, and comfortable environment. Pursue and establish the determination of zero occupational accidents. 3. Comply with the laws and regulations: Comply with relevant national laws, international agreements and other requirements. 4. Business ethics: Implement integrity management, prohibit improper interests, protect intellectual property rights, and ensure legitimate business practices. 5. Employee relations: Respect employees, improve communication channels and employee benefits, and create excellent labor-management relations. 6. Social welfare: Actively participate in social welfare and cultural activities to contribute to social welfare. <p>The Company's subsidiary listed above (Liton Technology Corp.) has not yet formulated "Sustainable Development Best Practice Principles."</p>				
<p>VII. Other important information to facilitate better understanding of the company's promotion of sustainable development:</p> <p>The systems and measures adopted by the Company for environmental protection, safety and health, gender equality, community participation, social welfare and other activities and their implementation status are as follows:</p> <ol style="list-style-type: none"> 1. Environmental friendly LELON ELECTRONICS CORP. abides by international green product standards and meets customer requirements and has formulated the "Environmental Substance Management Measures" to control the content of hazardous substances. The Company manages the material content of suppliers in accordance with the Environmental Substance Management Measures. We manufacture green and environmentally friendly products that meet customer requirements and eliminate the use of prohibited substances to meet the requirements of green environmental protection. Environmental policies: Comply with the law, make good use of resources, full participation, continual improvement, corporate image, and corporate responsibility". To comply with international environmental regulation and in accordance with national environmental laws and regulations, LELON ELECTRONICS CORP. has established ISO 14001 environmental management systems to guarantee the quality of the environment. In order to achieve environmental regulations, we are committed to environmental protection, energy saving and carbon reduction, and implement industrial waste reduction, reuse and recycling of resources. We will continually make improvements on the issue, and practice full participation in environmental activities. We promote the correct concept of environmental protection to manufacturers and the general public, maintain the natural environment and ecology of the earth, and ensure the sustainable green operation of enterprises. 				



Comply with the law: The Company complies with various environmental laws and regulations. To ensure environmental quality, we have established good environmental management systems.

Make good use of resources: The Company adopts advanced technology and equipment. We are committed to environmental protection, energy conservation, industrial waste reduction and resource recycling and reuse.

Full participation: Promote the correct concept of environmental protection, develop good habits of pollution prevention and waste reduction, and all employees participate in green environmental protection activities.

Make continual improvement: Implement various regulations on environmental management, and regularly audit and review the effectiveness of their implementation. We will make continual improvements and strive for sustainable operation.

Corporate image: Provide environmental information and experience interaction that enables the public, customers, and suppliers to understand the Company's environmental policies.

Corporate responsibility: Disclose the Company's environmental policies and implementation status to the public to make a contribution to maintain the harmonious coexistence of the earth and nature.

Since 2017, the Company actively controls the electricity usage and Co2 emissions (kg) of each plant to confirm the effectiveness of each unit in complying with the Company's energy-saving, carbon-reduction and environmental protection policies.

Self-collected data are shown in the table shown on the right

Factory	Year	Electricity usage		Co2 emission (kg)
Taiwan	2022	798,544		403,227
	2021	868,440		440,640
	Annual savings rate	8.05%		8.49%
Huizhou	2022	Mains electricity	Photovoltaic electricity	28,437,569
		35,361,314	546,178	
	2021	36,732,611		29,540,366
	Annual savings rate	2.20%		3.70%
Suzhou	2022	21,027,253		17,494,675
	2021	22,814,951		18,507,488
	Annual savings rate	7.84%		5.47%

* The Huizhou factory started implementing photovoltaic electricity generation in July 2022.

In response to the impact of climate change and the emergence of extreme weather as a new norm, the Company has joined the "Taiwan Climate Partnership" in July 2022. By leading the supply chain in carbon reduction efforts, the Company aims to set an example and meet the demands of international brand customers through tangible actions. Simultaneously, seeking to enhance the awareness of climate change issues among Taiwanese businesses and society. Through international advocacy and collaborations, the Company not only stays informed about global sustainability trends but also promote outstanding Taiwanese manufacturers on the international stage, showcasing the energy and determination of Taiwan's industrial sector in creating sustainable value.

2. Health and safety:

In order to promise to abide by international conventions and National Work Safety Laws and Regulations, and maintain industrial safety and employee health, the Company has implemented and established a well-organized occupational safety and health management system to guarantee the maintenance of occupational health and safety. To prevent occupational injuries and pursue the goal of zero occupational injury, Lelon Electronics Corp. practices full participation in making improvements on safety and health management to lower occupational health and safety risks. The Company establishes a healthy and comfortable working environment to assure employee safety and reach the Company's goal of sustainable operation.

Occupational health and safety policies: Comply with the regulations, suitable for operation, full participation, continuous improvement, responsibility and honor

- (I). Promise to abide by international convention and national industrial safety regulations National Work Safety Laws and Regulations.
- (II). Take industrial safety and employee health as the first consideration.
- (III). Implement full participation in continual industrial safety training.
- (IV). Prevent hazards and lower the risks of injuries to pursue the goal of zero occupational injuries.
- (V). Establish health and comfortable working environment to assure the Company's sustainable operation.

The Company and its invested subsidiaries arrange occupational safety and health and fire (disaster) prevention courses and drills in accordance with laws and regulations every six months. The cumulative number of participants has reached 3,500 in 2022.

3. Gender equality

The Company and its invested subsidiaries have paid attention to the friendly workplace environment for employees. In terms of the appointment of female employees, women accounted for 42.86 % of the employees who took office from January to December in 2022 and 46.96% from January to April in 2023. As at the end of 2022 and as at 40 April 2023, the female employees of the Company and its invested subsidiaries accounted for 47.91% and 47.98% of the total number of employees, respectively.

In terms of the policy, the Company has formulated an "Employee Handbook", "Work Rules", "Appointment Management Measures" and other internal operating regulations. Clearly declare the protection of employee rights for employees' working hours, leave, gender, etc., to ensure that employees are properly taken care of. For pregnant



employees, we provide pregnant women with exclusive parking spaces and breastfeeding/restrooms according to individual needs and give pregnant employees full care. The Company is committed to creating a gender-friendly working environment. With a diverse and inclusive workplace, women can give full play to their strengths and abilities in the workplace.

4. Community Involvement

The Company values our land and society. Therefore, we invest manpower, donate goods, and provide services to realize our commitment to give back to the village, promote industry-university cooperation, take care of students, and make contribution to society. Make efforts to build a better society and culture.

The main content of each social activity is briefly described as follows:

Participate in /Sponsor Police/Firefighter Activities

The Company and its invested subsidiaries support and affirm the hard work of the police and firefighter volunteers and assist in the provision and replacement of equipment. Since 2010, the Company has continued to participate in regional police/firefighter volunteer lectures, promotions, dinners, and year-end parties, etc. And we served as the advisory board of the Taichung Dali Renhua Firefighting Volunteer Team, have subsidized the purchase of fire-fighting equipment and sponsored related funds. A total of 280 people participated in the event, and more than 1,100 people benefited from the police and volunteer firefighters.

Industry-University Cooperation/Corporate Internship. Visits

To take care of local students and assist master students to understand the working ecology and workplace environment of the electronics industry. Since 2019, the Company has accepted graduate students of National Chung Hsing University to the Company's Taichung and Suzhou plants for 2 months of corporate internship, a cumulative number of 6 participants.

In order to strengthen the industry-university connection, the Company continues to cooperate with enterprises with excellent academic performance to visit universities. From 2019 to 2022, a total of 60 students – visit to our Suzhou plant: including the National Chin-Yi University of Technology, National Taipei University of Technology, Taipei Tech, etc.,

Promote reading

To help local students develop the habit of interdisciplinary learning and lifelong reading and give them the opportunity to explore/develop different talents and potentials. Since 2016, the Company has cooperated with Global Views Monthly for 6 consecutive years and participated in the public welfare project of "Sowing the Seeds of Reading: Giving Children a Great Future". The project gives back/donates the "Future Youth" monthly magazine to 12 elementary schools and 6 public junior high schools in the Dali District of Taichung, accumulatively benefiting 6,000 students each year.

Dream Realization Plan

Based on corporate citizenship, the Company fulfills its corporate social responsibilities. In order to assist and encourage students from poor families to actively work hard to learn and contribute what they have learned and give back to society in the future, the Company formulated and announced the implementation measures of the "Dream Realization Plan for Poor Students". The plan pays the full tuition (credits)/miscellaneous fees of the poor students in the middle of Taiwan to university graduation to support them to complete their studies/employment dreams. The cumulative number of 3 students have benefited from the plan in 2022

Sponsorship of school events/scholarships.

Donation of living allowances to outstanding athletes (swimmers) at National Taiwan University of Sport, benefiting over 5 students cumulatively.

5. Social welfare

The Company upholds the concept of being enthusiastic about public welfare and giving back to society. In addition to community participation, we also irregularly participate in various emergency assistance and support activities for the social welfare of vulnerable groups and medical care groups, the relevant activities as listed below:

Emergency assistance

- Donation for Sichuan Earthquake in China
- Donation for 88 flood in Taiwan
- Donation for 0801 gas explosions in Kaohsiung
- Participate in the social welfare of The Entrepreneur Club in Taichung
- Donation for the colored powder fire disaster in New Taipei City
- Donations for Tainan 0206 Earthquake
- Donations for Hualien 0206 Earthquake

The cumulative donation amount exceeds NT\$1,200,000.

Support the welfare of the disadvantaged

- Since 2011, the Company has subscribed to the Mid-Autumn Festival, Dragon Boat Festival, and New Year gift boxes every year from social welfare groups. (Children Are Us Foundation/FHL XinWangAi Intelligent Development Center/Syin-Lu Social Welfare Foundation/Down Syndrome Foundation ROC...etc.) as holiday gifts for the executives. Also, the Company supports funds for disadvantaged social welfare institutions, and the



cumulative purchase amount exceeds NT\$350,000.

- Sponsor The Garden of Hope Foundation: Sponsored the budget for community anti-violence publicity and dedicated exhibitions in Taichung.

A cumulative number of over 100 people have participated /benefited from the activity.

Sponsor medical activities and equipment

- Sponsored Liver Disease Prevention& Treatment Research Foundation: Sponsored the Hepatitis and liver cancer screening public welfare activities.
- Subscribed to HaoXinGan Foundation: Subscribed to the liver disease medical center equipment.
- Sponsorship of epidemic prevention supplies for medical institutions: Donation of epidemic prevention/medical equipment and supplies to Taichung Veterans General Hospital, Chung Shan Hospital and Jen-Ai Hospital.
- Sponsorship for Bike Angels Association in Taoyuan, Hsinchu, and Chiayi: Epidemic prevention supplies.
- Sponsorship of the Liver Disease Prevention and Treatment Research Foundation: Free abdominal ultrasound screening events throughout Taiwan.

The accumulated donation amount exceeds NT\$1.6 million; A cumulative number of over 400 people participated /benefited from the activity.

Note 1: The materiality principle refers to issues related to the environment, society and corporate governance that have a significant impact on company investors and other stakeholders.

(VI) Climate-Related Information of TWSE/TPEX Listed Company:

N/A, as the relevant conditions have not been met yet.



(VII) Ethical practices and actions taken by the Company:

Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
I. Establishment of ethical corporate management policies and programs			
(I) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		<p>No variation.</p>
(II) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	V		
(III) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V		
			<p>(I) The Company's corporate culture "Integrity": integrity and responsibility and sustainable management;" Simplicity": Simplicity and inquisitiveness; "Quick": Reacting quickly, taking action and staying ahead; "Care": Caring for the employees, customers, investors and the community.</p> <p>The Company has established a "Code of Ethics" and a "Work Rules - Service Guidelines" which require Directors, Supervisors and employees to perform their duties with integrity and in accordance with professional standards, avoiding opportunities for personal gain and prohibiting gifts, bribes or improper benefits.</p> <p>The "CSR" section of the Company's website also clearly states the "Code of Business Ethics": To build a company with an ethical business ethic and the highest standards of integrity in all business interactions. On 19 March 2015, the Board of Directors approved the "Code of Ethics", which requires that all business activities of the Company, the Board of Directors and senior management must comply with the requirements of the law and social ethics, and actively implement the commitments of the management policy, and that the management representatives and employees must comply with the integrity requirements; Integrity policies are comprehensive in nature and therefore the policies on corruption prevention, ethics and corporate integrity are all included in the Integrity Policy, while related activities and operations are implemented in accordance with internal control procedures and internal control self-inspection procedures.</p>
			<p>(II) The Company's management regularly educates employees on the "corporate culture" and "work rules" at monthly meetings and training activities so that they are fully aware of the Company's commitment to integrity, policies, prevention programs and the consequences of unethical conduct.</p> <p>The Company's management regularly analyses and evaluates business activities within the scope of business that carries a higher risk of unethical conduct. In addition, the "Code of Ethics" shall be developed and evaluated/adjusted as necessary, and shall cover, but not be limited to, the prevention and control measures for the conduct in Article 7, paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/ GTSMListed Companies".</p>
			<p>(III) In order to implement ethical management, the Company has established an effective accounting system and internal control system, and the internal audit office regularly examines the compliance with the "Code of Ethics", the Work Rules and other procedures for ethical conduct.</p>



Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			In addition, the internal audit office shall regularly report to the Board of Directors and the Supervisors on the contents of the system, the implementation of the system by the relevant units, non-compliance, disciplinary actions and proposed adjustments to the system, etc. The management unit reviews and revises the "Code of Ethics" and "Work Rules" regularly based on audit reports and employee complaints.	
II. Ethical Management Practice				
(I) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V		(I) The Company requires its suppliers to sign a "Management and Business Ethics Letter", in which they undertake to conduct their business activities with the Company in compliance with all laws and regulations. In addition, the Company requires its personnel not to seek or accept any benefits in the course of conducting the Company's business, either locally or elsewhere, and to treat our business partners, suppliers, etc. with integrity, professionalism and fairness.	In compliance.
(II) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	V		(II) The President's Office and the Management Department of the Company have formed a dedicated team to promote corporate integrity management, which is responsible for the implementation and promotion of relevant policies and operational plans, as well as arranging inspections of relevant systems. If any unusual circumstances are discovered, they will be reported to the Supervisor and the Board of Directors (at least once a year). The Head of Audit regularly attends the Board of Directors' meetings and provides audit reports and recommendations on the implementation of the Company's various management practices and integrity management policies.	In compliance.
(III) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		The company adheres to the requirements of the RBA Responsible Business Alliance Code of Ethics. All business activities must comply with legal requirements and social ethics, and management representatives and employees must comply with integrity requirements; Integrity Policies are comprehensive, so corruption prevention, ethics and corporate integrity are all included in the Integrity Policy, and related activities and operations are implemented in accordance with internal control procedures and internal control self-inspection procedures. The Board of Directors has delegated responsibility in accordance with the delegation of authority and conducts regular/ occasional inspections on each procedure through internal audit, Supervisor, the Audit Committee and the Remuneration Committee. There have been no material deficiencies in each of the project reports.	
(IV) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V			
(V) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		(III) All employees of the Company and its subsidiaries shall comply with the "Code of Ethics" to prevent conflicts of interest, and shall work in the best interests of the Company, protect the legitimate economic interests of the Company, and oppose all actions that damage the interests and image of the Company; A reporting channel shall be established for complaints, and	In compliance.



Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>where a breach of the Act or this Code of Ethics is suspected or discovered, sufficient information shall be retrieved and reported to the Supervisor, the Manager, the Head of Internal Audit or other appropriate person.</p> <p>(IV) The accounting system of the Company is adopted in accordance with the Securities and Exchange Act, the Company Act, the Business Entity Accounting Act, the Regulations Governing the Preparation of Financial Reports by Public Companies, the International Financial Reporting Standards approved by the Financial Supervisory Commission (Taiwan), international accounting standards, interpretations and interpretation announcements, and other relevant laws and regulations, and is based on the actual business conditions of the Company; The internal control system was established with reference to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and other relevant regulations, and has been effectively implemented.</p> <p>Based on the results of the risk assessment, the Audit Office prepares an annual audit plan to audit the compliance with the "Code of Ethics", the accounting system and the internal control system, and reports to the Board of Directors.</p> <p>(V) The Company provides regular and occasional training courses, monthly meetings, and monthly newsletters to educate new employees on work rules, corporate culture, and various requirements on work ethics and integrity.</p> <p>The Company and its subsidiaries have organized 2,788 internal and external training courses related to integrity management issues (including compliance with integrity management regulations, product safety management and testing, accounting system and internal control/internal audit) for a total of 2,957 hours in 2022.</p>	<p>In compliance.</p> <p>In compliance.</p>
<p>III. Implementation of Complaint Procedures</p> <p>(I) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blower?</p> <p>(II) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?</p> <p>(III) Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>(I) The Company's "Code of Ethics" encourages employees to report to their Supervisors, Managers, the Head of Internal Audit or other appropriate personnel any suspected or discovered a violation of the Code or the "Code of Ethics" with sufficient information. Once a report is confirmed, the company shall reward the employee as appropriate in accordance with the "Work Rules".</p> <p>The Company has a dedicated mailbox for employee reports and an email address for online complaints on the Lelon Electronic Information Website, which provides a channel for employees to report and complain about breaches of integrity management rules.</p> <p>(II) The Company's contractors shall handle reports in a confidential and responsible manner and shall take follow-up measures upon completion of the investigation to ensure that the safety of whistleblowers is fully protected from any form</p>	<p>In compliance.</p> <p>In compliance.</p>	



Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			of threat, as set out in the internal rules. (III) The "Code of Ethics" states that if a whistleblower is subjected to retaliation, threats or harassment as a result of his or her whistleblowing behavior, he or she should immediately report the matter to his or her supervisor or Manager for immediate action and appropriate treatment by the Reviewing Officer.	In compliance.
IV. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		(I) A company website is set up to disclose information on the company's profile, basic information and financial information, social responsibility policy, compliance with national laws and regulations, ethical business practices, etc. The company's information is disclosed in a real-time, public and transparent manner on a regular basis on the MOPS. (II) The Company publishes and announces the Code of Business Ethics on the "About Lelon/CSR" page of the Company's website, and designates a dedicated unit to collect, consolidate and disclose relevant information on the Company's website on a regular basis.	In compliance. In compliance.
V. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: All employees, managers, directors and supervisors of the Company must comply with the Code of Ethics and related regulations, and implement the principles of integrity, fairness and transparency, self-discipline and responsibility in the daily business activities, and establish a good corporate governance and risk control mechanism for the sustainable development of the Company.				
VI. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles): (I) The Company complies with the requirements of the Company Act, the Securities and Exchange Act, the regulations and laws related to listing on the stock exchange, and the Code of Ethics of the Responsible Business Alliance (RBA), which requires the Company and its employees to conduct business with integrity and prohibits any external business dealings with counterparties involving unethical conduct. (II) Training on corporate culture and work rules is provided to new employees to enable them to fully understand the company's commitment to integrity, policies, preventive measures and the consequences of unethical conduct. (III) For suppliers who have a business relationship with the Company, they are required to sign a "Management and Business Ethics Letter of Undertakings", which requires them to comply with all laws and regulations and the code of conduct for employees in conducting business with the Company.				

(VIII) Access to the Company's Corporate Governance Best Practice Principles and related regulations

1. The Company has established a "Social Responsibility Policy" which is available on the Company's website (Available at: Company website / CSR) and requires all employees to comply with: Environmental safety and health, occupational safety and health policy, environmental policy, environmental substance management system, quality policy, human resources policy, compliance with national laws and regulations, business ethics, employee relations management...etc.
2. The Company has established a written internal control system, the Articles of Incorporation and the Rules of Procedure of the Board of Directors' Meeting in accordance with the laws and regulations of the competent authorities to implement and



regulate the operation and management of the Directors, Supervisors, Managers and the Company.

3. "Internal Procedures for Handling Material Information"

- (1) The Company and the public company (Liton Technology Corp.) have established Internal Procedures for Handling Material Information and procedures for the handling of material information for the purpose of corporate governance.
- (2) An announcement will be made on the Company's website when the "Procedures for the Management of Material Internal Information and Prevention of Insider Trading" are finalized or subsequently revised.

4. Code of Ethics"

- (1) In order to strengthen corporate governance and establish an internal management mechanism, the Company has established a "Code of Ethics" which was submitted to the Board of Directors for approval in 2015. All employees, managers, directors and supervisors of the Company are obliged to comply with the provisions of this Code and the relevant regulations, and to implement the business principles of integrity, fairness and transparency, self-discipline and responsibility in the daily business activities, and to establish a good corporate governance and risk control mechanism for the sustainable development of the Company.
- (2) An announcement will be made on the Company's internal and external websites when the "Code of Ethics" is finalized or subsequently amended.

(IX) Additional information essential to a better knowledge of the operation of Corporate Governance

Please refer to pages 35 to 39 for the description in Note 2 at the end of the table, "The operation of Corporate Governance and the variation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons".

(X) The following should be disclosed regarding the status of implementation of the internal control

1. Statement of Declaration of Internal Control: Please refer to page 113.
2. Review Report of the CPA on the Internal Control System: None.

(XI) Information on the disciplinary penalties imposed on the Company and its internal staff in accordance with the law, the content of the penalties imposed on the Company's internal staff for non-compliance with the provisions of the internal control system, the major deficiencies and improvements made in the most recent year and up to the date of printing of the annual report

None.

(XII) Key Resolutions of the General Meeting and the Board of Directors for the most recent year and up to the printing date of the Annual Report

1. Key resolutions of the General Meeting for 2022 and up to the date of printing of the Annual Report (30 April 2023):



Meeting of Shareholders

Date	Key resolutions of the Meeting of Shareholders
29 June 2022 2022 Annual Meeting of Shareholders	Approved the Business Report and Financial Statements for 2021.
	Approved the 2021 Dividends Distribution. Execution: The distribution of cash dividends from 2021 earnings to shareholders in the amount of NT\$522,812,246, allotted at NT\$3.2 per share, was completed on 29 August 2022.
	Approved the amendments to certain provisions of the "Rules for Director and Supervisor Elections".
	Approved the amendments to certain provisions of the Rules of Procedure for Shareholder Meetings.
	Approved the amendment of certain provisions of the Company's Articles of Incorporation.
	Approved the amendments to certain provisions of the "Operational procedures for Acquisition and Disposal of Assets".
	Approved the amendments to certain provisions of the "Operational Procedures for Loaning of Company Funds".
	Approved the amendments to certain provisions of the "Operational Procedures for Endorsements and Guarantees".
	Approved the amendments to certain provisions of the "Operational Procedures for Engaging in Derivatives Trading".
	Approved the proposal of the private placement of cash capital by the Company. Execution: The General Meeting of Shareholders resolved to authorize the Board of Directors to increase the capital of the private placement of ordinary shares in cash in two installments within one year from the date of the resolution, within the limit of 16,300,000 shares, which has not been implemented as at the printing date of the annual report (30 April 2023).
	Proposal for Election of the 16th Board of Directors (including Independent Directors) List of elected directors: Representative, T.C. Wu, of ChiFa Enterprise Co., Ltd., Cheng-Hung Chang, Jimmy Wu, Xing-Shu Ke and Lien-Heng Liao. List of elected independent director: Chi-Wei Lin, Jimmy Ou, C. Y. Wei and Samuel Kuo. Execution: Approved by the Ministry of Economic Affairs for the registration of change on 26 July 2022.
Approved the proposal of release of the prohibition on newly elected directors of the 16 th term from participation in competitive business.	

2. Key resolutions of the General Meeting for 2022 and up to the date of printing of the Annual Report (30 April 2023):

Board of Directors

Date of Board Meeting	Key resolutions of the Board
20 January 2022 The 17 th Session of the 15 th Board of Directors	<ol style="list-style-type: none"> 1. The approval of the Remuneration Committee for the proposed remuneration for the directors, supervisors and managers of the Company for 2022 and the performance evaluation and year-end bonuses for the managers for 2021. 2. The review and approval of the Remuneration Committee for the year-end bonus for the chairman of the Company and the year-end bonus for 2021. 3. Regular assessment of the independence of the CPA. 4. Establishment of a capital increase base date for the conversion of the Company's "Second Domestic Unsecured Convertible Bonds" and "Third Domestic Unsecured Convertible Bonds" to issue new shares in the fourth quarter of 2021. 5. The loan of funds from Lelon Electronics (Huizhou) Co., Ltd., a sub-subsidiary of the Company, to Lelon Electronics Technology (Suzhou) Co., Ltd., a sub-subsidiary of the Company.



Date of Board Meeting	Key resolutions of the Board
<p>24 March 2022 The 18th Session of the 15th Board of Directors</p>	<ol style="list-style-type: none"> 1. Self-inspection of the internal control system for 2021. 2. Finalizing the operating budget for 2022. 3. Distribution of remuneration to employees and directors and supervisors for 2021. 4. The business report and financial statements for 2021. 5. The surplus distribution proposal for 2021. 6. Amendments to certain provisions of the “Rules of Procedure for Shareholder Meetings”. 7. Amendments to certain provisions of the “Rules for the Election of Directors and Supervisors” of the Company. 8. Amendment of certain provisions of the Company's Articles of Incorporation. 9. Amendments to certain provisions of the Company's “Procedures for the Acquisition or Disposal of Assets”. 10. Amendments to certain provisions of the Company's “Procedures for the Lending of Funds to Others”. 11. Amendments to certain provisions of the Company's “Rules for the Treatment of Endorsements and Guarantees”. 12. Amendments to certain provisions of the “Regulations Governing Procedure for Board of Directors Meetings” of the Company. 13. Amendments to certain provisions of the “Remuneration Committee Charter” of the Company. 14. Establishment of the “Audit Committee Charter” of the Company. 15. A complete re-election of directors. 16. Nomination of director and independent director candidate. 17. Removal of restriction on new directors and their representatives from competition. 18. The proposal to convene the 2022 Annual General Meeting. 19. The loan of funds from Lelon Electronics (Suzhou) Co., Ltd., a sub-subsidiary of the Company, to Lelon Electronics Technology (Suzhou) Co., Ltd., a sub-subsidiary of the Company. 20. The proposal of extension of loan period between the Company's sub-subsidiaries, Lelon Electronics (Suzhou) Co., Ltd. and Lelon Electronics Technology (Suzhou) Co., Ltd. 21. Application for credit from financial institutions by the Company.
<p>11 May 2022 The 19th Session of the 15th Board of Directors</p>	<ol style="list-style-type: none"> 1. The annual salary adjustment and promotion of the managerial officers for 2022. 2. The annual salary adjustment of the Chairman for 2022. 3. Establishment of a capital increase base date for the conversion of the Company's “Second Domestic Unsecured Convertible Bonds” and “Third Domestic Unsecured Convertible Bonds” to issue new shares in the first quarter of 2022. 4. Application for credit from financial institutions by the Company. 5. Amendment to certain provisions of “Employee Transfer of 11th Repurchased Shares Policy” of the company. 6. Amendment to certain provisions of “Codes of Ethics” of the company. 7. Amendments to certain provisions of the “Procedures for the Management of Material Internal Information and Prevention of Insider Trading”. 8. Amendments to certain provisions of the “Operational Procedures for Engaging in Derivatives Trading”. 9. The state of implementation of private placement. 10. Proposal for private placement to increase capital. 11. Amendment to agenda for the 2022 Meeting of Shareholders. 12. 2022 Q1 Financial Statements
<p>29 June 2022 The 1st Session of the 16th Board of Directors</p>	<ol style="list-style-type: none"> 1. Election of Chairman. 2. Proposal for election of member of Remuneration Committee.



Date of Board Meeting	Key resolutions of the Board
21 July 2022 The 2 nd Session of the 16 th Board of Directors	<ol style="list-style-type: none"> 1. Amendment to certain provisions of “Regulations on Implementation of Internal Control”. 2. Proposal to increase the Company's indirect investment in Lelon Electronics Technology (Suzhou) Co., Ltd 3. Establishment of a capital increase base date for the conversion of the Company's “Third Domestic Unsecured Convertible Bonds” and to issue new shares in the second quarter of 2022. 4. Proposal of release of the prohibition on directors from participation in competitive business.
10 August 2022 The 3 rd Session of the 16 th Board of Directors	<ol style="list-style-type: none"> 1. Distribution of remuneration to directors and supervisors for 2021. 2. Distribution of employee compensation for managerial officers for 2021. 3. Project bonus of senior managerial officer for 2022. 4. Proposal to establish the “Sustainable Development Committee” and drafting the “Charter of the Sustainable Development Committee”. 5. Proposal of appointment of members of the Sustainable Development Committee. 6. The designation of “Chief Corporate Governance Officer”. 7. Application for credit from financial institutions by the Company. 8. 2022 Q2 Consolidated Financial Statements
10 November 2022 The 4 th Session of the 16 th Board of Directors	<ol style="list-style-type: none"> 1. Development of the Annual Internal Audit Plan for 2023. 2. Amendments to certain provisions of the “Procedures of Management of Control Activities”. 3. Amendment to the “Rules of Procedure of the Meeting of Board of Directors”. 4. Amendments to certain provisions of the “Procedures for the Management of Material Internal Information and Prevention of Insider Trading”. 5. Establishment of a capital increase base date for the conversion of the Company's “Third Domestic Unsecured Convertible Bonds” and to issue new shares in the third quarter of 2022. 6. Application for credit from financial institutions by the Company. 7. 2022 Q3 Consolidated Financial Statements. 8. Professional fees for the CPAs of the company.
12 January 2023 The 5 th Session of the 16 th Board of Directors	<ol style="list-style-type: none"> 1. The Remuneration Committee has reviewed and approved the proposal of salary and remuneration items for Directors, Audit Committee members, Sustainable Development Committee members, and managerial officers to be implemented in 2023. Additionally, they have reviewed the performance assessments and year-end bonus plan for managerial officers for 2022. 2. The Remuneration Committee has reviewed and approved the proposal of performance assessments and year-end bonus plan for Chairman for 2022. 3. Establishment of a capital increase base date for the conversion of the Company's “Third Domestic Unsecured Convertible Bonds” and to issue new shares in the fourth quarter of 2022.
23 March 2023 The 6 th Session of the 16 th Board of Directors	<ol style="list-style-type: none"> 1. Self-inspection of the internal control system for 2022. 2. Preparation of the 2023 annual operating budget 3. Distribution of employee compensation and director remuneration for 2022. 4. 2022 Business Report and Financial Statements. 5. Distribution of 2022 Profits. 6. Proposal of release of the prohibition on directors from participation in competitive business. 7. Amendment to agenda for the 2023 Meeting of Shareholders. 8. Regular assessment of independence of the CPAs. 9. Replacement of the attesting CPAs of the Financial Statements. 10. List of non-assurance services expected to be provided by Ernst & Young Taiwan and its affiliates in 2023. 11. Application for credit from financial institutions by the Company.



(XII) The content of the major disagreements by Directors or Supervisors with respect to key resolutions passed by the Board during the most recent year and up to the date of printing of the Annual Report, where such disagreements are recorded or stated in writing

This does not apply to the Company.

(XIV) Summary of the resignations of the Chairman, President, Head of Accounting, Head of Finance, Head of Internal Audit, Head of Corporate Governance and Head of Research and Development of the Company for the most recent year and up to the date of printing of the Annual Report

This does not apply to the Company.

(XV) The acquisition of relevant licenses by the Company's personnel related to the transparency of financial information as specified by the competent authorities

(1) ROC CPA: 1 from Finance Department.

(2) IIA: 1 from the Audit Office.

(3) CIA: 1 from the Audit Office.

V. Information on Audit Fee for CPAs Service:

Information on professional fees for CPAs

Accounting firm	Name of CPAs		CPA audit period	Audit fee	Non-audit fee	Total	Remark
Ernst & Young	Yu-Ting Huang	Ming-Hung, Chen	2022	3,800	1,258	5,058	None

Please specify the non-audit fee: (e.g., tax compliance audit, assurance or other financial advisory services)

NT\$200 thousand for tax compliance audit, NT\$425 thousand for transfer pricing, group master file, NT\$280 thousand for the translation of financial statements and annual report and NT\$353 thousand for business registration and others.



VI. Information on Replacement of CPAs

(I) Information regarding the former CPAs

Date of replacement	Approved by the Board of Directors on 23 March 2023		
Reason for replacement and explanation	To comply with the regulatory requirement of the securities authority regarding the rotation mechanism for auditors, the auditors responsible for the audit engagement of the company's financial statements, CPAs Yu-Ting Huang and Ming-Hung Chen, will be replaced by CPAs Ching-Yuan Tu and Wen-Chen Lo starting from the first quarter of 2023.		
Describe whether the Company terminated, or the CPAs terminated or did not accept the engagement	Parties		
	Circumstances	CPAs	The Company
	Terminated the engagement	N/A	N/A
	No longer accepted (discontinued) the engagement		N/A
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	N/A		
Disagreement with the Company?	Yes	Accounting principles or practices	
		Disclosure of financial reports	
		Audit scope or steps	
		Other	
	No		
	Specify details: N/A		
Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A of Regulations Governing Information to be Published in Annual Reports of Public Companies)	N/A		

(II) Information Regarding the Successor CPAs

Name of accounting firm	N/A
Names of CPAs	N/A
Date of engagement	N/A
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	N/A
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	N/A

(III) Reply letter from the former CPA on the matters required by Rule 10.5(1) and (2)(3) of the "Regulations Governing Information to be Published in Annual Reports of Public Companies"

N/A.



VII. Information on the Chairman, President, or Manager Responsible for Financial or Accounting matters of the Company who has Worked for a Firm of the CPA or its Affiliates within the Last Year

N/A; The Chairman, the President, the Manager in charge of financial or accounting matters of the Company have not worked for a company or organization listed as an affiliate of the firm of CPAs or the CPA of the firm of CPAs holding more than 50% of the shares or obtaining more than half of the directorships in the firm of CPAs or the firm of CPAs in the last one year. Therefore, it is N/A.

VIII. Movements in Shareholdings and Pledges of Shareholdings of Directors, Supervisors, Managers and Shareholders Holding More than 10% of the Shares During the Most Recent Year and up to the Date of Printing of the Annual Report

(I) Movements in shareholdings of Directors, Supervisors, Managers and Substantial Shareholders

Title (Note 1)	Name	2022		As at 30 April 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	ChiFa Enterprise Co., Ltd. Representative: T.C. Wu	0	0	0	0
Director	Cheng-Hung Chang	0	0	0	0
Director	Xing-Shu Ke	0	0	0	0
Director	Lien-Heng Liao	0	0	0	0
Director	Jimmy Wu	0	0	0	0
Independent Director	Jimmy Ou	0	0	0	0
Independent Director	Chi-Wei Lin	0	0	0	0
Supervisor	De-Fu Wu	0	0	0	0
Supervisor	Kuo-Ching Cheng	0	0	0	0
President	Jimmy Wu	0	0	0	0
Vice President	Linda Chen	0	0	0	0
Vice President	David Wang	0	0	0	0
Senior Manager	Jenny Chang	0	0	0	0
Senior Manager	Ethan Lin	0	0	0	0
Senior Manager	Andy Yeh	0	0	0	0
Senior Manager	C.M. Wu	0	0	0	0
Senior Manager	Addie Lin	0	0	0	0
Senior Manager	Jackson Yen	0	0	0	0
Senior Manager	Matt Chien	0	0	(2,000)	0



Title (Note 1)	Name	2022		As at 30 April 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Manager of Finance Department	Erica Lin	0	0	0	0
Shareholders holding more than 10% of the shares	Chyi Fa Co., Ltd	133,000	0	0	0

Note: Represents the names of Directors, Supervisors, Managers and shareholders holding more than 10% of the shares of the Company.

(II) Information on transfers of shareholdings

Where the Directors, Supervisors, Managers and Shareholders holding more than 10% of the shares were related parties during the most recent year and up to the date of printing of the Annual Report: None.

(III) Information on share pledges

There were no Directors, Supervisors, Managers and shareholders holding more than 10% of the shares pledged as related parties in the latest year and up to the date of printing of the Annual Report: None.



IX. Information on the Top Ten Shareholders Who are Related Parties or Related by Consanguinity, such as Spouses or Second-Degree Relatives

Information on the relationship between the top ten shareholders in terms of shareholding

30 April 2023

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Title (or name)	Relationship	
Representative of Chyi Fa Co., Ltd: C.M. Wu	25,619,291	15.55%	0	0%	0	0%	C.M. Wu	Himself	None
T.C. Wu	8,031,115	4.87%	0	0%	0	0%	Jimmy Wu	First-degree relative	None
							C.M. Wu	First-degree relative	
							Jen-Ming Wu	First-degree relative	
							De-Fu Wu	Second-degree relative	
Jui-Min Chang	8,027,996	4.87%	0	0%	0	0%	None	None	None
C.M. Wu	7,805,734	4.74%	0	0%	0	0%	T.C. Wu	First-degree relative	None
							Jimmy Wu	Second-degree relative	
							Jen-Ming Wu	Second-degree relative	
Jimmy Wu	7,624,929	4.63%	856,432	0.52%	0	0%	T.C. Wu	First-degree relative	None
							Jen-Ming Wu	Second-degree relative	
							C.M. Wu	Second-degree relative	
Jen-Ming Wu	6,774,273	4.11%	0	0%	0	0%	T.C. Wu	First-degree relative	None
							Jimmy Wu	Second-degree relative	
							C.M. Wu	Second-degree relative	
Yu-Kuang Cheng	4,258,130	2.58%	0	0%	0	0%	None	None	None
Cheng-Hung Chang	3,086,493	1.87%	681,494	0.41%	0	0%	None	None	None
De-Fu Wu	2,771,647	1.68%	0	0%	0	0%	T.C. Wu	Second-degree relative	None
Fang-Mei Wu	1,686,386	1.02%	0	0%	0	0%	De-Fu Wu	First-degree relative	None

Note 1: List all the top ten shareholders and, where they are institutional shareholders, list the name of the institutional shareholder and the name of the representative separately.

Note 2: The proportion of shareholding is calculated as the percentage of shareholding in one's own name, in the name of one's spouse, in the name of one's minor children or under the name of another person.

Note 3: The shareholders listed in the preceding statement include both legal and natural persons and are required to disclose their relationship with each other in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.



X. The Number of Shares Held by the Company, its Directors, Supervisors, Manager and Undertakings under the Direct or Indirect Control of the Company in the Same Investment and the Overall Ratio of the Combined Shareholding

Ownership of Shares in Affiliated Enterprises

30 April 2023; Unit: Share; %

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Liro Electronics Co., Ltd.	26,005,137	89.47%	1,710,000	5.88%	27,715,137	95.35%
Liton Technology Corp.	43,731,598	30.81%	6,402,339	6.52%	50,133,937	35.33%
Surge-Lelon Llc.	0	45.00%	0	0%	0	45.00%

Note: Represents the long-term investment of the Company using the equity method.



Chapter IV. Status of Fundraising

I. Capital Stock and Shares:

(I) Sources of capital:

Sources of capital

Month/ Year	Offering price	Authorized capital		Capital Stock		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Sources of capital	Non-cash investment in kind	Others
August 1999	10	45,491,998	454,919,980	45,491,998	454,919,980	Capitalization of retained earnings NT\$112,048,780	0	Note 1
April 2000	10	80,000,000	800,000,000	57,000,000	570,000,000	Capitalization of retained earnings 92,334,020 Capitalization of additional paid-in capital NT\$22,746,000	0	Note 2
October 2000	10	80,000,000	800,000,000	67,000,000	670,000,000	Cash capital increase NT\$100,000,000	0	Note 3
October 2001	10	128,000,000	1,280,000,000	90,750,000	907,500,000	Capitalization of retained earnings NT\$197,300,000 Capitalization of additional paid-in capital NT\$40,200,000	0	Note 4
October 2002	10	180,000,000	1,800,000,000	118,400,000	118,400,000	Capitalization of retained earnings NT\$203,900,000 Capitalization of additional paid-in capital NT\$72,600,000	0	Note 5
September 2003	10	180,000,000	1,800,000,000	138,828,000	1,388,280,000	Capitalization of retained earnings NT\$156,920,000 Capitalization of additional paid-in capital NT\$47,360,000	0	Note 6
October 2004	10	180,000,000	1,800,000,000	148,050,000	1,480,500,000	Capitalization of retained earnings NT\$92,220,000	0	Note 7
November 2007	10	180,000,000	1,800,000,000	148,454,000	1,484,540,000	Employee stock options converted to common shares NT\$4,040,000	0	Note 8
May 2009	10	180,000,000	1,800,000,000	146,997,000	1,469,970,000	Treasury stocks reduction of NT\$1,457,000	0	Note 9
September 2012	10	180,000,000	1,800,000,000	154,346,850	1,543,468,500	Capitalization of retained earnings NT\$73,498,500	0	Note 10
August 2015	10	180,000,000	1,800,000,000	131,194,822	1,311,948,220	Cash capital reduction of NT\$231,520,280	0	Note 11
October 2018	10	180,000,000	1,800,000,000	129,219,822	1,292,198,220	Cancellation of treasury shares NT\$19,750,000 due to capital reduction.	0	Note 12
April 2019	10	360,000,000	3,600,000,000	129,219,822	1,292,198,220	-	0	Note 13
November 2020	10	360,000,000	3,600,000,000	137,086,719	1,370,867,190	Conversion of convertible bonds to common shares NT\$78,668,970	0	Note 14
December 2020	10	360,000,000	3,600,000,000	145,086,719	1,450,867,190	Cash capital increase NT\$80,000,000	0	Note 15
February 2021	10	360,000,000	3,600,000,000	153,263,561	1,532,635,610	Conversion of convertible bonds to common shares NT\$81,768,420	0	Note 16
June 2021	10	360,000,000	3,600,000,000	159,420,170	1,594,201,700	Conversion of convertible bonds to common shares NT\$61,566,090	0	Note 17
August 2021	10	360,000,000	3,600,000,000	160,378,036	1,603,780,360	Conversion of convertible bonds to common shares NT\$9,578,660	0	Note 18
December 2021	10	360,000,000	3,600,000,000	162,159,579	1,621,595,790	Conversion of convertible bonds to common shares NT\$17,815,430	0	Note 19
March 2022	10	360,000,000	3,600,000,000	162,901,064	1,629,010,640	Conversion of convertible bonds to common shares NT\$7,414,850	0	Note 20
June 2022	10	360,000,000	3,600,000,000	163,467,950	1,634,679,500	Conversion of convertible bonds to common shares NT\$5,668,860	0	Note 21
August 2022	10	360,000,000	3,600,000,000	163,495,160	1,634,951,600	Conversion of convertible bonds to common shares NT\$272,100	0	Note 22
November 2022	10	360,000,000	3,600,000,000	163,543,235	1,635,432,350	Conversion of convertible bonds to common shares NT\$480,750	0	Note 23
January 2023	10	360,000,000	3,600,000,000	164,146,585	1,641,465,850	Conversion of convertible bonds to common shares NT\$6,033,500	0	Note 24

Note 1: Letter (88) Tai-Tsai-Cheng-(Yi) No. 70673 dated 30 July 30, 1999

Note 2: Letter (89) Tai-Tsai-Cheng-(Yi) No. 47062 dated 31 May 31, 2000



- Note 3: Letter (89) Tai-Tsai-Cheng-(Yi) No. 66771 dated August 16, 2000
 Note 4: Letter (90) Tai-Tsai-Cheng-(Yi) No. 139618 dated June 16, 2001
 Note 5: Letter (91) Tai-Tsai-Cheng-(Yi) No. 0910139536 dated July 16, 2002
 Note 6: Letter (92) Tai-Tsai-Cheng-(Yi) No. 0920131833 dated July 16, 2003
 Note 7: Executive Yuan Financial Supervisory Commission Letter FSC (I) No. 0930134941 dated 5th August 2004
 Note 8: Approved under Letter No. MOEA-Authorize-Commerce-09601294010 dated 30th November 2007
 Note 9: Approved under Executive Yuan Financial Supervisory Commission Letter FSC (III) No. 0980003437 dated 22nd January 2009
 Note 10: Approved under Executive Yuan Financial Supervisory Commission Letter FSC No. 1010031286 dated 13th July 2012
 Note 11: Approved under Executive Yuan Financial Supervisory Commission Letter FSC No. 1040028515 dated 4th August 2015
 Note 12: Approved under Letter No. MOEA-Authorize-Commerce-10701126080 dated 5th October 2018
 Note 13: Approved under Letter No. MOEA-Authorize-Commerce-10801037420 dated 2nd April 2019
 Note 14: Approved under Letter No. MOEA-Authorize-Commerce-10901223470 dated 30th November 2020
 Note 15: Approved under Letter No. MOEA-Authorize-Commerce-11001001950 dated 15th January 2021
 Note 16: Approved under Letter No. MOEA-Authorize-Commerce-11001028450 dated 24th February 2021
 Note 17: Approved under Letter No. MOEA-Authorize-Commerce-11001091940 dated 10th June 2021
 Note 18: Approved under Letter No. MOEA-Authorize-Commerce-11001130330 dated 9th August 2021
 Note 19: Approved under Letter No. MOEA-Authorize-Commerce-11001217760 dated 1st December 2021
 Note 20: Approved under Letter No. MOEA-Authorize-Commerce-11101018500 dated 1st March 2022
 Note 21: Approved under Letter No. MOEA-Authorize-Commerce-11101087450 dated 7 June 2022
 Note 22: Approved under Letter No. MOEA-Authorize-Commerce-11101151720 dated 17 August 2022
 Note 23: Approved under Letter No. MOEA-Authorize-Commerce-11101223690 dated 24 November 2022
 Note 24: Approved under Letter No. MOEA-Authorize-Commerce-11230012260 dated 31 January 2023

30 April 2023

Type of share	Authorized capital				Remark	
	Outstanding shares			Unissued shares		Total
	Listed	unlisted	Total			
Registered Common shares	164,146,585	598,552	164,745,137	195,254,863	360,000,000	

Information related to Shelf Registration: N/A.

(II) Shareholder structure:

Shareholder Structure

30 April 2023

Shareholder Structure Number	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	14	47	19,932	63	20,056
Shareholding (shares)	0	2,159,202	27,895,908	128,555,503	6,134,524	164,745,137
Shareholding (%)	0.00%	1.31%	16.93%	78.03%	3.73%	100.00%



(III) Dispersion of shareholding:

1. Common shares

Dispersion of shareholding

30 April 2023; Nominal value of NT\$10 per share

Level of shareholding (Unit: Share)	Number of shareholders	Shareholding (Shares)	Percentage
1 to 999	3,088	700,035	0.42%
1,000 to 5,000	14,154	27,202,970	16.51%
5,001 to 10,000	1,625	12,681,440	7.70%
10,001 to 15,000	442	5,519,525	3.35%
15,001 to 20,000	259	4,774,697	2.90%
20,001 to 30,000	188	4,773,424	2.90%
30,001 to 40,000	80	2,786,493	1.69%
40,001 to 50,000	50	2,268,271	1.38%
50,001 to 100,000	81	5,752,701	3.49%
100,001 to 200,000	42	5,845,096	3.55%
200,001 to 400,000	21	5,700,700	3.46%
400,001 to 600,000	6	2,836,228	1.72%
600,001 to 800,000	6	4,194,616	2.55%
800,001 to 1,000,000	2	1,768,432	1.07%
1,000,001 and above	12	77,940,509	47.31%
Total	20,056	164,745,137	100.00%

2. Preferred shares: The Company does not issue any preferred shares.

(IV) List of major shareholders:

List of Substantial Shareholders

Shareholder's Name	Shareholding (Shares)	Percentage
Chyi Fa Co., Ltd	25,619,291	15.55%
T.C. Wu	8,031,115	4.87%
Jui-Min Chang	8,027,996	4.87%
C.M. Wu	7,805,734	4.74%
Jimmy Wu	7,624,929	4.63%
Jen-Ming Wu	6,774,273	4.11%
Yu-Kuang Cheng	4,258,130	2.58%
Cheng-Hung Chang	3,086,493	1.87%
De-Fu Wu	2,771,647	1.68%
Fang-Mei Wu	1,686,386	1.02%



(V) Market price, net value, earnings, dividend per share in the last 2 years and related information:

Market price, Net value, Earnings, Dividend per share information

Item		Year	2021	2022	As at 30 April 2023 (Note 8)
Market Price per Share (Note 1)	Highest Market Price		85.3	71.5	72.6
	Lowest Market Price		53.4	42.5	53.2
	Average Market Price		72.34	61.49	65.69
Net value per share (Note 2)	Before Distribution		36.84	41.69	42.73
	After Distribution		33.64	38.19 (Note 9)	39.23 (Note 9)
Earnings per share	Weighted average shares		160,364,357	163,455,924	164,234,018
	Earnings per share (Note 3)		6.12	7.53	1.04
Dividends per share	Cash dividends		3.2	3.5 (Note 9)	N/A
	Stock dividends	Dividends from Retained Earnings	0	0	N/A
		Dividends from Capital Surplus	0	0	N/A
	Accumulated Undistributed Dividends (Note 4)		0	0	N/A
Analysis of return on investment (ROI)	Price / Earnings Ratio (Note 5)		11.24	8.17	63.16
	Price / Dividend Ratio (Note 6)		21.50	17.57 (Note 9)	N/A
	Cash Dividend Yield Rate (Note 7)		4.65%	5.69% (Note 9)	N/A

*If stock dividend is paid by the shares from capitalization of retained earnings or additional paid-in capital, disclose the information on the market price and cash dividend on the basis of the quantity of shares for release under retroactive adjustment.

Note 1: Display the highest and lowest market price of the year, calculate the average market price on the basis of the transaction value and volume of the year.

Note 2: Please fill these rows based on the number of shares issued at the end of the fiscal year and the distribution plan approved at the shareholders' meeting in the subsequent fiscal year or the board of directors.

Note 3: If retroactive adjustment is necessary due to the payout of stock dividends, disclose the earnings per share before and after adjustment.

Note 4: If the requirement of the offering of equity securities allows for the accumulation of the unpaid dividend of the year to the year the Company has surplus, disclose the unpaid dividend accumulated to the current period.

Note 5: Price / Earnings Ratio = the average closing price per share of the year/ earnings per share.

Note 6: Price / Dividend Ratio = the average closing price per share of the year/ cash dividend per share.

Note 7: Cash dividend yield rate = cash dividend per share/ average closing price per share of the year.

Note 8: The net value of each share, surplus of each share shall be filled in with the data checked (checked and approved) by the CPA in the nearest quarter by the end of print date of annual report, while the rest of the fields shall be filled in with the data of current year by the end of print date of annual report.

Note 9: The appropriation of earnings for the year ended 30 April 2023 has not yet been resolved by the Shareholders' Meeting.



(VI) Dividend policy of the company and the distribution:

1. Dividend policy as outlined in the Company's Articles of Incorporation

Company's Articles of Incorporation 25-1: If the Company has earnings after the annual account settlement, there have income tax obligation. If there is still a balance, appropriate 10% as mandatory reserve until the amount of mandatory reserve is equivalent to the total capital of the Company. Special reserve required for appropriation or reversal shall be pooled up with the undistributed earnings accumulated in the previous period as distributable income, and the Board of Directors shall make the dividend distribution proposal to distribute the remaining balance as shareholder dividend at the resolution of the Shareholder Meeting.

The Company's dividend policy cooperated with current and future development plans, taking into the investment environment, capital needs and domestic and foreign competition, and taking into the interests of shareholders. No less than 10% of the distributable surplus will be available for distribution per year to distribute dividends to shareholders. If the accumulated distributable surplus is less than 1% of the paid-in capital, it may not be distributed. The company pays two kinds of stock dividends and cash dividends. The rate of cash dividends to be distributed shall not be less than 10% of the total distribution of dividends to shareholders for the current year. If the cash dividend per share is less than NT\$0.5, the board of directors is authorized to formulate a proposal and pay cash dividends or stock dividends by resolution of the shareholders' meeting.

Company's Articles of Incorporation have not specified the distribution rate of dividends to shareholders, which need to depend on the company's current and future investment environment, capital needs, domestic and foreign competition and capital expenditure, etc., it is necessary to take into the interests of shareholders, balance dividends and the company's long-term financial planning. The company is required to retain part of the funds and is expected to have a cash dividend of not less than 40% of the profit for the current year.

2. The circumstances of the proposed dividend distribution at this shareholders' meeting

The contents of the proposed recognition case of the Company's earnings distribution at the regular meeting of shareholders on 21 June 2023:

- ① The Company's net profit after tax in 2022 is NT\$1,230,167,654, and in addition to the legal reserve appropriated in the law, the remaining cash dividend to shareholders is NT\$574,839,815.
- ② According to the number of 164,239,947 shares outstanding at the end of February 2023, shareholders will be allocated a cash dividend of NT\$3.5 per share (less than NT\$1 will be round down). The shareholders' meeting is authorized the chairman of the board to deal with Record Date and related issues.
- ③ If dividend payout ratio is affected by the issuance of new shares due to proceeds from issuing shares, the repurchase of the company's shares, the treasury shares transferred to employees, the conversion of convertible bonds, the status of Employee Stock Options use to affect the number of shares outstanding, the chairman of the board was authorized to deal with them.



④ The dividend is calculated according to the distribution ratio until units digit's NTD, so less than units digit's NTD will be round down. If the total number less than NT\$1, the decimal place digit is adjusted from largest to smallest and the account number is adjusted from front to back to meet the total amount of cash dividend distribution.

3. Significant changes in the dividend policy are expected

N/A.

(VII) The influence of the stock dividend proposed to this session of the shareholder meeting for release on the operation performance and earnings per share of the company:

No influence, as no stock dividend was paid out.

(VIII) Remunerations to employees, directors and supervisors:

1. The percentage and scope of remunerations to the employees, Directors and Supervisors of the Company as stated in the Articles of Incorporation:

Company's Articles of Incorporation 25: If the Company has made profit in the year, it's not less than 2% as remuneration to the employees, and no more than 4% as remuneration to the Directors and Supervisors. The Company shall appropriate for covering carryforward loss, where applicable.

The annual profit referred to the pre-tax profit of the current year is deducted the remuneration of employees and the remuneration of directors and supervisors.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors. It will report to the shareholders' meeting, it's distributed circumstance of remunerations to employees, directors and supervisors.

Remuneration to the employees may be effected in cash or stock dividend. Employees of subsidiaries meeting certain condition shall also be entitled to remuneration. Remuneration to the directors and supervisors only can be effected in cash.

2. The basis for the estimation of the amount of remuneration to the employees, Directors and Supervisors in current period, the basis for the calculation of the quantity of shares for release to employees as stock dividend, and the accounting procedure if there is a difference between the actual amount of payment and the estimated amount:

The remuneration of employees, directors and supervisors of the Company is estimated based on past actual experience, refer to the net profit of the current period and the estimate to the percentage determined in the articles of association.

A total of NT\$77,964,993 will be paid to employees, directors and supervisors, which will be paid in cash. The amount of NT\$78,017,888 has been appropriated in 2022, and the difference between the distribution amount and the ledger of entries is NT\$52,895, which is included as an expense for 2023.

There is no situation where employee remuneration is distributed in stock.

3. The remuneration passed by the Board:

① \Remunerations to employees, Directors and Supervisors in cash or stock.



Employee remuneration of 3.66% amounted to NT\$52,262,248. Directors and Supervisors remuneration of 1.80% amounted to NT\$25,702,745. The total amount has NT\$77,964,993, which was disbursed in cash.

- ② The discrepancy amount between the remuneration of employees, Directors and Supervisors and the annual estimated amount of the recognized expenses, the reasons for the difference and the circumstances of the treatment.

The remuneration of employees, directors and supervisors of the Company is estimated based on past actual experience, refer to the net profit of the current period and the estimate to the percentage determined in the articles of association.

A total of NT\$77,964,993 will be paid to employees, directors and supervisors. The amount of NT\$78,017,888 has been appropriated in 2022, and the difference between the distribution amount and the ledger of entries is NT\$52,895, which is included as an expense for 2023.

- ③ The amount of remuneration to employees in stock dividend in proportion to the net income and total remuneration to employees as stated in the separate financial statements.

There was no distribution of employee remuneration in the form of shares.

4. The actual amount of remuneration to the employees, Directors and Supervisors in the previous period (including the quantity of shares released, the amount and stock price), and specify the difference, the cause and response if there is significant variation from the estimated remuneration to the employees, Directors and Shareholders:

The actual distribution of cash dividends for employees was NT\$40,526,455 and the remuneration of Directors and Supervisors was NT\$19,931,044, totaling NT\$60,457,499. The 2021 financial report is NT\$56,907,274, and the difference between the distribution amount and the ledger of entries is NT\$3,550,225, which is a reversal of 2022 annual's expenses.

5. The link between performance evaluation and remuneration of directors and managers

- ① Remuneration of Directors:

Regular annual performance reviews of directors are conducted. In accordance with the provisions of Article 3 of the Measures for Self-evaluation of the Performance of the Board of Directors of the Company. The results of the evaluation will be submitted to the report of the Board of Directors next year, and the results of the performance evaluation of the Board shall be used as a reference for the selection or nomination of directors. The results of the performance evaluation of individual directors as a reference basis for individual remuneration. Directors' remuneration is allocated based on directors' participation in the board of directors and their contribution, with reference indicators

such as board attendance rate, term of office ratio, joint and several guarantees for the company's borrowings, etc.

- ② Employee Compensation for Managers:

Employee remuneration takes into the manager's annual performance and performance evaluation items, which include financial indicators (for example, the company's revenue, the achievement rate of net profit after tax, etc.) and non-financial indicators (such as quality yield, etc.).



(IX) The buy-back of shares by the company:

1. Completed buy-backs

The buy-back of shares by the Company (Completed)

30 April 2023; unit: share; NTD

The buy-back issue	Eleventh (Period)
The purpose of buy-back	Transfer shares to employees
Buy-back period	25 March 2020 to 24 May 2022
Price range for buy-back	\$25 to \$35 (Note 1)
Types and quantity of shares already bought back	10,000
Amount of shares already bought back	\$343,486
Ratio of the quantity of shares that are repurchased to the quantity expected to be repurchased (%)	0%
Quantity of canceled or assigned shares	0
Accumulated quantity of Company shares in holding	10,000
Accumulated quantity of Company shares held in proportion to the total outstanding shares of the Company (%)	0.01%

Note 1: The Company may continue to buy back shares if the price of the shares falls below the minimum buy-back price range during the period of the buy-back.

2. Implementation

None.



II. Corporate Bonds:

(I) Corporate bonds:

Corporate bonds

Type of corporate bond	Second Domestic Unsecured Convertible Corporate Bonds (Expired)	Third Domestic Unsecured Convertible Corporate Bonds
Date of issuance (offering)	18 March 2019	22 July 2020
Face amount	NT\$100,000	NT\$100,000
Place of offering and trade (Note 2)	Domestic	Domestic
Offering price	NT\$100.5(Premium issued)	NT\$100.5(Premium issued)
Total	NT\$600,000,000	NT\$600,000,000
Interest rate	0%	0%
Term	3 Years Matures on: 18 March 2022	3 Years Matures on: 22 July 2023
Guarantor	N/A	N/A
Fiduciary agent	Taishin International Bank	Taishin International Bank
Underwriter	Fubon Securities Co., Ltd.	Fubon Securities Co., Ltd.
Certifying lawyer	N/A	N/A
Certifying accountant	N/A	N/A
Method of repayment	Except for those converted into common shares of the Company or exercised put option and the Company recovered in advance or repurchased and cancelled by the securities dealer, the principal is repaid in cash at the denomination of the bond at maturity.	Except for those converted into common shares of the Company or exercised put option and the Company recovered in advance or repurchased and cancelled by the securities dealer, the principal is repaid in cash at the denomination of the bond at maturity.
Outstanding amount (As at 30 April 2023)	NT\$0	NT\$300,000
Redemption or early settlement clause	Refer to the issuance measures	Refer to the issuance measures
Restrictive clause (Note 3)	None	None
Name of credit rating agency, rating date, rating result on the corporate bond	N/A	N/A
Other rights attached	The amount of converted (swap or subscription of shares) common shares, overseas depository receipts or other securities as of the date this report was printed.	Converted to 14,350,537 shares
	Regulations governing the offering and conversion (swap or subscription)	As of 30 April 2023, the common shares were converted to 13,174,778 shares
	Refer to the issuance measures	Refer to the issuance measures
Regulations governing the offering and conversion, swap or subscription of shares, and possible dilution under the condition for offering and influence on shareholders equity	Based on the conversion price of NT\$46.0. The maximum possible dilution ratio of the original equity of the converted corporate bonds in this issuance is 9.17%.	Based on the conversion price of NT\$48.0. The maximum possible dilution ratio of the original equity of the converted corporate bonds in this issuance is 8.82%.
Name of the custodian of the subject matter of swap	None	None

Note 1: Corporate bonds are currently issued through public offering and private placement. Public



offering/means corporate bonds approved for issue by the FSC, while private placement means corporate bonds /approved for issue by a board resolution.

Note 2: List corporate bonds issued overseas.

Note 3: Such as restrictions on cash dividends distributions, external investments, and request of maintaining /assets at a specific percentage.

Note 4: Highlight corporate bonds issued through private placement.

(II) Convertible corporate bonds:

Convertible corporate bonds:

Type of corporate bond		Second Domestic Unsecured Convertible Corporate Bonds	Third Domestic Unsecured Convertible Corporate Bonds
Year		18 March 2022 (Note 3)	30 April 2023 (Note 4)
Market price of convertible bonds (Note 1)	High	203.0	170.0
	Low	145.0	130.7
	Average	171.26	160.72
Conversion price		39.9	41.6
Date of issuance (offering) and conversion price on the day		18 March 2019 The conversion price at the time of issuance was NT\$46.0	22 July 2020 The conversion price at the time of issuance was NT\$48.0
Means of performing conversion obligation (Note 2)		issue new shares	issued new shares

Note 1: If there are several places for the trading of overseas corporate bonds, list the places.

Note 2: Deliver issued shares or issue new shares

Note 3: Expired on 18 March 2022

Note 4: Fill in the information in current period to the date this report was printed.

(III) Convertible corporate bonds information: None.

(IV) Declare on the issuance of corporate bonds: None.

(V) Share options of corporate bonds information: None.

III. Preferred shares: N/A.

IV. Overseas depository receipts: N/A.

V. Employee Stock Options: N/A

VI. RSU/RSA: N/A.

VII. Merger and Acquisition (including merger, acquisition and spinoff):



- (I) New issues of shares by merger or transfer of shares in other companies completed in the most recent year and up to the date of printing of the Annual Report Issue of new shares

There have been no mergers and acquisitions, or spinoffs resolved by the Board of Directors in the latest year and up to the date of printing of the Annual Report of the Company.

- (II) In the latest year and as of the date at the publication of the Annual Report, the Board of Directors has resolved to approve the merger and/the execution of the issuance of new shares to other companies and the basic information of the acquired or transferred company

None.

VIII. Implementation of the Plan for the Use of Funds

- (I) Plan content

As of the quarter preceding the date of publication of the Annual Newspaper, the Company has not yet completed the issuance or private placement or completed within the last three years and the benefits of the plan have not yet been realized.

- (II) Implementation

N/A.



Chapter V. Operation Highlights

I. Business Content

(I) Business areas

1. Highlights of the business of the Company

The Group's main products for sale are aluminum electrolytic capacitors, aluminum foil and electronic materials for manufacturing and trading.

2. The proportion of the business of the Company

Unit: NT\$ Thousands

Main products \ Proportion	2021		2022	
	Sales	Ratio	Sales	Ratio
Aluminum electrolytic capacitors	6,349,786	63.8%	6,940,130	67.1%
Aluminum foil and Radial	3,549,568	35.6%	3,359,669	32.5%
Others	57,819	0.6%	47,390	0.4%
Total	9,957,173	100.0%	10,347,189	100.0%

3. Current Products (Services)

Aluminum Electrolytic Capacitors are the basic components of electronic equipment. Lelon offers its customers a complete range of products, including Aluminum Electrolytic Capacitors (Radial Type, SMD, Snap-in, Screw, Axial Type, etc.), Organic Conductive Polymer Capacitors (OP-CAP) (Radial Type or SMD) and Conductive Polymer Hybrid Capacitors (Radial Type or SMD) to meet the various needs of the customers.

4. New products (services) to be developed by the company

- ①. Development of high-capacity products of Hybrid SMD 25~80V 145°C 3-4000Hrs .
- ②. Development of Radial (H.V.) 105°C 15000~20000Hrs.
- ③. Development of Radial (L.V.) 105°C 5~6.3Pai 10000Hrs.
- ④. Development of V-Chip (H.V.)125°C 400~450V 5000Hrs (12.5~18φ).

(II) Industry overview

1. Industry Status and Development

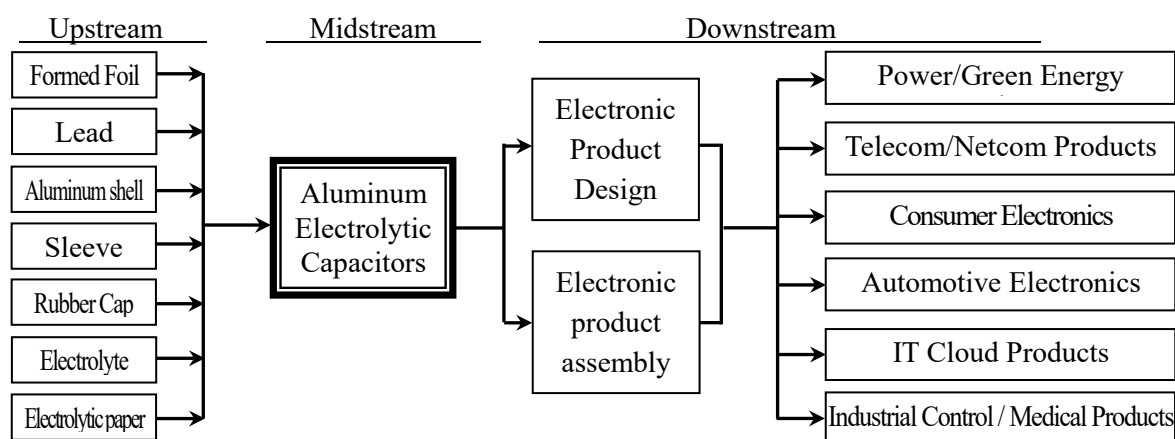
In terms of revenue, the aluminum electrolytic capacitor market is predominantly dominated by Japanese manufacturers. In recent years, Japanese aluminum electrolytic capacitor factories have gradually withdrawn from the general-purpose market and shifted their production capacity towards high-end aluminum electrolytic capacitor products to meet the market demand for advanced capacitors. In terms of application markets, the demand for consumer electronics products exhibits significant fluctuations, while the demand for non-consumer electronic products (particularly automotive electronics, telecommunications, and industrial control markets) is relatively stable. Non-Japanese aluminum electrolytic capacitor manufacturers may not offer a comprehensive range of high-end products like their Japanese counterparts, but they will identify niche opportunities that align with their strengths and market demands, gradually expanding their market presence in the aluminum capacitor market.

2. Linkages between industry upstream, midstream and downstream

The main upstream materials of aluminum electrolytic capacitors are Formed Foil, Lead, Aluminum Shell, Sleeve, Rubber Cap and electrolyte chemicals. Downstream users are



electronic product design and assembly plants



3. Trends in product development

With the advancement of materials and new technologies, aluminum electrolytic capacitors continue to develop in the direction of miniaturization, low impedance and high reliability.

4. Product competition

High-end aluminum electrolytic capacitors are dominated by Japanese manufacturers and Lelon is one of the few non-Japanese manufacturers to have obtained international certifications from major European, American and Japanese manufacturers for its high-end capacitor products, and has a large supply record.

The Aluminum electrolytic capacitors market for general use is highly competitive in terms of price due to the large number of suppliers.

(III) Technology and R&D overview:

1. R&D expenses for the most recent year and up to the date of printing of the Annual Report

2022: NT\$210,281 thousand.

As of 30 April 2023: NT\$76,000 thousand (Estimated)

2. Technologies or products successfully developed in the most recent year and up to the printing date of the Annual Report

- ①. Hybrid high temperature capacitors (HUE/HRE series 145°C Endurance 2000Hrs).
- ②. Hybrid high temperature capacitors (HUI/HRJ series 150°C Endurance 1000Hrs).

(IV) Long- and short-term business development plans

1. Long term business development plans

①. Product strategy:

- 1). Expanded market share in niche products such as SMD Aluminum Electrolytic Capacitor, Polymer Capacitors, Polymer Hybrid Capacitors and other high margin aluminum capacitor products.
- 2). Developing high value-added products for niche markets and providing customers with the best solutions.
- 3). Adjusting the product sales structure and continually moving towards higher-end applications to improve gross margins.

②. Marketing strategy:



- 1). Reinforcing the brand image of Lelon with quality products and services.
 - 2). Strengthen the global sales and service network and work closely with the customers.
 - 3). Strategic alliances with major international manufacturers to seize market opportunities.
 - 4). Fulfilling corporate social responsibility.
2. Short term business development plans
- ①. Continue to adjust the product and customer structure, deepen the high-end electronic products market, raise the unit price level, and broaden the gap with competitors through market segmentation.
 - ②. Continue to expand the high value-added product lines and production capacity.
 - ③. Strive to become a strategic partner supplier to international manufacturers.
 - ④. Improve cost structure and increase product gross margin.

II. Market and Production Overview

(I) Market analysis

1. Regions in which the Company's main products (services) are sold (provided)

The Group's sales are primarily export sales, mainly to Asia, the America and Europe, and the sales regions for 2022 are listed below:

Unit: NT\$ Thousands		
Sales regions	2021	2022
Asia	9,258,422	8,729,537
America	300,244	648,269
Europe	398,507	969,383
Total	9,957,173	10,347,189

2. Market share of the Company's main products (services)

Lelon's aluminum electrolytic capacitors have gained a significant position in the market in terms of volume and sales, making it the highest revenue aluminum electrolytic capacitor manufacturer in Taiwan. In terms of V-chip products, Lelon has the largest production capacity and the most complete product line outside of Japanese manufacturers, making it a leader in the aluminum electrolytic capacitor industry in Taiwan.

According to Paumanok Publications, Inc's March 2021 Passive Electronic Components market research report: World Market Outlook: 2021-2026, Lelon was ranked seventh in the global aluminum market in 2020, with a 6% share.

3. Future market supply and demand for the Company's main products (services)

The market demand for automotive electronics and industrial control applications continues to grow, and it is estimated that there will be a steady increase in demand for high-end aluminum electrolytic capacitors with features such as high temperature resistance, high voltage tolerance, high capacitance, long lifespan, and compact size in the coming years.

4. Future market growth of the Company's main products (services)

Aluminum electrolytic capacitors are an important component in electronic products and their cost per unit of capacity is irreplaceable by other types of capacitors. The trend is expected to remain unchanged in the short term, with market demand expected to grow steadily.



The development of electric vehicles has led to a significant increase in the number of electronic components in automobiles, with digital dashboard and various new electronic functions, leading to an increase in demand for high-end aluminum electrolytic capacitors. The demand for automation production equipment is increasing due to the influence of geopolitical factors and the pandemic. This is driving the demand for large-sized aluminum electrolytic capacitors with high voltage ratings and long lifespan, as they are essential components for such equipment.

5. Favorable and unfavorable factors for and against and measures in response to the competitive niche and development prospects of the Company's main products (services)

(1). Competitive niche

- 1). A complete product line, vertical integration production model
- 2). Diversified customer profile
- 3). Global services network
- 4). Advanced product development capabilities: Excellent R&D team and mastering technology sources
- 5). Professional technology and product quality

(2). Favorable factors for development prospects

- 1). The Lelon brand has gained recognition in the high-end application market
- 2). Well organized financial structure
- 3). Ability to master key technologies and develop raw materials and equipment
- 4). Continuous development of new products

(3). Unfavorable development prospects

- 1). Inflation will continue to affect the growth of economy
- 2). Rising costs of materials and transport led by the reconstruction of global supply
- 3). Change in exchange rate
- 4). The impact of global geopolitics

(4). Measures in response

- 1). Continuous improvement in cost structure
- 2). Continuous investment in new products and technology development
- 3). Expand sales of products for high-end applications
- 4). Acquire capacity and new technology through strategic acquisitions

(II) Key product applications and production processes

1. Key applications for the main products of the Company

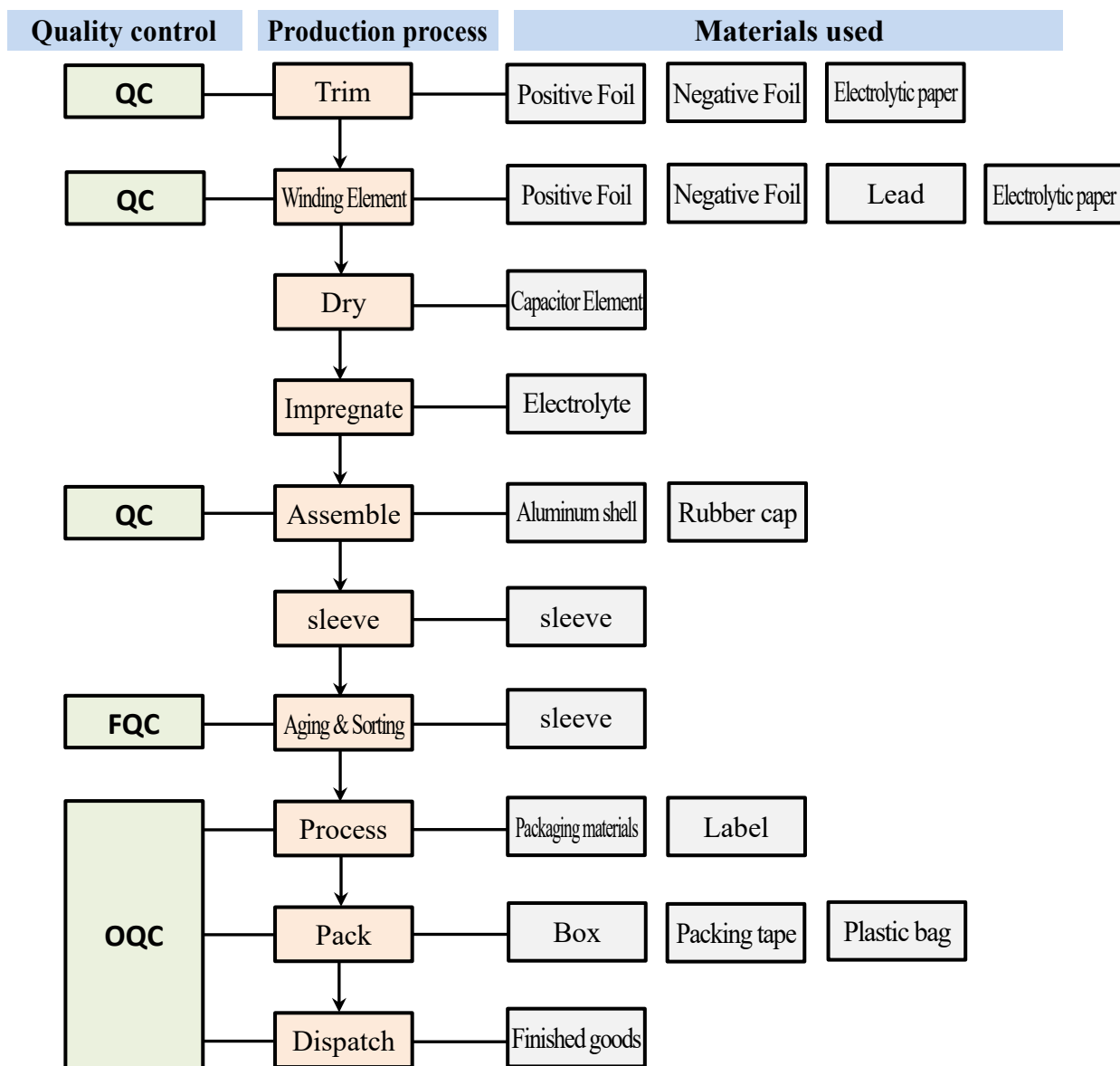
Aluminum electrolytic capacitors are one of the main passive components which are used in electronic circuits for filtering, coupling and stabilizing voltage and regulating energy, and has a small size and high capacity. Aluminum electrolytic capacitors are widely used in consumer electronics, communications, cloud, Internet of Things, industrial equipment, power supplies, wind and solar power, and automotive electronics.

In addition to 3C products, Lelon's aluminum electrolytic capacitors are also used in automotive electronics with safety promise and in telecoms, industrial and new energy equipment suppliers which value long-term reliability. International medical electronics manufacturers are also using Lelon's products.

2. The production process of the main products of the Company



Trim → Winding/Capacitor Element → Impregnate → Assemble → sleeve → Aging & Sorting → Process → Pack



(III) Supply of key raw materials

The main raw materials for the Group's products are chemically formed aluminium foil, Etched Aluminum Foils and aluminum wire. In the last three years, the main suppliers of raw materials have been steadily supplying the raw materials, and there are several suppliers with stable sources of supply for major raw material purchases. The supply is as follows:

1. Main suppliers: Please refer to the suppliers table for the last two years.
2. Production areas: Japan, Taiwan and China.

(IV) The names of customers that have accounted for more than 10% of total purchases (sales) in any of the last two years, the amounts and proportions of their purchases (sales) and the reasons for the changes

1. Suppliers that have accounted for more than 10 % of total purchases in any of the last two years
 - (1). Name of suppliers and the amount and proportion of purchases



Information on main suppliers for the last two years

Item	2021				2022				As at the previous quarter of 2023			
	Name	Amount	Proportion of net purchases for the year [%]	Relations with the issuer	Name	Amount	Proportion of net purchases for the year [%]	Relations with the issuer	Name	Amount	Proportion of net purchases as at the previous quarter of 2023 [%]	Relations with the issuer
1	Shaoguan UACJ Dongyangguang Aluminum Sales Corporation	556,996	11.5	Substantive related party	Shaoguan UACJ Dongyangguang Aluminum Sales Corporation	664,115	14.6	Substantive related party	Shaoguan UACJ Dongyangguang Aluminum Sales Corporation	123,821	17.1	Substantive related party
	Other	3,704,975	100.0		Other	3,899,896	85.4		Other	599,321	82.9	
	Net purchases	3,704,975	100.0		Net purchases	4,564,011	100.0		Net purchases	723,142	100.0	

Note 1: List the names of suppliers who have supplied more than 10% of the total amount of goods in the last two years and the amount and proportion of the purchases, except where the name of the supplier is not disclosed under the contract or where the counterparty is an individual and not a related party, the name may be given as a code.

Note 2: Financial information of TWSE and TPEX listed companies as at the date of publication of the Annual Report should be disclosed if it has been audited or reviewed by the CPA in the most recent period.

(2). Description of the reasons for the changes:

Change in suppliers with a net purchase amount of more than 10%: The main suppliers of aluminum base foil, which is a key raw material for aluminum foil production, have experienced an increase in their production capacity of etched aluminum foil. This has resulted in an increase in the net purchase amount from these suppliers for the company.

The main raw materials for the company and its subsidiaries include aluminum foil, formed aluminum foil, etched aluminum foil, aluminum wire, leads, aluminum shells, sleeves, rubber caps, electrolytic paper, and electrolyte chemicals. As the key technologies for upstream materials in capacitors have been predominantly held by Japanese manufacturers for a long time, the Company and its subsidiaries have established good relationships with suppliers through years of cooperation and have signed purchasing contracts with major suppliers to maintain a relatively stable supply of various materials. While the amounts transacted with each supplier may vary, the procurement policy focuses on selecting suppliers with excellent quality and reasonable prices based on the specifications, quality, and prices of the materials. Moreover, the Company maintains relationships with multiple qualified suppliers for most raw materials to maintain a reliable source and sufficient quantity of raw materials.

2. Customers that have accounted for more than 10 % of total sales in any of the last two years

(1) Name of customers and the amount and proportion of sales

Information on main customers for the last two years

Item	2021				2022				As at the previous quarter of 2023			
	Name	Amount	Proportion of net sales for the year [%]	Relations with the issuer	Name	Amount	Proportion of net sales for the year [%]	Relations with the issuer	Name	Amount	Proportion of net sales as at the previous quarter of 2023 [%]	Relations with the issuer
1	Ruyuan Yaozuzhixian Dongyangguang Formed Foil Co., Ltd.	1,047,975	10.5	Substantive related party								
	Other	8,909,198	89.5		Other	10,347,189	100.0		Other	2,108,904	100.0	
	Net sales	9,957,173	100.0		Net sales	10,347,189	100.0		Net sales	2,108,904	100.0	

Note 1: List the names of customers who have purchased more than 10% of the total amount of goods in the last two years and the amount and proportion of the sales, except where the name of the



customer is not disclosed under the contract or where the counterparty is an individual and not a related party, the name may be given as a code.

Note 2: Financial information of TWSE and TPEX listed companies as at the date of publication of the Annual Report should be disclosed if it has been audited or reviewed by the CPA in the most recent period.

(2). Description of the reasons for the changes:

Change in customers with net sales amounting to over 10%: The main sales are focused on etched aluminum foil. In 2021, due to strong demand for capacitors and the capacity expansion of the subsidiary Ruyuanx Lidon Electronic Technology Co., Ltd. within the group, the sales revenue to Ruyuan Yaozuzhixian Dongyangguang Formed Foil Co., Ltd. increased.

(V) Production volume for the last two years

Table of production volume for the last two years

Unit: 1,000 PCS; Unit of aluminum foil: 1,000 m; NT\$1,000

Year Production capacity Main product (or department)	2021			2022		
	Capacity	Production volume	Output value	Capacity	Production volume	Output value
Aluminum electrolytic capacitors	5,367,967	4,387,328	4,389,557	4,890,879	4,062,538	4,542,550
Formed aluminum foil	26,992	30,686	2,236,601	31,523	28,776	2,340,816
Etched Aluminum Foils	41,560	44,967	1,724,842	52,260	43,265	1,886,430
Leads	4,955,008	5,075,807	112,242	0	0	0
Total			8,463,242			8,769,796

Note 1: Capacity refers to the amount of production that the company can produce under normal operations using existing production equipment, after evaluating factors such as necessary shutdowns and holidays.

Note 2: Where the production of each product is substitutable, the production capacity may be combined, and this shall be stated in the notes.

(VI) Value of sales in the last two years

Table of sales values for the last two years

Unit: 1,000PCS except for unit of aluminum foil of 1,000m; NT\$1,000

Value of sales Main product (or department)	2021		2022		2021		2022	
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Aluminum electrolytic capacitors	109,838	193,287	4,262,596	6,156,499	89,311	212,447	3,977,978	6,727,683
Formed aluminum foil	1,257	137,481	23,910	2,141,497	727	96,384	21,078	2,247,455
Aluminum Foil Processing	0	0	1,854	57,819	0	0	1,385	47,390
Etched Aluminum Foils	0	0	26,678	1,191,466	0	0	19,669	979,833
Leads	0	0	0	79,124	0	0	1,148,591	35,997
Other	0	0	0	0	0	0	0	0
Total		330,768		9,626,405		308,831		10,038,358



III. Number of Employees, Average Length of Service, Average Age and Education Level of Employees for the Last Two Years and up to the Date of Printing of the Annual Report

Information on employees for the last two years and up to the date of printing of the Annual Report

30 April 2023

Year		2021	2022	As at 30 April 2023
Number of employees	Technical staff	238	227	217
	Management staff	583	548	571
	Direct Staff	2,023	1,818	1,642
	Total	2,844	2,593	2,430
Average age		35.42	36.79	37.55
Average length of service		6.27	7.37	8.17
Education level	Doctor	0.00%	0.00%	0.00%
	Master	1.22%	1.34%	1.36%
	College	18.24%	19.23%	20.00%
	High School	35.56%	35.63%	34.71%
	Below High School	44.98%	43.80%	43.93%
	Total	100.00%	100.00%	100.00%

IV. Information on Environmental Expenditure

- (I) The estimated amount of losses (including compensation and penalties) suffered as a result of environmental pollution in the most recent year and up to the date of printing of the Annual Report, and the estimated amount of current and potential future losses, and the measures in response

The Company and its public subsidiary (Liton Technology Corp.) did not suffer any losses, compensation or penalties for environmental pollution in 2022.

- (II) Future measures (including improvement measures) and possible expenditure in response to damage and penalties for environmental pollution

N/A as the Company has not incurred any losses and penalties for environmental pollution.

The estimated current and possible future expenditures of the Company's publicly traded subsidiary (Liton Technology Corp.) and the measures to be taken are as follows:

Liton Technology Corp. Description of the circumstances in which it was applied for, paid for or established of Liton Technology Corp. which shall apply for a pollution facility installation permit or a pollution discharge permit, or shall pay pollution prevention and control fees, or shall establish a special unit for environmental protection, in accordance with the description of the provisions of the Act:



Liton Technology Corp.'s products are mechanically processed and only a minimal amount of wastewater is generated during the cleaning process. However, in recognition of the rising awareness of environmental protection and the company's commitment to social responsibility and sustainable management, Liton Technology Corp. has not only purchased two sets of wastewater treatment equipment to enhance wastewater treatment but has also assigned its employees to attend a Level B wastewater treatment personnel training course to obtain professional certification. In May 2022, the Company was awarded the ISO14001 International Environmental Management System (IEMS) certification, establishing a comprehensive environmental management system in line with global trends.

The application and establishment of Liton Technology Corp.'s environmental permits are listed below:

Item	Name of Certificate	Permit No.
Air Pollution Control	Stationary Pollution Source Operating Permit	From 10 September 2020 to 9 September 2025
Water Pollution Control	Water Pollution Control Permit	Permitted under Miaoli Environmental Protection Bureau Letter No. 00203-10 From 13 February 2023 to 12 February 2028
Waste Management	Certificate of Conformity	Permitted under Environmental Protection Administration of Executive Yuan Letter No. HA240115

V. Labor Relations

(I) The employee welfare, education, training and retirement schemes of the Company and their implementation, as well as the agreements between employers and employees and measures to protect the rights and interests of employees

Since the establishment of the Company, we have been giving full respect and care to our employees and aiming to establish a perfect working environment with harmonious labor relations, and the relevant welfare measures and their implementation are as follows:

1. Employee welfare measures:

- (1). Establishment of Employee Welfare Committee for employee welfare matters
The Company and its publicly traded subsidiary (Liton Technology Corp.) have established Employee Welfare Committees in accordance with the Labor Standards Act and the Employee Welfare Fund Act; The Employee Welfare Committee of the Company consists of 9 members, 1 Chairperson, 1 Chairperson and 1 Executive Secretary elected by the employees.
- (2). The Company and its publicly traded subsidiary (Liton Technology Corp.) provide bonuses based on the Company's operations and profitability and allocate them according to the "Employee Bonus Plan", which provides for evaluation of performance, ranking and seniority.
- (3). Year-end bonus: The Company and its subsidiaries provide year-end bonuses based on the Company's operations and profitability. The bonuses are allocated according to the "Year-end Bonus Plan", which provides for evaluation of performance, ranking and seniority.



- (4). Labor and health insurance: Employees of the Company and its publicly traded subsidiary (Liton Technology Corp.) are legally covered by labor insurance and national health insurance from the date of their employment.
 - (5). Group insurance: Employees of the Company and its publicly traded subsidiary (Liton Technology Corp.) are covered by group accident, inpatient medical assistance and employment injury insurance from the date of employment.
 - (6). Regular health examination: The Company and its publicly traded subsidiary (Liton Technology Corp.) regularly conduct free annual health examinations for its employees, and additional annual health examinations are conducted for specific jobs.
 - (7). Company trip: The Company and its subsidiaries organize annual employee activities or company trips, which employees can bring their families to, to enhance the bonding of colleagues.
 - (8). New Year and holiday's cash gifts/ gifts: The Company and its subsidiaries offer special payment for Spring Festival, May Festival and Moon Festival in accordance with the work rules and benefits.
 - (9). Presents donated by the employer in the event of a marriage or celebration, or monetary condolences in the event of funeral services/ paid leave: The Company and its publicly traded subsidiary (Liton Technology Corp.) provide paid leave in accordance with the Labor Standards Act, and the Employee Welfare Commission gives greetings or ceremonies in accordance with the work rules and benefits.
 - (10). The Company and its subsidiaries provide lunch to employees with a balanced menu of hygienic, varied and nutritious dishes.
 - (11). The Company and its subsidiaries provide winter and summer uniforms, as well as gloves, work shoes and necessary protective equipment as required by the workplace.
 - (12). The Company and its subsidiaries hold regular monthly birthday celebrations for employees and present them with birthday gifts.
 - (13). The Company and its subsidiaries occasionally hold employee competitions for outstanding employees and provide appropriate bonuses and incentives to the selected employees.
2. Welfare facilities:
- (1). Canteen: The company and its subsidiaries have established catering facilities to provide a wide range of exquisite food and facilities, while caring for the health and safety of our employees by providing them with a balanced diet.
 - (2). Library: In order to encourage our employees to read and develop a cultural literacy, the Company and its subsidiaries have set up libraries to provide a wide range of books for borrowing so as to provide our employees with a more diversified and enriched source of knowledge.
 - (3). The Company and its subsidiaries have established a parking lot for employees' cars and motorbikes.
 - (4). Recreation room: The Company and its subsidiaries are equipped with recreational facilities such as table tennis rooms, billiard rooms, badminton courts and basketball courts to enrich the spare time of our employees.
 - (5). Fitness equipment: The Company provides treadmills, exercise bikes and other sports equipment to encourage our employees to develop habits of exercise



and fitness and to maintain a healthy body.

- (6). Nursery room: The Company has set up a nursery room to provide a safe, private, comfortable and friendly workplace environment for colleagues who are breastfeeding.

3. Communication channel:

- (1). Staff suggestion box: The Company has a physical staff suggestion box and an intranet online suggestion box to encourage employees to provide feedback and to collate their concerns and expectations for reasonable response and handling by the management department or a designated department.
- (2). Company intranet site: The company's intranet site is the richest and most frequent place for us to communicate and exchange information. It provides employees with access to a wide range of internal company information, as well as great articles to provide an enriched channel for employee communication.
- (3). Lelon monthly e magazine: Lelon monthly magazine is the first place to build and publicize Lelon's corporate culture, which actively focuses on the Company's business management and the working life of its employees and concentrates the most representative thoughts and views of the Company. It also serves as a platform for the Company's corporate image and initiatives, thanks to the excellent content and style of Lelon's monthly magazine.
- (4). Regular communication meetings: The subsidiary provides a platform for employees to communicate and encourage them to give their views on the development of the Company, and the management department collates them together for feedback and follow-up for improvement.
- (5). Worker's congress: The subsidiary convenes annually with employee representatives and union members to discuss the Company's welfare policies, activities and other matters.
- (6). The subsidiary holds regular safety and health committees to improve the safety and health aspects suggested by the employees and regularly checks the production safety status of the whole factory and follows up on the improvement of non-conformities.

4. Staff training system and implementation:

Human resources are an important asset of the Company and a key to its performance. The Company and its subsidiaries provide education and training to new recruits so that they can familiarize themselves with the Company's structure, rules and regulations and job responsibilities quickly, adapt to the Company's environment and build up their job skills. In addition to providing technical expertise to our staff, we also provide them with the opportunity to adapt their duties according to their professionalism and work attitude, so that they can develop their potential.

- (1). Annual programmed of professional training courses and management training courses are arranged, with quarterly announcements for employees to enrol.



- (2). All new recruits are given a month's training on personnel and administrative rules, labor safety and hygiene, and departmental professional training.
- (3). Developing a mechanism for the selection and training of talent reserves, and implementing the concept of talent development through a series of courses.
- (4). Compiling with labor safety and health rules and to arrange regular training and retraining for workers to meet workplace safety requirements.
- (5). The relevant education and training results for the period from 2022 to 30th April 2023 are as follows:

	Number of Classes	Total Attendance	Total Hours	Total Expenses
Training for new recruits	3,073	7,106	16,112	-
Training for professional skills	1,496	55,301	73,122	183,450
Training for Supervisors	3	4	130	17,100
Training for liberal education	850	68,352	87,300	56,500
Training for self-initiative	—	—	—	—

5. Staff retirement system and its practicalities

- (1). The Company and its publicly traded subsidiary (Liton Technology Corp.) make monthly contributions to the Company's retirement system in accordance with the retirement provisions of the Labor Standards Act.
- (2). The Company has specified the retirement criteria and application procedures in Chapter 2 “Employment, Dismissal, Termination and Retirement” of the “Work Rules” and published/announced them for the attention of all employees, the highlights of which are as follows:

①. A worker may apply for voluntary retirement under any of the following conditions:

- 1). Over 15 years of service and aged 55 or above.
- 2). Over 25 years of service.
- 3). Over 10 years of service and aged 60 or above

②. The Company may force a mandatory retirement on employees under any of the following conditions:

- 1). Aged 65 or above.
- 2). Where the worker is unable to perform his/ her duties due to disability.

The Company may request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or otherwise of a special nature; provided, however, that the age shall not be reduced below 55.

③. The criteria for payment of worker pensions shall be as follows:

- 1). Two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The length of service is calculated as half year when it is less than six months and as one year when it is more than six months.
- 2). An additional 20% on top of the amount calculated according to the preceding subparagraph shall be given to workers forced to retire due to disability incurred from the execution of their duties.
- 3). The retirement pension base as specified in the preceding paragraph shall be one month's average wage of the worker at the time when his or her retirement is



approved.

- (3). A total of 19 employees have retired from 2006 to 30 April 2023. The Company has paid pensions in accordance with the Act and assisted the required employees to apply for "old-age benefits" of Labor Insurance.

6. Code of conduct or ethics for employees and implementation thereof.

In accordance with the Labor Standards Act, the Company and its publicly traded subsidiary (Liton Technology Corp.) have established work rules to inform all employees of the Company's ethics, business philosophy and requirements for employee conduct, and to ensure that employees are entitled to rights and benefits, and that they have complied with the work rules in general.

All employees at all levels are required to sign a legal and reasonable labour contract, a non-disclosure contract and a confidentiality agreement on material internal information before entering the service of the Company to ensure the rights and obligations of both employers and employees.

The Company has established a "Code of Ethics" in March 2015 to guide the Directors, Supervisors, Managers and employees to conduct themselves in an ethical manner, to maximize the Company's interests, and to achieve long-term stability, so that the Company's stakeholders can have a better understanding of the Company's ethical standards of conduct, and to follow them. It has been announced and published on the Company's website.

7. Workplace and staff safety measures:

The Company has obtained the ISO14001 certification in 2018: 2015 environmental protection certified and has continued to uphold the spirit of ISO14001 and has established an environmental policy since then; Obtained ISO 45001:2018 Occupational Health and Safety Certification in 2020 and continuously comply with environmental protection regulations and labor safety and health management practices to ensure the safety of all employees by focusing on workplace safety and employee health; Since 2010, the Company has followed the EICC system and related regulations to continuously improve and achieve targets in the areas of management systems, ethics, environment, labor, health and safety.

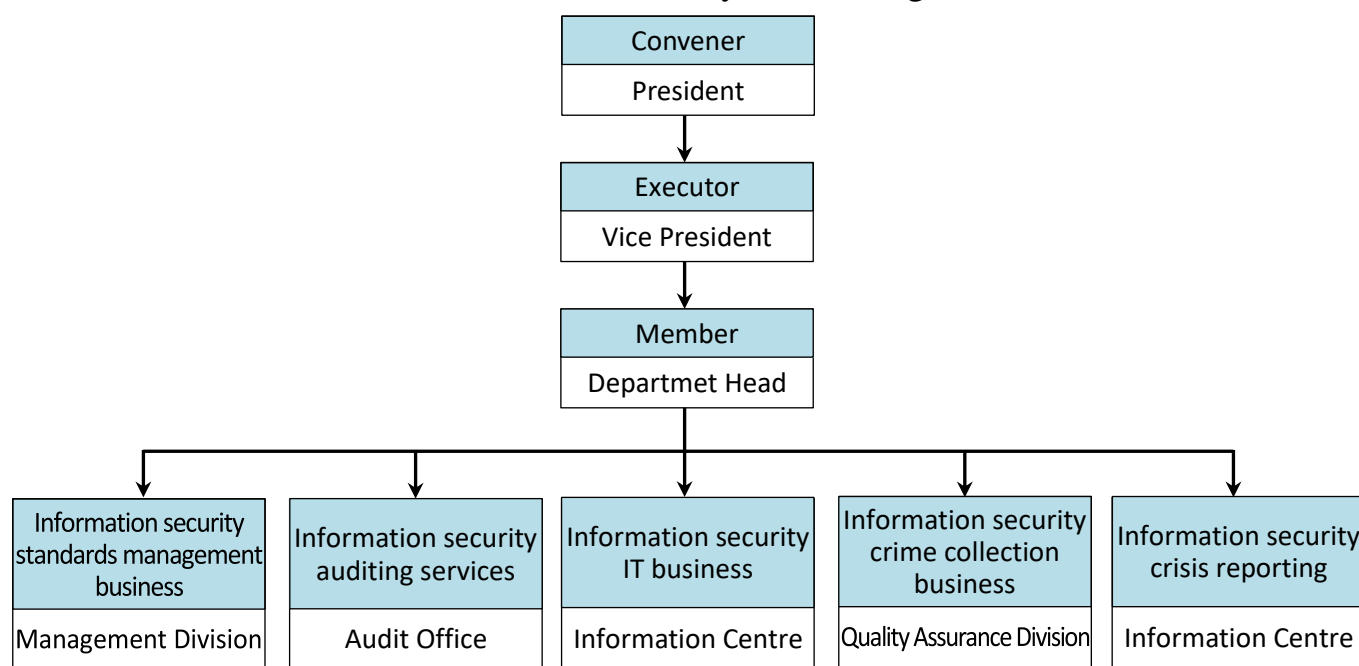
(II) Losses suffered as a result of labor disputes in the most recent year and up to the date of printing of the Annual Report, details of the penalties imposed and the estimated amount of current and potential future losses and measures in response

- (1). The Company has had harmonious labor relations since its establishment and has not suffered any loss from labor disputes.
- (2). Labor relations have been harmonious and therefore there are no current or potential future labor disputes resulting in losses and measures in response.



VI. Information Security Management:

(I) The framework of information security risk management



(II) The information security policy and action plans

1. The information security policy of the Company is as follows:

(1) Implementing information security and enhancing service quality

The ISMS shall be implemented by all employees to ensure the confidentiality, integrity and availability of business information from external threats or improper management by internal staff, and to protect it from the risk of compromise, destruction or loss. Appropriate protection measures are chosen to reduce risks to an acceptable level and continuously monitor, review and audit information security systems to enhance service quality and improve service standards.

(2) Enhance information security training to ensure sustainable operations

Supervising all colleagues in the implementation of information security management. Continuous and appropriate information security training is conducted every year to establish the concept of “Everybody is responsible for information security”, so that employees can understand the importance of information security and comply with information security regulations, thereby enhancing information security intelligence and emergency response capability, reducing information security risks and achieving the goal of sustainable operation.

(3) Immediate emergency response and rapid recovery from disaster

Emergency response plans and disaster recovery plans for critical information assets and business-critical operations are established, and emergency response procedures are regularly rehearsed to ensure rapid recovery in the event of information system failure or a major disaster, to ensure continued operation of critical operations and to minimize losses.

2. In response to the information security risk management, the Company has established the relevant information security management systems (ISMS):



Information security management systems), which are specified in the Information Security Management Policy and are implemented as follows:

- ①. Personal computer management.
- ②. Computer data backup and storage.
- ③. Host system management.
- ④. Information system access control.
- ⑤. Security and confidentiality principles.
- ⑥. Intellectual property advocacy.
- ⑦. Risk management and output.
- ⑧. External information management.

The audit unit has included the information security inspection items in the annual audit plan in accordance with the regulations.

(III) Resources invested in information security management

1. Human resource allocation

In accordance with the provisions of the Information Security Management Policy, the Company has established a dedicated information security staff with the following division of labor.

Job Category	Staffing	Job Description
Information security standards management business	1 staff	Adding or modifying management standards
Information security auditing services	1 staff	The auditor shall carry out in accordance with the management specification and audit each department occasionally
Information security IT business	1 staff	Responsible for technical issues and equipment set-up
Information security crime collection business	1 staff	Reporting of the facts or misconduct of computer cyber crime
Information security crisis reporting	1 staff	Be responsible for the reporting of all matters that may pose a risk

2. Information security professional training

The Company shall strengthen the training of information security personnel and enhance the professional information security management capability of the Company's information security personnel when dealing with information security human resources business.

In the event of a shortage of human resources or experience in the field of information security, the Company may seek the advice of experts or professional bodies in the field of information security.

3. Funding

- (1) The Information Security Facilitator plans the allocation of funds and resources to support the Company's information security policy and objectives and provides the resources required to establish, implement, maintain and continually improve the information security maintenance program.
- (2) When planning the construction of an information and communications system, the information and security requirements of the information and communications system are planned together, and a reasonable proportion of the overall budget is allocated to the information security budget.
- (3) Information security funding and resourcing is regularly reviewed on an annual basis and continuous improvements are made to the information security management program.



(IV) Losses suffered as a result of material information security incidents, the possible impact and response measures for the most recent year and up to the date of printing of the Annual Report

There have been no material information security incidents, which is N/A.

VII. Important Agreements:

Important agreements

Nature of Contract	The person(s) involved		Date of commencement	Main content	Restricted terms
Credit contract	Ruyuan Lidon Electronic Technology Co., Ltd, sub-subsidiary of Liton	Bank Of Dongguan Co., Ltd. Shaoguan Branch	25 June 2018 to 24 June 2025	Long term borrowings	None
Credit contract	Ruyuan Lidon Electronic Technology Co., Ltd, sub-subsidiary of Liton	E SUN Bank (China) Co., Ltd. Dongguan Branch	30 July 2021 to 29 April 2023	Long term borrowings	None



Chapter VI. Financial Information

I. Condensed Balance Sheet, Comprehensive Income Statement, Names of CPAs and the Audit Opinion for the last five years

(I) Condensed balance sheet

1. Condensed Balance Sheet (Consolidated) – Based on IFRS

Unit: NT\$ Thousands

Year		Financial information for the last five years (Note 1)					Financial Information as at 31 March 2023 (Note 2)
		2018	2019	2020	2021	2022	
Current assets		6,760,078	5,938,614	6,682,327	7,309,339	8,161,930	8,047,671
Property, Plant and Equipment		3,420,335	3,809,817	4,301,814	5,120,432	5,794,343	5,857,656
Intangible assets		22,781	19,501	19,307	15,495	12,276	11,538
Other assets		701,404	533,556	561,767	717,944	711,673	682,460
Total assets		10,904,598	10,301,488	11,565,215	13,163,210	14,680,222	14,599,325
Current liabilities	Before distribution	4,680,514	3,364,887	2,963,502	3,215,144	3,841,879	3,975,565
	Ex-dividend	4,977,720	3,558,717	3,439,308	3,737,956	4,416,719 (Note 3)	4,550,405 (Note 3)
Non-current liabilities		630,741	1,374,427	1,198,073	984,277	659,241	170,308
Total liabilities	Before distribution	5,311,255	4,738,814	4,161,575	4,199,421	4,501,120	4,145,873
	After distribution	5,608,461	4,932,644	4,637,381	4,722,233	5,075,960 (Note 3)	4,720,713 (Note 3)
Equity attributable to the shareholders of the parent		3,340,339	3,370,544	5,001,116	5,974,219	6,817,074	7,013,752
Capital stock		1,292,198	1,292,198	1,532,635	1,629,010	1,641,465	1,642,595
Capital surplus		693,176	719,263	1,612,221	1,958,907	1,994,346	1,998,129
Retained earnings	Before distribution	1,579,832	1,712,388	2,192,866	2,697,560	3,414,086	3,585,357
	After distribution	1,282,626	1,518,558	1,717,060	2,174,748	2,839,246 (Note 3)	3,005,517 (Note 3)
Other equity		(224,867)	(353,305)	(336,263)	(310,915)	(232,480)	(211,986)
Treasury Stock		0	0	(343)	(343)	(343)	(343)
Non-controlling interests		2,253,004	2,192,130	2,402,524	2,989,570	3,362,028	3,439,700
Total equity	Before distribution	5,593,343	5,562,674	7,403,640	8,963,789	10,179,102	10,453,452
	After distribution	5,296,137	5,368,844	6,927,834	8,440,977 (Note 3)	9,604,262 (註 3)	9,878,612 (註 3)

Note 1: The financial information has been audited by the CPA using International Financial Reporting Standards.

Note 2: The financial information of the Company for the quarter ended 31 March 2023 prior to the date of printing of the Annual Report has been reviewed by the CPA using International Financial Reporting Standards.

Note 3: The dividend for 2022 has been approved by the Board of Directors and has not yet been resolved by the General Meeting of Shareholders.



2. Condensed Balance Sheet (Unconsolidated) – Based on IFRS

Unit: NT\$ Thousands

Year		Financial information for the last five years (Note 1)					Financial Information as at 31 March 2023 (Note 2)
		2018	2019	2020	2021	2022	
Current assets		1,997,960	1,604,350	1,891,164	1,840,457	2,168,438	N/A (Note 2)
Property, Plant and Equipment		377,409	354,385	342,715	333,996	321,304	
Intangible assets		14,101	12,257	10,745	8,321	5,991	
Other assets		3,414,443	3,596,307	4,218,564	4,925,098	5,814,271	
Total assets		5,803,913	5,567,299	6,463,188	7,107,872	8,310,004	
Current liabilities	Before distribution	2,375,174	1,530,637	884,925	984,874	1,413,766	
	Ex-dividend	2,672,380	1,724,467	1,360,731	1,507,686	1,988,606 (Note 3)	
Non-current liabilities		88,400	666,118	577,147	148,779	79,164	
Total liabilities	Before distribution	2,463,574	2,196,755	1,462,072	1,133,653	1,492,930	
	Ex-dividend	2,760,780	2,390,585	1,937,878	1,656,465	2,067,770 (Note 3)	
Equity attributable to the shareholders of the parent		3,340,339	3,370,544	5,001,116	5,974,219	6,817,074	
Capital stock		1,292,198	1,292,198	1,532,635	1,629,010	1,641,465	
Capital surplus		693,176	719,263	1,612,221	1,958,907	1,994,346	
Retained earnings	Before distribution	1,579,832	1,712,388	2,192,866	2,697,560	3,414,086	
	Ex-dividend	1,282,626	1,518,558	1,717,060	2,174,748	2,839,246 (Note 3)	
Other equity		(224,867)	(353,305)	(336,263)	(310,915)	(232,480)	
Treasury Stock		0	0	(343)	(343)	(343)	
Non-controlling interests		0	0	0	0	0	
Total equity	Before distribution	3,340,339	3,370,544	5,001,116	5,974,219	6,817,074	
	After distribution	3,043,133	3,176,714	4,525,310	5,451,407	6,242,234 (Note 3)	

Note 1: The financial information has been audited by the CPA using International Financial Reporting Standards.

Note 2: There is no specific financial information required to be produced in the first quarter of 2023 that has been reviewed by the CPA using IFRS and is therefore not presented.

Note 3: The dividend for 2022 has been approved by the Board of Directors and has not yet been resolved by the general meeting of shareholders.



(II) Comprehensive income statement

1. Condensed Statement of Comprehensive Income (Consolidated) - Based on IFRS

Unit: NT\$ Thousands

Item \ Year	Financial information for the last five years (Note 1)					Financial Information as at 31 March 2023 (Note 2)
	2018	2019	2020	2021	2022	
Operating revenue	8,048,055	7,038,472	7,822,322	9,957,173	10,347,189	2,108,904
Gross profit	2,157,049	1,757,141	2,244,174	2,928,969	3,171,713	576,056
Operating income (loss)	1,153,472	856,662	1,291,257	1,794,804	1,971,416	304,300
Non-operating incomes and expenses	33,211	(68,098)	(57,532)	88,584	267,957	9,334
Net income before tax	1,186,683	788,564	1,233,725	1,883,388	2,239,373	313,634
Net income (loss) from continued operations	904,149	589,421	976,185	1,474,843	1,732,763	235,575
Losses from discontinued operations	0	0	0	0	0	0
Net income (loss)	904,149	589,421	976,185	1,474,843	1,732,763	235,575
Other comprehensive income (after tax)	(119,266)	(215,718)	29,334	34,702	136,304	32,201
Total comprehensive income	784,883	373,703	1,005,519	1,509,545	1,869,067	267,776
Net income attributable to shareholders of the parent	570,746	432,991	678,197	981,565	1,230,167	171,271
Net income attributable to non-controlling interest	333,403	156,430	297,988	493,278	502,596	64,304
Comprehensive income attributable to shareholders of the parent	494,310	301,323	691,350	1,005,848	1,317,773	191,765
Comprehensive income attributable to non-controlling interest	290,573	72,380	314,169	503,697	551,294	76,011
Earnings per share (Note 3)	4.42	3.35	5.13	6.12	7.53	1.04

Note 1: The financial information has been audited by the CPA using International Financial Reporting Standards.

Note 2: The financial information of the Company for the quarter ended 31 March 2023 prior to the date of printing of the Annual Report has been reviewed by the CPA using International Financial Reporting Standards.

Note 3: Shall refer to the basic earnings per share.



2. Condensed Statement of Comprehensive Income (Unconsolidated) - Based on IFRS

Unit: NT\$ Thousands

Year Item	Financial information for the last five years (Note 1)					Financial Information as at 31 st March 2023 (Note 2)
	2018	2019	2020	2021	2022	
Operating revenue	3,107,107	2,396,493	2,796,014	3,232,827	3,859,967	N/A (Note 2)
Gross profit	420,815	280,358	582,618	581,166	684,535	
Operating income (loss)	114,671	64,772	302,854	269,635	284,336	
Non-operating incomes and expenses	495,102	387,842	427,310	780,738	1,065,576	
Net income before tax	609,773	452,614	730,164	1,050,373	1,349,912	
Net income (loss) from continued operations	570,746	432,991	678,197	981,565	1,230,167	
Losses from discontinued operations	0	0	0	0	0	
Net income (loss)	570,746	432,991	678,197	981,565	1,230,167	
Other comprehensive income (after tax)	(76,436)	(131,668)	13,153	24,283	87,606	
Total comprehensive income	494,310	301,323	691,350	1,005,848	1,317,773	
Net income attributable to the shareholders of the parent	570,746	432,991	678,197	981,565	1,230,167	
Net income attributable to non-controlling interest	0	0	0	0	0	
Comprehensive income attributable to shareholders of the parent	494,310	301,323	691,350	1,005,848	1,317,773	
Comprehensive income attributable to non-controlling interest	0	0	0	0	0	
Earnings per share (Note 3)	4.42	3.35	5.13	6.12	7.53	

Note 1: The financial information has been audited by the CPA using International Financial Reporting Standards.

Note 2: There is no specific financial information required to be produced in the first quarter of 2023 that has been reviewed by the CPA using IFRS and is therefore not presented.

Note 3: Shall refer to the basic earnings per share.

(III) Name of the CPAs and the audit opinion

Year of Audit	Name of CPAs	Audit Opinion
2018	Tzu-Ping Huang and Ming-Hung Chen	Unqualified opinion
2019	Tzu-Ping Huang and Ming-Hung Chen	Unqualified opinion
2020	Tzu-Ping Huang and Ming-Hung Chen	Unqualified opinion
2021	Yu-Ting Huang and Ming-Hung Chen	Unqualified opinion
2022	Yu-Ting Huang and Ming-Hung Chen	Unqualified opinion



II. Financial Analysis for the Last Five Years

(I) Consolidated financial analysis

1. Financial Analysis (Consolidated) - Based on IFRS

Year (Note 1) Item of analysis (Note 3)		Financial analysis for the last five years					Financial Information as at 31st March 2023 (Note 2)
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt Ratio	48.70	46.00	35.98	31.90	30.66	28.39
	Long-term capital to property, plant and equipment ratio	181.97	182.08	199.95	194.28	187.05	181.36
Solvency %	Current ratio	144.43	176.51	225.48	227.34	212.44	202.42
	Quick ratio	108.5	133.50	176.51	169.04	160.74	157.42
	Interest earned ratio (times)	24.07	10.86	19.02	37.44	46.01	26.58
Operating performance	Accounts receivable turnover (times)	3.00	2.84	3.28	3.57	3.53	3.10
	Average collection period	122	128	111	102	103	117
	Inventory turnover (times)	4.89	4.18	4.69	4.95	4.21	3.61
	Accounts payable turnover (times)	9.36	9.16	10.32	11.54	12.10	11.26
	Average days in sales	75	87	77	73	86	101
	Property, plant and equipment turnover (times)	2.58	1.94	1.92	2.11	1.89	1.44
	Total assets turnover (times)	0.78	0.66	0.71	0.80	0.74	0.57
Profitability	Return on assets (%)	9.26	6.18	9.42	12.25	12.72	6.70
	Return on equity (%)	16.64	10.56	15.05	18.02	18.10	9.13
	Pre-tax income to paid-in capital (%) (Note 7)	91.83	61.02	80.49	115.61	136.42	76.37
	Profit ratio (%)	11.23	8.37	12.47	14.81	16.74	11.17
	Earnings per share (NT\$)	4.42	3.35	5.13	6.12	7.53	1.04
Cash flow	Cash flow ratio (%)	22.74	45.49	72.77	20.57	67.28	65.24
	Cash flow adequacy ratio (%)	70.41	80.24	93.65	78.66	109.44	130.69
	Cash reinvestment ratio (%)	6.17	10.45	15.52	0.58	12.58	4.30
Leverage	Operational leverage	5.99	6.98	5.15	4.74	4.50	6.03
	Financial leverage	1.04	1.10	1.06	1.02	1.02	1.04

Please describe the reasons for the changes in the financial ratios for the last two years: (Exempted if the change is less than 20%)

- Interest coverage ratio and earnings per share primarily increased in the current period due to higher profitability compared to the previous period.
- Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio primarily increased in the current period due to higher cash inflows generated from operating activities compared to the previous period.

Note 1: In 2013 Taiwan formally adopted the International Financial Reporting Standards (IFRS) as approved by the



FSC.

Note 2: The financial information of the Company for the quarter ended 31 March 2023 prior to the date of printing of the Annual Report has been reviewed by the CPA using International Financial Reporting Standards.

Note 3: The following equations should be presented at the end of this table in the Annual Report:

1. Financial structure

(1) Debt Ratio = total liabilities / total assets.

(2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net value of property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Interest cover ratio = net income before income tax and interests expenses / interest expenses for the current period.

3. Operating performance

(1) Accounts receivable (including accounts receivable and bills receivable arising from business operation) turnover rate = net sales of goods / average receivables for different periods (including balance of accounts receivable and bills receivable arising from business operation).

(2) Average days of cash receipt = 365 / accounts receivable turnover.

(3) Inventory turnover rate = operating costs / average inventory.

(4) Accounts payable (including accounts payable and bills payable arising from business operation) turnover rate = operating costs / average payable for different period (including accounts payable and bills payable arising from business operation).

(5) Average days of sale = 365 / inventory turnover rate.

(6) Property, plant and equipment turnover ratio = net sales / average net worth of property, plant and equipment.

(7) Total asset turnover ratio = net sales / total average assets.

4. Profitability

(1) Return on asset = (profit or loss after tax + interests expenses × (1 - tax rate)) / average total assets.

(2) Return on equity = profit and loss after tax / net average shareholders' equity.

(3) Net profit rate = profit and loss after tax / net sales of goods.

(4) Earnings per share = (Income attributable to shareholders of parent company - preferred share dividend) / weighted average of outstanding shares (Note 4)

5. Cash flow

(1) Cash flow ratio = net cash flow due to operating activities / current liabilities.

(2) Net cash flow adequacy ratio = net cash flow from operating activities over the current five years / (capital expenditure + increase in inventory + cash dividends) for the current five years).

(3) Cash re-investment ratio = (net cash flow from operation - cash dividends) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Leverage:

(1) Operational leverage = (net sale - variable operating costs and expenses) / operating income. (Note 6)

(2) Financial leverage = operating income / (operating income - interests expenses).

Note 4: The above equation for the calculation of earnings per share should be measured with particular attention to the following.

1. Based on the weighted average number of ordinary shares instead of the number of shares issued as at the end of the year.

2. Where there is a cash capital increase or treasury stock trader, the weighted average number of shares should be calculated by taking into account the period of their circulation.

3. Where there is a capital increase from surplus or capital reserve, the calculation of earnings per share for the previous years and half-year should be adjusted retrospectively in proportion to the capital increase, irrespective of the period during which the capital increase was issued.

4. If the Preference Shares are cumulative non-convertible Preference Shares, the dividends for the year, whether or not paid, shall be reduced by the net profit after taxation or increased by the net loss after taxation. In the case of non-cumulative preference shares, dividends on preference shares shall be reduced by the net profit after tax if there is a net profit after tax; in the case of losses, no adjustment shall be made.

Note 5: The cash flow analysis should be measured with particular attention to the following:

1. Net cash flow from operating activities is defined as the net cash inflow from operating activities in the cash flow statement.

2. Capital expenditure refers to the annual cash outflow from capital investments.

3. Additions to inventories are included only if the closing balance is greater than the opening balance, or nil if inventories are reduced at the end of the year.

4. Cash dividends comprise cash dividends on ordinary and preference shares.

5. Gross property, plant and equipment represents the total amount of property, plant and equipment before accumulated depreciation.

Note 6: The issuer should distinguish between fixed and variable operating costs and operating expenses according to their nature and, where estimates or subjective judgments are involved, pay attention to their reasonableness and maintain consistency.

Note 7: Where the Company's shares have no par value or a par value other than NT\$10 per share, the calculation of the ratio of paid-in capital above is changed to the ratio of equity attributable to the shareholders of the parent company in the balance sheet.



(II) Individual financial analysis

1. Financial Analysis (Unconsolidated) - Based on IFRS

Year (Note 1)		Financial analysis for the last five years					Financial Information as at 31st March 2023 (Note 2)
		2018	2019	2020	2021	2022	
Item of Analysis (Note 3)							
Financial structure (%)	Debt Ratio	42.44	39.45	22.62	15.94	17.96	N/A (Note 2)
	Long-term capital to property, plant and equipment ratio	908.49	1139.06	1627.66	1833.25	2146.32	
Solvency %	Current ratio	84.11	104.81	213.70	186.87	153.38	
	Quick ratio	74.87	85.26	199.20	175.80	145.36	
	Interest earned ratio (times)	25.85	20.52	38.17	184.79	160.67	
Operating performance	Accounts receivable turnover (times)	3.10	2.92	3.56	3.40	3.73	
	Average collection period	117	125	103	107	97	
	Inventory turnover (times)	27.96	23.24	23.51	32.60	40.86	
	Accounts payable turnover (times)	32.55	23.99	36.13	29.71	20.61	
	Average days in sales	13	15	16	11	8	
	Property, plant and equipment turnover (times)	8.09	6.54	8.02	9.55	11.78	
	Total assets turnover (times)	0.55	0.42	0.46	0.47	0.50	
Profitability	Return on assets (%)	10.63	7.95	11.53	14.53	16.04	
	Return on equity (%)	17.86	12.90	16.20	17.88	19.23	
	Pre-tax income to paid-in capital (%) (Note 7)	47.18	35.02	47.64	64.47	82.23	
	Profit ratio (%)	18.36	18.06	24.25	30.36	31.86	
	Earnings per share (NT\$)	4.42	3.35	5.13	6.12	7.53	
Cash flow	Cash flow ratio (%)	12.55	29.75	49.57	9.24	45.41	
	Cash flow adequacy ratio (%)	37.28	40.22	51.10	106.18	106.50	
	Cash reinvestment ratio (%)	0.39	3.83	4.31	(6.17)	1.69	
Leverage	Operational leverage	25.96	35.97	8.92	11.58	13.09	
	Financial leverage	1.27	1.55	1.07	1.02	1.03	

Please describe the reasons for the changes in the financial ratios for the last two years: (Exempted if the change is less than 20%)

1. Inventory turnover ratio and average days in sales primarily increased in the current period due to higher cost of goods sold compared to the previous period.
2. Accounts payable turnover primarily increased due to an increase in accounts payable.
3. Property, plant, and equipment turnover ratio primarily increased due to an increase in sales.
4. Pre-tax income to paid-up capital ratio and earnings per share primarily increased in the current period due to an increase in investment gains and foreign exchange gains, resulting in higher pre-tax and after-tax profits compared to the previous period.
5. Cash flow ratio and cash reinvestment ratio primarily increased in the current period due to a higher cash inflow generated from operating activities compared to the previous period.

Note 1: The financial information has been audited by the CPA using International Financial Reporting Standards.



Note 2: There is no specific financial information required to be produced in the first quarter of 2023 that has been reviewed by the CPA using IFRS and is therefore not presented.

Note 3: The following equations should be presented at the end of this table in the Annual Report:

1. Financial structure
 - (1) Debt Ratio = total liabilities / total assets.
 - (2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net value of property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
 - (3) Interest cover ratio = net income before income tax and interests expenses / interest expenses for the current period.
3. Operating performance
 - (1) Accounts receivable (including accounts receivable and bills receivable arising from business operation) turnover rate = net sales of goods / average receivables for different periods (including balance of accounts receivable and bills receivable arising from business operation).
 - (2) Average days of cash receipt = 365 / accounts receivable turnover.
 - (3) Inventory turnover rate = operating costs / average inventory.
 - (4) Accounts payable (including accounts payable and bills payable arising from business operation) turnover rate = operating costs / average payable for different period (including accounts payable and bills payable arising from business operation).
 - (5) Average days of sale = 365 / inventory turnover rate.
 - (6) Property, plant and equipment turnover ratio = net sales / average net worth of property, plant and equipment.
 - (7) Total asset turnover ratio = net sales / total average assets.
4. Profitability
 - (1) Return on asset = (profit or loss after tax + interests expenses × (1 - tax rate)) / average total assets.
 - (2) Return on equity = profit and loss after tax / net average shareholders' equity.
 - (3) Net profit rate = profit and loss after tax / net sales of goods.
 - (4) Earnings per share = (Income attributable to shareholders of parent company - preferred share dividend) / weighted average of outstanding shares (Note 4)
5. Cash flow
 - (1) Cash flow ratio = net cash flow due to operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = net cash flow from operating activities over the current five years / (capital expenditure + increase in inventory + cash dividends) for the current five years).
 - (3) Cash re-investment ratio = (net cash flow from operation - cash dividends) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)
6. Gearing:
 - (1) Operational gearing = (net sale - variable operating costs and expenses) / operating income. (Note 6)
 - (2) Financial gearing = operating income / (operating income - interests expenses).

Note 4: The above equation for the calculation of earnings per share should be measured with particular attention to the following.

1. Based on the weighted average number of ordinary shares instead of the number of shares issued as at the end of the year.
2. Where there is a cash capital increase or treasury stock trader, the weighted average number of shares should be calculated by taking into account the period of their circulation.
3. Where there is a capital increase from surplus or capital reserve, the calculation of earnings per share for the previous years and half-year should be adjusted retrospectively in proportion to the capital increase, irrespective of the period during which the capital increase was issued.
4. If the Preference Shares are cumulative non-convertible Preference Shares, the dividends for the year, whether or not paid, shall be reduced by the net profit after taxation or increased by the net loss after taxation. In the case of non-cumulative preference shares, dividends on preference shares shall be reduced by the net profit after tax if there is a net profit after tax; in the case of losses, no adjustment shall be made.

Note 5: The cash flow analysis should be measured with particular attention to the following:

1. Net cash flow from operating activities is defined as the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow from capital investments.
3. Additions to inventories are included only if the closing balance is greater than the opening balance, or nil if inventories are reduced at the end of the year.
4. Cash dividends comprise cash dividends on ordinary and preference shares.
5. Gross property, plant and equipment represents the total amount of property, plant and equipment before accumulated depreciation.

Note 6: The issuer should distinguish between fixed and variable operating costs and operating expenses according to their nature and, where estimates or subjective judgments are involved, pay attention to their reasonableness and maintain consistency.

Note 7: Where the Company's shares have no par value or a par value other than NT\$10 per share, the calculation of the ratio of paid-in capital above is changed to the ratio of equity attributable to the shareholders of the parent company in the balance sheet.



III. Review Report of the Supervisor or Audit Committee of the Financial Statements for the Most Recent Year

Please refer to page 114.

IV. Financial Statements for the Most Recent Year, including an Auditor's Report, a Two-Year Comparative Balance Sheet, a Comprehensive Income Statement, a Statement of Changes in Equity, a Statement of Cash Flows and Notes or Appendices

Please refer to pages 115 to 240.

V. Individual Financial Statements of the Company for the Most Recent Year Audited by the CPA

Please refer to pages 241 to 340.

VI. If the Company and its Affiliates Have Experienced Financial Difficulties in the Most Recent Year and up to the Date of Printing of the Annual Report, the Impact on the Financial Position of the Company Shall be Stated

The Company and its affiliates in compliance with Article 369-1 of the Company Act are in good operating and financial condition and have not experienced any financial difficulties in the most recent year and up to the date of printing of the annual report.



Chapter VII. Review and Analysis of Financial Position and Performance, and Risks

I. Financial position

Comparative Analysis of Financial Position

Unit: NT\$ Thousands

Item \ Year	2021	2022	Difference	
			Amount	%
Current assets	7,309,339	8,161,930	852,591	11.66%
Property, plant and equipment	5,120,432	5,794,343	673,911	13.16%
Other assets	733,439	723,949	(9,490)	(1.29%)
Total assets	13,163,210	14,680,222	1,517,012	11.52%
Current liabilities	3,215,144	3,841,879	626,735	19.49%
Non-current liabilities	984,277	659,241	(325,036)	(33.02%)
Total liabilities	4,199,421	4,501,120	301,699	7.18%
Capital stock	1,629,010	1,641,465	12,455	0.76%
Additional paid-in capital	1,958,907	1,994,346	35,439	1.81%
Retained earnings	2,697,560	3,414,086	716,526	26.56%
Other equity	(310,915)	(232,480)	78,435	(25.23%)
Treasury Stock	(343)	(343)	0	0.00%
Non-controlling interests	2,989,570	3,362,028	372,458	12.46%
Total equity	8,963,789	10,179,102	1,215,313	13.56%

Description of the reason (Items with a change of $\pm 10\%$ or more) is as follow:

1. The increase in current assets is primarily due to an increase in cash and cash equivalents in the current period.
2. The increase in property, plant, and equipment is primarily due to the acquisition of new equipment in the current period.
3. The increase in total assets is primarily due to an increase in cash and cash equivalents, as well as an increase in property, plant, and equipment in the current period.
4. The increase in current liabilities is primarily due to an increase in short-term borrowings.
5. The decrease in non-current liabilities is primarily due to a decrease in long-term borrowings.
6. The increase in retained earnings and total equity is primarily due to an increase in net profit in the current period.
7. The increase in other equity is primarily due to the favorable impact of foreign currency translation differences related to the financial statements of overseas operations in the current period.
8. The increase in non-controlling interests is primarily due to an increase in net profit in the current period.



II. Financial performance

(I) Comparative analysis of operating results

Unit: NT\$ Thousands

Item	Year	2021	2022	Amount of increase (decrease)	Changes in proportion %
Net sales revenue		9,957,173	10,347,189	390,016	3.92%
Cost of sales		(7,028,204)	(7,175,476)	(147,272)	2.10%
Gross profit from sales		2,928,969	3,171,713	242,744	8.29%
Operating expenses		(1,134,165)	(1,200,297)	(66,132)	5.83%
Operating profit		1,794,804	1,971,416	176,612	9.84%
Non-operating income and expenses		88,584	267,957	179,373	202.49%
Net profit before tax		1,883,388	2,239,373	355,985	18.90%
Income tax expense		(408,545)	(506,610)	(98,065)	24.00%
Net profit for the period		1,474,843	1,732,763	257,920	17.49%

Main reasons for the change of $\pm 10\%$ or more in last 2 years:

1. The increase in non-operating income is mainly due to net foreign exchange gains
2. The increase in net profit before tax, income tax expense, and net profit for the period is primarily attributable to an increase in current earnings.

(II) Analysis of changes in operating margins

Unit: NT\$ Thousands

	Increase (decrease) in previous and current periods	Reason for difference			
		Favorable (unfavorable) price differences	Favorable (unfavorable) cost	Favorable (unfavorable) sales package variances	Favorable (unfavorable) quantitative variances
Aluminum electrolytic capacitors	293,093	1,106,970	(641,209)	(32,269)	(140,399)
Aluminum foil and others	(50,349)	611,100	(476,596)	(28,057)	(156,796)
Total	242,744	1,718,070	(1,117,805)	(60,326)	(297,195)

The difference in gross profit between 2022 and 2021 is due to the following:

Aluminum electrolytic capacitors: The favorable variance in sales price is primarily due to increased market demand and currency fluctuations, while the unfavorable variance in cost is attributed to rising material costs affecting the cost price.

Aluminum foil and others: Starting from August 2022, a decline in market demand led to a decrease in revenue compared to the same period last year. However, the adjustment in selling prices slowed down, resulting in favorable sales price variance and unfavorable quantity variance.

(III) Expected sales volume and its basis

In 2023, the world would still be affected by the outbreak of Coronavirus. With the certification of Lelon's high unit price and high value-added products by well-known international manufacturers, the sales of high-end products would continue to grow.

(IV) Possible impact on the company's future financial operations and plans for response

The future is still geared towards increasing sales of high-end products and there is no significant impact on the Company's future financial operations.



III. Cashflow

Review and Analysis of Cash Flow Statement

Unit: NT\$ Thousands

Cash and Cash Equivalents, Beginning of Year (A)	Net Cash Flow from Operating Activities	Annual cash inflow (outflow) (B)	Cash Surplus (Deficit) (A)+(B)	Leverage of Cash Deficit	
				Investment Plans	Financial Plans
1,813,353	2,584,994	923,769	2,737,122	-	-

1. Analysis of changes in cash flows during the year:

- ① Operating activities: The net cash inflow from operating activities was NT\$2,584,994 thousand, primarily generated by the net changes in operating assets and liabilities resulting in cash inflows.
- ② Investing activities: The net cash outflow from investing activities is primarily due to additions to real properties, plants, and equipment.
- ③ Financing activities: The net cash outflow from financing activities is mainly attributable to the repayment of long-term borrowings and the net amount after payment of cash dividends.

2. Forecasted improvement plan for cash flow shortfall: N/A, there is no forecast shortfall in cash flow.

3. Cash flow analysis for the coming year:

Unit: NT\$ Thousands

Opening cash balance (A)	Forecasted net cash flow from operating activities for the year	Forecasted annual cash inflow (outflow) (B)	Forecasted surplus (shortfall) in cash (A)+(B)	Forecasted remedial measures for cash shortfall	
				Investment Plan	Financial Plan
2,737,122	2,018,285	649,935	3,387,057	—	—

- ① Operating activities: The net cash inflow from operating activities was NT\$2,018,285 thousand, primarily generated by the net changes in operating assets and liabilities resulting in cash inflows.
- ③ Investing and financing activities: The net cash outflow from investing and financing activities is primarily due to additions to properties, plants, and equipment, repayment of borrowings, and the net amount after the payment of cash dividends.

IV. Impact of Material Capital Expenditure on Financial Operations in the Most Recent Year

(I) Use of material capital expenditure and sources of funding

The Group has planned to expand its electrolytic capacitor equipment and power supply and related equipment for the electrolyzer and expects to use its own funds.

(II) Potential benefits expected

In response to the company's needs for production and quality improvement.



V. Investment Policy, Main Reasons for Profit or Loss and Plans for Improvement in the Most Recent Year and Investment Plans for the Coming Year

Table of Analysis of Investment

Unit: NT\$ Thousands

Item \ Description	Amount of investment (Note 1)	Shareholding ratio	Investment gain or loss	Policy	Main reasons for profit or loss	Plans for improvement	Other future investment plans
Liton Technology Corp.	468,471	30.82%	154,018	Long-term investments	Operating conditions are as expected	None	—
Liro Electronics Co., Ltd.	818,824	89.47%	739,419	Long-term investments	Operating conditions are as expected	None	—

Note 1: Refers to the amount invested in the year that exceeds 5% of the paid-in capital.

Note 2: Included in the consolidated financial statements.

The Company's investments accounted for under the equity method are all consolidated in the financial statements. The amount recorded in the accounts of non-consolidated investments accounted for 0.19% of total consolidated assets. In the future, the Company will continue to pay attention to existing investments in order to reduce investment risks.

VI. Risks

(I) The impact of changes in interest rates, exchange rates and inflation on the Company's profit and loss and future responsive measures

1. Interest rate:

The Group's interest rate risk arises primarily from borrowings at fixed rates and fluctuating rates.

The Group's net interest expense for 2022 amounted to NT\$49,743 thousand, accounting for 0.48% of net revenue, and had no material impact on the Company's profit or loss. Based on the loan terms in 2022, a 10-basis point increase/decrease in market interest rates would increase/decrease the Group's interest expense by NT\$1,981 thousand respectively.

2. Exchange rate:

The Group's exchange rate risk relates primarily to operating activities (where revenues or expenses are denominated in a currency different from the Group's functional currency) and the net investments in foreign operating entities.

The Company is primarily engaged in export and holds a high level of assets in foreign currencies; therefore, any significant and adverse changes in international exchange rates could have an adverse effect on the Company's financial position. The Company's response is to reduce its net exposure to exchange rate fluctuations by offsetting assets and liabilities to the extent possible, and to enter into forward foreign exchange contracts and option contracts for hedging purposes; When quoting customers, a more conservative exchange rate is adopted as the basis for quoting, considering the possible impact of exchange rate changes, so that exchange rate fluctuations would have less impact on the profits of the orders received;



Forward foreign exchange contracts and option contracts are undertaken in accordance with the "Guidelines for Derivatives Trading" established by the Company. This risk management concept will continue to be adopted in the future.

Based on the receivables and payables in foreign currency held by the Group in 2022, a 1% appreciation of the New Taiwan dollar against the U.S. dollar would result in a loss of approximately \$24,495 thousand to the Group. When the New Taiwan dollar appreciates by 1% against the RMB, it will result in a loss to the Group of approximately \$21,238 thousand.

3. Inflation.

The Company's import and sales prices are quoted with reference to fluctuating market prices. The Company continues to pay close attention to raw material prices and remains committed to various cost reduction measures.

(II) Policies on engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement of guarantees and derivative trading, the main reasons for profits or losses and future responsive measures

The Group does not engage in high risk, high leveraged investments and all investments are carefully evaluated and executed. Loans of funds to others and endorsements of guarantees are made to the Company's subsidiaries and are carefully carried out in accordance with the established "Procedures for Loaning of Funds to Others" and "Procedures for Making of Endorsements/ Guarantees".

The purpose of the Group's derivative trading is to hedge the exchange risk of debt payables in foreign currencies arising from the import of raw materials and debt receivable in foreign currencies arising from the sale of products, and to exercise prudence in accordance with the established "Guidelines for Derivatives Trading".

(III) Future research and development plans and estimated spending on research and development

1. Research and Development Plan for the most recent year and up to the date of publication of the Annual Report

- ①. Solid-liquid mixing SMD 150°C 25-80V 2000Hrs Capacitor development.
- ②. Radial (H.V.) 105°C 500V 10000 Hrs development.
- ③. V-Chip 105°C Extended Life VZR Series 8000Hrs (12.5-18φ) Capacitor Development.
- ④. V-Chip High Temperature 125°C 400~500V 3000Hrs (12.5-18φ) Capacitor Development.
- ⑤. Radial (L.V.) 135°C 8~10 φ 1~2000Hrs Capacitor development.
- ⑥. Radial (L.V.) 125°C 10~12.5φ 5~10000Hrs Capacitor development.
- ⑦. Snap-in 105°C 3000Hrs High ripple reduced-size Capacitor development.

2. Future Research and Development Plans

- ①. Hybrid SMD 25~80V 145°C 3~4000Hrs high-capacity product development.
- ②. V-Chip (H.V.) 125°C 400~450V 5000 Hrs (12.5~18φ).
- ③. Radial (H.V.) 105°C 400~450 V 15000~20000 Hrs development.
- ④. Radial (L.V.) 105°C 5~6.3φ 10000 Hrs development.

3. Estimated investment in Research and Development

The estimated budget for research and development for this year is approximately NT\$ 220,000 thousand.



(IV) The impact of key domestic and international policy and legal changes on the Company's financial operations and the measures taken in response

- (1) The Company conducts its business in accordance with the policies and legal requirements of each location and has its own direct management personnel at each location. Any changes in policy or legislation will be reported to Head Office promptly, with necessary countermeasures, preventive measures and adjustments to management procedures or operational requirements as appropriate.
- (2) The Company's operations are conducted in accordance with the laws and regulations of the competent authorities. There have been no material changes in domestic or external policies and laws that have had a material impact on the Company's finances and operations in the most recent year and up to the date of printing of the Annual Report.
- (3) The global economy is in danger of falling into recession due to the impact of the outbreak of Coronavirus. With the major economy using QE and fiscal policy of market rescue, exchange rate volatility is likely to increase.
China's proposed high level of infrastructure investment is expected to boost demand in the Chinese market.
- (4) Energy-efficient products are flourishing as countries continue to stricter regulations on the energy efficiency of electronic products. New energy-related products are subject to greater variability due to national subsidy requirements, but in the long term they will remain the dominant direction of development.
- (5) The extension of anti-dumping duties on Japan-made electrolytic paper in China has kept the cost of specialty electrolytic paper at a high level.
- (6) As China's environmental regulations continue to be stricter and more stringently enforced, factories have to invest more in improving pollution and the cost of compliance has increased.

(V) The impact of technological changes (including information and communications security risks) and industry changes on the Company's financial operations and measures in response

- (1) Technological changes (including information security risks) and rapid changes in the industry have exposed the Company to price competition from the industry, product changes and customer demands for immediate supply. In response to such factors, the Company would actively develop high value-added products, reduce sales of low margin products, control costs to reduce costs and lower the Company's inventory, provide satisfactory customer service in sales and increase the Company's profit.
- (2) Lelon has not only developed its own key technologies but has also actively introduced new technologies and materials. The development of new products is properly validated in accordance with the product development procedures to ensure that the safety and characteristics of the products meet the design requirements before they are officially launched.
- (3) Introducing the concept of Industry 4.0 to enhance production automation.
- (4) The dedicated cybersecurity unit closely monitors information technology changes, technological advancements, and shifts in product demand within the relevant industries, to quickly grasp the latest trends and assess their impact on the company's operations. Also, it develops response strategies and continuously update and enhance network and computer security measures and equipment to ensure the security of the company's financial operations.



(VI) The impact of change in corporate image on corporate crisis management and measures in response

The Company has been established for over 40 years and has maintained a good corporate image of integrity and sound operation. There have been no material changes that have caused a crisis in the management of the Company.

(VII) Expected benefits, possible risks and response measures for a merger or acquisition

There have been no mergers and acquisitions in the most recent year and up to the date of printing of the Annual Report and therefore N/A.

(VIII) Expected benefits, possible risks and response measures for the expansion of the plant

Construction of a factory for capacity expansion by Lelon Electronics Technology (Suzhou) Co., Ltd. an investee, has been completed in 2022. The construction expenditure was financed by its own funds or loans from banks and did not have a material impact on the Company's financial operations.

(IX) Vendor or customer concentration risks and measures in response

1. Vendor concentration risks and measures in response

The Company's procurement strategy is based on a three-factory integration and integrated material procurement, with two or more vendors selected to spread the risk and coordinate the supply mechanism with some important vendors.

Measures in response:

With the COKE inventory management system, the Company is able to fully manage and supply the material demand and reduce the stock of spare materials, so there is no purchase concentration risk affecting the source of incoming materials.

2. Customer concentration risks and measures in response

Lelon has a diversified customer base with no risk of customer concentration. When there is a sudden and significant increase in customer orders, the Company would immediately investigate the cause and assess and confirm whether it is a short-term phenomenon, so as to avoid any significant change in orders from a single customer affecting the regular order production and sales arrangements.

(X) The impact, risk and response of substantial transfer or change of shareholding of Directors, Supervisors or substantial Shareholders holding more than 10% of the shares of the Company

There has been no substantial transfer or change in the shareholding of Directors, Supervisors or substantial Shareholders holding more than 10% of the shares of the Company during the most recent year and up to the date of printing of the Annual Report.

(XI) The impact of the change in the ownership of the Company, the risks involved and the measures in response

There has been no change in the ownership of the Company for the most recent year and up to the date of printing of the Annual Report.



(XII) Material litigation, non-litigation or administrative disputes in which the Company and its Directors, Supervisors, President, de facto responsible person, substantial Shareholders holding more than 10% of the shares and Subsidiaries that have been adjudged or are still in connection to the trial

There were no material litigation matters in respect of the Company and its Directors, Supervisors, President, Substantially Responsible Persons, or substantial Shareholders holding more than 10% of the shares and subsidiaries that have been adjudged or are still in connection to the trial as at the date of printing of the Annual Report of the Company.

(XIII) Other important risks and measures in response

None.

VII. Other Important Matters

None.

Chapter VIII. Additional Information

I. Profiles of the Affiliates

(I) Consolidated Business Report of Affiliated Enterprises

Please refer to pages 341 to 348.

(II) Consolidated Financial Statements of Affiliated Enterprises

Please refer to page 349.

(III) Affiliation Reports

The Company is not a subsidiary of any other company and is therefore not required to prepare an affiliation report.

II. Private Placement of Marketable Securities for the Most Recent Year and up to the Date of Printing of the Annual Report

None.

III. Holdings or Disposals of the Company's Shares by Subsidiaries During the Most Recent Year and up to the Date of Printing of the Annual Report

None.

IV. Supplementary Information

None.



Chapter IX. The Events Specified in Article 36(3)(2) of the Law that Had a Significant Impact on Shareholders' Equity or the Price of Securities in the Most Recent Year and up to the Date of Printing of the Annual Report

None.



Chapter X. Appendix

I. Statement of Internal Control System

Statement of Internal Control System for Public Companies Indicating Effective Design and Operation

(This statement applies when all applicable laws and regulations have been complied with)

Lelon Electronics Corp. Statement of Internal Control System

Date: 24 March 2023

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2022:

1. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance 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. Moreover, the effectiveness of an internal control system may be subject to changes 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 (herein below, 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 also includes several items which can be found in the Regulations.
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, on 31 December 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance 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 the Securities and Exchange Act.
7. This Statement was passed by the Board of Directors in their meeting held on 23 March 2023, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Lelon Electronics Corp.

Chairman: T.C. Wu

President: Jimmy Wu



II. Audit Committee's Report for the Most Recent Year's Financial Statement.

Lelon Electronics Corp.

Audit Committee's Review Report

The Board of Directors of this Company has prepared the 2022 financial statements (parent only and consolidated) and have been audited and certified by CPAs Yu Ting Huang and Ming Hung Chen of EY Taiwan and an audit report has been prepared by them in this regard. The aforesaid business report, financial statements and profit distribution table have been audited and determined to be accurate by the Audit Committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report for your review.

For the 2023 Annual Meeting of Shareholder

Lelon Electronics Corp.

Convener of Audit Committee: Chi-Wei Lin

23 March 2023

III. Financial Statement for the Most Recent Fiscal Year, Including an Auditor's Report Prepared by a Certified Public Accountant, and 2-Year Comparative Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow, and any Related Footnotes or Attached Appendices.

(I) Auditor's Report

Independent Auditors' Report Translated from Chinese

To Lelon Electronics Corp.

Opinion

We have audited the accompanying consolidated balance sheets of Lelon Electronics Corp. and its subsidiaries (the "Group") as of 31 December 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2022 and 2021, and their consolidated financial performance and cash flows for the years ended 31 December 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by 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 (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 consolidated financial statements. 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.

Impairment of accounts receivable

As of 31 December 2022, the gross accounts receivable and loss allowance by the Group amounted to NT\$2,674,478 thousand and NT\$30,803 thousand, respectively. The net accounts receivable accounted for 18% of consolidated total assets, which was considered material to the Group. The collection of accounts receivable is a key factor in the working capital management of the Group, the loss allowance of account receivables is measured by the expected credit loss for the duration of the account receivables, the measurement process includes grouping the receivables and determining the use of the related assumptions in the analysis, including appropriate account aging interval and consideration of the loss rate of each account aging interval. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net account receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of the internal control system for the management of accounts receivable established by the management level; analyzing the changes of accounts receivable and turnover rate before and after the period, and testing the collection of accounts receivable after the period to evaluate the recoverability; reviewing the accounts receivable details at the end of the period, classifying them according to individual credit groups, and recalculating the reasonableness of the provision of accounts receivable allowance losses based on the expected loss rate assessed by management.

We also assessed the adequacy of disclosures related to accounts receivable in Notes 5 and 6 to the Group's consolidate financial statements.

Valuation for inventories

As of 31 December 2022, the Group's net inventories amounted to NT\$1,740,988 thousand. Net inventories accounted for 12% of consolidated total assets. As the Group's inventories are distributed in multiple warehouses and has a wide range of items, the difficulty of managing the status of inventory usage has increased. The products have a wide range of applications and they are phased out at different rates, so the slowing-moving and obsolete inventory allowance for impairment involved significant management judgments. We therefore determined this a key audit matter.

Our audit procedures included, but were not limited to, understanding and testing the effectiveness of the internal controls established by management for inventory, assessing the appropriateness of accounting policies regarding obsolete and slow-moving inventory, understanding management's plan for inventory count, selecting material inventory locations for on-site observations during physical inventory counts, testing the accuracy of inventory aging, analyzing changes in inventory aging, testing management's estimated net realizable value for inventory, including price testing and conducting analytical procedures on gross profit margins for each product, verifying the calculation of inventory unit costs, considering the expected demand and market value of inventory, understanding management's analysis and evaluation of obsolete and slow-moving inventory, including the possibility of inventory realization and estimation of net realizable value.

We also assessed the adequacy of disclosures related to inventory in Notes 5 and 6 to the Group's consolidated financial statements.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Group, 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 audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 internal control of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's 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 accompanying notes, 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 the 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 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other

We have audited and expressed an unqualified opinion on the parent company only financial statements of Lelon Electronics Corp. as of and for the years ended 31 December 2022 and 2021.

Huang, Yu Ting

Chen, Ming Hung

Ernst & Young, Taiwan

23 March 2023

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

(II) 2-Year Comparative Balance Sheet

English Translation of Consolidated Financial Statements Originally Issued in Chinese

LELON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of 31 December	
		2022	2021
Current assets			
Cash and cash equivalents	4,6(1)	\$2,737,122	\$1,813,353
Financial assets at fair value through profit or loss, current	4,6(2)	584,702	506,838
Financial assets measured at amortized cost, current	4	44,140	65,130
Notes receivable, net	4,6(13)	125,549	99,857
Accounts receivable, net	4,5,6(3) · 6(13),7	2,643,675	2,936,344
Other receivables	4,6(13)	39,732	12,169
Inventories	4,5,6(4)	1,740,988	1,555,293
Prepayments	7	245,144	319,139
Other current assets		878	1,216
Total current assets		<u>8,161,930</u>	<u>7,309,339</u>
Non-current assets			
Financial assets at fair value through other comprehensive income, noncurrent	4,5	28,175	28,133
Property, plant and equipment	4,6(5),8	5,794,343	5,120,432
Right-of-use assets	4,5,6(14),7	230,323	213,819
Investment property	4,5,8	26,340	26,623
Intangible assets	4	12,276	15,495
Goodwill	4	11,625	11,625
Deferred tax assets	4,5,6(18)	42,772	50,659
Other non-current assets	4	372,438	387,085
Total non-current assets		<u>6,518,292</u>	<u>5,853,871</u>
Total assets		<u>\$14,680,222</u>	<u>\$13,163,210</u>

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
LELON ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of 31 December	
		2022	2021
Current liabilities			
Short-term loans	4,6(6)	\$1,760,594	\$1,244,078
Short-term notes and bills payable	4	89,981	209,850
Financial liabilities at fair value through profit or loss, current		1,700	900
Contract liabilities, current	4,6(12)	277,231	103,640
Notes payable	4,7	36,047	50,753
Accounts payable	4,7	496,281	602,151
Other payables	4,6(7)	660,409	643,818
Current tax liabilities	4,6(18)	263,491	120,679
Lease liabilities, current	4,6(14),7	7,642	6,903
Long-term loans, current portion	4,6(8),6(9)	155,409	154,304
Other current liabilities		93,094	78,068
Total current liabilities		<u>3,841,879</u>	<u>3,215,144</u>
Non-current liabilities			
Bonds payable	4,6(8)	488,952	535,947
Long-term loans	4,6(9)	-	283,135
Deferred tax liabilities	4,5,6(18)	50,944	50,445
Lease liabilities, non-current	4,6(14),7	57,189	38,602
Net defined benefit obligation, non-current	4,5,6(10)	21,912	36,116
Guarantee deposits received		40,244	40,032
Total non-current liabilities		<u>659,241</u>	<u>984,277</u>
Total liabilities		<u>4,501,120</u>	<u>4,199,421</u>
Equity attributable to the parent company			
Capital	6(11)		
Common stock		1,635,432	1,621,595
Certificate of entitlement to new shares from convertible bond		6,033	7,415
Subtotal		<u>1,641,465</u>	<u>1,629,010</u>
Additional Paid-in Capital	6(11)	1,994,346	1,958,907
Retained earnings	6(11)		
Legal reserve		540,055	442,005
Special reserve		310,915	336,263
Unappropriated earnings		2,563,116	1,919,292
Subtotal		<u>3,414,086</u>	<u>2,697,560</u>
Other components of equity			
Exchange differences on translation of foreign operations		(205,540)	(284,358)
Unrealized gains or losses measured at fair value through other comprehensive income		(26,940)	(26,557)
Subtotal		<u>(232,480)</u>	<u>(310,915)</u>
Treasury shares	4,6(11)	(343)	(343)
Equity attributable to the parent company		6,817,074	5,974,219
Non-controlling interests	6(11)	3,362,028	2,989,570
Total equity		<u>10,179,102</u>	<u>8,963,789</u>
Total liabilities and equity		<u>\$14,680,222</u>	<u>\$13,163,210</u>

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

(III) Statement of Comprehensive Income

English Translation of Consolidated Financial Statements Originally Issued in Chinese
LELON ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the years ended 31 December	
		2022	2021
Operating revenues	4,6(12),7	\$10,347,189	\$9,957,173
Operating costs	6(4),7	(7,175,476)	(7,028,204)
Gross profit		3,171,713	2,928,969
Operating expenses	6(15)		
Sales and marketing expenses		(362,563)	(322,033)
General and administrative expenses		(626,300)	(629,160)
Research and development expenses		(210,281)	(200,164)
Expected credit (losses) gains	6(13)	(1,153)	17,192
Subtotal		(1,200,297)	(1,134,165)
Operating income		1,971,416	1,794,804
Non-operating income and expenses			
Interest revenue	4	31,091	30,182
Other income	4,5,6(16)	49,484	82,566
Other gains and losses	6(16)	237,125	27,518
Finance costs	6(16),7	(49,743)	(51,682)
Subtotal		267,957	88,584
Income before income tax		2,239,373	1,883,388
Income tax expense	4,5,6(18)	(506,610)	(408,545)
Net income		1,732,763	1,474,843
Other comprehensive income	6(17)		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		13,075	(1,237)
Unrealized gains(losses) on equity instruments measured at fair value through other comprehensive income		(424)	(523)
Income tax related to items that may not be reclassified subsequently	4, 6(17), 6(18)	(2,615)	247
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		126,268	36,215
Total other comprehensive income, net of tax		136,304	34,702
Total comprehensive income		\$1,869,067	\$1,509,545
Net income attributable to:			
Stockholders of the parent		\$1,230,167	\$981,565
Non-controlling interests		502,596	493,278
		\$1,732,763	\$1,474,843
Comprehensive income attributable to:			
Stockholders of the parent		\$1,317,773	\$1,005,848
Non-controlling interests		551,294	503,697
		\$1,869,067	\$1,509,545
Earnings per share (NTD)	4,6(19)		
Earnings per share-basic		\$7.53	\$6.12
Earnings per share-diluted		\$7.45	\$6.04

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

(IV) Statement of Changes in Equity

English Translation of Consolidated Financial Statements Originally Issued in Chinese
LELON ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to the Parent Company											Total Equity
	Capital		Retained earnings				Other components of equity					
	Common stock	Certificate of entitlement to new shares from convertible bond	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains (Losses) on Equity Instruments Measured at Fair Value Through Other Comprehensive Income	Treasury shares	Total	Non-Controlling Interests	
Balance as of 1 January 2021	\$1,450,867	\$81,768	\$1,612,221	\$374,574	\$353,305	\$1,464,987	\$(310,151)	\$(26,112)	\$(343)	\$5,001,116	\$2,402,524	\$7,403,640
Appropriation and distribution of 2020 retained earnings												
Legal reserve				67,431		(67,431)				-		-
Cash dividends						(475,806)				(475,806)		(475,806)
Special reserve					(17,042)	17,042				-		-
Net income in 2021						981,565				981,565	493,278	1,474,843
Other comprehensive income (loss), net of tax in 2021						(1,065)	25,793	(445)		24,283	10,419	34,702
Total comprehensive income (loss)	-	-	-	-	-	980,500	25,793	(445)	-	1,005,848	503,697	1,509,545
Bonds converted to stock	170,728	(74,353)	319,284							415,659		415,659
Changes in ownership interests in subsidiaries			27,402							27,402	187,419	214,821
Cash dividends of the Company received by its subsidiaries										-	(104,070)	(104,070)
Balance as of 31 December 2021	\$1,621,595	\$7,415	\$1,958,907	\$442,005	\$336,263	\$1,919,292	\$(284,358)	\$(26,557)	\$(343)	\$5,974,219	\$2,989,570	\$8,963,789
Balance as of 1 January 2022	\$1,621,595	\$7,415	\$1,958,907	\$442,005	\$336,263	\$1,919,292	\$(284,358)	\$(26,557)	\$(343)	\$5,974,219	\$2,989,570	\$8,963,789
Appropriation and distribution of 2021 retained earnings												
Legal reserve				98,050		(98,050)				-		-
Cash dividends						(522,812)				(522,812)		(522,812)
Special reserve					(25,348)	25,348				-		-
Net income in 2022						1,230,167				1,230,167	502,596	1,732,763
Other comprehensive income (loss), net of tax in 2022						9,171	78,818	(383)		87,606	48,698	136,304
Total comprehensive income (loss)	-	-	-	-	-	1,239,338	78,818	(383)	-	1,317,773	551,294	1,869,067
Bonds converted to stock	13,837	(1,382)	38,332							50,787		50,787
Changes in ownership interests in subsidiaries			(2,893)							(2,893)	(29,882)	(32,775)
Cash dividends of the Company received by its subsidiaries										-	(148,954)	(148,954)
Balance as of 31 December 2022	\$1,635,432	\$6,033	\$1,994,346	\$540,055	\$310,915	\$2,563,116	\$(205,540)	\$(26,940)	\$(343)	\$6,817,074	\$3,362,028	\$10,179,102

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

(V) Statement of Cash Flow

English Translation of Consolidated Financial Statements Originally Issued in Chinese

LELON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2022	2021
Cash flows from operating activities:		
Net income before tax	\$2,239,373	\$1,883,388
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Income and expense adjustments:		
Depreciation	468,836	396,588
Amortization	7,182	7,350
Expected credit loss(income)	1,153	(17,192)
Loss of financial assets/liabilities at fair value through loss or profit	18,773	9,142
Interest expense	49,743	51,682
Interest income	(31,091)	(30,182)
Dividend income	(1,690)	(1,544)
Loss (gain) on disposal of property, plant and equipment	2,625	(26,436)
Property, plant and equipment transferred to expenses	-	8,199
Gain on disposal of investments	(934)	(24,089)
(Gain)loss from market value decline, obsolete and slow-moving of inventor	(3,142)	22,421
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(85,788)	(444,837)
(Increase) decrease in notes receivable	(25,692)	44,718
Decrease (increase) in accounts receivable	286,976	(581,558)
(Increase) decrease in other receivables	(2,414)	9,377
Increase in inventories	(160,201)	(379,141)
Decrease (increase) in prepayments	71,283	(84,847)
Decrease in other current assets	338	171
Decrease (increase) in other non-current assets	38,048	(81,342)
Increase in contract liabilities	173,591	20,625
(Decrease) increase in notes payable	(14,706)	13,357
(Decrease) increase in accounts payable	(105,870)	75,131
Increase in other payables	35,408	166,620
Increase(decrease) increase in other current liabilities	15,026	(16,220)
Decrease in net defined benefit liabilities non-current	(2,884)	(1,160)
Cash generated from operations	2,973,943	1,020,221
Interest received	31,091	30,182
Dividends received	1,690	1,544
Interest paid	(37,731)	(41,628)
Income tax paid	(383,999)	(351,403)
Net cash provided by operating activities	2,584,994	658,916

(Continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
LELON ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
For the years ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets measured at amortized cost, current	-	(65,130)
Proceeds from disposal of financial assets measured at amortized cost, current	20,990	-
Acquisition of property, plant and equipment	(545,101)	(1,109,893)
Proceeds from disposal of property, plant and equipment	3,678	88,979
Acquisition of intangible assets	(1,156)	(1,120)
Acquisition of right-of-use assets	(964)	-
Acquisition of Investment property	(140)	-
Increase in prepayment for equipment	(546,840)	(201,514)
Net cash used in investing activities	<u>(1,069,533)</u>	<u>(1,288,678)</u>
Cash flows from financing activities:		
Increase in short-term loans	4,594,395	3,702,551
Decrease in short-term loans	(4,077,879)	(3,773,282)
Increase in short-term notes and bills payable	689,132	1,360,255
Decrease in short-term notes and bills payable	(809,001)	(1,370,286)
Proceeds from bonds issued	-	499,805
Cash payments for bonds	(1,600)	-
Increase in long-term loans	76,484	120,153
Decrease in long term loans	(364,172)	(163,012)
Increase (decrease) in guarantee deposits received	212	(12,673)
Cash payments for the principal portion of the lease liability	(11,409)	(8,962)
Cash dividends	(671,766)	(579,876)
Decrease in non-controlling interests	(36,674)	-
Net cash used in financing activities	<u>(612,278)</u>	<u>(225,327)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>20,586</u>	<u>(1,912)</u>
Net increase (decrease) in cash and cash equivalents	923,769	(857,001)
Cash and cash equivalents at beginning of period	<u>1,813,353</u>	<u>2,670,354</u>
Cash and cash equivalents at end of period	<u>\$2,737,122</u>	<u>\$1,813,353</u>

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

(VI) Related Footnotes or Attached Appendices

LELON ELECTRONICS CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended 31 December 2022 and 2021

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

1. History and organization

LELON ELECTRONICS CORP. (The Company) was incorporated in February 1976. The main activities of the Company are include manufacturing, assembling, selling electronic components&parts, and selling production machinery, and act as an agent for the business operation investment and import and export trade of the preceding paragraph, etc. Place of operation and registration of the company is No. 147, Sec. 1, Guoguang Rd., Dali Dist., Taichung City 412023 , Taiwan (R.O.C.)

In response to the diversified needs of future fundraising, and with the consent of the securities authority, the supplementary public offering procedures will be completed in July 1998.

The shares of the Company commenced trading on Taiwan’s Over-the-Counter Market in March 2000 and were listed on the Taiwan Stock Exchange in September 2001.

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

The consolidated financial statements of the Company and its subsidiaries (the Group) for the years ended 31 December 2022 and 2021 were authorized for issue by Board of Directors on 23 March 2023.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2022. The adoption of the new standards and amendments had no material impact on the Group.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

(a) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023. The new or amended standards and interpretations have no material impact on the Group.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)

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- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

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IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

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(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended 31 December 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are endorsed by FSC.

(2) Basis of Preparation

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

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
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(3) Basis of Consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

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A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss;
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			31 December 2022	31 December 2021
The Company	LIRO ELECTRONICS CO., LTD.	Holding company	89.47%	89.47%
The Company	Liton Technology Corp. (Note1)	Selling and processing etched aluminum foils, selling and manufacturing formed aluminum foils	30.82%	30.60%
LIRO ELECTRONICS CO., LTD.	Lelon Electronics (HUIZHOU) Corp.	Manufacturing and Selling aluminum electrolytic capacitor	100%	100%
LIRO ELECTRONICS CO., LTD.	Lelon Electronics (SUZHOU) Corp.	Manufacturing and Selling aluminum electrolytic capacitor	100%	100%
LIRO ELECTRONICS CO., LTD.	Lelon International Industrial Limited	Holding company and Selling electronic materials and capacitors	100%	100%

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Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			31 December 2022	31 December 2021
LIRO ELECTRONICS CO., LTD.	Lelon Electronics Technology (SUZHOU) Corp.	Manufacturing and Selling aluminum electrolytic capacitor	100%	100%
Lelon International Industrial Limited	Dongguan Lehong Trading Co, Ltd.	Selling electronic components	100%	100%
Lelon Electronics (SUZHOU) Corp.	Suzhou Liding Automotive Technology Co., Ltd.	Manufacturing and Selling automotive electronic components	100%	100%
Liton Technology Corp.	LITON (BVI) CO., LTD.	Holding company	100%	100%
Liton Technology Corp.	V-TECH CO., LTD.	Manufacturing and Selling Formed Aluminum Foils and holding	100%	100%
Liton Technology Corp.	EVERTECH CAPA CO., LTD.	Manufacturing and Selling formed aluminum foils	100%	100%
Liton Technology Corp.	Ruyuan County Lidon Technology Corp.	Manufacturing and Selling etched aluminum foils	40%	40%
LITON (BVI) CO., LTD.	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Manufacturing and Selling formed aluminum foils and guide pin	100%	100%
V-TECH CO., LTD.	FOREVER CO., LTD.	Holding company	100%	100%
FOREVER CO., LTD.	Liton Electronics Technology (A ba zhou) Co., Ltd.	Manufacturing and Selling formed aluminum foils	100%	100%
Liton Electronics Technology (Hui Zhou) Co., Ltd.	Ruyuan County Lidon Technology Corp.	Manufacturing and Selling etched auminum foils	20%	20%

Note1 : The company's subsidiary, Liton Technology Corp., Ltd., converted and issued common stock and bought treasury stock from January 1 to December 31, 2022. The shareholding ratio increased from 30.60% to 30.82%.

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The reason that The Company control substantively Liton Technology Corp. are as follow :

- (1) The chairman of Liton Technology Corp. is also the chairman of The Company.
- (2) One of the directors of Liton Technology Corp. is also the general manager of The Company.
- (3) The nomination list of directors of Liton Technology Corp. is determined by the chairman of the company.
- (4) Since the date of holding Liton Technology Corp., The Company has been the largest shareholder of Liton Technology Corp., and the remaining interests of Liton Technology Corp. are widely held by many other shareholders, and in the absence of contractual rights, The Company can obtain a relatively majority of voting rights power of attorney.
- (5) The management of the company believes that it has a substantial dominant position in the decision-making of relevant operating activities of Liton Technology Corp., and the management of Liton Technology Corp. also agrees that the company has a dominant position in its important operating or financial activities.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NT\$), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

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On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period

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- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

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

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Group's business model for managing the financial assets and
- B. the contractual cash flow characteristics of the financial asset.

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Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition
- B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

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Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

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The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired.
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

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Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

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

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

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

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Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

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Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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(9) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

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

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

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

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The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Merchandise inventory and Raw materials – Purchase cost under weighted average cost method.

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

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

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

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(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	5~55 years
Machinery and equipment	2~40 years
Transportation equipment	3~11 years
Office equipment	3~15 years
Other equipment	2~26 years
Leasehold improvement	3~8 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

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The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(13) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Item	Useful lives
Buildings	2~45 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

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The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

Group as a lessee

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

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At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

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

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

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For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software	Patent	Other intangible assets
Useful lives	3~20 years	2~3 years	5~15 years
Amortization method used	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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(18) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(19) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is aluminum electrolytic capacitor, forming aluminum foils, electroerosion foils and guide pin, and revenue is recognized based on the consideration stated in the contract.

The credit period of the Group's sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component has arisen.

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Rendering of services

The Group provides rendering of services are mainly based on the provision of management services, which is measured according to the estimated percentage of the cost incurred in each individual contract. When the outcome of the contract cannot be reasonably estimated, revenue is recognized only to the extent that the expenses incurred are expected to be recoverable.

Interest income

Financial assets measured at amortized cost (including loan and receivables and held-to-maturity financial assets) and available-for-sale financial assets, the interest income is estimated by using interest reate method, amd recognized the interest income in profit and loss.

Dividend income

The Group will recognize the dividend income when the Group has the rights to receive dividends.

(20) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(21) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(22) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

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- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(23) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

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

Deferred tax

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

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

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

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

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(24) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 *Financial Instruments* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

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(a) Investment properties

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment.

(b) Operating lease commitments - Company as a lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(c) De facto control without a majority of the voting rights in invested companies

The Company does not have majority of the voting rights in certain invested companies. However, after taking into consideration factors such as absolute size of the Company's holding, relative size of the other shareholdings, how widely spread are the remaining shareholders, contractual arrangements between shareholders, potential voting rights, etc., the Company reached the conclusion that it has de facto control over these invested companies. Please refer to Note 4 for further details.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc.

(c) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

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Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(d) Trade receivables—estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(e) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2022	2021
Cash on hand	\$1,812	\$1,970
Demand deposits	2,366,730	1,811,383
Time deposits	368,580	-
Total	\$2,737,122	\$1,813,353

Cash and cash equivalents were not pledged.

(2) Financial assets at fair value through profit or loss - current

	As of 31 December	
	2022	2021
Financial assets mandatorily at fair value through profit or loss:		
Financing product	\$518,364	\$473,033
Stocks	66,280	32,160
Embedded derivative-bonds	58	1,645
Total	\$584,702	\$506,838

Financial assets at fair value through profit or loss - current were not pledged.

(3) Accounts receivables, net

	As of 31 December	
	2022	2021
Accounts receivables	\$2,674,478	\$2,968,486
Less: loss allowance	(30,803)	(24,997)
Total	\$2,643,675	\$2,936,344

Accounts receivables, net were not pledged.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Accounts receivables are generally on 30-150 day terms. The total carrying amount are NT\$2,674,478 thousand and NT\$2,968,486 thousand as of 31 December 2022 and 2021. Please refer to Note 6(13) for more details on loss allowance of accounts receivables for the years ended 31 December 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(4) Inventories

	As of 31 December	
	2022	2021
Raw materials	\$768,853	\$759,227
Supplies	26,076	37,274
Work in progress	119,473	126,546
Finished goods	649,477	508,987
Merchandise	30,967	8,656
Materials and supplies in transit	146,142	114,603
Total	<u>\$1,740,988</u>	<u>\$1,555,293</u>

The inventory cost recognized as operating costs for the years ended 31 December 2022 and 2021 were NT\$7,175,476 thousand and NT\$7,028,204 thousand, respectively. The gain from price recovery of inventories related to cost of goods sold were NT\$3,142 thousand and the price reduction of inventories related to cost of goods sold were NT\$22,421 thousand.

Gain from price recovery of inventories was because the net realizable value of inventories was not lower the cost anymore and the net realized value recovery for the year ended 31 December 2022.

No inventories were pledged.

(5) Property, plant and equipment

	As of 31 December	
	2022	2021
Owner occupied property, plant and equipment	<u>\$5,794,343</u>	<u>\$5,120,432</u>

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(1) Owner occupied property, plant and equipment:

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:									
As of 1 January 2022	\$239,886	\$1,532,340	\$5,643,973	\$301,232	\$31,500	\$1,831	\$378,728	\$988,757	\$9,118,247
Additions	-	9,444	174,704	2,877	4,565	-	25,928	308,716	526,234
Disposals	-	(1,902)	(52,532)	(4,111)	(1,317)	-	(16,292)	-	(76,154)
Other changes	-	741,140	680,845	(128,074)	643	-	7,480	(853,342)	448,692
Exchange differences	-	19,009	88,856	4,833	473	-	5,510	18,786	137,489
As of 31 December 2022	<u>\$239,886</u>	<u>\$2,300,031</u>	<u>\$6,535,846</u>	<u>\$176,757</u>	<u>\$35,864</u>	<u>\$1,831</u>	<u>\$401,354</u>	<u>\$462,917</u>	<u>\$10,154,508</u>
Depreciation and impairment:									
As of 1 January 2022	\$-	\$573,632	\$3,085,445	\$78,796	\$19,186	\$1,042	\$239,714	\$-	\$3,997,815
Additions	-	76,918	321,313	17,930	3,648	164	34,273	-	454,246
Disposals	-	(1,551)	(48,410)	(4,034)	(1,233)	-	(14,623)	-	(69,851)
Other changes	-	(1,617)	(75,219)	(1,783)	(586)	-	(3,353)	-	(82,558)
Exchange differences	-	8,076	47,750	961	291	8	3,427	-	60,513
As of 31 December 2022	<u>\$-</u>	<u>\$655,458</u>	<u>\$3,330,879</u>	<u>\$91,870</u>	<u>\$21,306</u>	<u>\$1,214</u>	<u>\$259,438</u>	<u>\$-</u>	<u>\$4,360,165</u>
Cost:									
As of 1 January 2021	\$239,886	\$1,500,077	\$5,120,522	\$135,850	\$28,058	\$1,824	\$341,360	\$674,982	\$8,042,559
Depreciation	-	16,058	228,394	7,780	2,749	-	34,211	864,619	1,153,811
Disposals	-	(1,362)	(131,014)	(1,647)	(218)	-	(30,437)	-	(164,678)
Other changes	-	11,382	399,759	158,293	773	-	32,004	(555,402)	46,809
Exchange differences	-	6,185	26,312	956	138	7	1,590	4,558	39,746
As of 31 December 2021	<u>\$239,886</u>	<u>\$1,532,340</u>	<u>\$5,643,973</u>	<u>\$301,232</u>	<u>\$31,500</u>	<u>\$1,831</u>	<u>\$378,728</u>	<u>\$988,757</u>	<u>\$9,118,247</u>

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Depreciation and impairment:									
As of 1 January 2021	\$ -	\$509,165	\$2,927,952	\$63,614	\$16,462	\$858	\$222,694	\$-	\$3,740,745
Depreciation	-	64,358	266,306	17,598	2,713	181	32,780	-	383,936
Disposals	-	(1,362)	(89,158)	(1,534)	(72)	-	(10,009)	-	(102,135)
Other changes	-	(889)	(33,971)	(1,147)	-	-	(6,766)	-	(42,773)
Exchange differences	-	2,360	14,316	265	83	3	1,015	-	18,042
As of 31 December 2021	\$ -	\$573,632	\$3,085,445	\$78,796	\$19,186	\$1,042	\$239,714	\$-	\$3,997,815
Net carrying amount as at:									
31 December 2022	\$239,886	\$1,644,573	\$3,204,967	\$84,887	\$14,558	\$639	\$141,916	\$462,917	\$5,794,343
31 December 2021	\$239,886	\$958,708	\$2,558,528	\$222,436	\$12,314	\$789	\$139,014	\$988,757	\$5,120,432

- (2) Please refer to Note 8 for more details on property, plant and equipment under pledge.
- (3) Capitalized borrowing costs of construction in progress for the year ended 31 December 2022 were NT\$2,865 thousand, with capitalization rate of borrowing costs at 4.18%.
- (4) Capitalized borrowing costs of construction in progress for the year ended 31 December 2021 were NT\$1,544 thousand, with capitalization rate of borrowing costs at 4.20%.
- (5) Components of building that have different useful lives are main building structure, factory decoration, hydroelectric engineering and central air-condition wiring engineering, which are depreciated over 51 years, 21 years, 16 years and 9 years, respectively.
- (6) Liton Technology Corp's components of building that has different useful lives are main building structure, hydroelectric engineering, well drainage engineering, purification station appurtenant project and acid and alkali-resistance engineering, which are depreciated over 55 years, 45 years, 20 years, 5 years and 3 years, respectively.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(6) Short-term loans

	As of 31 December	
	2022	2021
Unsecured bank loans	\$1,760,594	\$1,113,818
Secured bank loans	-	130,260
Total	\$1,760,594	\$1,244,078
	For the years ended 31 December	
	2022	2021
Interest rates applied(Unsecured bank loans)	0.48%~3.90%	0.53%~4.15%
Interest rates applied(Secured bank loans)	-%	5.30%

The Group's unused short-term lines of credits amounted to NT\$3,260,069 thousand and NT\$3,330,102 thousand as of 31 December 2022 and 2021, respectively.

Please refer to Note 8 for more details under pledge.

(7) Other payables

	As of 31 December	
	2022	2021
Salaries and bonus payable	\$269,169	\$277,120
Employee's compensation and remuneration to directors and supervisors	109,798	76,854
Water and electricity payable	36,695	50,748
Consumption payable	35,831	52,843
Payable on equipment	35,490	54,357
Sales tax payable	31,184	29,606
Commissions payable	31,088	28,853
Other	111,154	73,437
Total	\$660,409	\$643,818

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(8) Bonds payable

	As of 31 December	
	2022	2021
Liability component:		
Principal amount	\$525,200	\$581,800
Discount on bonds payable	(11,247)	(19,691)
Subtotal	513,953	562,109
Less: current portion	(25,001)	(26,162)
Net	\$488,952	\$535,947
Embedded derivative	\$1,642	\$(745)
Equity component	\$12,631	\$18,360

Report of the Company's unsecured convertible bonds (Second issue)

On 18 March 2019, the Company issued its second unsecured convertible bonds with a coupon rate of 0%. The convertible bonds were analyzed in accordance with the contractual terms, the components include: the principal bonds, the embedded derivative (the issuer's option to redeem and the holder's option to require the issuer to redeem), and the equity element (the holder's option to require conversion into the issuer's common stock), and the main terms of the issue are as follows:

Total Issuance: NT\$600,000 thousand

Issuance period: 18 March 2019 to 18 March 2022

Important redemption terms:

- A. If the closing price of the Company's common stock on the Taiwan Stock Exchange reaches 30% of the Conversion Price for 30 consecutive business days on the day following the expiration of three months from the date of issuance, the Company may give the notice to redeem the Bonds in full and in advance at the par value (the "Early Redemption Price").

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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- B. The convertible bonds are valid from the day following three months from the date of issuance (19 June 2019) to 40 days before the expiration of the issuance period (6 February 2022). When the outstanding balance of the bonds is less than 10% of the total face value of the original issue, the company may redeem the company bonds in full at the early redemption price.

- C. If the Creditor fails to reply to the Company's Stock Affairs Agency in writing before the date on which the Bonds are collected (collection date) as outlined in the "Notice of Collection of Bonds"(effective upon delivery, and the postmark date will be used as evidence if it is mailed). Within five business days after the collection date, the convertible bonds are redeemed in cash at the face value of the bonds.

Important Terms of Sale:

The Company takes the date of two years (18 March 2021) after the issuance of the convertible bonds as the sell-back base date for bondholders to sell back the bonds. The Company shall send a "Notice on the Exercise of the Put-back Right" to the bondholders by registered mail 40 days before the base date of the sale and request the Over-the-Counter (OTC) to announce the exercise of the right of purchase of the convertible bonds. Bondholders may request the Company to redeem the Bonds held by the Company at their face value by written notice to the Company's Stock Affairs Agency (effective upon delivery, with the expiration date of such period as the base date of sale, and the postmark date will be used as evidence if it is mailed) within 40 days after the announcement. The Company shall redeem the Bonds in cash within five business days after the base date of the request for redemption. If the aforementioned date falls on a day when the Taipei Exchange is closed, it will be postponed to the next business day.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Conversion method:

- A. Subject of conversion: The Company's common stock.
- B. Conversion Period: Bondholders may request conversion into common shares of the Company in lieu of cash repayment from 19 June 2019 to 18 March 2022.
- C. Conversion price and its adjustment: The conversion price had been set at NT\$46 per share at the time of issuance. If the conversion price of the Company's common share meets the provisions of the issuance terms, the conversion price shall be adjusted in accordance with the formula set forth in the terms of issuance. The conversion price was changed from NT\$43.4 to NT\$42.1 per share on 3 September 2020, the ex-dividend date. On 25 December 2020, the conversion price was changed from NT\$42.1 to NT\$41.6 per share following the issuing of common shares for a cash capital increase. The conversion price was also changed from NT\$41.6 to NT\$39.9 per share after the ex-dividend date of 7 September 2021.
- D. Maturity Redemption: The bonds will be redeemed at face value when they are outstanding at maturity.

As of 31 December 2022 and 31 December 2021, the Company's bonds were converted to NT\$599,700 thousand and NT\$578,800 thousand, respectively.

As of 31 December 2022, the Company had purchased three convertible bonds. The difference between the amount apportioned to the equity components and the book value is NT\$12 thousand, which was recorded as capital surplus-lapsed stock options, and the bonds matured on 18 March 2022.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Report of the Company's unsecured convertible bonds (Third issue)

On 22 July 2020, the Company issued its third unsecured convertible bonds with a coupon rate of 0%. The convertible bonds were analyzed in accordance with the contractual terms, the components include: the principal bonds, the embedded derivative (the issuer's option to redeem and the holder's option to require the issuer to redeem), and the equity element (the holder's option to require conversion into the issuer's common stock), and the main terms of the issue are as follows:

Total Issuance: NT\$600,000 thousand

Issuance period: 22 July 2020~ 22 July 2023

Important redemption terms:

- A. If the closing price of the Company's common stock on the Taiwan Stock Exchange reaches 30% of the Conversion Price for 30 consecutive business days on the day following the expiration of three months from the date of issuance, the Company may give the notice to redeem the Bonds in full and in advance at the par value (the "Early Redemption Price")
- B. The convertible bonds are valid from the day following three months from the date of issuance (23 October 2020) to 40 days before the expiration of the issuance period (12 June 2023). When the outstanding balance of the bonds is less than 10% of the total face value of the original issue, the company may redeem the company bonds in full at the early redemption price.
- C. If the Creditor fails to reply to the Company's Stock Affairs Agency in writing before the date on which the Bonds are collected (collection date) as outlined in the "Notice of Collection of Bonds"(effective upon delivery, and the postmark date will be used as evidence if it is mailed). Within five business days after the collection date, the convertible bonds are redeemed in cash at the face value of the bonds.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Important Terms of Sale:

The Company takes the date of two years (22 June 2022) after the issuance of the convertible bonds as the sell-back base date for bondholders to sell back the bonds. The Company shall send a “Notice on the Exercise of the Put-back Right” to the bondholders by registered mail 40 days before the base date of the sale and request the Over-the-Counter (OTC) to announce the exercise of the right of purchase of the convertible bonds. Bondholders may request the Company to redeem the Bonds held by the Company at their face value by written notice to the Company's Stock Affairs Agency (effective upon delivery, with the expiration date of such period as the base date of sale, and the postmark date will be used as evidence if it is mailed) within 40 days after the announcement. The Company shall redeem the Bonds in cash within five business days after the base date of the request for redemption. If the aforementioned date falls on a day when the Taipei Exchange is closed, it will be postponed to the next business day.

Conversion method:

- A. Subject of conversion: The Company's common stock.
- B. Conversion Period: Bondholders may request conversion into common shares of the Company in lieu of cash repayment from 23 October 2020 to 22 July 2023.
- C. Conversion price and its adjustment: The conversion price had been set at NT\$48 per share at the time of issuance. If the conversion price of the Company's common share meets the provisions of the issuance terms, the conversion price shall be adjusted in accordance with the formula set forth in the terms of issuance. The conversion price was changed from NT\$48 to NT\$46.5 per share on 3 September 2020, the ex-dividend date. On 25 December 2020, the conversion price was changed from NT\$46.5 to NT\$45.9 per share following the issuing of common shares for a cash capital increase. The conversion price was changed from NT\$45.9 to NT\$44.1 per share after the ex-dividend date of 7 September 2021. The conversion price was also changed from NT\$44.1 to NT\$41.6 per share after the ex-dividend date of 8 August 2022.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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D. Maturity Redemption: The bonds will be redeemed at face value when they are outstanding at maturity.

As of 31 December 2022 and 31 December 2021, the Company's bonds were converted to NT\$574,800 thousand and NT\$544,600 thousand, respectively.

Liton Technology Corp.'s third zero domestic coupon unsecured convertible bonds

On 4 March 2019, Liton Technology Corp. issued the seventh zero domestic coupon unsecured convertible bonds. The terms of the convertible bonds were evaluated to include a liability component, embedded derivatives (a call option and a put option) and an equity component (an option for conversion into issuer's ordinary shares). The terms of the bonds are as follows:

Issue amount : NT\$200,000 thousand

Period : 4 March 2019 ~ 4 March 2022

Redemption clauses:

- A. Liton Technology Corp. may redeem the bonds, in whole or in part, after 3 months of the issuance (5 June 2019) and prior to 40 days before the maturity date (22 January 2022), at the principal amount of the bonds with an interest calculated at the rate of 0% per annum (early redemption conversion price) if the closing price of the company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 130% of the conversion price.
- B. Liton Technology Corp. may redeem the bonds, in whole or in part, after 3 months of the issuance (5 June 2019) and prior to 40 days before the maturity date (22 January 2022), at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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- C. Liton Technology Corp. may redeem the bonds in cash, within 5 trading days after the base date of withdrawing the bonds as stated on the “Withdrawal of Convertible Bonds Notice”, at the par value if the bondholders do not reply to the share affair agency in writing before the base date.

Reversal clauses:

Liton Technology Corp. takes the date of two years (4 March 2021) after the issuance of the convertible bonds as the sell-back base date for bondholders to sell back the bonds. The company shall send a “Notice on the Exercise of the Put-back Right” to the bondholders by registered mail 40 days before the base date of the sale and request the Over-the-Counter (OTC) to announce the exercise of the right of purchase of the convertible bonds. Bondholders may request to the company redeem the Bonds held by the company at their face value by written notice to the company's Stock Affairs Agency (effective upon delivery, with the expiration date of such period as the base date of sale, and the postmark date will be used as evidence if it is mailed) within 40 days after the announcement. The company shall redeem the Bonds in cash within five business days after the base date of the request for redemption. If the aforementioned date falls on a day when the Taipei Exchange is closed, it will be postponed to the next business day.

Terms of Exchange:

- A. Underlying Securities: Common shares of Liton Technology Corp.
- B. Exchange Period: The bonds are exchangeable at any time on or after 5 June 2019 and prior to 4 March 2022 into common shares of Liton Technology Corp.
- C. Exchange Price and Adjustment: The exchange price was originally NT\$31.7 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture. After the ex-dividend on 11 October 2021, the conversion price will be adjusted from NT\$29 to NT\$28.4 per share.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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D. Redemption on due date: Liton Technology Corp. bonds will be redeemed at face value when they are due and not settled.

In addition, the converted amount of Liton Technology Corp.'s bonds on 31 December 2022 and 31 December 2021 is NT\$198,700 thousand and NT\$194,800 respectively.

As of 31 December 2022, Liton Technology Corp. had purchased thirteen convertible bonds. The difference between the amount apportioned to the equity components and the book value is NT\$55 thousand, which was recorded as capital surplus-lapsed stock options, and the bonds matured on 4 March 2022.

Liton Technology Corp.'s forth zero domestic coupon unsecured convertible bonds

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

Issue amount: NT\$500,000 thousand

Period: 15 July 2021 ~ 15 July 2024

Redemption clauses:

A. Liton Technology Corp. may redeem the bonds, in whole or in part, after 3 months of the issuance (16 October 2021) and prior to 40 days before the maturity date (5 June 2024), at the principal amount of the bonds with an interest calculated at the rate of 0% per annum (early redemption conversion price) if the closing price of Liton Technology Corp.'s ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 30% of the conversion price.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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- B. Liton Technology Corp. may redeem the bonds, in whole or in part, after 3 months of the issuance (16 October 2021) and prior to 40 days before the maturity date (5 June 2024), at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.
- C. Liton Technology Corp. may redeem the bonds in cash, within 5 trading days after the base date of withdrawing the bonds as stated on the “Withdrawal of Convertible Bonds Notice”, at the par value if the bondholders do not reply to the share affair agency in writing before the base date.

Reversal clauses:

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

Terms of Exchange:

- A. Underlying Securities: Common shares of Liton Technology Corp.
- B. Exchange period: The bonds are exchangeable at any time on or after 16 March 2021 and prior to 15 July 2023 into common shares of Liton Technology Corp.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
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C. Exchange Price and Adjustment: The exchange price was originally NT\$47.7 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture. After the ex-dividend on 3 August 2022, the conversion price will be adjusted from NT\$46.7 to NT\$44.4 per share.

D. Redemption on due date: Liton Technology Corp. bonds will be redeemed at face value when they are due and not settled.

In accordance with IFRS 9, said financial instrument is classified as an embedded derivative so the exercise price of the embedded put option is allocated to the liability component and equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The difference between the equity component and the book value was recognized in profit or loss. The difference between the liability component and the book value was recognized in “Share premium-warrants”. The financial liabilities of convertible bonds are measured at amortized cost, fair value through profit or loss amounted to NT\$1,642 thousand as of 31 December 2022.

(9) Long-term loans

Details of long-term loans as at 31 December 2022 and 2021 are as follows:

Lenders	As at 31 Dec. 2022	Interest Rate	Maturity date and terms of repayment
E.SUN Bank (China) Dongguan Branch unsecured bank loans	\$34,075	4.20%	From 14 September 2021 to 14 March 2023, starting from the date of first use, the principal will be amortized in six installments and every three months is one installment. 5% of the principal is amortized in the first installment, 10% of the principal is amortized in the second to fifth installments, and the remaining principal is fully repaid in the last installment.

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Lenders	As at 31 Dec. 2022	Interest Rate	Maturity date and terms of repayment
E.SUN Bank (China) Dongguan Branch unsecured bank loans	33,690	4.15%	From 22 February 2022 to 22 August 2023, starting from the date of first use, the principal will be amortized in six installments and every three months is one installment. 5% of the principal is amortized in the first installment, 10% of the principal is amortized in the second to fifth installments, and the remaining principal is fully repaid in the last installment.
E.SUN Bank (China) Dongguan Branch unsecured bank loans	26,829	4.15%	From 20 May 2022 to 20 November 2023, starting from the date of first use, the principal will be amortized in six installments and every three months is one installment. 5% of the principal is amortized in the first installment, 10% of the principal is amortized in the second to fifth installments, and the remaining principal is fully repaid in the last installment.
E.SUN Bank (China) Dongguan Branch unsecured bank loans	18,208	4.20%	From 30 July 2021 to 30 January 2023, starting from the date of first use, the principal will be amortized in six installments and every three months is one installment. 5% of the principal is amortized in the first installment, 10% of the principal is amortized in the second to fifth installments, and the remaining principal is fully repaid in the last installment.
E.SUN Bank (China) Dongguan Branch unsecured bank loans	17,606	4.20%	From 29 October 2021 to 29 April 2023, starting from the date of first use, the principal will be amortized in six installments and every three months is one installment. 5% of the principal is amortized in the first installment, 10% of the principal is amortized in the second to fifth installments, and the remaining principal is fully repaid in the last installment.
Subtotal	130,408		
Less: current portion	(130,408)		
Total	\$-		

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Lenders	As at 31 Dec. 2021	Interest Rate	Repayment period and method
Bank of Dongguan Co., Ltd Shaoguan Branch secures bank loan	\$295,800	6.86%	From 25 June 2018 to 24 June 2025, starting from the loan date, the principal will not be amortized in the first year, and the principal will be amortized at least RMB\$7.5 million every six months from the second year onwards, RMB\$ 15 million in the third year, RMB\$ 18.75 million in the fourth to fifth years, and RMB\$ 20 million in the sixth to seventh years.
E.SUN Bank (China) Dongguan Branch unsecured bank loans	57,897	4.20%	From 14 September 2021 to 14 March 2023, starting from the date of first use, the principal will be amortized in six installments and every three months is one installment. 5% of the principal is amortized in the first installment, 10% of the principal is amortized in the second to fifth installments, and the remaining principal is fully repaid in the last installment.
E.SUN Bank (China) Dongguan Branch unsecured bank loans	30,937	4.20%	From 30 July 2021 to 30 January 2023, starting from the date of first use, the principal will be amortized in six installments and every three months is one installment. 5% of the principal is amortized in the first installment, 10% of the principal is amortized in the second to fifth installments, and the remaining principal is fully repaid in the last installment.
E.SUN Bank (China) Dongguan Branch unsecured bank loans	26,643	4.20%	From 29 October 2021 to 29 April 2023, starting from the date of first use, the principal will be amortized in six installments and every three months is one installment. 5% of the principal is amortized in the first installment, 10% of the principal is amortized in the second to fifth installments, and the remaining principal is fully repaid in the last installment.
Subtotal	<u>411,277</u>		
Less: current portion	<u>(128,142)</u>		
Total	<u><u>\$283,135</u></u>		

Please refer to Note 8 for more details.

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(10) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended 31 December 2022 and 2021 were NT\$6,962 thousand and NT\$6,772 thousand, respectively.

Defined benefits plan

The Company and Liton Technology Corp. adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and Liton Technology Corp. contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and Liton Technology Corp. assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and Liton Technology Corp. will make up the difference in one appropriation before the end of March the following year.

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The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$1,535 thousand to its defined benefit plan during the 12 months beginning after 31 December 2022.

The weighted average durations of the Company's defined benefit plan obligation as at December 31 2022 and December 31 2021 were 10 years and 13 years respectively. The weighted average durations of Liton Technology Corp. 's were 5 years and 12 years respectively.

Pension costs recognized in profit or loss are as follows:

	For the years ended	
	31 December	
	2022	2021
Current service costs	\$188	\$255
Net interest on the net defined benefit liabilities	206	151
Total	<u>\$394</u>	<u>\$406</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>31 Dec. 2022</u>	<u>31 Dec. 2021</u>	<u>1 Jan. 2021</u>
Defined benefit obligation	\$110,398	\$117,790	\$115,789
Plan assets at fair value	<u>(88,486)</u>	<u>(81,674)</u>	<u>(79,852)</u>
Other non-current liabilities - accrued pension liabilities recognized on the consolidated balance sheets	<u>\$21,912</u>	<u>\$36,116</u>	<u>\$35,937</u>

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

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of 1 January 2021	\$115,789	\$(79,852)	\$35,937
Current service cost	255	-	255
Interest expense (income)	484	(333)	151
Subtotal	<u>116,528</u>	<u>(80,185)</u>	<u>36,343</u>
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in financial assumptions	(2,288)	-	(2,288)
Experience adjustments	4,648	-	4,648
Remeasurements of the defined benefit assets	-	(1,123)	(1,123)
Subtotal	<u>2,360</u>	<u>(1,123)</u>	<u>1,237</u>
Contributions by employer	-	(1,464)	(1,464)
Payments of benefit obligation	<u>(1,098)</u>	<u>1,098</u>	<u>-</u>
As of 31 December 2021	\$117,790	\$(81,674)	\$36,116
Current period service costs	188	-	188
Interest expense (income)	672	(466)	206
Subtotal	<u>118,650</u>	<u>(82,140)</u>	<u>36,510</u>

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	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in financial assumptions	(8,837)	-	(8,837)
Experience adjustment	1,988	-	1,988
Remeasurements of the defined benefit assets	-	(6,226)	(6,226)
Subtotal	(6,849)	(6,226)	(13,075)
Contributions by employer	-	(1,523)	(1,523)
Payments of benefit obligation	(1,403)	1,403	-
As of 31 December 2022	\$110,398	\$(88,486)	\$21,912

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

The Company

	As of 31 December	
	2022	2021
Discount rate	1.33%	0.57%
Expected rate of salary increases	2.00%	2.00%

Liton Technology Corp.

	As of 31 December	
	2022	2021
Discount rate	1.15%	0.57%
Expected rate of salary increases	1.00%	1.00%

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Sensitivity analysis for significant assumption is shown below:

	For the years ended 31 December			
	2022		2021	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.5%	\$-	\$(4,028)	\$ -	\$(6,932)
Discount rate decrease by 0.5%	5,765	-	7,752	-
Future salary increase by 0.5%	5,699	-	7,615	-
Future salary decrease by 0.5%	-	(4,029)	-	(6,881)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(11) Equities

(a) Common stock

The Company's authorized capital was NT\$3,600,000 thousand as of 1 January 2021. The issued capital was NT\$1,450,867 thousand in a total of 145,087 thousand shares. Each share has one voting right and a right to receive dividends.

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As the registration process has not been completed since January 1 2021, the accumulated book value of certificate of entitlement to new shares from convertible bond amounted to NT\$81,768 thousand, and the change registration was completed on 24 February 2021.

The investors requested to convert the Company's convertible bonds into common stocks in the amount of NT\$96,375 thousand in a total of 9,637 thousand shares from 1 January 2021 to 31 December 2021, and 8,896 thousand shares had completed the registration process as of 31 December 2021. As the registration process has not been completed, the accumulated book value of certificate of entitlement to new shares from convertible bond amounted to NT\$7,415 thousand in a total of 741 thousand shares as of 31 December 2021. The change registration had completed on 1 March 2022.

The investors requested to convert the Company's convertible bonds into common stocks in the amount of NT\$12,455 thousand in a total of 1,246 thousand shares from 1 January 2022 to 31 December 2022, and 643 thousand shares had completed the registration process as of 31 December 2022. As the registration process has not been completed, the accumulated book value of certificate of entitlement to new shares from convertible bond amounted to NT\$6,033 thousand in a total of 603 thousand shares as of 31 December 2022.

The Company's authorized capital was NT\$3,600,000 thousand as of 31 December 2022 and 31 December 2021. The issued capital was NT\$1,635,432 thousand and NT\$1,621,595 thousand a in a total of 163,543 thousand shares and 162,159 thousand shares, respectively. Each share has one voting right and a right to receive dividends.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)
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(b) Capital surplus

	As of 31 Decmeber	
	2022	2021
Additional paid-in capital	\$1,774,034	\$1,733,691
Treasury share transactions	20,840	20,840
Difference between consideration received and carrying amount of interests in subsidiaries acquired	10,540	10,540
Increase through changes in ownership interests in subsidiaries	176,168	179,061
Share options	998	3,021
Expired Share options	11,766	11,754
Total	\$1,994,346	\$1,958,907

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations;
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

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The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. For the payment of dividend. The cash dividend ratio is not less than 10% of the total dividend. If the cash dividend per share is less than NT\$0.5, the board of directors is authorized to draft a proposal, and the shareholders' meeting decides to pay cash dividends or stock dividends.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

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

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On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

The Company did not reverse any special reserve as a result of use, disposal or reclassification of related assets during the periods ended 31 December 2022 and 2021.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on 23 March 2023 and 29 June 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$123,934	\$98,050		
Special reserve	(78,435)	(25,348)		
Common stock -cash dividend	574,840	522,812	\$3.50	\$3.20

The subsidiary- Liton Technology Corp.'s details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on 22 March 2023 and 24 June 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$50,521	\$48,679		
Special reserve	(43,133)	(12,329)		
Cash dividends-common stock	248,359	214,552	\$1.75	\$1.50

Please refer to Note 6(15) for details on employees' compensation and remuneration to directors and supervisors.

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(d) Non-controlling interests

	For the years ended 31 December	
	2022	2021
Beginning balance	\$2,989,570	\$2,402,524
Gains attributable to non-controlling interests	502,596	493,278
Other comprehensive income attributable to non-controlling interests, net of tax:		
Remeasurements of defined benefit plans	(1,289)	(74)
Unrealized gains (losses) measured at fair value through other comprehensive income	(41)	(78)
Exchange differences resulting from translating the financial statements of foreign operations	50,028	10,571
Changes in ownership interests in subsidiarys	3,625	187,419
Payments for buy-back of the ordinary shares	(33,507)	-
Dividend distribution of the subsidiary	(148,954)	(104,070)
Ending balance	<u>\$3,362,028</u>	<u>\$2,989,570</u>

(12) Operating revenue

	For the years ended 31 December	
	2022	2021
Revenue from contracts with customers		
Sale of goods	\$10,299,799	\$9,899,354
Rendering of services	47,390	57,819
Total	<u>\$10,347,189</u>	<u>\$9,957,173</u>

Analysis of revenue from contracts with customers for the years ended 31 December 2022 and 2021 are as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2022

	Lelon Electronics Corp.	Liton Technology Corp.	Total
Sale of goods	\$6,940,130	\$3,359,669	\$10,299,799
Rendering of services	-	47,390	47,390
Total	<u>\$6,940,130</u>	<u>\$3,407,059</u>	<u>\$10,347,189</u>

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For the year ended 31 December 2021

	Lelon Electronics Corp.	Liton Technology Corp.	Total
Sale of goods	\$6,349,786	\$3,549,568	\$9,899,354
Rendering of services	-	57,819	57,819
Total	\$6,349,786	\$3,607,387	\$9,957,173

The Timing of revenue recognition of the Group are all at a point in time.

(2) Contract balances

Contract liabilities – current

	As of		
	31 Dec. 2022	31 Dec. 2021	1 Jan. 2021
Sales of goods	\$277,231	\$103,640	\$83,015

The significant changes in the balance of contract liabilities of the Group during the years ended 31 December 2022 and 2021 are as follows:

	For the years ended 31 December	
	2022	2021
The Opening balance transferred to revenue	\$(95,316)	\$(73,080)
Increase in receipts in advance during the period(excluding the amount incurred and transferred to revenue during this period)	267,732	93,317
Effect of the exchange rate changes	1,175	388
Changes during the period	\$173,591	\$20,625

(3) Transaction price allocated to unsatisfied performance obligations

None.

(4) Assets recognized from costs to fulfil a contract

None.

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(13) Expected credit losses (gains)

	For the years ended	
	31 December	
	2022	2021
Operation expense- Expected credit losses (gains)		
Trade receivables	\$5,693	\$(12,075)
Long-term receivables	(4,540)	(5,117)
Total	\$1,153	\$(17,192)

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

The Group measures the loss allowance of trade receivables (including note receivables, trade receivables, other receivables and long-term receivables (which was recognized as other non-current assets)) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 31 December 2022 and 2021 are as follows:

As at 31 December 2022

Group 1: Some counterparties were assessed individually. The amount of long-term receivables was NT\$65,978 thousand recognized as other non-current assets, which was all overdue, and the loss allowance was NT\$65,978 thousand.

Group 2

31 December 2022	Overdue						Total
	Not yet due (Note)	31-90 days	91-180 days	181-270 days	271-365 days	>=366 days	
Gross carrying amount	\$2,741,068	\$66,125	\$4,275	\$5,908	\$1,412	\$23,279	\$2,842,067
Loss rate	-	1-5%	5-10%	90-100%	90-100%	100%	
Lifetime expected credit losses	-	(2,755)	(244)	(5,567)	(1,266)	(23,279)	(33,111)
Carrying amount of trade receivables	\$2,741,068	\$63,370	\$4,031	\$341	\$146	\$-	\$2,808,956

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As at 31 December 2021

Group 1: Some counterparties were assessed individually. The amount of long-term receivables was NT\$70,518 thousand recognized as other non-current assets, which was all overdue, and the loss allowance was NT\$70,518 thousand.

Group 2

31 December 2021	Overdue						Total
	Not yet due (Note)	31-90 days	91-180 days	181-270 days	271-365 days	>=366 days	
Gross carrying amount	\$2,960,563	\$76,745	\$14,586	\$41	\$15	\$23,725	\$3,075,675
Loss ratio	-	2-5%	10-20%	40-50%	100%	100%	
Lifetime expected credit losses	-	(1,887)	(1,660)	(18)	(15)	(23,725)	(27,305)
Carrying amount of trade receivables	\$2,960,563	\$74,858	\$12,926	\$23	\$-	\$-	\$3,048,370

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

The movement in the provision for impairment of note receivables, trade receivables, other receivables and long-term receivables during the 31 December 2022 and 2021 are as follows:

	Note receivables	Trade receivables	Other receivables	Long-term receivables	Total
Bal. as at 1 January 2022	\$-	\$24,997	\$2,308	\$70,518	\$97,823
Addition/(reversal) for the current period	-	5,693	-	(4,540)	1,153
Effect of the exchange rate changes	-	113	-	-	113
Bal. as at 31 December 2022	\$-	\$30,803	\$2,308	\$65,978	\$99,089
Bal. as at 1 January 2021	\$-	\$25,886	\$2,308	\$75,636	\$103,830
Reversal for the current period	-	(12,075)	-	(5,117)	(17,192)
Effect of the exchange rate changes	-	11,186	-	(1)	11,185
Bal. as at 31 December 2021	\$-	\$24,997	\$2,308	\$70,518	\$97,823

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(14) Leases

(1) The Group as a lessee

The Group leases various properties, including real estate such as land, buildings, and transportation equipment. The lease terms range from 2 to 50 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of 31 December	
	2022	2021
Land	\$168,887	\$171,274
Buildings	61,179	41,775
Transportation equipment	257	770
Total	\$230,323	\$213,819

During the years ended 31 December 2022 and 2021, the Group's additions to right-of-use assets amounting to NT\$27,269 thousand and NT\$12,713 thousand.

(b) Lease liabilities

	As of 31 December	
	2022	2021
Lease liabilities		
Current	\$7,642	\$6,903
Non-Current	57,189	38,602
Total	\$64,831	\$45,505

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Please refer to Note 6 (16)(c) for the interest on lease liabilities recognized during the years ended 31 December 2022 and 2021. Refer to Note 12 (5) liquidity risk management for the maturity analysis for lease liabilities as of 31 December 2022 and 2021.

B. Amounts recognized in the statements of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended	
	31 December	
	2022	2021
Land	\$8,418	\$5,129
Buildings	5,236	6,628
Transportation equipment	513	513
Total	\$14,167	\$12,270

C. Income and costs relating to leasing activities

	For the years ended	
	31 December	
	2022	2021
The expenses relating to short-term leases	\$4,078	\$7,668

D. Cash outflow related to lessee and lease activity

During the years ended 31 December 2022 and 2021, the Group's total cash outflows for leases amounting to NT\$15,487 thousand and NT\$16,630 thousand.

(2) The Group as a lessor

Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

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	For the years ended	
	31 December	
	2022	2021
Lease income for operating leases		
Income relating to fixed lease		
payments and variable lease		
payments that depend on an		
index or a rate	\$2,633	\$2,632

(15) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2022 and 2021:

	For the years ended 31 December					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$838,602	\$454,854	\$1,293,456	\$826,460	\$394,744	\$1,221,204
Labor and health insurance	101,270	35,411	136,681	79,683	29,477	109,160
Pension	1,188	6,168	7,356	1,099	6,079	7,178
Other employee benefits expense	16,420	86,521	102,941	5,718	82,435	88,153
Depreciation	413,912	54,924	468,836	350,263	46,325	396,588
Amortization	1,022	6,160	7,182	980	6,370	7,350

The number of employees were 2,601 and 2,849 as of 31 December 2022 and 2021.

According to the Articles of Incorporation, no lower than 2% of profit of the current year is distributable as employees' compensation and no higher than 4% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)

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Based on profit of current year, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors recognized as employee benefits expense. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day earlier than the date of resolution. The difference between the estimates and the figures resolved at shareholders' meeting will be recognized in profit or loss of the subsequent year. The details of employees' compensation and remuneration to directors and supervisors for the years ended 31 December 2022 and 2021 are as follows:

	For the years ended 31 December	
	2022	2021
Employees' compensation	\$52,298	\$38,122
Remuneration to directors and supervisors	25,720	18,785

Based on the profit for the year ended 31 December 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2022 to be 3.66% and 1.08% of profit, respectively. The employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2022 amount to NT\$52,298 thousand and NT\$25,720 thousand respectively, recognized as employee benefits expense. Based on the profit for the year ended 31 December 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2021 to be 3.66% and 1.08% of profit, respectively. The employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2021 amount to NT\$38,122 thousand and NT\$18,785 thousand respectively, recognized as employee benefits expense.

A resolution was passed at the Board of Directors meeting held on 23 March 2023 to distribute NT\$52,262 thousand and NT\$25,703 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2022, respectively. The differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2022 amount to NT\$36 thousand and NT\$17 thousand respectively, are recognized in profit or loss of the subsequent year in 2023.

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A resolution was passed at the Board of Directors meeting held on 24 March 2022 to distribute NT\$40,526 thousand and NT\$19,931 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2021, respectively. The differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2021 amount to NT\$2,404 thousand and NT\$1,146 thousand respectively, were recognized in profit or loss of the subsequent year in 2022.

(16) Non-operating income and expenses

(a) Other income

	For the years ended 31 December	
	2022	2021
Government grants income	\$16,662	\$31,939
Rental income	2,633	2,781
Dividends income	1,690	1,544
Others	28,499	46,302
Total	<u>\$49,484</u>	<u>\$82,566</u>

(b) Other gains or losses

	For the years ended 31 December	
	2022	2021
Foreign exchange gains (losses), net	\$265,675	\$(3,341)
Losses on financial assets at fair value through profit or loss	(18,773)	(9,142)
(Losses) gains on disposal of property, plant and equipment	(2,625)	26,436
Gains on disposal of investments	934	24,089
Others	(8,086)	(10,524)
Total	<u>\$237,125</u>	<u>\$27,518</u>

(c) Finance costs

	For the years ended 31 December	
	2022	2021
Interest on loans from bank	\$(37,781)	\$(41,727)
Interest on bonds payable	(8,131)	(7,355)
Interest on lease liabilities	(3,831)	(2,600)
Total	<u>\$(49,743)</u>	<u>\$(51,682)</u>

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(17) Components of other comprehensive income

(1) For the year ended 31 December 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$13,075	\$-	\$13,075	\$(2,615)	\$10,460
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(424)	-	(424)	-	(424)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	126,268	-	126,268	-	126,268
Total of other comprehensive income	\$138,919	\$-	\$138,919	\$(2,615)	\$136,304

(2) For the year ended 31 December 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(1,237)	\$ -	\$(1,237)	\$247	\$(990)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(523)	-	(523)	-	(523)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	36,215	-	36,215	-	36,215
Total of other comprehensive income	\$34,455	\$ -	\$34,455	\$247	\$34,702

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(18) Income tax

The major components of income tax expenses for the years ended 31 December 2022 and 2021 are as follows:

(A) Income tax expense recognized in profit or loss

	For the years ended 31 December	
	2022	2021
Current income tax expense:		
Current income tax charge	\$507,027	\$345,774
Adjustment in respect of current income tax of prior periods	(6,187)	5,047
Deferred tax expense:		
Deferred tax expense relating to origination and reversal of temporary differences	5,770	57,724
Total income tax expense	<u>\$506,610</u>	<u>\$408,545</u>

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

	For the years ended 31 December	
	2022	2021
Deferred tax (expense) income:		
Remeasurements of defined benefit plans	<u>\$(2,615)</u>	<u>\$247</u>

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

	For the years ended 31 December	
	2022	2021
Accounting profit before tax from continuing operations	<u>\$2,239,373</u>	<u>\$1,883,388</u>
At the Company's statutory income tax rate	\$447,875	\$376,678
Tax effect of different tax rates for entities in other tax regions	301,258	263,512
Tax effect of expenses not deductible for tax purposes	(267,069)	(247,816)
Corporate income surtax on undistributed retained earnings	30,733	11,124
Adjustments in respect of current income tax of prior periods	(6,187)	5,047
Total income tax expense recognized in profit or loss	<u>\$506,610</u>	<u>\$408,545</u>

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(D) Deferred tax assets (liabilities) relate to the following:

(1) For the year ended 31 December 2022

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary differences				
<u>The Company</u>				
Unrealized foreign exchange gains or losses	\$569	\$943	\$-	\$1,512
Loss from price reduction of inventories	213	(50)	-	163
Loss allowance	16,601	(809)	-	15,792
Investments accounted for using the equity method- LIRO	(27,147)	-	-	(27,147)
Difference between consideration received and carrying amount of interests in subsidiaries disposed of	(2,230)	-	-	(2,230)
Defined benefit liability	303	(92)	-	211
Remeasurements of defined benefit plans	7,997	-	(2,149)	5,848
Reserve for land appreciation tax	(11,470)	-	-	(11,470)
Exchange differences on translation of foreign operations	(8,720)	-	-	(8,720)
Amortization and discount of the bonds	4,194	(4,194)	-	-
Unused Accumulated losses	3,353	(3,353)	-	-
<u>Liton Technology Corp.</u>				
Unrealized intragroup profits and losses	\$10,793	\$(343)	\$-	\$10,450
Unrealized foreign exchange gains or losses	(101)	1,192	-	1,091
Loss from price reduction of inventories	83	312	-	395
Defined benefit liability	(80)	(134)	-	(214)
Remeasurements of defined benefit plans	(697)	-	(466)	(1,163)
Deferred income-government grants	6,553	757	-	7,310
Deferred tax (expense) /income		\$ (5,771)	\$ (2,615)	
Net deferred tax assets (liabilities)	\$214			\$(8,172)
Reflected in balance sheet as follows:				
Deferred tax assets	\$50,659			\$42,772
Deferred tax liabilities	\$(50,445)			\$(50,944)

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(2)For the year ended 31 December 2021

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary differences				
<u>The Company</u>				
Unrealized foreign exchange gains or losses	\$4,507	\$(3,938)	\$-	\$569
Loss from price reduction of inventories	147	66	-	213
Loss allowance	41,180	(24,579)	-	16,601
Investments accounted for using the equity method- LIRO	(27,147)	-	-	(27,147)
Investments accounted for using the equity method - ELNA LELON (BVI)	32,327	(32,327)	-	-
Difference between consideration received and carrying amount of interests in subsidiaries disposed of	(2,230)	-	-	(2,230)
Defined benefit liability	389	(86)	-	303
Remeasurements of defined benefit plans	7,723	-	274	7,997
Reserve for land appreciation tax	(11,470)	-	-	(11,470)
Exchange differences on translation of foreign operations	(8,720)	-	-	(8,720)
Amortization and discount of the bonds	3,613	581	-	4,194
Unused Accumulated losses	-	3,353	-	3,353
<u>Liton Technology Corp.</u>				
Unrealized intragroup profits and losses	\$10,486	\$307	\$-	\$10,793
Unrealized foreign exchange gains or losses	866	(967)	-	(101)
Loss from price reduction of inventories	125	(42)	-	83
Defined benefit liability	45	(125)	-	(80)
Remeasurements of defined benefit plans	(670)	-	(27)	(697)
Deferred income-government grants	6,520	33	-	6,553
Deferred tax (expense) / income		<u>\$(57,724)</u>	<u>\$247</u>	
Net deferred tax assets (liabilities)	<u>\$57,691</u>			<u>\$214</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$107,928</u>			<u>\$50,659</u>
Deferred tax liabilities	<u>\$(50,237)</u>			<u>\$(50,445)</u>

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(E)Unrecognized deferred tax assets

As of 31 December 2022 and 2021, the Group is not probable to has taxable income in the future so did not recognized deferred tax assets amounted to NT\$40,639 thousand and NT\$56,367 thousand, respectively.

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

The Group did not recognize the relevant deferred income tax liabilities for the income tax payable that may arise when the undistributed surplus of a foreign subsidiary is remitted back. The Group has decided not to distribute the undistributed earnings of its subsidiaries in the foreseeable future. As of 31 December 2022 and 2021, the amount not recognized as deferred income tax liabilities were NT\$1,523,439 thousand and NT\$1,236,362 thousand, respectively.

(G)The assessment of income tax returns

As of 31 December 2022, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2020
Liton Technology CORP.	Assessed and approved up to 2020

(19)Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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	For the years ended 31 December	
	2022	2021
(a)Basic earnings per share		
Profit attributable to ordinary equity holders of the Company	\$1,230,167	\$981,565
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	163,456	160,364
Basic earnings per share (NT\$)	\$7.53	\$6.12
(b)Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company	\$1,230,167	\$981,565
Interest expense from convertible bonds	585	2,325
Profit attributable to ordinary equity holders of the Company after dilution	\$1,230,752	\$983,890
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	163,456	160,364
Effect of dilution:		
Employee compensation-stock (in thousands)	1,116	650
Convertible bonds (in thousands)	606	1,788
Weighted average number of ordinary shares outstanding after dilution (in thousands)	165,178	162,802
Diluted earnings per share (NT\$)	\$7.45	\$6.04

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

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(20) Subsidiaries that have material non-controlling interests

Subsidiaries that have material non-controlling interests in the Group are as follows :

Name	Country of Incorporation and operation	Proportion of equity interest held by non-controlling interests	
		31 Dec. 2022	31 Dec. 2021
Liton Technology Corp.	Taiwan	69.18%	69.40%

The summarized financial information of Liton Technology Corp. is provided below:

	As of 31 December	
	2022	2021
Current assets	\$1,421,409	\$1,232,652
Non-current assets	3,083,939	2,747,949
Current liabilities	(885,085)	(677,458)
Non-current liabilities	(490,333)	(483,225)
Equity	<u>\$3,120,930</u>	<u>\$2,819,918</u>
Ending balance of non-controlling interest	<u>\$2,159,059</u>	<u>\$1,957,023</u>
	For the years ended	
	31 December	
	2022	2021
Operating revenue	<u>\$1,755,439</u>	<u>\$1,595,151</u>
Profit or loss for the period from continuing operations	\$503,342	\$486,680
Other comprehensive income	44,996	12,437
Total comprehensive income	<u>\$548,338</u>	<u>\$499,117</u>
Net income attributable to non-controlling interest	<u>\$349,324</u>	<u>\$336,588</u>
Total comprehensive income attributable to non-controlling interest	<u>\$380,552</u>	<u>\$345,189</u>

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7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

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

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Lifu Machinery Industrial Co., Ltd.	Chairman of the company and the Company is the same one
Yidu Dongyangguang Aluminum foil Co., Ltd.	Substantive related party
Dongguan City Dong Yangguang Capacitor Co., Ltd.	Substantive related party
Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd.	Substantive related party
Ruyuan East Sunshine Youai Xijie Fine Foil Co., Ltd.	Substantive related party
Ruyuan Dongyang Magnetic Materials Co., Ltd.	Substantive related party
Inner Mongolia Wulanchabu Dongyangguang Formation Foil Co., Ltd.	Substantive related party
Youai Xi Jiedong Sunshine (Shaoguan) Aluminum Sales Co., Ltd.	Substantive related party
Ruyuan Dongyang New Energy Materials Co., Ltd.	Substantive related party
T.C.Wu and other 15 people	Directors and Deputy General Manager of the Company

(2) Significant transactions with the related parties

(a) Sales

	For the years ended 31 December	
	2022	2021
Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd.	\$778,715	\$1,047,975

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The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period to related parties was next month-end 90~135 days. The outstanding balance at 31 December 2022 and 2021 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(b) Purchases

	For the years ended 31 December	
	2022	2021
Youai Xi Jiedong Sunshine (Shaoguan) Aluminum Sales Co., Ltd.	\$664,115	\$556,996
Inner Mongolia Wulanchabu Dongyangguang Formation Foil Co., Ltd.	331,708	407,746
Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd.	309,029	442,964
Other substantive related parties	189,577	221,525
Total	\$1,494,429	\$1,629,231

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are between 30 to 180 days.

(c) Prepayments

	As of 31 December	
	2022	2021
Lifu Machinery Industrial Co., Ltd.	\$12,096	\$10,380

(d) Accounts Receivable

	As of 31 December	
	2022	2021
Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd.	\$-	\$151,473

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(e) Other Payable- Related Parties

	As of 31 December	
	2022	2021
Inner Mongolia Wulanchabu Dongyangguang Formation Foil Co., Ltd.	\$41,551	\$56,161
Lifu Machinery Industrial Co., Ltd.	42,007	33,027
Other substantive related parties	22,756	52,531
Total	\$106,314	\$141,719

(f) Right-of-use assets

	As of 31 December	
	2022	2021
Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd.	\$56,626	\$32,893

(g) Lease liabilities

	As of 31 December	
	2022	2021
Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd.	\$59,990	\$35,821

(h) Interest expense

	For the years ended 31	
	December	
	2022	2021
Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd.	\$3,779	\$2,524

The determination and collection of rental expense is determined with reference to the general market conditions.

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(i) Key management personnel compensation

The Company :

	For the years ended 31 December	
	2022	2021
	Short-term employee benefits	\$51,574
Post-employment benefits	81	79
Total	\$51,655	\$39,768

The subsidiary- Liton Technology Corp.:

	For the years ended 31 December	
	2022	2021
	Short-term employee benefits	\$25,452
Post-employment benefits	161	160
Total	\$25,613	\$13,365

The key management personnel of the group are including directors and deputy general managers.

For more details on the total compensation paid above, please refer to the content of the annual report of the shareholders meeting.

(j) Financing provided to related parties, please refer to Note 13.(1)(a).

(k) Endorsement/Guarantee provided to related parties, please refer to Note 13.1(b).

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

Items	Carrying amount		Secured liabilities
	31 Dec. 2022	31 Dec. 2021	
Property, Plant and Equipment - Machinery and equipment	\$857,124	1,011,748	Short -term and long-term loans
	\$857,124	1,011,748	

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9. Significant contingencies and unrecognized contractual commitments

(1) Amounts available under unused letters of credit as of 31 December 2022 are US\$67 thousand and JPY\$148,121 thousand.

(2) The important contracts of construction in progress

<u>Contracting parties</u>	<u>Subject matter</u>	<u>Total contract amount</u>	<u>Contract amount not paid as of 31 December 2022</u>
Company A	Building	\$86,735	\$51,423
Company B	Machinery and equipment	132,420	20,651

(3) Endorsement/Guarantee provided to related parties as of 31 December 2022, please refer to Note 13.1(b).

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Other

(1) Categories of financial instruments

Financial assets

	<u>As of 31 December</u>	
	<u>2022</u>	<u>2021</u>
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$584,702	\$506,838
Financial assets at fair value through other	28,175	

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Financial assets

	As of 31 December	
	2022	2021
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$584,702	\$506,838
comprehensive income		28,133
Financial assets measured at amortized cost		
Cash and cash equivalents (excluded cash on hand)	2,735,310	1,811,383
Notes and accounts receivables	2,769,224	3,036,201
Other receivables(excluded sales tax refund receivables)	6,608	2,834

Financial liabilities

	As of 31 December	
	2022	2021
Financial liabilities at amortized cost:		
Short-term loans	\$1,760,594	\$1,244,078
Short-term notes and bills payable	89,981	209,850
Notes and accounts payable	532,328	652,904
Bonds payable (including current portion with maturity less than 1 year)	513,953	562,109
Long-term loans (including current portion with maturity less than 1 year)	130,408	411,277
Lease liabilities	64,831	45,505

(2) Financial risk management objectives and policies

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

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The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

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

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

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

- (a) When NTD strengthens against USD by 1%, the profit for the years ended 31 December 2022 and 2021 is decreased by \$24,495 thousand and \$19,807 thousand, respectively; and no impact on the equity.
- (b) When NTD strengthens against RMB by 1%, the profit for the years ended 31 December 2022 and 2021 is decreased by \$21,238 thousand and \$16,798 thousand, respectively; and no impact on the equity.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's floating rate investments, fixed rate borrowings and floating rate borrowings classified as loans and receivables.

The interest rate sensitivity analysis is performed on borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for years ended 31 December 2022 and 2021 to increase/decrease by NT\$1,981 thousand and NT\$1,865 thousand, respectively.

Equity price risk

The fair value of the Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

LELON ELECTRONICS CORP. AND SUBSIDIARIES (Continued)

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At the reporting date, a change of 10% in the price of the listed equity securities measured at fair value through profit or loss could increase/decrease the Group's profit for the years ended 31 December 2022 and 2021 by NT\$6,628 thousand and NT\$3,216 thousand, respectively.

Please refer to Note 12.(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of 31 December 2022 and 2021, trade receivables from top ten customers represent 13.47% and 19.40% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

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(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2022					
Short-term loans	\$1,762,140	\$-	\$-	\$-	\$1,762,140
Short-term notes and bills payable	90,000	-	-	-	90,000
Notes and accounts payables	532,328	-	-	-	532,328
Convertible bonds	25,200	500,000	-	-	525,200
Long-term loans	135,855	-	-	-	135,855
Lease liabilities	11,677	14,661	14,320	54,562	95,220
As at 31 Dec. 2021					
Short-term loans	\$1,245,574	\$-	\$-	\$-	\$1,245,574
Short-term notes and bills payable	210,000	-	-	-	210,000
Notes and accounts payable	652,904	-	-	-	652,904
Convertible bonds	26,400	555,400	-	-	581,800
Long-term loans	135,689	254,331	46,399	-	436,419
Lease liabilities	9,348	13,766	8,906	29,994	62,014

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Derivative financial liabilities

None.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term loans	Long-term loans (including maturity within a year)	Short-term notes and bills payable	Bonds payable (including maturity within a year)	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
As of 1 Jan. 2022	\$1,244,078	\$411,277	\$209,850	\$562,109	\$45,505	\$40,032	\$2,512,851
Cash flows	516,516	(287,688)	(119,869)	(1,600)	(11,409)	212	96,162
Non-cash changes	-	-	-	(46,556)	30,136	-	(16,420)
Foreign exchange movement	-	6,819	-	-	599	-	7,418
As of 31 Dec. 2022	<u>\$1,760,594</u>	<u>\$130,408</u>	<u>\$89,981</u>	<u>\$513,953</u>	<u>\$64,831</u>	<u>\$40,244</u>	<u>\$2,600,011</u>

Reconciliation of liabilities for the year ended 31 December 2021:

	Short-term loans	Long-term loans (including maturity within a year)	Short-term notes and bills payable	Bonds payable (including maturity within a year)	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
As of 1 Jan. 2021	\$1,314,809	\$460,850	\$219,881	\$684,729	\$38,840	\$52,705	\$2,771,814
Cash flows	(70,731)	(42,859)	(10,031)	499,805	(8,962)	(12,673)	354,549
Non-cash changes	-	-	-	(622,425)	15,440	-	(606,985)
Foreign exchange movement	-	(6,714)	-	-	187	-	(6,527)
As of 31 Dec. 2021	<u>\$1,244,078</u>	<u>\$411,277</u>	<u>\$209,850</u>	<u>\$562,109</u>	<u>\$45,505</u>	<u>\$40,032</u>	<u>\$2,512,851</u>

(7) Fair values of financial instruments

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

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

- a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates etc.) at the reporting date.
- c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

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e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2022 and 2021 are as follows:

Embedded derivative

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(8) for further information on this transaction.

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(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

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

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

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As at 31 December 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Financial product	\$-	\$-	\$518,364	\$518,364
Stocks	66,280	-	-	66,280
Embedded derivative-bonds	-	58	-	58
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	28,175	28,175
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Embedded derivative-bonds	\$-	\$1,700	\$-	\$1,700

As at 31 December 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Financial product	\$-	\$-	\$473,033	\$473,033
Stocks	32,160	-	-	32,160
Embedded derivative-bonds	-	1,645	-	1,645
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	28,133	28,133
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Embedded derivative-bonds	\$-	\$900	\$-	\$900

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Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at 1 January 2022	\$28,133
Total gains and losses recognized for the year ended 31 December 2022:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(424)
Foreign exchange movement	466
Ending balances as at 31 December 2022	\$28,175
	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at 1 January 2021	\$28,511
Total gains and losses recognized for the year ended 31 December 2021:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(523)
Foreign exchange movement	145
Ending balances as at 31 December 2021	\$28,133

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Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at 31 December 2022:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks and others	Asset approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT\$2,818 thousand

As at 31 December 2021:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks and others	Asset approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT\$2,818 thousand

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Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed:

As at 31 December 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments properties	\$-	\$-	\$123,634	\$123,634

As at 31 December 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments properties	\$-	\$-	\$114,445	\$114,445

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	<u>As of 31 December</u>					
	<u>2022</u>			<u>2021</u>		
	<u>Foreign currencies</u>	<u>Foreign exchange rate</u>	<u>NTD</u>	<u>Foreign currencies</u>	<u>Foreign exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items:</u>						
USD	\$79,749	30.7150	\$2,449,491	\$71,545	27.6850	\$1,980,723
RMB	569,698	4.4140	2,514,647	541,586	4.3420	2,351,566

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	As of 31 December					
	2022			2021		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial liabilities</u>						
<u>Monetary items:</u>						
RMB	\$88,544	4.4140	\$390,833	\$154,720	4.3420	\$671,794

The Group has a number of different functional currencies; therefore, we are unable to disclose the exchange loss and gain of monetary financial assets and financial liabilities under each foreign currency that has significant impact. The Group recognized NT\$265,675 thousand and NT\$(3,341) thousand foreign exchange gains and (losses) for the years ended 31 December 2022 and 2021, respectively.

(11) Capital management

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

13. Other disclosure

(1) Information at significant transactions

- (a) Financing provided to others for the year ended 31 December 2022 :Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others for the year ended 31 December 2022 : Please refer to Attachment 2.

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- (c) Securities held as of 31 December 2022: Please refer to Attachment 3.
 - (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.
 - (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.
 - (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.
 - (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2022: Please refer to Attachment 4.
 - (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 31 December 2022: Please refer to Attachment 5.
 - (i) Financial instruments and derivative transactions: Please refer to Note 12(8).
 - (j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 6.
- (2) Information on investees: Please refer to Attachment 7.
- (3) Information on investments in Mainland China
- (a) Investment in Mainland China: Please refer to Attachment 8.
 - (b) Directly or indirectly significant transactions through third regions with the investees in Mainland China: Please refer to Note 13.(1).(j).

(4) Information of major shareholders

As at 31 December 2022:

Major shareholders	Shares	Total Shares Owned	Ownership Percentage
ChiFa Enterprise Co., Ltd.		25,619,291	15.60%

14. Segment information

For management purposes, the Group organized into business units based on operating strategies and has two reportable segments as follows:

- (1) Lelon segment manufactures and sales of aluminum electrolytic capacitor.
- (2) Liton segment manufactures and sales of aluminum formed foils.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

(1) Information on reportable divisional profit and loss

For the year ended on 31 December 2022:

	Lelon	Liton	subtotal	Reconciliation and Elimination	Total
Revenue					
External customer	\$6,940,130	\$3,407,059	\$10,347,189	\$-	\$10,347,189
Inter-segment	-	437,188	437,188	(437,188)	-
Total revenue	<u>\$6,940,130</u>	<u>\$3,844,247</u>	<u>\$10,784,377</u>	<u>\$(437,188)</u>	<u>\$10,347,189</u>
Interest expense	\$8,454	\$41,289	\$49,743	\$-	\$49,743
Depreciation and amortization	272,758	203,260	476,018	-	476,018
Income tax expense	380,100	126,510	506,610	-	506,610
Segment profit	<u>\$1,651,803</u>	<u>\$699,461</u>	<u>\$2,351,264</u>	<u>\$(111,891)</u>	<u>\$2,239,373</u>
Assets					
Capital expenditure on non-current assets	<u>\$1,014,347</u>	<u>\$77,734</u>	<u>\$1,092,081</u>	<u>\$-</u>	<u>\$1,092,081</u>
Operating segment assets	<u>\$9,754,194</u>	<u>\$6,089,985</u>	<u>\$15,844,179</u>	<u>\$(1,163,957)</u>	<u>\$14,680,222</u>
Operating segment liabilities	<u>\$2,379,361</u>	<u>\$2,312,904</u>	<u>\$4,692,265</u>	<u>\$(191,145)</u>	<u>\$4,501,120</u>

E-LEAD ELECTRONIC CO. LTD. AND SUBSIDIARIES (Continued)
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For the year ended on 31 December 2021:

	Lelon	Liton	subtotal	Reconciliation and Elimination	Total
Revenue					
External customer	\$6,349,786	\$3,607,387	\$9,957,173	\$-	\$9,957,173
Inter-segment	-	580,960	580,960	(580,960)	-
Total revenue	<u>\$6,349,786</u>	<u>\$4,188,347</u>	<u>\$10,538,133</u>	<u>\$(580,960)</u>	<u>\$9,957,173</u>
Interest expense	\$6,289	\$45,393	\$51,682	\$-	\$51,682
Depreciation and amortization	226,825	177,113	403,938	-	403,938
Income tax expense	285,510	123,035	408,545	-	408,545
Segment profit	<u>\$1,305,194</u>	<u>\$699,419</u>	<u>\$2,004,613</u>	<u>\$(121,225)</u>	<u>\$1,883,388</u>
Assets					
Capital expenditure on non-current assets	<u>\$805,173</u>	<u>\$506,234</u>	<u>\$1,311,407</u>	<u>\$-</u>	<u>\$1,311,407</u>
Operating segment assets	<u>\$8,754,009</u>	<u>\$5,549,471</u>	<u>\$14,303,480</u>	<u>\$(1,140,270)</u>	<u>\$13,163,210</u>
Operating segment liabilities	<u>\$2,313,409</u>	<u>\$2,152,445</u>	<u>\$4,465,854</u>	<u>\$(266,433)</u>	<u>\$4,199,421</u>

(2) Reportable segment revenue, profit and loss, assets, liabilities and other significant items are not reconciled.

(3) Geographical information

Revenue from external customers:

	For the years ended 31 December	
	2022	2021
China	\$6,043,447	\$6,382,447
Hongkong	884,577	840,749
USA	640,879	300,244
Indonesia	413,545	489,519
Japan	338,009	243,141
Taiwan	308,831	336,886
Other countries	1,717,901	1,364,187
Total	<u>\$10,347,189</u>	<u>\$9,957,173</u>

Incomes are classified based on the customer's country.

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Non-current assets:

	As of 31 December	
	2022	2021
China	\$5,878,378	\$5,181,308
Taiwan	568,967	593,771
Total	<u>\$6,447,345</u>	<u>\$5,775,079</u>

(4) Important customer information

None.

Table1:Financing provided to others for the year ended 31 December 2022

No.	Financing Company (Note1)	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance (the amount approved by the board of directors)	Amount Actually Drawn	Interest Rate	Nature for Financing (Note4)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount
													Item	Value		
1	Lelon Electronics (HUIZHOU) Corp.	Lelon Electronics Technology (SUZHOU) Corp.	Other receivables	Yes	\$220,700	\$66,210	\$ -	According to the company's contract	2	\$ -	Operating and fund capital	\$ -	-	\$ -	\$2,126,543 (Note5)	\$2,126,543 (Note5)
2	Lelon Electronics (SUZHOU) Corp.	Lelon Electronics Technology (SUZHOU) Corp.	Other receivables	Yes	414,400	220,700	-	According to the company's contract	2	-	Operating and fund capital	-	-	-	1,536,345 (Note5)	1,536,345 (Note5)
3	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Liton Electronics Technology (Abazhou) Co., Ltd.	Other receivables	Yes	70,624	70,624	26,484	According to the company's contract	2	-	Operating and fund capital	-	-	-	814,926 (Note5)	814,926 (Note5)

Note1: The transaction that reversed between consolidated entities has been adjusted to be reversed.

Note2: The total amount for lending to a company shall not exceed 10% of Lelon Electronics Corp.'s net worth as stated in its latest financial statement.

Note3: The total amount available for lending purposes shall not exceed 40% of Lelon Electronics Corp.'s net worth as stated in its latest financial statement.

Note4: "1" is for business dealing, "2" is for the need of short-term financing

Note5: In the event that the financing is between foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by Lelon Electronics Corp., the aggregate amount available for lending to such borrowers and total amount lendable to a company both shall not exceed the net worth of the lending company as stated in its latest financial statement.

Table2:Endorsement/Guarantee provided to others as of 31 December 2022

No. (Note1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance (Note6)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note4)	Guarantee Provided by Parent Company (Note5)	Guarantee Provided by A Subsidiary (Note5)	Guarantee Provided to Subsidiaries in Mainland China (Note5)
		Name	Nature of Relationship (Note2)										
0	LELON ELECTRONICS Corp.	Lelon Electronics (HUIZHOU) Corp.	2	\$2,045,122 (Note3)	\$1,555	\$-	\$-	None	-%	\$6,817,074	Y	N	Y

Note1: The description of the number column is as follows:

1.Issuer fill in 0.

2.Investees are numbered sequentially starting from 1 by company °

Note2: The relationship between the endorser/guarantor and the guaranteed party:

1.A company with which it does business

2.Subsidiary in which the Company directly holds more than 50% of the common stock

3.Investee in which the

4.For parent companies that directly or indirectly hold more than 50 percent of common stock ownership through subsidiaries.

5.A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

6.A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.

Note3: The limit of endorsement guarantee for a single enterprise shall be limited to 30% of the company's latest net value of the financial statements audited by an accountant.

\$6,817,074*30%=\$2,045,122

Note4: The maximum endorsement/guarantee balance for the period represents the highest amount of the financial statements audited by an accountant.

Note5: Y must be filled in only for the endorsement of the parent company of the listed company to the subsidiary, the endorsement of the subsidiary to the parent company of the listed company, and the endorsement certificate of the mainland.

Note6: The amount approved by the board of directors should be filled in. However, when the board of directors authorizes the chairman of the board of directors to make a decision in accordance with Article 12, Subparagraph 8 of the Guidelines for Handling Fund Loan and Endorsement Guarantees of Public Offering Companies, it refers to the amount decided by the board of directors.

Table3:Securities held as of 31 December 2022. (Excluding subsidiaries, associates and joint ventures):

Held Company Name	Marketable Securities Type and Name	Relationship with the Company (Note 1)	Financial Statement Account	31-Dec-22				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
LELON ELECTRONICS Corp.	China Development Financial Holding Corp.	-	Financial asset measured at fair value through profit or loss-current	189,266	\$1,348	-	\$2,385	-
LELON ELECTRONICS Corp.	Nanoplus Ltd.	-	Financial asset measured at fair value through profit or loss-current	12,572	1,466	-	200	-
LELON ELECTRONICS Corp.	Chian Hsing Forging Industrial Co.,Ltd.	-	Financial asset measured at fair value through profit or loss-current	113,300	5,330	-	3,614	-
LELON ELECTRONICS Corp.	Taiwan Hon Chuan Enterprise Co., Ltd.	-	Financial asset measured at fair value through profit or loss-current	73,000	5,033	-	6,351	-
LELON ELECTRONICS Corp.	Wiwynn Corporation	-	Financial asset measured at fair value through profit or loss-current	3,000	3,109	-	2,391	-
LELON ELECTRONICS Corp.	TXC Corporation	-	Financial asset measured at fair value through profit or loss-current	18,000	1,920	-	1,489	-
LELON ELECTRONICS Corp.	Mega Financial Holding Company Ltd.	-	Financial asset measured at fair value through profit or loss-current	86,100	3,413	-	2,613	-
LELON ELECTRONICS Corp.	CTBC Financial Holding Co., Ltd.	-	Financial asset measured at fair value through profit or loss-current	60,000	1,656	-	1,326	-
LELON ELECTRONICS Corp.	Shanghai Commercial & Savings Bank, Ltd	-	Financial asset measured at fair value through profit or loss-current	96,597	4,713	-	4,255	-
LELON ELECTRONICS Corp.	Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries	-	Financial asset measured at fair value through profit or loss-current	47,000	26,798	-	21,079	-
LELON ELECTRONICS Corp.	Kung Long Batteries Industrial Co., Ltd.	-	Financial asset measured at fair value through profit or loss-current	2,000	273	-	274	-
LELON ELECTRONICS Corp.	AUO Corporation	-	Financial asset measured at fair value through profit or loss-current	140,000	2,477	-	2,100	-
LELON ELECTRONICS Corp.	Embedded Derivatives-Corporate Bonds	-	Financial asset measured at fair value through profit or loss-current	-	8	-	8	-
Lelon Electronics (Suzhou) Co., Ltd.	Shenzhen Capchem Technology Co.,Ltd.	-	Financial asset measured at fair value through profit or loss-current	85,600	21,735	-	16,425	-
Lelon Electronics (Suzhou) Co., Ltd.	Edifier Technology Co.,Ltd.	-	Financial asset measured at fair value through profit or loss-current	16,200	1,071	-	635	-
Lelon Electronics (Suzhou) Co., Ltd.	Hongtu Zhuanzhai	-	Financial asset measured at fair value through profit or loss-current	10	4	-	5	-
Lelon Electronics (Suzhou) Co., Ltd.	Industrial Bank Finance RMB structured deposit product	-	Financial asset measured at fair value through profit or loss-current	-	44,140	-	44,140	-
Lelon Electronics (Suzhou) Co., Ltd.	Huei ying rih siang tian kai NO.2	-	Financial asset measured at fair value through profit or loss-current	-	1,479	-	1,479	-
Lelon Electronics (Suzhou) Co., Ltd.	Rih ying siang E siang rih rih jin	-	Financial asset measured at fair value through profit or loss-current	-	2,212	-	2,212	-
Suzhou Liding Automotive Technology Co., Ltd.	Gong ying jhih sin huei shuai gua gou RMB structured Deposit	-	Financial asset measured at fair value through profit or loss-current	-	24,718	-	24,718	-
Lelon Electronics (Huizhou) Co., Ltd.	Fubon Bank RMB structured Deposit yue siang ying NO.22100129	-	Financial asset measured at fair value through profit or loss-current	-	132,420	-	132,420	-
Lelon Electronics (Huizhou) Co., Ltd.	Fubon Bank RMB structured Deposit yue siang ying NO.22100158	-	Financial asset measured at fair value through profit or loss-current	-	66,210	-	66,210	-
Lelon Electronics (Huizhou) Co., Ltd.	Fubon Bank RMB structured Deposit yue siang ying NO.22110187	-	Financial asset measured at fair value through profit or loss-current	-	44,140	-	44,140	-
Lelon Electronics (Huizhou) Co., Ltd.	China Guangfa Bank wu hua tian bao"G" 2022 No. 181 RMB Structured Deposit WHTBCE	-	Financial asset measured at fair value through profit or loss-current	-	48,554	-	48,554	-
Lelon Electronics (Huizhou) Co., Ltd.	Fubon Bank RMB structured Deposit yue siang ying NO.22120246	-	Financial asset measured at fair value through profit or loss-current	-	154,490	-	154,490	-
Liton Technology Corp.	China Development Financial Holding Corp.	-	Financial asset measured at fair value through profit or loss-current	90,411	983	-	1,139	-
Liton Technology Corp.	Embedded Derivatives-Corporate Bonds	-	Financial asset measured at fair value through profit or loss-current	-	1,501	-	50	-
			Subtotal		601,201		584,702	
			Less:Financial Asset Valuation Adjustment		(16,499)		-	
			Total		\$584,702		\$584,702	

Table3:Securities held as of 31 December 2022. (Excluding subsidiaries, associates and joint ventures):

Held Company Name	Marketable Securities Type and Name	Relationship with the Company (Note1)	Financial Statement Account	31-Dec-22				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
LELON ELECTRONICS Corp.	ELNA PCB(M) SDN. BHD.	-	Financial assets measured at fair value through other comprehensive income- noncurrent	1,824,000	\$18,148	10.00%	\$-	-
Liton Technology Corp.	Pan Win Biotechnologygy Inc.	-	Financial assets measured at fair value through other comprehensive income- noncurrent	100,000	550	5.00%	-	-
Lelon Electronics (Suzhou) Co., Ltd.	Changehun Trarrii Corp.	-	Financial assets measured at fair value through other comprehensive income- noncurrent	1,000,000	11,035	16.67%	-	-
Lelon Electronics (Huizhou) Co., Ltd.	Lijing Real Estate Development (Huizhou) Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income- noncurrent	4,719,710	21,060	16.27%	22,511	-
Liton Electronics Technology (Hui Zhou) Co., Ltd.	Lijing Real Estate Development (Huizhou) Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income- noncurrent	1,303,537	6,617	4.49%	5,664	-
			Subtotal		57,410		28,175	
			Less:Financial Asset Valuation Adjustment		(29,235)		-	
			Total		<u>\$28,175</u>		<u>\$28,175</u>	

Note1: If the issuer of the securities is not a related party, this column will omitted.

Table4:Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 31 December 2022.

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
LELON ELECTRONICS Corp.	Lelon International Industrial Limited	Sub-subsiary of the ownership	Purchases	\$3,057,472	42.61%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Trading condition is the same as other supplier	\$(115,331)	(21.67)%	
LELON ELECTRONICS Corp.	Lelon Electronics (SUZHOU) Corp.	Sub-subsiary of the ownership	Sales	(101,470)	(0.98)%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Trading condition is the same as other supplier	-	-%	
Lelon International Industrial Limited	Lelon Electronics (HUIZHOU) Corp.	Sub-subsiary of the ownership	Purchases	1,970,039	27.46%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Trading condition is the same as other supplier	(338,839)	(63.65)%	
Lelon International Industrial Limited	Lelon Electronics (SUZHOU) Corp.	Sub-subsiary of the ownership	Purchases	1,088,232	15.17%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Trading condition is the same as other supplier	-	-%	
Lelon Electronics (SUZHOU) Corp.	Lelon Electronics Technology (SUZHOU) Corp.	Sub-subsiary of the ownership	Sales	(592,585)	(5.73)%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Trading condition is the same as other supplier	309,195	11.17%	
Liton Technology Corp.	V-TECH CO., LTD.	Subsidiary of Liton Technology Corp.	Purchases	1,231,612	17.16%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Offset Between Debit And Credit	-	-%	
Liton Technology Corp.	V-TECH CO., LTD.	Subsidiary of the Liton Technology Corp.	Sales	(181,058)	(1.75)%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Offset Between Debit And Credit	291,181	10.51%	
V-TECH CO., LTD.	Liton Electronics Technology (Abazhou) Co., Ltd.	Subsidiary of V-TECH CO., LTD.	Purchases	732,622	10.21%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Offset Between Debit And Credit	-	-%	
V-TECH CO., LTD.	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Sub-subsiary of Liton Technology Corp.	Sales	(108,992)	(1.05)%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Offset Between Debit And Credit	181,953	6.57%	
V-TECH CO., LTD.	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Sub-subsiary of Liton Technology Corp.	Purchases	506,415	7.06%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Offset Between Debit And Credit	-	-%	
Liton Technology Corp.	Liton Electronics Technology (Abazhou) Co., Ltd.	Subsidiary of V-TECH CO., LTD.	Sales	(115,730)	(1.12)%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Trading condition is the same as other supplier	-	-%	
Liton Electronics Technology (Abazhou) Co., Ltd.	Ruyuan Lidong Electronic Technology Co., Ltd.	Sub-subsiary of Liton Technology Corp.	Purchases	645,679	9.00%	Net 30 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	(57,496)	(10.80)%	
Liton Electronics Technology (Hui Zhou) Co., Ltd.	Ruyuan Lidong Electronic Technology Co., Ltd.	Sub-subsiary of Liton Technology Corp.	Purchases	373,095	5.20%	Net 30 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	(34,899)	(6.56)%	
Liton Technology Corp.	Ruyuan Lidong Electronic Technology Co., Ltd.	Subsidiary of Liton Technology Corp.	Purchases	131,050	1.83%	Net 60 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	(8,641)	(1.62)%	
Liton Electronics Technology (Abazhou) Co., Ltd.	Lelon Electronics (HUIZHOU) Corp.	Sub-subsiary of the ownership	Sales	(116,224)	(1.12)%	Net 120 ays from the end of the next month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	55,334	2.00%	
Liton Electronics Technology (Abazhou) Co., Ltd.	Lelon Electronics (SUZHOU) Corp.	Sub-subsiary of the ownership	Sales	(125,339)	(1.21)%	Net 135 ays from the end of the next month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	37,711	1.36%	

Table4:Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 31 December 2022.

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Lidon Electronics Technology Co., Ltd. Ruyuan County	Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd	Substance related party of Lidong Electronic Technology Co., Ltd.	Sales	(778,715)	(7.53)%	Net 30 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	-	-%	
Liton Electronics Technology (Abazhou) Co., Ltd.	Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd	Substance related party of Lidong Electronic Technology Co., Ltd.	Purchases	110,182	1.54%	Net 30 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	(1,332)	(0.25)%	
Lidon Electronics Technology Co., Ltd. Ruyuan County	Youai Xi Jiedong Sunshine (Shaoguan) Aluminum Sales Co., Ltd	Substance related party of Lidong Electronic Technology Co., Ltd.	Purchases	664,106	9.26%	Net 30 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	-	-%	
Lidon Electronics Technology Co., Ltd. Ruyuan County	Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd	Substance related party of Lidong Electronic Technology Co., Ltd.	Purchases	146,370	2.04%	Net 60 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	-	-%	

Note1:The Company complies with the provisions of Letter No. 00747 of the Securities and Futures Commission dated March 18, 87 (87) Taiwan Financial Securities (6)., When outsourced processing.If the parties have agreed to be back for processing or sold on behalf of the party,title and risk of processed products have not passed, when the material is removed, it will be treated according to the accounting of outsourcing processing, it will not be disposed of for sale.

Note2:The transaction that reversed between consolidated entities has been adjusted to be reversed.

Table5:Receivables from related parties with accounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 31 December 2022.

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Allowance For Bad Debts
					Amount	Action Taken		
Lelon International Industrial Limited	Lelon Electronics Corp.	Sub-subsidiary of the ownership	Accounts Receivable \$115,331	-	\$-	-	Write-off of debts	\$-
Lelon Electronics (HUIZHOU) Corp.	Lelon International Industrial Limited	Sub-subsidiary of the ownership	Accounts Receivable 338,839	-	-	-	Write-off of debts	-
Lelon Electronics (SUZHOU) Corp.	Lelon Electronics Technology (SUZHOU) Corp.	Sub-subsidiary of the ownership	Accounts Receivable 309,195	-	-	-	Write-off of debts	-
Liton Technology Corp.	V-TECH CO., LTD.	Sub-subsidiary of Liton Technology Corp.	Accounts Receivable 291,281	-	-	-	Write-off of debts	-
V-TECH CO., LTD.	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Sub-subsidiary of Liton Technology Corp.	Accounts Receivable 181,953	-	-	-	Write-off of debts	-
V-TECH CO., LTD.	Liton Electronics Technology (Abazhou) Co., Ltd.	Sub-subsidiary of Liton Technology Corp.	Accounts Receivable 118,160	-	-	-	Write-off of debts	-

Note:The transaction that reversed between consolidated entities has been adjusted to be reversed.

Table6: The business relationship, significant transactions and amounts between parent company and subsidiaries

No. (Note1)	Company Name	Counterpart	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets(Note3)
0	LELON ELECTRONICS Corp.	Lelon International Industrial Limited	1	Purchases	\$3,057,472	Mutual offset of creditor's rights and debts	29.55%
0	LELON ELECTRONICS Corp.	Lelon Electronics (SUZHOU) Corp.	1	Sales	(101,470)	Mutual offset of creditor's rights and debts	(0.98)%
1	Lelon Electronics (HUIZHOU) Corp.	Lelon International Industrial Limited	3	Accounts Receivable	338,839	Mutual offset of creditor's rights and debts	2.31%
2	Lelon International Industrial Limited	Lelon Electronics Corp.	2	Accounts Receivable	115,331	Mutual offset of creditor's rights and debts	0.79%
2	Lelon International Industrial Limited	Lelon Electronics (HUIZHOU) Corp.	3	Purchases	1,970,039	Mutual offset of creditor's rights and debts	19.04%
2	Lelon International Industrial Limited	Lelon Electronics (SUZHOU) Corp.	3	Purchases	1,088,232	Mutual offset of creditor's rights and debts	10.52%
3	Lelon Electronics (SUZHOU) Corp.	Lelon Electronics Technology (SUZHOU) Corp.	3	Sales	(592,585)	Mutual offset of creditor's rights and debts	(5.73)%
3	Lelon Electronics (SUZHOU) Corp.	Lelon Electronics Technology (SUZHOU) Corp.	3	Accounts Receivable	309,195	Mutual offset of creditor's rights and debts	2.11%
4	Liton Technology Corp.(Note4)	V-TECH CO., LTD.	3	Purchases	1,231,612	Mutual offset of creditor's rights and debts	11.90%
4	Liton Technology Corp.(Note4)	V-TECH CO., LTD.	3	Sales	(181,058)	Mutual offset of creditor's rights and debts	(1.75)%
5	V-TECH CO., LTD.	Liton Electronics Technology (Abazhou) Co., Ltd.	3	Purchases	732,622	Mutual offset of creditor's rights and debts	7.08%
5	V-TECH CO., LTD.	Liton Electronics Technology (Hui Zhou) Co., Ltd.	3	Sales	(108,992)	Mutual offset of creditor's rights and debts	(1.05)%
5	V-TECH CO., LTD.	Liton Electronics Technology (Hui Zhou) Co., Ltd.	3	Purchases	506,415	Mutual offset of creditor's rights and debts	4.89%
4	Liton Technology Corp.(Note4)	Liton Electronics Technology (Abazhou) Co., Ltd.	3	Sales	(115,730)	Mutual offset of creditor's rights and debts	(1.12)%
6	Liton Electronics Technology (Abazhou) Co., Ltd.	Lidon Electronics Technology Co., Ltd. Ruyuan County	3	Purchases	645,679	Net 30 days from the end of the month of when invoice is issued	6.24%

Table6: The business relationship, significant transactions and amounts between parent company and subsidiaries

No. (Note1)	Company Name	Counterpart	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets(Note3)
7	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Lidon Electronics Technology Co., Ltd. Ruyuan County	3	Purchases	373,095	Net 30 days from the end of the month of when invoice is issued	3.61%
4	Liton Technology Corp.(Note4)	Lidon Electronics Technology Co., Ltd. Ruyuan County	3	Purchases	131,050	Net 60 days from the end of the month of when invoice is issued	1.27%
6	Liton Electronics Technology (Abazhou) Co., Ltd.	Lelon Electronics (HUIZHOU) Corp.	3	Sales	(116,224)	Net 120 days from the end of the next month of when invoice is issued	(1.12)%
6	Liton Electronics Technology (Abazhou) Co., Ltd.	Lelon Electronics (SUZHOU) Corp.	3	Sales	(125,339)	Net 135 days from the end of the next month of when invoice is issued	(1.21)%
4	Liton Technology Corp.(Note4)	V-TECH CO., LTD.	3	Accounts Receivable	291,281	Mutual offset of creditor's rights and debts	1.98%
5	V-TECH CO., LTD.	Liton Electronics Technology (Hui Zhou) Co., Ltd.	3	Accounts Receivable	181,953	Mutual offset of creditor's rights and debts	1.24%
5	V-TECH CO., LTD.	Liton Electronics Technology (Abazhou) Co., Ltd.	3	Accounts Receivable	118,160	Mutual offset of creditor's rights and debts	0.80%

Note1: "0" for Lelon Electronics Corp,Others for subsidiaries

Note2: Transactions are categorized as follows:

- 1.From a parent company to its subsidiary.
- 2.Subsidiary to parent compant.
- 3.Between subsidiaries.

Note3: Percentage of 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, 2022.
Percentage of consolidated total revenues is calculated by dividing the amount of a particular revenue or cost or expense account by the consolidated total operating revenues for the years ended 31 December 2022.

Note4: provisions of Letter No. 00747 of the Securities and Futures Commission dated March 18, 87 (87) Taiwan Financial Securities (6) No. 00747 when Liton Technology Corp. outsourcing, If the two parties have agreed to ship it back after processing or sell it , the ownership and risk of the processed product will not be transferred.
then when removing materials, the accounting treatment of subcontracting shall be followed, and sales shall not be handled.

Note5: All internal transactions above have been eliminated from the consolidated financial statements.

Table7: Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022 net income (loss) of investee company and investment income (loss) recognized for the year ended 31 December 2022: (Excluding investment in Mainland China)

Investor Company	Investee Company (Note1)	Location	Main Activities	Original Investment Amount		31-Dec-22			Net Income (Loss) of Investee (Note1)	Investor's Share of Profit (Loss) of Investee(Note1)	Note (Note1)
				31-Dec-22	31-Dec-21	Shares	Percentage of Ownership	Carrying Amount			
LELON ELECTRONICS Corp.	Liton Technology Corp.	No. 9, Zhonglong 2nd Rd., Tongluo Township, Miaoli County 36643, Taiwan	Etched aluminum foils processing and trading, manufacture and trading of formed aluminum foils	\$468,471	\$468,471	43,731,598	30.82%	\$972,813 (Note3)	\$503,342	\$154,018	Subsidiary
LELON ELECTRONICS Corp.	LIRO ELECTRONICS CO., LTD.	P.O. BOX 3340, Dawson Bldg. ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	Equity investment	818,824	818,824	26,005,137	89.47%	4,786,181 (Note3)	829,203	739,419	Subsidiary
LELON ELECTRONICS Corp.	SURGE-LELON LLC	1016 Grand Boulevard Deer Park, NY 11729	Trade business	2,073 (USD 67,500)	2,073 (USD 67,500)	-	45.00%	- (Note2)	-	-	Valuate investee using the equity method
LIRO ELECTRONICS CO., LTD.	Lelon International Industrial Limited	140-142 Siren Road, Tsim Sha Tsui, Kowloon, Hong Kong	Equity investment and trade	11,889 (USD 387,059)	11,889 (USD 387,059)	-	100.00%	28,000 (Note3)	2,045	-	Merge with subsidiary Sub-subsiary
Liton Technology Corp.	LITON(BVI) CO., LTD.	P.O. BOX 3340, Road Town, Tortola, British Virgin Islands	Equity investment	216,786 (USD 7,058 Thousand)	216,786 (USD 7,058 Thousand)	7,057,715	100.00%	835,612 (Note3)	87,452	-	Merge with subsidiary
Liton Technology Corp.	V-TECH CO., LTD.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Sales and equity investment of aluminum foil materials, Aluminum electrolytic capacitor and related materials for the above products	1,340,618 (USD 43,647 Thousand)	1,340,618 (USD 43,647 Thousand)	43,647,362	100.00%	1,404,238 (Note3)	135,772	-	Merge with subsidiary
Liton Technology Corp.	EVERTECH CAPA CO., LTD.	Jipfa Buiding,3rd Floor, Road Town, Tortola, British Virgin Islands.	Goods sale	307 (USD 10 Thousand)	307 (USD 10 Thousand)	10,000	100.00%	- (Note3)	-	-	Merge with subsidiary
V-TECH CO., LTD.	FOREVER CO., LTD.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Equity investment	1,178,012 (USD 38,353 Thousand)	1,178,012 (USD 38,353 Thousand)	38,353,012	100.00%	\$1,476,071 (Note3)	141,272	-	Merge with V-TECH CO., LTD.

Note1: (1) The column 「Investee Company」, 「Location」, 「Main Activities」, 「Original Investment Amount」 and 「shares」, should follow order the situation that ownership transfer investment and each direct or indirect investee reinvest, and indicate in Note that the relationship between each investees.

(2) The column 「Investee Company」 should fill each investee company's income in this period.

(3) The column "Investor's Share of Profit (Loss) of Investee", only need to fill the company recognizes the subsidiaries of the direct transfer investment and the income of each investees using the

When filling the "The current profit and loss amount of each subsidiary recognized as direct transfer investment", should check the income of this period of each subsidiary have including it that should be recognized according to regulations for reinvestment.

Note2: The recognition of the investment loss of the investee company based on the shareholding ratio has exceeded the actual investment amount, and the recognition of investment losses is limited to reducing the book balance of the company's investment and advances to zero in accordance with regulations.

Note3: : All inter-company transactions among LELON ELECTRONICS Corp. and its subsidiaries have been eliminated in the consolidated financial statements

Table8: Investment in Mainland China

Investee Company	Main Activities	Total Amount of Paid-in Capita	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note1)	Carrying Amount as of Balance as of December 31, 2022(Note1)	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
Lelon Electronics (HUIZHOU) Corp.	Manufacture and sales of capacitors	\$373,546 (RMB 84,627,532)	Indirect investments in Mainland China through companies registered in a third region.	\$236,106 (USD 7,687 Thousand)	\$ -	\$ -	\$236,106 (USD 7,687 Thousand)	\$525,260	89.47%	\$469,950	\$1,902,618	\$ -
Lelon Electronics (SUZHOU) Corp.	Manufacture and sales of capacitors	348,833 (RMB 79,028,807)	Indirect investments in Mainland China through companies registered in a third region.	182,171 (USD 5,931 Thousand)	-	-	182,171 (USD 5,931 Thousand)	368,387	89.47%	329,596	1,374,568	-
Lelon Electronics technology (SUZHOU) Corp.	Manufacture and sales of capacitors	1,969,711 (RMB446,241,785)	Indirect investments in Mainland China and others through companies registered in a third region.	307,150 (USD 10,000 Thousand)	-	-	307,150 (USD 10,000 Thousand)	(66,488)	89.47%	(59,487)	1,569,768	-
DONGGUAN LEHONG TRADING CO., LIMITED	Trading of Electronic Components	11,666 (RMB 2,643,003)	Indirect investments in Mainland China through companies registered in a third region.	11,887 (USD 387 Thousand)	-	-	11,887 (USD 387 Thousand)	1,140	89.47%	1,020	24,157	-
Suzhou Liding Automotive Technology Co., Ltd.	Research and develop, design, production and sales of automotive electronic components	132,420 (RMB 30,000,000)	Others	-	-	-	-	699	89.47%	625	92,510	-
Liton Electronics Technology (Hui Zhou) Co., Ltd.	Manufacture of aluminum foil materials, aluminum electrolytic capacitors and related materials for the above products	509,224 (USD 16,579 Thousand)	Indirect investments in Mainland China through companies registered in a third region.	355,649 (USD 11,579 Thousand)	-	-	355,649 (USD 11,579 Thousand)	87,428	100.00%	87,428	814,926	-
Liton Electronics Technology (Abazhou) Co., Ltd.	Manufacture of aluminum foil materials, aluminum Electrolytic capacitors and related materials for the above products	1,308,459 (USD 42,600 Thousand)	Indirect investments in Mainland China through companies registered in a third region.	1,154,884 (USD 37,600 Thousand)	-	-	1,154,884 (USD 37,600 Thousand)	139,349	100.00%	139,349	1,476,071	-
Lidon Electronics Technology Co., Ltd. Ruyuan County	Manufacture and trade of etched aluminum foils and formed aluminum foils	706,240 (RMB 160,000 Thousand)	Direct investment in Mainland China and others	282,496 (RMB 64,000 Thousand)	-	-	282,496 (RMB 64,000 Thousand)	174,024	60.00%	68,781 (Note3)	984,228	-

	Accumulated Investment in Mainland China as of S 31 December 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Net worth×60%)
LELON ELECTRONICS Corp.	\$893,960 (USD29,105 Thousand)	\$1,081,467 (USD34,825 Thousand) (HKD3,000 Thousand)	\$4,090,244
LITON TECHNOLOGY Corp.	\$1,793,029 (USD49,179 Thousand) (RMB64,000 Thousand)	\$2,100,179 (USD59,179 Thousand) (RMB64,000 Thousand)	Not applicable (Note2)

Note1: The investment income of this period has checked by certified public accountant of Taiwan parent company

Note2: According to Letter No.11120425300 issued by Ministry of Economic Affairs, R.O.C., because of LITON TECHNOLOGY Corp. has already get the operation headquarters certification documents issued by Industrial Development Bureau. Therefore the amount to invest in Mainland China will not be limited 60 percent of net or consolidated net worth by Investment Commission.

Note3: The investment income of the investee company recognized in this period has included the investment gains and losses of these companies due to downstream and upstream transactions.

Note4: The investment information of Mainland China is excluding investment information of disposed Mainland subsidiaries.

IV. Parent Company Only Financial Statement for the Most Recent Fiscal Year, Certified by a CPA

(I) Auditor's Report

Independent Auditors' Report Translated from Chinese

To Lelon Electronics Corp.

Opinion

We have audited the accompanying parent company only balance sheets of Lelon Electronics Corp. (the "Company") as of 31 December 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 2021, and notes to the parent company only financial statements, including the summary of significant accounting policies. (together "the parent company only financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2022 and 2021, and its financial performance and cash flows for the years ended 31 December 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing 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 Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of accounts receivable

As of December 31 2022, the gross accounts receivable and loss allowance by the Company amounted to NT\$993,905 thousand and NT\$16,658 thousand, respectively. The net accounts receivable accounted for 12% of total assets, which was considered material to the Company. The collection of accounts receivable is a key factor in the working capital management of the Company, the loss allowance of account

receivables is measured by the expected credit loss for the duration of the account receivables, the measurement process includes grouping the receivables and determining the use of the related assumptions in the analysis, including appropriate account aging interval and consideration of the loss rate of each account aging interval. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net account receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of the internal control system for the client risk assessment and collection of accounts receivable established by the management level, understanding and testing the use of provision matrix, including assessing the reasonableness of the determination of various account aging intervals and sampling and examining the accuracy of underlying information through original document inspection. The procedures also involve testing statistical information related to loss rates calculated based on rolling ratios over one year, sampling appropriate transactions to recalculate the accuracy of aging based on transaction conditions, evaluating the reasonableness of collection for individual customers with significant overdue amounts or longer overdue periods, performing group assessment for non-individually material customers, recalculating the reasonableness of the allowance for doubtful accounts amount based on the impairment loss policy, selecting samples to perform confirmations of accounts receivable and reviewing the collection status after the balance sheet date to assess their recoverability.

We also assessed the adequacy of disclosures related to accounts receivable in Notes 5 and 6 to the parent company only financial statements.

Valuation for inventories (Including inventories of the subsidiaries under the equity method)

The inventories of the Company and its subsidiaries accounted for using the equity method was significant to the financial statements. As the Company 's inventories are distributed in multiple warehouses and has a wide range of items, the difficulty of managing the status of inventory usage has increased. The products have a wide range of applications and they are phased out at different rates, so the slowing-moving and obsolete inventory allowance for impairment involved significant management judgments. We therefore determined this a key audit matter.

Our audit procedures included, but were not limited to, understanding and testing the effectiveness of the internal controls established by management for inventory, assessing the appropriateness of accounting policies regarding obsolete and slow-moving inventory, understanding management's plan for inventory count, selecting material inventory locations for on-site observations during physical inventory counts, testing the accuracy of inventory aging, analyzing changes in inventory aging, testing management's estimated net realizable value for inventory, including price testing and conducting analytical procedures on gross profit margins for each product, verifying the calculation of inventory unit costs, considering the expected demand and market value of inventory, understanding management's analysis and evaluation of obsolete and slow-moving inventory, including the possibility of inventory realization and estimation of net realizable value.

We also assessed the adequacy of disclosures related to inventory in Notes 5 and 6 to the parent company only financial statements.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to

continue as a going concern.

5. Evaluate the overall presentation, structure, and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in 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 2022 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Huang, Yu Ting

Chen, Ming Hung

Ernst & Young, Taiwan

23 March 2023

Notice to Readers

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

Accordingly, the accompanying parent company only financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

(II) Comparative Balance Sheet

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

LELON ELECTRONICS CORP.

PARENT COMPANY ONLY BALANCE SHEETS

31 December 2022 and 2021

(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As of 31 December	
		2022	2021
Current assets			
Cash and cash equivalents	4, 6(1)	\$847,483	\$432,507
Financial assets at fair value through profit or loss, current	4	48,085	15,179
Notes receivable, net	4	14,878	9,975
Accounts receivable, net	4, 5, 6(2), 6(11)	977,247	1,030,750
Other receivables	4, 6(11)	782	2,142
Other receivables-related parties	4, 7	161,832	233,154
Inventories	4, 5, 6(3)	76,181	77,301
Prepayment	7	37,089	31,659
Other current assets		4,861	7,790
Total current assets		<u>2,168,438</u>	<u>1,840,457</u>
Non-current assets			
Investments accounted for under the equity method	4, 6(4)	5,758,994	4,854,034
Property, plant and equipment	4, 6(5)	321,304	333,996
Right-of-use assets	4, 6(12)	4,553	8,882
Investment property	4, 5, 8	26,340	26,623
Intangible assets	4	5,991	8,321
Deferred tax assets	4, 5, 6(16)	23,526	33,230
Other non-current assets		858	2,329
Total non-current assets		<u>6,141,566</u>	<u>5,267,415</u>
Total assets		<u>\$8,310,004</u>	<u>\$7,107,872</u>

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

LELON ELECTRONICS CORP.
PARENT COMPANY ONLY BALANCE SHEETS

31 December 2022 and 2021

(Expressed in Thousand New Taiwan Dollars)

Liabilities and Equity	Notes	As of 31 December	
		2022	2021
Current liabilities			
Short-term loans	4, 6(6)	\$919,598	\$534,044
Short-term notes and bills payable		-	149,893
Contract liabilities, current	6(10)	14,240	15,675
Notes payable		14,422	29,194
Notes payable-related parties	7	21,625	21,558
Accounts payable		7,350	9,948
Accounts payable-related parties	7	135,713	68,344
Other payables	7	155,771	110,964
Current tax liabilities	4, 6(16)	105,229	7,140
Lease current liabilities	4, 6(12)	4,240	4,327
Long-term loans, current portion	4, 6(7)	25,001	21,136
Other current liabilities	7	10,577	12,651
Total current liabilities		1,413,766	984,874
Non-current liabilities			
Bonds payable	4, 6(7)	-	54,170
Deferred tax liabilities	4, 5, 6(16)	49,567	49,567
Lease liabilities, non-current	4, 6(12)	341	4,581
Net defined benefit obligation, noncurrent	4, 5, 6(8)	28,796	40,001
Guarantee deposits received		460	460
Total non-current liabilities		79,164	148,779
Total liabilities		1,492,930	1,133,653
Equity attributable to the parent company			
Capital	6(9)		
Common stock		1,635,432	1,621,595
Certificate of entitlement to new shares from convertible bond		6,033	7,415
Subtotal		1,641,465	1,629,010
Additional Paid-in Capital	6(4),6(9)	1,994,346	1,958,907
Retained earnings	6(9)		
Legal reserve		540,055	442,005
Special reserve		310,915	336,263
Unappropriated earnings		2,563,116	1,919,292
Subtotal		3,414,086	2,697,560
Other components of equity			
Exchange differences on translation of foreign operations	4, 6(4)	(205,540)	(284,358)
Unrealized gains or losses measured at fair value through other comprehensive income		(26,940)	(26,557)
Treasury shares		(343)	(343)
Total equity		6,817,074	5,974,219
Total liabilities and equity		\$8,310,004	\$7,107,872

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

(III) Statement of Comprehensive Income

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 LELON ELECTRONICS CORP.
 PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
 For the years ended 31 December 2022 and 2021
 (Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the years ended 31 December	
		2022	2021
Operating revenues	4, 6(10), 7	\$3,859,967	\$3,232,827
Operating costs	6(3), 7	(3,176,436)	(2,653,590)
Gross profit		683,531	579,237
Unrealized intercompany profit		(2,640)	(1,685)
Realized intercompany profit		3,644	3,614
Gross profit		684,535	581,166
Operating expenses	6(13)		
Sales and marketing expenses		(166,406)	(133,963)
General and administrative expenses		(177,618)	(131,929)
Research and development expenses		(60,715)	(62,110)
Expected credit gains	6(11)	4,540	16,471
Subtotal		(400,199)	(311,531)
Operating income		284,336	269,635
Non-operating income and expenses			
Interest revenue		3,730	135
Other income	4,5, 6(14),7	32,527	43,962
Other gain and losses	6(14)	144,336	(3,026)
Financial costs	6(14)	(8,454)	(5,715)
Share of profit or loss of subsidiaries, associates and joint ventures	4, 6(4)	893,437	745,382
Subtotal		1,065,576	780,738
Income before income tax		1,349,912	1,050,373
Income tax expense	4,5, 6(16)	(119,745)	(68,808)
Net income		1,230,167	981,565
Other comprehensive income	6(15)		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		11,320	(1,339)
Unrealized gains(losses) on equity instruments measured at fair value through other comprehensive income		(383)	(445)
Income tax related to items that may not be reclassified subsequently	4, 6(15)	(2,149)	274
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	4, 6(15)	78,818	25,793
Total other comprehensive income, net of tax		87,606	24,283
Total comprehensive income		\$1,317,773	\$1,005,848
Earnings per share (NTD)	4, 6(17)		
Earnings per share-basic		\$7.53	\$6.12
Earnings per share-diluted		\$7.45	\$6.04

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

(IV) Statement of Changes in Equity

English Translation of Consolidated Financial Statements Originally Issued in Chinese

LELON ELECTRONICS CORP.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Capital		Retained earnings				Other components of equity			Treasury shares	Total Equity
	Common Stock	Certificate of entitlement to new shares from convertible bond	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains (Losses) on Equity Instruments Measured at Fair Value Through Other Comprehensive Income			
Balance as of 1 January 2021	\$1,450,867	\$81,768	\$1,612,221	\$374,574	\$353,305	\$1,464,987	\$(310,151)	\$(26,112)	\$(343)	\$5,001,116	
Appropriation and distribution of 2020 retained earnings											
Legal Reserve				67,431		(67,431)				-	
Cash dividends						(475,806)				(475,806)	
Special reserve					(17,042)	17,042				-	
Net income in 2021						981,565				981,565	
Other comprehensive income (loss), net of tax in 2021						(1,065)	25,793	(445)		24,283	
Total comprehensive income (loss)	-	-	-	-	-	980,500	25,793	(445)	-	1,005,848	
Bonds converted to stock	170,728	(74,353)	319,284							415,659	
Changes in ownership interests in subsidiaries			27,402							27,402	
Balance as of 31 December 2021	\$1,621,595	\$7,415	\$1,958,907	\$442,005	\$336,263	\$1,919,292	\$(284,358)	\$(26,557)	\$(343)	\$5,974,219	
Balance as of 1 January 2022	\$1,621,595	\$7,415	\$1,958,907	\$442,005	\$336,263	\$1,919,292	\$(284,358)	\$(26,557)	\$(343)	\$5,974,219	
Appropriations of earnings, 2021:											
Legal Reserve				98,050		(98,050)				-	
Cash dividends						(522,812)				(522,812)	
Special reserve					(25,348)	25,348				-	
Net income in 2022						1,230,167				1,230,167	
Other comprehensive income (loss), net of tax in 2022						9,171	78,818	(383)		87,606	
Total comprehensive income (loss)	-	-	-	-	-	1,239,338	78,818	(383)	-	1,317,773	
Bonds converted to stock	13,837	(1,382)	38,332							50,787	
Changes in ownership interests in subsidiaries			(2,893)							(2,893)	
Balance as of 31 December 2022	\$1,635,432	\$6,033	\$1,994,346	\$540,055	\$310,915	\$2,563,116	\$(205,540)	\$(26,940)	\$(343)	\$6,817,074	

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

(V) Statement of Cash Flow

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
LELON ELECTRONICS CORP.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended 31 December 2022 and 2021

(Expressed in Thousand New Taiwan Dollars)

	For the years ended 31 December	
	2022	2021
Cash flows from operating activities:		
Net income before tax	\$1,349,912	\$1,050,373
Adjustments to reconcile net income before tax to net cash provided by (used in) operating activities:		
Income and expense adjustments:		
Depreciation	17,826	18,167
Amortization	2,710	3,198
Expected credit income	(4,540)	(16,471)
Loss of financial assets/liabilities at fair value through loss or profit	10,266	11,583
Interest expense	8,454	5,715
Interest income	(3,730)	(135)
Dividend income	(1,461)	(1,494)
Share of profit of subsidiaries, associates and joint ventures	(893,437)	(745,382)
Gain on disposal of investments	-	(23,635)
Unrealized intercompany profit	2,640	1,685
Realized intercompany profit	(3,644)	(3,614)
(Gain)loss from market value decline, obsolete and slow-moving of inventories	(251)	273
Changes in operating assets and liabilities:		
(Increase) Decrease in financial assets at fair value through profit or loss	(43,172)	28,841
Increase in notes receivable	(4,903)	(306)
Decrease (increase) in accounts receivable	53,503	(203,314)
Decrease (increase) in other receivables	72,682	(78,992)
Decrease in inventories	1,371	7,066
(Increase) Decrease in prepayments	(5,430)	12,026
Decrease (increase) in other current assets	2,929	(2,682)
Decrease in other non-current assets	6,011	4,591
Decrease in contract liabilities	(1,435)	(14,569)
(Decrease) increase in notes payable	(14,705)	13,356
Increase in accounts payable	64,771	66,115
Increase in other payables	44,477	25,014
Decrease in other current liabilities	(2,074)	(4,539)
Decrease in net defined benefit liabilities non-current	(459)	(432)
Cash generated from operations	658,311	152,438
Interest received	3,730	135
Dividends received	1,461	1,494
Interest paid	(7,296)	(2,810)
Income tax paid	(14,101)	(60,119)
Net cash provided by operating activities	642,105	91,138

(Continued)

LELON ELECTRONICS CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended 31 December 2022 and 2021
(Expressed in Thousand New Taiwan Dollars)

	For the years ended 31 December	
	2022	2021
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(382)	(5,235)
Acquisition of intangible assets	(380)	(774)
Acquisition of Investment property	(140)	-
Dividends received	65,597	45,930
Net cash provided by investing activities	<u>64,695</u>	<u>39,921</u>
Cash flows from financing activities:		
Increase in short-term loans	2,708,977	1,425,552
Decrease in short-term loans	(2,323,423)	(1,538,029)
Increase in short-term notes and bills payable	539,316	409,619
Decrease in short-term notes and bills payable	(689,209)	(259,726)
Cash payments for bonds	(300)	-
Cash payments for the principal portion of the lease liability	(4,373)	(3,870)
Cash dividends	(522,812)	(475,806)
Net cash used in financing activities	<u>(291,824)</u>	<u>(442,260)</u>
Net increase (decrease) in cash and cash equivalents	414,976	(311,201)
Cash and cash equivalents at the beginning of period	432,507	743,708
Cash and cash equivalents at the end of period	<u><u>\$847,483</u></u>	<u><u>\$432,507</u></u>

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

(VI) Related Footnotes or Attached Appendices

LELON ELECTRONICS CORP.

Notes to Financial Statements

For the Years Ended 31 December 2022 and 2021

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

1. History and organization

LELON ELECTRONICS CORP. (The Company) was incorporated in February 1976. The main activities of the Company are include manufacturing, assembling, selling electronic components&parts, and selling production machinery, and act as an agent for the business operation investment and import and export trade of the preceding paragraph, etc. Place of operation and registration of the company is No. 147, Sec. 1, Guoguang Rd., Dali Dist., Taichung City 412023, Taiwan (R.O.C.)

In response to the diversified needs of future fundraising, and with the consent of the securities authority, the supplementary public offering procedures will be completed in July 1998.

The shares of the Company commenced trading on Taiwan’s Over-the-Counter Market in March 2000 and were listed on the Taiwan Stock Exchange in September 2001.

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

The parent company only financial statements of the Company were authorized for issue in accordance with a resolution of the Board of Directors’ meeting on 23 March 2023.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2022. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

(a) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023. The new or amended standards and interpretations have no material impact on the Company.

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Notes to Financial Statements (Continued)

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

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

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Notes to Financial Statements (Continued)

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

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

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Notes to Financial Statements (Continued)

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

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of Compliance

The parent company only financial statements of the Company for the years ended 31 December 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”)

(2) Basis of Preparation

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

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

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(3) Foreign Currency Transactions

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

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(4) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and Non-current Distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Company holds the asset primarily for the purpose of trading
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as a current when:

- (a) The Company expects to settle the liability in normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

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

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) the Company's business model for managing the financial assets
- (b) the contractual cash flow characteristics of the financial asset

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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Notes to Financial Statements (Continued)

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

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit loss of a financial instrument in a way that reflects:

- (A) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- (B) the time value of money

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Notes to Financial Statements (Continued)

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

- (C) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

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Notes to Financial Statements (Continued)

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

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

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

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Notes to Financial Statements (Continued)

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Derivative instruments

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

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

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

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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Notes to Financial Statements (Continued)

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

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

- | | |
|-------------------------------------|--|
| Raw materials | – Purchase cost under weighted average cost method. |
| Finished goods and work in progress | – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. |

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

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

(11) Investments accounted for under the equity method

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

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

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

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

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

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

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

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

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

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

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

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

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

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Notes to Financial Statements (Continued)

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

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "*Property, plant and equipment*". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	5~51 years
Machinery and equipment	2~ 9 years
Transportation equipment	5~ 6 years
Office equipment	3~15 years
Other equipment	3~20 years
Leasehold improvements	3 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(13) Investment property

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal Company that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

<u>Item</u>	<u>Useful lives</u>
Buildings	2~45 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers properties to or from investment properties according to the actual use of the properties.

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(14) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

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

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(15) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets which fail to meet the recognition criteria are not capitalized and the expenditures are reflected in profit or loss in the period incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

	<u>Software</u>	<u>Other intangible assets</u>
Useful lives	3~5 years	5~15 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

(16) Impairment of Non-financial Assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(18) Treasury shares

The Company acquires shares, it is recognized at acquisition cost and reduced in equity. The spread of treasury stock trading is recognized under equity.

(19) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follows:

Sale of goods

The Company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company are sewing machines and vacuum cleaners and spare parts and revenue is recognized based on the consideration stated in the contract.

The credit period of the Company's sale of goods is from 30 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component has arisen

Rendering of services

The rendering of services provided by the company are mainly based on the provision of management services, which is measured according to the estimated percentage of the cost incurred in each individual contract. When the outcome of the contract cannot be reasonably estimated, revenue is recognized only to the extent that the expenses incurred are expected to be recoverable.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(20) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(21) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the Company's financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(22) Income Taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

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

Deferred tax

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

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

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

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

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

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

5. Significant accounting judgments, estimates and assumptions

The preparation of the parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

(a) Investment properties

The Company has some property are partly held to earn rentals or for capital increase and partly for own use. If each part can be sold separately, it shall be dealt with as investment property and property, plant and equipment respectively.

(b) Operating lease commitment – Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(c) De facto control without a majority of the voting rights in invested companies

The Company does not have majority of the voting rights in certain invested companies. However, after taking into consideration factors such as absolute size of the Company's holding, relative size of the other shareholdings, how widely spread are the remaining shareholders, contractual arrangements between shareholders, potential voting rights, etc., the Company reached the conclusion that it has de facto control over these invested companies. Please refer to Note 4 for further details.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc.

(c) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(d) Trade receivables—estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(e) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2022	2021
Cash on hand	\$254	\$89
Demand deposits	478,649	432,418
Time Deposits (within 3 months)	368,580	-
Total	<u>\$847,483</u>	<u>\$432,507</u>

Cash and cash equivalents were not pledged.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(2) Accounts receivables, net

	As of 31 December	
	2022	2021
Accounts receivable - non related parties	\$993,905	\$1,047,408
Less: loss allowance	(16,658)	(16,658)
Accounts receivable, net	\$977,247	\$1,030,750

Accounts receivables are generally on 30-150 day terms. The total carrying amount are NT\$993,905 thousand and NT\$1,047,408 thousand as of 31 December 2022 and 2021. Please refer to Note 6(11) for more details on loss allowance of accounts receivables for the years ended 31 December 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

Accounts receivables, net were not pledged.

(3) Inventories

	As of 31 December	
	2022	2021
Work in progress	\$7,802	\$6,578
Finished goods	68,379	70,723
Total	\$76,181	\$77,301

The inventory cost recognized as operating costs for the years ended 31 December 2022 and 2021 were NT\$3,176,436 thousand and NT\$2,653,590 thousand, respectively. The gain from price recovery of inventories related to cost of goods sold were NT\$251 thousand and the price reduction of inventories related to cost of goods sold were NT\$273 thousand.

Gain from price recovery of inventories was because the net realizable value of inventories was not lower the cost anymore and the net realized value recovery for the year ended 31 December 2022.

No inventories were pledged.

(4) Investments accounted for using the equity method

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

	As of 31 December			
	2022		2021	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Associates:				
LIRO ELECTRONICS CORP.	\$4,786,181	89.47%	\$3,980,197	89.47%
LITON TECHNOLOGY CORP.	972,813	30.82%	873,837	30.60%
Total	\$5,758,994		\$4,854,034	

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

- (b) The Company's investment in " LIRO ELECTRONICS CO., LTD" on 1 January 2021 was NT\$818,824 thousand(US\$ 26,465,137), with a shareholding ratio of 89.47%. As of 31 December 2022 and 2021, the investment amount was both NT\$818,824 thousand (US\$ 26,465,137), and the shareholding ratio was 89.47%, and the equity method was adopted for subsequent evaluations.
- (c) The Company's investment in "LITON TECHNOLOGY CORP." on 1 January 2021 was NT\$468,471 thousand, holding 43,731,598 shares, and the shareholding ratio was 32.11%. LITON TECHNOLOGY CORP.'s convertible bond converted to issue ordinary shares from 1 January 2021 to December 31, 2021, and its shareholding ratio decreased to 30.60%

LITON TECHNOLOGY CORP. purchase of treasury shares transferred to employees and conversion of convertible bond to issue ordinary shares approved by the Board of Directors on 9 November 2022 and the shareholding ratio changed by 30.82%.

- (d) For the years ended 31 December 2022 and 2021, the Company recognized share of profit or loss of associates and joint ventures and exchange differences on translation of foreign operations with report of independent accountants, the details as follows:

	For the year ended 31 December			
	2022		2021	
Investee companies	Share of profit or loss of associates and joint ventures	Exchange differences on translation of foreign operations	Share of profit or loss of associates and joint ventures	Exchange differences on translation of foreign operations
LIRO ELECTRONICS CORP.	\$739,419	\$65,941	\$595,290	\$18,975
LITON TECHNOLOGY CORP.	154,018	12,877	150,092	6,818
Total	\$893,437	\$78,818	\$745,382	\$25,793

(5) Property, plant and equipment

	As of 31 December	
	2022	2021
Owner occupied property, plant and equipment	\$321,304	\$333,996

- (a) Owner occupied property, plant and equipment

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Lease assets	Other equipment	Total
<u>Cost:</u>								
As of 1 January								
2022	\$142,128	\$215,190	\$29,048	\$23,813	\$2,372	\$544	\$31,834	\$444,929
Additions	-	-	-	-	-	-	382	382
Disposals	-	-	(182)	(714)	-	-	(363)	(1,259)
As of 31								
December 2022	<u>\$142,128</u>	<u>\$215,190</u>	<u>\$28,866</u>	<u>\$23,099</u>	<u>\$2,372</u>	<u>\$544</u>	<u>\$31,853</u>	<u>\$444,052</u>
<u>Depreciation and impairment:</u>								
As of 1 January	\$-	\$43,880	\$21,829	\$18,827	\$1,279	\$544	\$24,574	\$110,933
2022								
Depreciation	-	7,239	1,674	1,475	264	-	2,422	13,074
Disposals	-	-	(182)	(714)	-	-	(363)	(1,259)
As of 31								
December 2022	<u>\$-</u>	<u>\$51,119</u>	<u>\$23,321</u>	<u>\$19,588</u>	<u>\$1,543</u>	<u>\$544</u>	<u>\$26,633</u>	<u>\$122,748</u>
	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Lease assets	Other equipment	Total
<u>Cost:</u>								
As of 1 January								
2021	\$142,128	\$215,190	\$26,668	\$21,050	\$2,372	\$544	\$31,834	\$439,786
Additions	-	-	2,380	2,855	-	-	-	5,235
Disposals	-	-	-	(92)	-	-	-	(92)
As of 31								
December 2021	<u>\$142,128</u>	<u>\$215,190</u>	<u>\$29,048</u>	<u>\$23,813</u>	<u>\$2,372</u>	<u>\$544</u>	<u>\$31,834</u>	<u>\$444,929</u>
	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Lease assets	Other equipment	Total
<u>Depreciation and impairment:</u>								
As of 1 January	\$-	\$36,595	\$20,201	\$16,866	\$1,015	\$523	\$21,871	\$97,071
2021								
Depreciation	-	7,285	1,628	2,053	264	21	2,703	13,954
Disposals	-	-	-	(92)	-	-	-	(92)
As of 31								
December 2021	<u>\$-</u>	<u>\$43,880</u>	<u>\$21,829</u>	<u>\$18,827</u>	<u>\$1,279</u>	<u>\$544</u>	<u>\$24,574</u>	<u>\$110,933</u>
<u>Net carrying amount as of:</u>								
31 December								
2022	<u>\$142,128</u>	<u>\$164,071</u>	<u>\$5,545</u>	<u>\$3,511</u>	<u>\$829</u>	<u>\$-</u>	<u>\$5,220</u>	<u>\$321,304</u>
31 December								
2021	<u>\$142,128</u>	<u>\$171,310</u>	<u>\$7,219</u>	<u>\$4,986</u>	<u>\$1,093</u>	<u>\$-</u>	<u>\$7,260</u>	<u>\$333,996</u>

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

- (b) Property, plant and equipment was not pledged.
- (c) There was no capitalization of interest arising from the purchase of property, plant and equipment by the Company in 2022 and 2021.
- (d) Components of building that have different useful lives are main building structure, factory decoration, hydroelectric engineering and central air-condition wiring engineering, which are depreciated over 51 years, 21 years, 16 years and 9 years, respectively.

(6) Short-term borrowings

	As of 31 December	
	2022	2021
Unsecured bank loans	\$919,598	\$534,044
	For the years ended 31 December	
	2022	2021
Interest rates applied	0.48%~1.72%	0.53%~1.06%

The Company's unused short-term lines of credits amounted to \$1,913,137 thousand and \$2,091,021 thousand as of 31 December 2022 and 2021, respectively.

(7) Bonds payable

	As of 31 December	
	2022	2021
Liability component		
Principal amount	\$25,200	\$76,600
Discounts on bonds payable	(199)	(1,294)
Subtotal	25,001	75,306
Less: current portion	(25,001)	(21,136)
Net	\$-	\$54,170
Embedded derivative	\$(8)	\$(144)
Equity component	\$181	\$1,201

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Report of the Company's unsecured convertible bonds (Second issue)

On 18 March 2019 the Company issued its second unsecured convertible bonds with a coupon rate of 0%. The convertible bonds were analyzed in accordance with the contractual terms, the components include: the principal bonds, the embedded derivative (the issuer's option to redeem and the holder's option to require the issuer to redeem), and the equity element (the holder's option to require conversion into the issuer's common stock), and the main terms of the issue are as follows

Total Issuance: NT\$600,000 thousand

Issuance period: 18 March 2019 to 18 March 2022

Important redemption terms:

- A. If the closing price of the Company's common stock on the Taiwan Stock Exchange reaches 30% of the Conversion Price for 30 consecutive business days on the day following the expiration of three months from the date of issuance, the company may give the notice to redeem the Bonds in full and in advance at the par value (the "Early Redemption Price").
- B. The convertible bonds are valid from the day following three months from the date of issuance (19 June 2019) to 40 days before the expiration of the issuance period (6 February 2022). When the outstanding balance of the bonds is less than 10% of the total face value of the original issue, the company may redeem the company bonds in full at the early redemption price.
- C. If the Creditor fails to reply to the Company's Stock Affairs Agency in writing before the date on which the Bonds are collected (collection date) as outlined in the "Notice of Collection of Bonds" (effective upon delivery, and the postmark date will be used as evidence if it is mailed). Within five business days after the collection date, the convertible bonds are redeemed in cash at the face value of the bonds.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Important Terms of Sale

The Company takes the date of two years (18 March 2021) after the issuance of the convertible bonds as the sell-back base date for bondholders to sell back the bonds. The Company shall send a “Notice on the Exercise of the Put-back Right” to the bondholders by registered mail 40 days before the base date of the sale and request the Over-the-Counter (OTC) to announce the exercise of the right of purchase of the convertible bonds. Bondholders may request the Company to redeem the Bonds held by the Company at their face value by written notice to the Company's Stock Affairs Agency (effective upon delivery, with the expiration date of such period as the base date of sale, and the postmark date will be used as evidence if it is mailed) within 40 days after the announcement. The Company shall redeem the Bonds in cash within five business days after the base date of the request for redemption. If the aforementioned date falls on a day when the Taipei Exchange is closed, it will be postponed to the next business day

Conversion method:

- A. Subject of conversion: The Company's common stock.
- B. Conversion Period: Bondholders may request conversion into common shares of the Company in lieu of cash repayment from 19 June 2019 to 18 March 2022.
- C. Conversion price and its adjustment: The conversion price had been set at NT\$46 per share at the time of issuance. If the conversion price of the Company's common share meets the provisions of the issuance terms, the conversion price shall be adjusted in accordance with the formula set forth in the terms of issuance. The conversion price was changed from NT\$43.4 to NT\$42.1 per share on 3 September 2020, the ex-dividend date. On 25 December 2020, the conversion price was changed from NT\$42.1 to NT\$41.6 per share following the issuing of common shares for a cash capital increase. The conversion price was also changed from NT\$41.6 to NT\$39.9 per share after the ex-dividend date of 7 September 2021.
- D. Maturity Redemption: The bonds will be redeemed at face value when they are outstanding at maturity.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

As of 31 December 2022 and 31 December 2021, the Company's bonds were converted to NT\$599,700 thousand and NT\$578,800 thousand, respectively.

As of 31 December 2022, the Company had purchased three convertible bonds. The difference between the amount apportioned to the equity components and the book value is NT\$12 thousand, which was recorded as capital surplus-lapsed stock options, and the bonds matured on 18 March 2022.

Report of the Company's unsecured convertible bonds (Third issue)

On 22 July 2020, the Company issued its third unsecured convertible bonds with a coupon rate of 0%. The convertible bonds were analyzed in accordance with the contractual terms, the components include: the principal bonds, the embedded derivative (the issuer's option to redeem and the holder's option to require the issuer to redeem), and the equity element (the holder's option to require conversion into the issuer's common stock), and the main terms of the issue are as follows:

Total Issuance: NT\$600,000 thousand

Issuance period: 22 July 2020~ 22 July 2023

Important redemption terms:

- A. If the closing price of the Company's common stock on the Taiwan Stock Exchange reaches 30% of the Conversion Price for 30 consecutive business days on the day following the expiration of three months from the date of issuance, the Company may give the notice to redeem the Bonds in full and in advance at the par value (the "Early Redemption Price")
- B. The convertible bonds are valid from the day following three months from the date of issuance (23 October 2020) to 40 days before the expiration of the issuance period (12 June 2023). When the outstanding balance of the bonds is less than 10% of the total face value of the original issue, the company may redeem the company bonds in full at the early redemption price.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

- C. If the Creditor fails to reply to the Company's Stock Affairs Agency in writing before the date on which the Bonds are collected (collection date) as outlined in the "Notice of Collection of Bonds" (effective upon delivery, and the postmark date will be used as evidence if it is mailed). Within five business days after the collection date, the convertible bonds are redeemed in cash at the face value of the bonds.

Important Terms of Sale

The Company takes the date of two years (22 June 2022) after the issuance of the convertible bonds as the sell-back base date for bondholders to sell back the bonds. The Company shall send a "Notice on the Exercise of the Put-back Right" to the bondholders by registered mail 40 days before the base date of the sale and request the Over-the-Counter (OTC) to announce the exercise of the right of purchase of the convertible bonds. Bondholders may request the Company to redeem the Bonds held by the Company at their face value by written notice to the Company's Stock Affairs Agency (effective upon delivery, with the expiration date of such period as the base date of sale, and the postmark date will be used as evidence if it is mailed) within 40 days after the announcement. The Company shall redeem the Bonds in cash within five business days after the base date of the request for redemption. If the aforementioned date falls on a day when the Taipei Exchange is closed, it will be postponed to the next business day.

Conversion method

- A. Subject of conversion: The Company's common stock.
- B. Conversion Period: Bondholders may request conversion into common shares of the Company in lieu of cash repayment from 23 October 2020 to 22 July 2023.
- C. Conversion price and its adjustment: The conversion price had been set at NT\$48 per share at the time of issuance. If the conversion price of the Company's common share meets the provisions of the issuance terms, the conversion price shall be adjusted in accordance with the formula set forth in the terms of issuance. The conversion price was changed from NT\$48 to NT\$46.5 per share on 3 September 2020, the ex-dividend date. On 25 December 2020, the conversion price was changed from NT\$46.5 to NT\$45.9 per share following the issuing of common shares for a cash capital increase. The conversion price was changed from NT\$45.9 to NT\$44.1 per share after the ex-dividend date of 7 September 2021. The conversion price was also changed from NT\$44.1 to NT\$41.6 per share after the ex-dividend date of 8 August 2022.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

D. Maturity Redemption: The bonds will be redeemed at face value when they are outstanding at maturity.

As of 31 December 2022 and 31 December 2021, the Company's bonds were converted to NT\$574,800 thousand and NT\$544,600 thousand, respectively.

In accordance with IFRS 9, said financial instrument is classified as an embedded derivative so the exercise price of the embedded put option is allocated to the liability component and equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The difference between the equity component and the book value was recognized in profit or loss. The difference between the liability component and the book value was recognized in "Share premium-warrants". The financial assets of convertible bonds are measured at amortized cost, fair value through profit or loss amounted to NT\$8 thousand as of 31 December 2022.

(8) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended 31 December 2022 and 2021 were NT\$4,596 thousand and NT\$4,485 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure to risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute \$888 thousand to its defined benefit plan during the 12 months as of 31 December 2022.

The weighted average durations of the Company's defined benefit plan obligation as at December 31 2022 and December 31 2021 were 10 years and 13 years respectively.

Pension costs recognized in profit or loss are as follows:

	For the years ended 31 December	
	2022	2021
Current period service costs	\$188	\$255
Net interest on the net defined benefit liabilities	228	164
Total	<u>\$416</u>	<u>\$419</u>

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

	As of		
	31 December 2022	31 December 2021	1 January 2021
Defined benefit obligation	\$90,302	\$97,324	\$95,594
Plan assets at fair value	<u>(61,506)</u>	<u>(57,323)</u>	<u>(56,533)</u>
Other non-current liabilities - accrued pension liabilities recognized on the balance sheets	<u>\$28,796</u>	<u>\$40,001</u>	<u>\$39,061</u>

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of 1 January 2021	\$95,594	\$(56,533)	\$39,061
Current service costs	255	-	255
Interest expense (income)	401	(237)	164
Subtotal	96,250	(56,770)	39,480
Remeasurements of the net defined benefit liability /assets:			
Actuarial gains and losses arising from changes in financial assumptions	(1,848)	-	(1,848)
Experience adjustments	4,020	-	4,020
Remeasurements of benefit assets	-	(800)	(800)
Subtotal	98,422	(57,570)	40,852
Payments of benefit obligation	(1,098)	1,098	-
Contributions by employer	-	(851)	(851)
As of 31 December 2021	\$97,324	\$(57,323)	\$40,001
Current period service costs	188	-	188
Interest expense (income)	555	(327)	228
Subtotal	98,067	(57,650)	40,417
Remeasurements of the defined benefit liability /assets:			
Actuarial gains and losses arising from changes in financial assumptions	(8,126)	-	(8,126)
Experience adjustments	1,764	-	1,764
Remeasurements of the defined benefit assets	-	(4,384)	(4,384)
Subtotal	91,705	(62,034)	29,671
Contributions by employer	-	(875)	(875)
Payments of benefit obligation	(1,403)	1,403	-
As of 31 December 2022	\$90,302	\$61,506	\$28,796

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

	As of 31 December	
	2022	2021
Discount rate	1.33%	0.57%
Expected rate of salary increases	2.00%	2.00%

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Sensitivity analysis for significant assumption is shown below:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase	Decrease	Increase	Decrease
Discount rate increase by 0.50%	\$-	\$(3,602)	\$-	\$(5,868)
Discount rate decrease by 0.50%	5,247	-	6,330	-
Future salary increase by 0.50 %	5,185	-	6,206	-
Future salary decrease by 0.50%	-	(3,600)	-	(5,816)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(9) Equities

(a) Common stock

The Company's authorized capital was NT\$3,600,000 thousand as of 1 January 2021. The issued capital was NT\$1,450,867 thousand in a total of 145,087 thousand shares. Each share has one voting right and a right to receive dividends.

As the registration process has not been completed since 1 January 2021, the accumulated book value of certificate of entitlement to new shares from convertible bond amounted to NT\$81,768 thousand, and the change registration was completed on 24 February 2021.

The investors requested to convert the Company's convertible bonds into common stocks in the amount of NT\$96,375 thousand in a total of 9,637 thousand shares from 1 January 2021 to 31 December 2021, and 8,896 thousand shares had completed the registration process as of 31 December 2021. As the registration process has not been completed, the accumulated book value of certificate of entitlement to new shares from convertible bond amounted to NT\$7,415 thousand in a total of 741 thousand shares as of 31 December 2021. The change registration had completed on 1 March 2022.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

The investors requested to convert the Company's convertible bonds into common stocks in the amount of NT\$12,455 thousand in a total of 1,246 thousand shares from 1 January 2022 to 31 December 2022, and 643 thousand shares had completed the registration process as of 31 December 2022. As the registration process has not been completed, the accumulated book value of certificate of entitlement to new shares from convertible bond amounted to NT\$6,033 thousand in a total of 603 thousand shares as of 31 December 2022.

The Company's authorized capital was NT\$3,600,000 thousand as of 31 December 2022 and 31 December 2021. The issued capital was NT\$1,635,432 thousand and NT\$1,621,595 thousand a in a total of 163,543 thousand shares and 162,159 thousand shares, respectively. Each share has one voting right and a right to receive dividends.

(b) Capital surplus

	As of 31 Decmeber	
	2022	2021
Additional paid-in capital	\$1,774,034	\$1,733,691
Treasury share transactions	20,840	20,840
Difference between consideration received and carrying amount of interests in subsidiaries acquired	10,540	10,540
Increase through changes in ownership interests in subsidiaries	176,168	179,061
Share options	998	3,021
Expired Share options	11,766	11,754
Total	<u>\$1,994,346</u>	<u>\$1,958,907</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(c) Retained earnings and dividend policy

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations;
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. For the payment of dividend. The cash dividend ratio is not less than 10% of the total dividend. If the cash dividend per share is less than NT\$0.5, the board of directors is authorized to draft a proposal, and the shareholders' meeting decides to pay cash dividends or stock dividends

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

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

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

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

On a public company's first-time adoption of the IFRS, for any unrealized re-valuation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

The Company did not reverse any special reserve as a result of use, disposal or reclassification of related assets during the periods ended 31 December 2022 and 2021.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on 23 March 2023 and 29 June 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$123,934	\$98,050		
Special reserve (reversal)	(78,435)	(25,348)		
Common stock -cash dividend	574,840	522,812	\$3.50	\$3.20

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

(10) Operating Revenue

	For the years ended 31 December	
	2022	2021
Revenue from contracts with customers		
Sale of goods	\$3,793,594	\$3,167,727
Rendering of services	66,373	65,100
Total	<u>\$3,859,967</u>	<u>\$3,232,827</u>

Analysis of revenue from contracts with customers for the years ended 31 December 2022 and 2021 are as follows:

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(1) Contract balances

Contract liabilities – current

	As of		
	31 December 2022	31 December 2021	1 January 2021
Sales of goods	\$14,240	\$15,675	\$30,244

The significant changes in the balance of contract liabilities of the company during the years ended 31 December 2022 and 2021 are as follows:

	For the years ended 31 December	
	2022	2021
The Opening balance transferred to revenue	\$(2,219)	\$(16,689)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during this period)	784	2,120
Changes in this period	\$(1,435)	\$(14,569)

(2) Transaction price allocated to unsatisfied performance obligations

None.

(3) Assets recognized from costs to fulfil a contract

None.

(11) Expected credit losses (gains)

	For the years ended 31 December	
	2022	2021
Operating expenses – Expected credit (gains) losses		
Account receivables	\$-	\$(11,354)
Long-terms receivables	(4,540)	(5,117)
Total	\$(4,540)	\$(16,471)

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

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

The Group measures the loss allowance of trade receivables (including note receivables, trade receivables, other receivables and long-term receivables (which was recognized as other non-current assets)) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 31 December 2022 and 2021 are as follows:

As at 31 December 2022

Group 1: Some counterparties were assessed individually. The amount of long-term receivables was NT\$48,819 thousand recognized as other non-current assets, which was all overdue, and the loss allowance was NT\$48,819 thousand.

Group 2

31 December 2022

	Not yet due (Note)	Overdue					Total
		31-90 days	91-180 days	181-270 days	271-365 days	>=366 days	
Gross carrying amount	\$1,148,347	\$6,692	\$62	\$-	\$21	\$18,583	\$1,173,705
Loss ratio	-%	1-5%	10-20%	-%	100%	100%	
Lifetime expected credit losses	-	(351)	(11)	-	(21)	(18,583)	(18,966)
Carrying amount	\$1,148,347	\$6,341	\$51	\$-	\$-	\$-	\$1,154,739

As at 31 December 2021

Group 1: Some counterparties were assessed individually. The amount of long-term receivables was NT\$53,359 thousand recognized as other non-current assets, which was all overdue, and the loss allowance was NT\$53,359 thousand.

Group 2

31 December 2021

	Not yet due (Note)	Overdue					Total
		31-90 days	91-180 days	181-270 days	271-365 days	>=366 days	
Gross carrying amount	\$1,251,282	\$24,523	\$1,365	\$-	\$13	\$17,804	\$1,294,987
Loss ratio	-%	1-5%	10-20%	10-20%	100%	100%	
Lifetime expected credit losses	-	(834)	(315)	-	(13)	(17,804)	(18,966)
Carrying amount	\$1,251,282	\$23,689	\$1,050	\$-	\$-	\$-	\$1,276,021

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

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

The movement in the provision for impairment of note receivables, trade receivables, other receivables and long-term receivables during the 31 December 2022 and 2021 are as follows:

	Note receivables	Account receivables	Other receiv- ables	Long-term receivables	Total
Bal. as at 1 January 2022	\$-	\$16,658	\$2,308	\$53,359	\$72,325
Reversal for the current period	-	-	-	(4,540)	(4,540)
Bal. as at 31 December 2022	\$-	\$16,658	2,308	\$48,819	\$67,785
Bal. as at 1 January 2021	\$-	\$28,012	\$2,308	\$58,476	\$88,796
Reversal for the current period	-	(11,354)	-	(5,117)	(16,471)
Bal. as at 31 December 2021	\$-	\$16,658	\$ 2,308	\$53,359	\$72,325

(12) Lease

(1) The Company as a lessee

The Company leases land and buildings. The lease terms range from 2 to 3 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	As of 31 December	
	2022	2021
Buildings	\$4,553	\$8,882

During the year ended 31 December 2022 and 2021, the Company's additions to right-of-use assets amounting to NT\$0 and NT\$12,713 thousand.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(b) Lease liabilities

	As of 31 December	
	2022	2021
Lease liabilities		
Current	\$4,240	\$4,327
Non-current	341	4,581
Total	<u>\$4,581</u>	<u>\$8,908</u>

Please refer to Note 6, 14(3) for the interest on lease liabilities recognized during the years ended 31 December 2022 and refer to Note 12 (5) liquidity risk management for the maturity analysis for lease liabilities as at 31 December 2022.

B. Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2022	2021
Buildings	<u>\$4,329</u>	<u>\$3,831</u>

C. Income and costs relating to leasing activities

	For the years ended 31 December	
	2022	2021
The expenses relating to short-term leases	<u>\$1,012</u>	<u>\$1,646</u>

D. Cash outflow related to lessee and lease activity

During the year ended 31 December 2022 and 2021, the Company's total cash outflows for leases amounting to NT\$5,385 thousand and NT\$5,516 thousand.

(2) The Company as a lessor

Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended 31 December	
	2022	2021
Lease income recognised under operating leases		
Income relating to fixed lease payments	<u>\$2,633</u>	<u>\$2,632</u>

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(13) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2022 and 2021:

Nature \ Function	For the years ended 31 December					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$-	\$195,439	\$195,439	\$-	\$138,783	\$138,783
Labor and health insurance	-	11,445	11,445	-	10,671	10,671
Pension	-	5,012	5,012	-	4,904	4,904
Director's remuneration	-	23,745	23,745	-	15,108	15,108
Others	-	8,293	8,293	-	6,643	6,643
Depreciation	-	17,826	17,826	-	18,167	18,167
Amortization	-	2,710	2,710	-	3,198	3,198

For the years ended 31 December 2022 and 2021, the number of employees of the Company were 126 and 107; the number of directors who were not concurrently employees were 7 and 5, respectively.

For the years ended 31 December 2022 and 2021, the average of employees benefits expense of the company were NT\$1,850 thousand and NT\$1,578 thousand, respectively.

For the years ended 31 December 2022 and 2021, the average of employees salaries of the company were NT\$1,642 thousand and NT\$1,361 thousand, respectively. The company's average salary expense adjustment for the year ended 31 December 2022 increased by 21%.

The supervisor's remuneration was \$2,560 and \$3,947 for the years ended 31 December 2022 and 2021, respectively. The company has approved the establishment of an audit committee to replace the supervisor by the Shareholders' meeting on 29 June 2022.

The Company's policy for compensation of directors, managers and employees is as follows:

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

The Company set the policy for directors and employees' compensation in the company's Articles of Incorporation and established the Remuneration Committee to evaluate and monitor the company's remuneration system for its directors and executive officers. The Company shall assess the performance of directors and executive officers according to the Rules for Performance Assessment of the Board of Directors and the Performance Appraisal for employees of the company, in order to determine their compensation. An adequate compensation scheme will be calculated by referencing the company's operation results, future risks, corporate strategies, industry trends and also individual contribution.

The Company developed a comprehensive employee welfare system in accordance with laws, government regulations and regional needs to provide employees with competitive salary and welfare conditions. Employees' compensation includes monthly salary, bonus based on operation performance, and the compensation based on the company's earnings performance as provided in the Articles of Incorporation. The Company conducts a performance evaluation of all employees every year to understand their job performance and uses such information as a reference for promotions, training and compensation distribution.

According to the Articles of Incorporation, no lower than 2% of profit of the current year is distributable as employees' compensation and no higher than 4% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of current year, the company estimated the amounts of the employees' compensation and remuneration to directors and supervisors recognized as employee benefits expense. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day earlier than the date of resolution. The difference between the estimates and the figures resolved at shareholders' meeting will be recognized in profit or loss of the subsequent year. The details of employees' compensation and remuneration to directors and supervisors for the years ended 31 December 2022 and 2021 are as follows:

	For the years ended 31 December	
	2022	2021
Employees' compensation	\$52,298	\$38,122
Remuneration to directors and supervisors	25,720	18,785

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Based on the profit for the year ended 31 December 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2022 to be 3.66% and 1.08% of profit, respectively. The employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2022 amount to NT\$52,298 thousand and NT\$25,720 thousand respectively, recognized as employee benefits expense. Based on the profit for the year ended 31 December 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2021 to be 3.66% and 1.08% of profit, respectively. The employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2021 amount to NT\$38,122 thousand and NT\$18,785 thousand respectively, recognized as employee benefits expense.

A resolution was passed at the Board of Directors meeting held on 23 March 2023 to distribute NT\$52,262 thousand and NT\$25,703 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2022, respectively. The differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2022 amount to NT\$36 thousand and NT\$17 thousand respectively, are recognized in profit or loss of the subsequent year in 2023.

A resolution was passed at the Board of Directors meeting held on 24 March 2022 to distribute NT\$40,526 thousand and NT\$19,931 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2021, respectively. The differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2021 amount to NT\$2,404 thousand and NT\$1,146 thousand respectively, were recognized in profit or loss of the subsequent year in 2022.

(14) Non-operating income and expenses

(a) Other income

	For the years ended 31 December	
	2022	2021
Rental revenue	\$2,633	\$2,632
Dividend income	1,461	1,494
Others	28,433	39,836
Total	<u>\$32,527</u>	<u>\$43,962</u>

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Notes to Financial Statements (Continued)

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

(b) Other gains and losses

	For the years ended 31 December	
	2022	2021
Foreign exchange losses, net	\$154,606	\$ (14,942)
Gains (losses) on financial assets at fair value through loss or profit	(10,266)	(11,583)
Gains (losses) on disposal of investments	-	23,635
Others	(4)	(136)
Total	\$144,336	\$(3,026)

(c) Financial costs

	For the years ended 31 December	
	2022	2021
Interest on loans from bank	\$(7,626)	\$(2,743)
Interest on bonds payable	(782)	(2,907)
Interest on lease liabilities	(46)	(65)
Total	\$(8,454)	\$(5,715)

(15) Components of other comprehensive income

A. For the year ended 31 December 2022

	Arising during the period	Current reclassification adjustment	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$11,320	\$-	\$11,320	\$(2,149)	\$9,171
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(383)	-	(383)	-	(383)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	78,818	-	78,818	-	78,818
Total of other comprehensive income	\$89,755	\$-	\$89,755	\$(2,149)	\$87,606

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Notes to Financial Statements (Continued)

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

B. For the year ended 31 December 2021

	Arising during the period	Current reclassification adjustment	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(1,339)	\$-	\$(1,339)	\$274	\$(1,065)
Unrealized gains on equity instruments measured at fair value through other comprehensive income	(445)	-	(445)	-	(445)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	25,793	-	25,793	-	25,793
Total of other comprehensive income	<u>\$24,009</u>	<u>\$-</u>	<u>\$24,009</u>	<u>\$274</u>	<u>\$24,283</u>

(16) Income tax

The major components of income tax expenses for the years ended 31 December 2022 and 2021 are as follows:

A. Income tax expense recorded in profit or loss

	For the years ended 31 December	
	2022	2021
Current income tax expense:		
Current income tax charge	\$108,900	\$10,206
Adjustments in respect of current income tax of prior periods	3,291	1,672
Deferred tax expense:		
Deferred tax expense related to origination and reversal of temporary differences	7,554	56,930
Total income tax expense	<u>\$119,745</u>	<u>\$68,808</u>

B. Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2022	2021
Deferred tax (expense) income:		
Remeasurements of defined benefit plans	<u>\$(2,149)</u>	<u>\$274</u>

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

C. A reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate is as follows:

	For the years ended 31 December	
	2022	2021
Accounting profit before tax from continuing operations	\$1,349,912	\$1,050,373
Tax effect of different tax rates for entities in other tax regions	\$269,982	\$210,075
Tax effect of expenses not deductible for tax purposes	(172,777)	(150,079)
Corporate income surtax on undistributed retained earnings	19,249	7,140
Adjustments in respect of current income tax of prior periods	3,291	1,672
Total income tax expenses recorded in profit or loss	\$119,745	\$68,808

D. Significant components of deferred income tax assets and liabilities are as follows:

1. For the year ended 31 December 2022

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Unrealized foreign currency exchange gain or loss	\$569	\$943	\$-	\$1,512
Loss from price reduction of inventories	213	(50)	-	163
Loss allowance	16,601	(809)	-	15,792
Investments accounted for using the equity method-LIRO	(27,147)	-	-	(27,147)
Difference between consideration received and carrying amount of interests in subsidiaries disposed of	(2,230)	-	-	(2,230)
Defined benefit Liability	303	(92)	-	211
Remeasurements of defined benefit plans	7,997	-	(2,149)	5,848
Reserve for land appreciation tax	(11,470)	-	-	(11,470)
Exchange differences on translation of foreign operations	(8,720)	-	-	(8,720)
Amortization and discount of bonds	4,194	(4,194)	-	-
Unused Accumulated losses	3,353	(3,353)	-	-
Deferred tax (expense) /benefit		\$ (7,555)	\$ (2,149)	
Net deferred tax assets (liabilities)	\$ (16,337)			\$ (26,041)
Reflected in balance sheet as follows:				
Deferred tax assets	\$33,230			\$23,526
Deferred tax liabilities	\$ (49,567)			\$ (49,567)

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

2. For the year ended 31 December 2021

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Unrealized foreign currency exchange gains or losses	\$4,507	\$(3,938)	\$-	\$569
Loss allowance from price reduction of inventories	147	66	-	213
Over loss allowance	41,180	(24,579)	-	16,601
Investments accounted for using the equity method-LIRO	(27,147)	-	-	(27,147)
Investments accounted for using the equity method- ELNA LELON (BVI)	32,327	(32,327)	-	-
Difference between consideration received and carrying amount of interests in subsidiaries disposed of	(2,230)	-	-	(2,230)
Defined benefit liability	389	(86)	-	303
Remeasurements of defined benefit plans	7,723	-	274	7,997
Reserve for land appreciation tax	(11,470)	-	-	(11,470)
Exchange differences on translation of foreign operations	(8,720)	-	-	(8,720)
Amortization and discount of the bonds	3,613	581	-	4,194
Unused Accumulated losses	-	3,353	-	3,353
Deferred income tax expense (benefit)		\$(56,930)	\$274	
Deferred income tax assets (liabilities)	\$40,319			\$(16,337)
The information presented in balance statement				
Deferred income tax assets	\$89,886			\$33,230
Deferred income tax liabilities	\$(49,567)			\$(49,567)

E. Unrecognized deferred tax assets

As of 31 December 2022 and 2021, the Company is not probable to has taxable income in the future so did not recognized deferred tax assets amounted to NT\$37,749 thousand and NT\$53,513 thousand, respectively.

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Notes to Financial Statements (Continued)

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

F. Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize the relevant deferred income tax liabilities for the income tax payable that may arise when the undistributed surplus of a foreign subsidiary is remitted back. The Group has decided not to distribute the undistributed earnings of its subsidiaries in the foreseeable future. As of 31 December 2022 and 2021, the amount not recognized as deferred income tax liabilities were NT\$418,469 thousand and NT\$423,675 thousand, respectively

G. The assessment of income tax returns

The tax authorities have assessed income tax returns of the Company through 2020.

(17) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

(a) Basic earnings per share

	<u>For the years ended 31 December</u>	
	<u>2022</u>	<u>2021</u>
Profit attributable to ordinary equity holders of the Company	<u>\$1,230,167</u>	<u>\$981,565</u>
Weighted average number of ordinary shares outstanding for basic earnings per share	<u>163,456</u>	<u>160,364</u>
Basic earnings per share (NT\$)	<u>\$7.53</u>	<u>\$6.12</u>

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Notes to Financial Statements (Continued)

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

(b) Diluted earnings per share

	For the years ended 31 December	
	2022	2021
Profit attributable to ordinary equity holders of the Company	\$1,230,167	\$981,565
Interest expense from convertible bonds	585	2,325
Profit attributable to ordinary equity holders of the Company after dilution	<u>\$1,230,752</u>	<u>\$983,890</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	163,456	160,364
Effect of dilution:		
Employee compensation-stock	1,116	650
Convertible bonds (in thousands)	606	1,788
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>165,178</u>	<u>162,802</u>
Diluted earnings per share (NT\$)	<u>\$7.45</u>	<u>\$6.04</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows

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

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
LIRO ELECTRONICS CO., LTD.	Subsidiary
Liton Technology Corp.	Subsidiary
Lelon Electronics (HUIZHOU) Corp.	Sub-Subsidiary
Lelon Electronics (SUZHOU) Corp.	Sub-Subsidiary
Lelon Electronics Technology (SUZHOU) Corp.	Sub-Subsidiary
Lelon International Industrial Limited	Sub-Subsidiary
Lifu Machinery Industrial Co., Ltd.	Chairman of the company and the Company is the same one
WU,TE-CHUAN and other 15 people	Directors and Deputy General Manager of the Company

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(2) Significant transactions with related parties

(a) Sales

Name of Related Parties	For the years ended 31 December	
	2022	2021
Lelon Electronics (SUZHOU) Corp.	\$101,470	\$70,298
Lelon Electronics (HUIZHOU) Corp.	12,992	14,572
Lelon Electronics Technology (SUZHOU) Corp.	8,949	4,485
Total	<u>\$123,411</u>	<u>\$89,355</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period to related parties was next month-end 90~180 days. The outstanding balance at 31 December 2022 and 2021 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(b) Purchase

Name of Related Parties	For the years ended 31 December	
	2022	2021
Lelon International Industrial Limited	\$3,057,472	\$2,554,460
Lifu Machinery Industrial Co., Ltd.	91,620	60,475
Liton Technology Corp.	-	134
Total	<u>\$3,149,092</u>	<u>\$2,615,069</u>

	Transaction
Lelon International Industrial Limited	Prepayment of one month's payment for goods or mutual offset of creditor's rights and debts
Lifu Machinery Industrial Co., Ltd.	After the acceptance of the machine, 20% will issue spot notes, and 80% will issue notes for 10 installments. Payment 2 months after acceptance
Liton Technology Corp.	Net 90 days from the end of the month of when invoice is issued

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Notes to Financial Statements (Continued)

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

(c) Other accounts receivable

Name of Related Parties	As of 31 December	
	2022	2021
Lelon Electronics (SUZHOU) Corp.	\$131,015	\$182,712
Lelon Electronics (HUIZHOU) Corp.	20,093	35,143
Lelon Electronics Technology (SUZHOU) Corp.	10,641	15,418
Add(less) : Allowance exchange gains or losses	83	(119)
Total	<u>\$161,832</u>	<u>\$233,154</u>

Note: The Company's other accounts receivable refer to the creditor's right arising from the procurement for the subsidiary.

(d) Premium income

Name of Related Parties	As of 31 December	
	2022	2021
Lifu Machinery Industrial Co., Ltd.	\$12,096	\$10,380
Lelon International Industrial Limited	956	-
LIRO ELECTRONICS CO., LTD.	177	98
Total	<u>\$13,229</u>	<u>\$10,478</u>

(e) Note payable-related parties

	As of 31 December	
	2022	2021
Lifu Machinery Industrial Co., Ltd	<u>\$21,625</u>	<u>\$21,558</u>

(f) Account payable-related parties

Name of Related Parties	As of 31 December	
	2022	2021
Lelon International Industrial Limited	\$114,739	\$56,968
Lifu Machinery Industrial Co., Ltd	20,382	11,469
Add(less) : Allowance exchange gains or losses	592	(93)
Total	<u>\$135,713</u>	<u>\$68,344</u>

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Notes to Financial Statements (Continued)

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

(g) Other payable-related parties

	As of 31 December	
	2022	2021
Lelon Electronics (HUIZHOU) Corp.	\$508	\$-
Lelon Electronics (SUZHOU) Corp.	-	372
	\$508	\$372

(h) Other income

	For the years ended 31 December	
	2022	2021
Lelon Electronics (HUIZHOU) Corp.	\$10,125	\$7,337
Lelon Electronics (SUZHOU) Corp	5,298	6,635
Lelon Electronics Technology (SUZHOU) Corp	1,617	701
Total	\$17,040	\$14,673

(i) Royalty income

	For the years ended 31 December	
	2022	2021
Lelon Electronics (SUZHOU) Corp	\$66,373	\$65,100

(j) Key management personnel compensation

	As of 31 December	
	2022	2021
Short-term employee benefits	\$46,567	\$34,820
Post-employment benefits	81	79
Total	\$46,648	\$34,899

The key management personnel of the company are including directors and deputy general managers.

About the payment of key management above, please refer Contents of the annual report of the shareholders meeting.

(k) Please refer to Note 13, 1.(1) for the details of the company's capital loan and related parties.

(l) For details of the company's endorsement and guarantee for related parties, please refer to Note13, 1.(2) of the individual.

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Notes to Financial Statements (Continued)

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

8. Assets pledged as security

None.

9. Significant contingencies and unrecognized contractual commitments

Amounts available under unused letters of credit as of 31 December 2022 are US\$67 thousand and JPY\$88,114 thousand.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	As of 31 December	
	2022	2021
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$48,085	\$15,179
Financial assets measured at amortized cost		
Cash and cash equivalents (excluded cash on hand)	847,229	432,418
Notes and accounts receivables	992,125	1,040,725
Other receivables(excluded sales tax refund receivables)	161,832	233,154

Financial liabilities

	As of 31 December	
	2022	2021
Financial liabilities at amortized cost:		
Short-term loans	\$919,598	\$534,044
Short-term notes and bills payable	-	149,893
Notes and accounts payable	179,110	129,044
Bonds payable (including current portion with maturity less than 1 year)	25,001	75,306
Lease liabilities	4,581	8,908

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Notes to Financial Statements (Continued)

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

(2) Financial risk management objectives and policies

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

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

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

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward exchange contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

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

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

- A. When NTD strengthens against USD by 1%, the profit for the years ended 31 December 2022 and 2021 is decreased by \$15,762 and \$11,262 respectively; and no impact on the equity.
- B. When NTD strengthens against HKD by 1%, the profit for the years ended 31 December 2022 and 2021 is decreased by \$692 and \$1,583 respectively; and no impact on the equity.
- C. When NTD strengthens against JPY by 1%, the profit for the years ended 31 December 2022 and 2021 is increased by \$635 and \$1,041 respectively; and no impact on the equity.
- D. When NTD strengthens against EUR by 1%, the profit for the years ended 31 December 2022 and 2021 is decreased by \$1,164 and \$756 respectively; and no impact on the equity.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for years ended 31 December 2022 and 2021 to decrease/increase by NT\$920 thousand and NT\$684 thousand, respectively.

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Notes to Financial Statements (Continued)

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

Equity price risk

The fair value of the Company's listed and unlisted equity securities and conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 10% in the price measured at fair value through profit or loss could increase/decrease The Company's profit for the years ended 31 December 2022 and 2021 by NT\$4,808 thousand and NT\$1,503 thousand, respectively.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

As of 31 December 2022 and 2021, amounts receivables from top ten customers represented 32.78% and 31.93% of the total accounts receivables of the Company. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of 31 December 2022					
Short-term loans	\$920,108	\$-	\$-	\$-	\$920,108
Notes and accounts payable	179,110	-	-	-	179,110
Convertible bonds	25,200	-	-	-	25,200
Lease liabilities	4,257	341	-	-	4,598
As of 31 December 2021					
Short-term loans	\$534,224	\$-	\$-	\$-	\$534,224
Short-term notes and bills payable	150,000	-	-	-	150,000
Notes and accounts payable	129,044	-	-	-	129,044
Convertible bonds	21,200	55,400	-	-	76,600
Lease liabilities	4,372	4,598	-	-	8,970

Derivative financial liabilities

None.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term loans	Short-term notes and bills payable	Bonds payable(including maturity within a year)	Lease liabilities	Total liabilities from financing activities
As of 1 January 2022	\$534,044	\$149,893	\$75,306	\$8,908	\$768,151
Cash flow	385,554	(149,893)	(300)	(4,373)	230,988
Non-cash change	-	-	(50,005)	46	(49,959)
As of 31 December 2022	\$919,598	\$-	\$25,001	\$4,581	\$949,180

Reconciliation of liabilities for the year ended 31 December 2021:

	Short-term loans	Short-term notes and bills payable	Bonds payable(including maturity within a year)	Lease liabilities	Total liabilities from financing activities
As of 1 January 2021	\$646,521	\$-	\$488,059	\$-	\$1,134,580
Billing impact	-	-	-	12,713	12,713
Cash flow	(112,477)	149,893	-	(3,870)	33,546
Non-cash change	-	-	(412,753)	65	(412,688)
As of 31 December 2021	\$534,044	\$149,893	\$75,306	\$8,908	\$768,151

(7) Fair value of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

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

(A) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

- (B) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates etc.) at the reporting date.
- (C) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities)
- (D) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- (E) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation)

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(8) Derivative financial instruments

The Company's derivative financial instruments include a foreign exchange swap and a cross currency swap. The related information for derivative instruments not qualified for hedge accounting and not yet settled as of 31 December 2022 and 2021 is as follows:

Embedded derivative

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(7) for further information on this transaction.

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company's assets and liabilities

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

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

As of 31 December 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Stock	\$48,077	\$-	\$-	\$48,077
Embedded derivatives- Corporate bonds	-	8	-	8

As of 31 December 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Stock	\$15,035	\$-	\$-	\$15,035
Embedded derivatives- Corporate bonds	-	144	-	144

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of 31 December 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	\$-	\$-	\$123,634	\$123,634

As of 31 December 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	\$-	\$-	\$114,445	\$114,445

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	Unit: Thousands					
	As of 31 December					
	2022			2021		
Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD	
<u>Financial assets</u>						
<u>Monetary item:</u>						
USD	\$51,316	30.7150	\$1,576,171	\$41,214	27.6850	\$1,141,009
HKD	17,568	3.9390	69,200	44,578	3.5500	158,252
JPY	26,175	0.2332	6,104	63,242	0.2406	15,216
EUR	3,551	32.7800	116,402	2,417	31.2900	75,628
<u>Financial liabilities</u>						
<u>Short-term- loans</u>						
USD	\$-	30.7150	\$-	\$534	27.6850	\$14,784
JPY	298,448	0.2332	69,598	495,714	0.2406	119,269

The Company has a number of different functional currencies; therefore, we are unable to disclose the exchange loss and gain of monetary financial assets and financial liabilities under each foreign currency that has significant impact. The Company recognized NT\$154,606 thousand and NT\$(14,942) thousand foreign exchange gains and (losses) for the years ended 31 December 2022 and 2021, respectively.

(11) Capital management

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

13. Other disclosure

1. Information at significant transactions

(1) Financing provided to others for the year ended 31 December 2022: none.

LELON ELECTRONICS CORP.
Notes to Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

(2) Endorsement/Guarantee provided to others for the year ended 31 December 2022:

No. (Note 1)	Endorser/ Guarantor	Endorsee		Limit of guarantee/ endorsement amount to a single entity (Note 3)	Maximum guarantee balance for the period	Ending balance	Actual amount drawn	Amount of collateral guarantee/ endorsement backed by property	Ratio of accumulated amount of guarantee to net equity of the most recent financial statements	Maximum guarantee limit (Note 4)	Parent company to subsidiary	Subsidiary to parent company	To Mainland China
		Company name	Relationship (Note 2)										
0	LELON ELECTR ONICS CORP.	Lelon Electronics (HUIZHOU) Corp.	Subsidiary	\$2,045,122	\$1,555	\$-	\$-	\$-	-%	\$6,817,074	Y	N	Y

Note 1: The amount of guarantees/endorsements to a single enterprise shall not exceed 30% of LELON ELECTRONICS CORP.'s net worth which the latest financial statements audited by accountants.

Note 2: Limit of total guarantee/ endorsement amount is 100% of the net worth of the financial report audited by the certified public accountants as of 31 December 2022.

LELON ELECTRONICS CORP.
Notes to Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

(3) Securities held at the end of the period (excluding investment subsidiaries, affiliates and joint-venture controlling interests):

Company held	Securities name	Relationship with the Securities issuer	Financial Statement Account	31 December 2022			
				Shares/Units	Carrying Value	Ownership Percentage	Market Value or Net Asset Value
Lelon Electronics Corp.	Stock						
	China Development Financial Holding Corp.	-	Financial assets measured at fair value through profit or loss - current	189,266	\$1,348	-	\$2,385
	Nanoplus Ltd.	-	"	12,572	1,466	-	200
	Chian Hsing Forging Industrial Co.,Ltd.	-	"	113,300	5,330	-	3,614
	Taiwan Hon Chuan Enterprise Co., Ltd.	-	"	73,000	5,033	-	6,351
	Wiwynn Corporation	-	"	3,000	3,109	-	2,391
	TXC Corporation	-	"	18,000	1,920	-	1,489
	Mega Financial Holding Company Ltd.	-	"	86,100	3,413	-	2,613
	CTBC Capital Ltd.	-	"	60,000	1,656	-	1,326
	The Shanghai Commercial & Savings Bank, Ltd.	-	"	96,597	4,713	-	4,255
	Taiwan Semiconductor Manufacturing Company Limited	-	"	47,000	26,798	-	21,079
	KUNG LONG BATTERIES INDUSTRIAL CO., LTD.	-	"	2,000	273	-	274
	AUO CORPORATION	-	"	140,000	2,477	-	2,100
			Add: Valuation adjustment of financial assets at fair value through profit or loss		(9,459)		-
			Subtotal		48,077		48,077

LELON ELECTRONICS CORP.
Notes to Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

Company held	Securities name	Relationship with the Securities issuer	Financial Statement Account	31 December 2022			
				Shares/Units	Carrying Value	Ownership Percentage	Market Value or Net Asset Value
Lelon Electronics Corp.	Embedded derivatives -Bonds		Financial assets measured at fair value through profit or loss - current	-	8	-	8
			Total		\$48,085		\$48,085
Lelon Electronics Corp.	Stock ELNA PCB(M) SDN. BHD.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,824,000	\$18,148	10%	\$-
			Less: Financial assets measured at fair value through other comprehensive income- noncurrent - Non-Current Evaluation Adjustment		(18,148)		-
			Total		\$-		\$-

- (4) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None
- (5) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.
- (6) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(7) Related party transactions for purchases and sales exceeding the lower of \$100 million or 20% of the capital stock as of 31 December 2022:

Company Name	Counter-party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
LELON ELECTRONICS CORP.	Lelon International Industrial Limited	Subsidiary	Purchase	\$3,057,472	96.25%	Trading condition is the same as other supplier	Regular	Regular	\$(115,331)	(64.39)%	

(8) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 31 December 2022: None.

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

2. Information on investees

A. Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022 net income (loss) of investee company and investment income (loss) recognized for the year ended 31 December 2022: (Excluding investment in Mainland China):

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment		Balance as at 31 December 2022			Net income (loss) of investee company	Investment income (loss) recognized	Notes Shares
				Ending balance	Beginning balance	Number of shares	Percentage of Ownership (%)	Book Value			
LELON ELECTRONICS CORP.	LITON TECHNOLOGY CORP.	No. 9, Zhonglong 2nd Rd., Tonglue Township, Miaoli County 36643, Taiwan (R.O.C.)	Processing and trading of etched aluminum foils, manufacture and trading of aluminum formed foils	\$468,471	\$468,471	43,731,598	30.82%	\$972,813	\$503,342	\$154,018	Subsidiary (Note2,3)
LELON ELECTRONICS CORP.	LIRO ELECTRONICS CO., LTD.	P.O. BOX 3340, Dawson Bldg. ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	Equity investment	818,824	818,824	26,005,137	89.47%	4,786,181	829,203	739,419	Subsidiary (Note2,3)

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment		Balance as at 31 December 2022			Net income (loss) of investee company	Investment income (loss) recognized	Notes Shares
				Ending balance	Beginning balance	Number of shares	Percentage of Ownership (%)	Book Value			
LELON ELECTRONIC CORP.	SURGE-LELON LLC	1056 Grand Boulevard Deer Park, NY 11729	Trade business	2,073 (USD 67,500)	2,073 (USD 67,500)	-	45.00%	-	-	-	Investee under the equity method
LIRO ELECTRONICS CO., LTD.	Lelon International Industrial Limited	140-142 Shichun Road, Tsim Sha Tsui, Kowloon, Hong Kong	Equity Investment and Trade	11,889 (USD 387,059)	11,889 (USD 387,059)	-	100.00%	28,000	2,045	It has been processed by a subsidiary company	Sub-subsidiary
LITON TECHNOLOGY CORP.	LITON(BVI) CO., LTD.	P.O. BOX 3340, Road Town, Tortola, British Virgin Islands	Equity Investment	216,786 (USD 7,058 thousand)	216,786 (USD 7,058 thousand)	7,057,715	100.00%	835,612	87,452	It has been processed by a subsidiary company	
LITON TECHNOLOGY CORP.	V-TECH CO., LTD.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Sales of aluminum foil materials, aluminum electrolytic capacitors and related materials for the above products and equity investment	1,340,618 (USD 43,647 thousand)	1,340,618 (USD 43,647 thousand)	43,647,362	100.00%	1,404,238	135,772	It has been processed by a subsidiary company	
LITON TECHNOLOGY CORP.	EVERTECH CAPA CO., LTD.	Jipfa Building, 3rd Floor, Road Town, Tortola, British Virgin Islands.	Trade business	307 (USD 10 thousand)	307 (USD 10 thousand)	10,000	100.00%	-	-	It has been processed by a subsidiary company	
V-TECH CO., LTD.	FOREVER CO., LTD.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Equity investment	1,178,012 (USD 38,353 thousand)	1,178,012 (USD 38,353 thousand)	38,353,012	100.00%	1,476,071	141,272	It has been processed by a V-TECH CO., LTD.	

Note1: The recognition of the investment loss of the investee company based on the shareholding ratio has exceeded the actual investment amount, and the recognition of investment losses is limited to reducing the book balance of the company's investment and advances to zero in accordance with regulations.

Note2: Current investment income from investees recognized by the Company included investment gain/loss recognized by their reinvested companies.

Note3: Current investment income from investees recognized by the Company included investment gain/loss recognized by these investees from upstream/downstream transactions

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

B. Information about major transactions of investee companies with controlling power:

(A) Financing provided to others for the year ended 31 December 2022:

No.	Lender	Counter-party	Financial statement account	Related party	Maximum balance for the period	Ending balance	Amount actually provided	Interest Rate	Nature for financing (Note1)	Amount of sales to counter-party	Reason for financing	Allowance for bad debt	Collateral		Limit of financing amount for individual counter-party (Note4)	Limit of total financing amount (Note4)
													Item	Value		
1	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Liton Electronics Technology (Abazhou) Co., Ltd.	Other receivables	Yes	\$70,624	\$70,624	\$26,484	According to the company contract	2	\$-	working capital turnover	\$-	-	\$-	\$814,926	\$814,926
2	Lelon Electronics (HUIZHOU) Corp.	Lelon Electronics Technology(SUZHOU) Corp.	Other receivables	Yes	220,700	66,210	-	According to the company contract	2	-	working capital turnover	-	-	-	2,126,543	2,126,543
3	Lelon Electronics (SUZHOU) Corp.	Lelon Electronics Technology(SUZHOU) Corp.	Other receivables	Yes	414,400	220,700	-	According to the company contract	2	-	working capital turnover	-	-	-	1,536,345	1,536,345

Note1: "1" is for business dealing, "2" is for the short-term financing.

Note2: The total amount for lending to a individual company shall not exceed 10% of Lelon Electronics Corp.'s net worth.

Note3: The total amount available for lending purposes shall not exceed 40% of Lelon Electronics Corp.'s net worth.

Note4: In the event that the financing is between foreign company whose voting shares are 100% owned, directly or indirectly, by Lelon Electronics Corp.and LITON TECHNOLOGY Corp., the aggregate amount available for lending to such borrowers and total amount lendable to a company both shall not exceed the net worth of the lending company.

(B) Endorsement/Guarantee provided to others as of 31 December 2022:

None.

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Notes to Financial Statements (Continued)

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

(C) Securities held as of 31 December 2022. (Excluding subsidiaries, associates and joint ventures):

Investee Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Balance as at 31 December 2022				Note
				Shares	Carrying Value	Percentage of Ownership	Fair Value	
Lelon Electronics (SUZHOU) Corp.	Shenzhen Capchem Technology Co.,Ltd.	-	Financial asset measured at fair value through profit or loss-current	85,600	\$21,735	-	\$16,425	
Lelon Electronics (SUZHOU) Corp.	Edifier Technology Co.,Ltd.	-	"	16,200	1,071	-	635	
Lelon Electronics (SUZHOU) Corp.	Hongtu Zhuanzhai	-	"	10	4	-	5	
Lelon Electronics (SUZHOU) Corp.	Industrial Bank Finance RMB structured deposit product	-	"	-	44,140	-	44,140	
Lelon Electronics (SUZHOU) Corp.	Huei ying rih siang tian kai NO.2	-	"	-	1,479	-	1,479	
Lelon Electronics (SUZHOU) Corp.	Rih ying siang E siang rih rih jin	-	"	-	2,212	-	2,212	
Suzhou Liding Automotive Technology Co., Ltd.	Gong ying jih sin huei shuai gua gou RMB structured Deposit	-	"	-	24,718	-	24,718	
Lelon Electronics (HUIZHOU) Corp.	Fubon Bank RMB structured Deposit yue siang ying NO.22100129	-	"	-	132,420	-	132,420	
Lelon Electronics (HUIZHOU) Corp.	Fubon Bank RMB structured Deposit yue siang ying NO.22100158	-	"	-	66,210	-	66,210	
Lelon Electronics (HUIZHOU) Corp.	Fubon Bank RMB structured Deposit yue siang ying NO.22110187	-	"	-	44,140	-	44,140	

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Investee Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Balance as at 31 December 2022				Note
				Shares	Carrying Value	Percentage of Ownership	Fair Value	
Lelon Electronics (HUIZHOU) Corp.	China Guangfa Bank wu hua tian bao"G" 2022 No. 181 RMB Structured Deposit WHTBCB01140	-	"	-	48,554	-	48,554	
Lelon Electronics (HUIZHOU) Corp.	Fubon Bank RMB structured Deposit yue siang ying NO.22120246	-	"	-	154,490	-	154,490	
Liton Technology Corp.	China Development Financial Holding Corp.	-	"	90,411	983	-	1,139	
Liton Technology Corp.	Embedded derivatives-Bonds	-	"	-	1,501	-	50	
			Subtotal		543,657		536,617	
			Less:Financial asset valuation adjustment		(7,040)		-	
			Total		\$536,617		\$536,617	
Lelon Electronics (HUIZHOU) Corp.	Lijing Real Estate Development (Hui-zhou) Co., Ltd.	-	Financial assets at fair value through other comprehensive income -Non-current	4,719,710	21,060	16.27%	22,511	
Lelon Electronics (HUIZHOU) Corp.	Lijing Real Estate Development (Hui-zhou) Co., Ltd.	-	"	1,303,537	6,617	4.49%	5,664	
Lelon Electronics (SUZHOU) Corp.	Changchun Trarrii Corp.	-	"	1,000,000	11,035	16.67%	-	
Liton Technology Corp.	PAN WIN BIO-TECHNOLOGY INC.	-	"	100,000	550	5.00%	-	
			Subtotal		39,262		28,175	
			Less:Financial asset valuation adjustment		(11,087)		-	
			Total		\$28,175		\$28,175	

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(D) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the year ended 31 December 2022: None.

(E) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the year ended 31 December 2022: None.

(F) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.

(G) Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 31 December 2022.

Related-party	Counter-party	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Terms	Unit price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)	
Lelon International Industrial Limited	Lelon Electronics (SUZHOU) Corp.	The Company's subsidiary	Purchase	\$1,088,232	15.17%	Mutual offset of creditor's rights and debts	Normal	Offset of creditor's rights and debts	\$-	-%	
Lelon International Industrial Limited	Lelon Electronics (HUIZHOU) Corp.	The Company's subsidiary	Purchase	1,970,039	27.46%	Mutual offset of creditor's rights and debts	Normal	Offset of creditor's rights and debts	(338,839)	(63.65)%	
Lelon Electronics (SUZHOU) Corp.	Lelon Electronics (SUZHOU) Corp.	The Company's subsidiary	Purchase	(592,585)	(5.73)%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Trading condition is the same as other supplier	309,195	11.17%	
Liton Technology Corp.	V-TECH CO., LTD	Liton Technology Corp.'s subsidiary	Purchase	1,231,612	17.16%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Trading condition is the same as other supplier	-	-%	
Liton Technology Corp.	V-TECH CO., LTD	Liton Technology Corp.'s subsidiary	Purchase	(181,058)	(1.75)%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Trading condition is the same as other supplier	291,181	10.51%	
V-TECH CO., LTD	Liton Electronics Technology (Abazhou) Co., Ltd.	V-TECH CO., LTD's subsidiary	Sales	732,622	10.21%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Trading condition is the same as other supplier	-	-%	

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Related-party	Counter-party	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Terms	Unit price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)	
V-TECH CO., LTD	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Liton Technology Corp.'s subsidiary	Purchase	(108,992)	(1.05)%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Trading condition is the same as other supplier	181,953	6.57%	
V-TECH CO., LTD	Liton Electronics Technology (Hui Zhou) Co., Ltd.	Liton Technology Corp.'s subsidiary	Sales	506,415	7.06%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Trading condition is the same as other supplier	-	-%	
Liton Technology Corp.	Liton Electronics Technology (Abazhou) Co., Ltd.	V-TECH CO., LTD.'s subsidiary	Purchase	(115,730)	(1.12)%	Mutual offset of creditor's rights and debts	Trading condition is the same as other supplier	Trading condition is the same as other supplier	-	-%	
Liton Electronics Technology (Abazhou) Co., Ltd.	Ruyuan Lidong Electronic Technology Co., Ltd.	Liton Technology Corp.'s sub-sub-sidiary	Sales	645,679	9.00%	Net 30 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	(57,496)	(10.80)%	
Liton Electronics Technology (Hui Zhou) Co., Ltd.	Ruyuan Lidong Electronic Technology Co., Ltd.	Liton Technology Corp.'s sub-sub-sidiary	Purchase	373,095	5.20%	Net 30 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	(34,899)	(6.56)%	
Liton Technology Corp.	Ruyuan Lidong Electronic Technology Co., Ltd.	Liton Technology Corp.'s subsidiary	Purchase	131,050	1.83%	Net 60 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	(8,641)	(1.62)%	
Liton Electronics Technology (Abazhou) Co., Ltd.	Lelon Electronics (HUIZHOU) Corp.	The Company's sub-sub-sidiary	Purchase	(116,224)	(1.12)%	Net 120 days from the end of the next month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	55,334	2.00%	

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Related-party	Counter-party	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Terms	Unit price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)	
Liton Electronics Technology (Abazhou) Co., Ltd.	Lelon Electronics (SUZHOU) Corp.	The Company's sub-subsidiary	Sales	(125,339)	(1.21)%	Net 135 days from the end of the next month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	37,711	1.36%	
Lidon Electronics Technology Co., Ltd. Ruyuan County	Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd	Substance related party of Lidong Electronic Technology Co., Ltd. related party	Sales	(778,715)	(7.53)%	Net 30 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	-	-%	
Liton Electronics Technology (Abazhou) Co., Ltd.	Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd	Lidon Technology Corp.'s substantial related party	Sales	110,182	1.54%	Net 30 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	(1,332)	(0.25)%	
Lidon Electronics Technology Co., Ltd. Ruyuan County	Youai Xi Jiedong Sunshine (Shaoguan) Aluminum Sales Co., Ltd	Lidon Technology Corp.'s substantial related party	Purchase	664,106	9.26%	Net 30 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	-	-%	
Lidon Electronics Technology Co., Ltd. Ruyuan County	Dongyang, Ruyuan Yao Autonomous County Actinic Foil Co., Ltd	Lidon Technology Corp.'s substantial related party	Purchase	146,370	2.04%	Net 60 days from the end of the month of when invoice is issued	Trading condition is the same as other supplier	Trading condition is the same as other supplier	-	-%	

Note: The Company complies with the provisions of Letter No. 00747 of the Securities and Futures Commission dated March 18, 1998 (87) Taiwan Financial Securities (6)., When outsourced processing, if the parties have agreed to be shipped back for processing or sold on behalf of the party, title and risk of processed products have not passed, when the material is outsourced, it will be treated according to the accounting of outsourcing processing, it will not be treated as sales.

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

(H) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of year ended 31 December 2022:

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue receivables		Amounts Received in Subsequent Period	Loss allowance
					Amount	Terms		
Lelon Electronics (HUIZHOU) Corp.	Lelon International Industrial Limited	The Company's sub-subsidiary	Accounts receivable \$338,839	-	\$-	-	Write-off of debts	\$-
Lelon Electronics (SUZHOU) Corp.	Lelon Electronics (SUZHOU) Corp.	The Company's sub-subsidiary	Accounts receivable 309,195	-	-	-	Write-off of debts	-
Liton Technology Corp.	V-TECH CO., LTD.	Liton Technology Corp's subsidiary	Accounts receivable 291,281	-	-	-	Write-off of debts	-
V-TECH CO., LTD.	Lelon Electronics (HUIZHOU) Corp.	Liton Technology Corp's sub-subsidiary	Accounts receivable 181,953	-	-	-	Write-off of debts	-
V-TECH CO., LTD.	Liton Electronics Technology (Abazhou) Co., Ltd.	Liton Technology Corp's sub-subsidiary	Accounts receivable 118,160	-	-	-	Write-off of debts	-

(I) Financial instruments and derivative transactions: None.

LELON ELECTRONICS CORP.
Notes to Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

3. Information on investment in Mainland China

A. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Percentage of Ownership	Equity in Earnings (Losses) Note 1	Carrying Value as of 31 December 2022	Accumulated Inward Remittance of Earnings as of 31 December 2022
					Outflow	Inflow					
Lelon Electronics (HUIZHOU) Corp.	Manufacture and sales of capacitors	\$373,546 (RMB 84,627,532)	Indirect investments in Mainland China through companies registered in a third region	\$236,106 (USD 7,687 thousand)	\$-	\$-	\$236,106 (USD 7,687 thousand)	\$525,260	89.47%	\$469,950	\$1,902,618
Lelon Electronics (SUZHOU) Corp.	Manufacture and sales of capacitors	348,833 (RMB 79,028,807)	Indirect investments in Mainland China through companies registered in a third region	182,171 (USD 5,931 thousand)	-	-	182,171 (USD 5,931 thousand)	368,387	89.47%	329,596	1,374,568

LELON ELECTRONICS CORP.

Notes to Financial Statements (Continued)

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Percentage of Ownership	Equity in Earnings (Losses) Note 1	Carrying Value as of 31 December 2022	Accumulated Inward Remittance of Earnings as of 31 December 2022
					Outflow	Inflow					
Lelon Electronics Technology (SUZHOU) Corp.	Manufacture and sales of capacitors	1,969,711 (RMB 446,241,785)	Indirect investments in Mainland China through companies registered in a third region	307,150 (USD 10,000 thousand)	-	-	307,150 (USD 10,000 thousand)	(66,488)	89.47%	(59,487)	1,569,768
Dongguan Lehong Trading Co, Ltd.	Trading of Electronic Components	11,666 (RMB 2,643,003)	Indirect investments in Mainland China through companies registered in a third region	11,887 (USD 387 thousand)	-	-	11,887 (USD 387 thousand)	1,140	89.47%	1,020	24,157
Suzhou Liding Automotive Technology Co., Ltd.	R&D, design, production and sales of automotive electronic components	132,420 (RMB 30,000,000)	Others	-	-	-	-	699	89.47%	625	92,510

LELON ELECTRONICS CORP.
Notes to Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Percentage of Ownership	Equity in Earnings (Losses) Note 1	Carrying Value as of 31 December 2022	Accumulated Inward Remittance of Earnings as of 31 December 2022
					Outflow	Inflow					
Liton Electronics Technology (Hui Zhou) Co., Ltd.	Manufacture and sale of aluminum foil materials, aluminum electrolytic capacitors and related materials for the above products	509,224 (USD 16,579 thousand)	Indirect investments in Mainland China through companies registered in a third region	355,649 (USD 11,579 thousand)	-	-	355,649 (USD 11,579 thousand)	87,428	100%	87,428 (Note 1)	814,926
Liton Electronics Technology (Abazhou) Co., Ltd.	Manufacture of aluminum foil materials, aluminum electrolytic capacitors and related materials for the above products	1,308,459 (USD 42,600 thousand)	Indirect investments in Mainland China through companies registered in a third region	1,154,884 (USD 37,600 thousand)	-	-	1,154,884 (USD 37,600 thousand)	139,349	100%	139,349 (Note 1)	1,476,071
Lidon Electronics Technology Co., Ltd. Ruyuan County	Manufacture and trade of electroeroded foil and chemically formed aluminum foil	706,240 (RMB 160,000 thousand)	Direct investment in Mainland China and others	282,496 (RMB 64,000 thousand)	-	-	282,496 (RMB 64,000 thousand)	174,024	60%	68,781 (Note 1、Note 2)	984,228

Note1 : Amount was recognized based on the audited financial statements.

Note2 : The investment income of the investee companies recognized in this period has included the investment gains and losses of these companies due to forward and backward transactions.

LELON ELECTRONICS CORP.
Notes to Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

	Accumulated investment in Mainland China as of 31 December 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	\$893,960 (USD29,105 thousand)	\$1,081,467 (USD34,825 thousand) (HKD3,000 thousand)	\$4,090,244
Liton Technology Corp.	\$1,793,029 (USD49,179 thousand) (RMB64,000 thousand)	\$2,100,179 (USD59,179 thousand) (RMB64,000 thousand)	Not applicable (Note1)

Note1 : According to Letter No.11120425300 issued by Ministry of Economic Affairs, R.O.C., because of LITON TECHNOLOGY Corp. has already get the operation headquarters certification documents issued by Industrial Development Bureau. Therefore, the amount to invest in Mainland China will not be limited to 60 percent of net or consolidated net worth by Investment Commission.

Note2 : The investment income of the investee company recognized in this period has included the investment gains and losses of these companies due to downstream and upstream transactions.

Note3 : The investment information of Mainland China is excluding investment information of disposed Mainland subsidiaries.

B. As of 31 December 2022, for information on significant transactions and prices, payments, etc. between the parent company and subsidiaries, please refer to Note 13(1).

4. Information of major shareholders

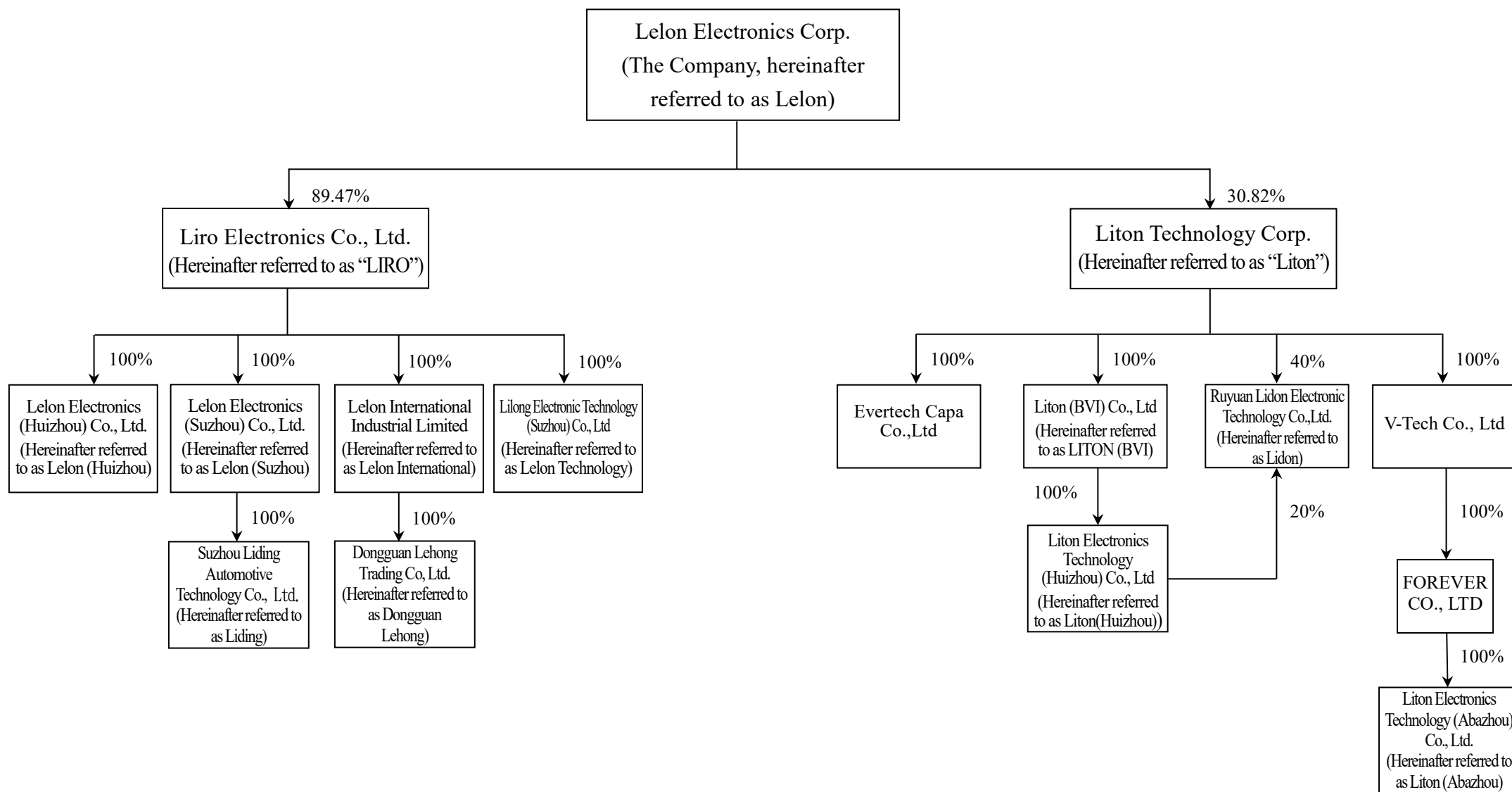
31 December 2022

Name	Shares	
	Total Shares Owned	Ownership Percentage
ChiFa Enterprise Co., Ltd.	25,619,291	15.60%



V. Consolidated Business Report

(I) Organization chart of affiliates





2022 Statement of Affiliate Shareholdings of Lelon Electronics Corp. (2472)

Name of Affiliates	Mutual Shareholding Relationship	Shareholding %	Number of Shares Invested (Shares)	Amount of Investment (NT\$1,000)
LIRO	Lelon's shareholding in LIRO	89.47%	26,005,137	818,824
	LIRO's shareholding in Lelon	None	None	None
Lelon (Huizhou)	LIRO's shareholding in Lelon (Huizhou)	100%	-	313,797 (USD10,216,403)
	Lelon (Huizhou)'s shareholding in LIRO	None	None	None
Lelon (Suzhou)	LIRO's shareholding in Lelon (Suzhou)	100%	-	293,515 (USD 9,556,084)
	Lelon (Suzhou)'s shareholding in LIRO	None	None	None
Lelon International	LIRO's shareholding in Lelon International	100%	3,000,000	11,889 (USD387,059)
	Lelon International's shareholding in LIRO	None	None	None
Lelon Technology	LIRO's shareholding in Lelon Technology	100%	-	1,996,475 (USD65,000 仟元)
	Lelon Technology's shareholding in LIRO	None	None	None
Dongguan Lehong	Lelon International's shareholding in Dongguan Lehong	100%	-	11,817 (HKD3,000,000)
	Dongguan Lehong's shareholding in Lelon International	None	None	None
Liding	Lelon (Suzhou)'s shareholding in Liding	100%	-	132,420 (RMB30,000,000)
	Liding's shareholding in Lelon (Suzhou)	None	None	None
Liton	Lelon's shareholding in Liton	30.82%	43,731,598	468,471
	Liton's shareholding in Lelon	None	None	None
LITON (BVI)	Liton's shareholding in LITON (BVI)	100%	7,057,715	216,786 (USD7,058 仟元)
	LITON (BVI)'s shareholding in Liton	None	None	None
Liton (Huizhou)	LITON (BVI)'s shareholding in Liton(Huizhou)	100%	11,579,031	509,224 (USD16,579 仟元)
	Liton(Huizhou)'s shareholding in LITON (BVI)	None	None	None
V-TECH CO., LTD	Liton's shareholding in V-TECH	100%	43,647,362	1,340,618 (USD43,647 仟元)
	V-TECH's shareholding in Liton	None	None	None
EVERTECH CAPA CO.,LTD	Liton's shareholding in EVERTECH	100%	10,000	307(USD10 仟元)
	EVERTECH's shareholding in Liton	None	None	None
FOREVER CO., LTD	V-TECH's shareholding in FOREVER	100%	38,353,012	1,178,012(USD38,353 仟元)
	FOREVER's shareholding in V-TECH	None	None	None
Liton (Abazhou)	FOREVER's shareholding in Liton(Abazhou)	100%	38,282,346	1,308,459(USD42,600 仟元)
	Liton(Abazhou)'s shareholding in FOREVER	None	None	None
Lidon	Liton's shareholding in Lidon	40%	64,000,000	282,496(RMB64,000 仟元)
	Lidon's shareholding in Liton	None	None	None
	Liton(Huizhou)'s shareholding in Lidon	20%	32,000,000	141,248(RMB32,000 仟元)
	Lidon's shareholding in Liton(Huizhou)	None	None	None

Exchange Rate as at 31 December 2022: USD/NTD = 30.715 RMB/NTD = 4.414 HKD/NTD = 3.939

Person in charge:T.C. Wu

President: Jimmy Wu

Preparer: Erica Lin



(II) Basic information on affiliates

Name of entities	Date of establishment	Address	Paid-in capital	Main business scope or manufacturing items
LIRO	05 February 1996	P.O.BOX 3340, Damson Bldg. Road Town, Tortola British Virgin Islands	NTD 902,243,729 元	·Equity investment
Lelon(Huizhou)	14 February 1996	Taiyang Industrial Zone, Baihua Town, Huidong County, Huizhou City, Guangdong, China	RMB 84,627,532	·Manufacturing and trading of aluminum electrolytic capacitors and related product lines.
Lelon(Suzhou)	13 April 1999	1220, Zhongshan North Rd., Wujiang Economic and Technological Development Zone, Suzhou City, Jiangsu, China	RMB 79,028,807	·Manufacturing and trading of aluminum electrolytic capacitors and related product lines.
Lelon International	April 2009	140-142 Austin Rd. Tsimshatsui Hong Kong	HKD 3,000,000	·Equity investment and trading
Lelon Technology	February 2018	1220, Zhongshan North Rd., Wujiang Economic and Technological Development Zone, Suzhou City, Jiangsu, China	RMB 446,241,785	·Manufacturing and trading of aluminum electrolytic capacitors and related product lines.
Dongguan Lehong	April 2009	5B, 298, Zhang Qing S. Road, Changan Town, Dongguan City, Guangdong Province, China	RMB 2,643,003	·Trading of electronic components.
Liton	09 November 1993	9, Zhonglong 2nd Rd., Tongluo Township, Miaoli County, Taiwan	NTD 1,432,196,060 元	·Manufacturing and trading of formed aluminum foils
LITON (BVI)	16 November 1999	P.O.BOX 3340, Road Town, Tortola, British Virgin Islands	USD 7,057,715	·Equity investment and trading
Liton(Huizhou)	28 January 2000	Taiyang Industrial Zone, Huidong County, Huizhou City, Guangdong, China	USD 16,579,031	·Manufacturing, contract manufacturing, and trading of formed aluminum foil and leads
V-TECH CO., LTD	29 April 2000	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 43,647,362	·Equity investment and trading
EVERTECH CAPA CO., LTD	14 September 2000	Jipfa Buiding, 3rd Floor, Road Town, Tortola, British Virgin Islands	USD 10,000	·Trading
FOREVER CO., LTD	29 April 2000	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 38,353,012	·Equity investment
Liton(Abazhou)	05 August 2000	Guxigou Village, Xuankou Town, Wenchuan County, Aba Prefecture, Sichuan Province, China	USD 42,600,000	·Manufacturing, contract manufacturing, and trading of formed aluminum foil
Lidon	20 January 2015	Phase II Low Voltage Plant of Huacheng Foil in East Sunshine Industrial Park, Rucheng Town, Ruyuan County, Guangdong Province, China	RMB 160,000,000	·Manufacturing and trading of etched aluminum foil
Liding	03 June 2015	1220, Zhongshan North Rd., Wujiang Economic and Technological Development Zone, Suzhou City, Jiangsu, China	RMB 30,000,000	·Trading of automotive electronic components

Person in Charge: T.C. Wu

President: Jimmy Wu

Preparer: Erica Lin



(III) Information on combined shareholding or capital contribution ratios of companies presumed to have a relationship of control and subordination

Reason for presumption	Name (Note 1)	Shareholding (Note 2)		Date of establishment	Address	Paid-in capital	Main business scope
		Share	%				
			(N/A)				

Note 1: Where the shareholders in common are juristic persons, the reason that affiliation is presumed, and the juristic persons' names, shareholding details, dates of incorporation, addresses, paid-in capital, and main business items.

Note 2: Fill in the information on shareholders' shareholdings in controlled companies.

Person in Charge: T.C. Wu

President: Jimmy Wu

Preparer: Erica Lin



(IV) Description of business relationships

1. The industries covered by the business operated by the affiliates overall:

Name of affiliates	Industry
LIRO	Equity investment
Lelon (Huizhou)	Manufacturing and trading
Lelon (Suzhou)	Manufacturing and trading
Lelon International	Equity investment and trading
Lelon Technology	Manufacturing and trading
Dongguan Lehong	Trading
Liding	Manufacturing and trading
Liton	Manufacturing and trading
LITON (BVI)	Equity investment
Liton (Huizhou)	Manufacturing, contract manufacturing, and trading of low-voltage aluminum foil and leads
V-TECH CO., LTD	Equity investment and sales of products from Liton
EVERTECH CAPA CO., LTD	Sales of products from Liton
FOREVER CO., LTD	Equity investment
Liton (Abazhou)	Manufacturing, contract manufacturing, and trading of medium-to-high and low-voltage formed aluminum foil
Lidon	Manufacturing and trading of formed aluminum foil and chemically-etched aluminum foil

2. Description of the mutual dealings and division of work among affiliates where connections exist among the businesses operated by individual affiliates:

Name of affiliates	Division of work
LIRO	Engaging in equity investment
Lelon (Huizhou)	Manufacturing and trading of electrolytic capacitor products
Lelon (Suzhou)	Manufacturing and trading of electrolytic capacitor products
Lelon International	Equity investment and trading of electrolytic capacitor products
Lelon Technology	Manufacturing and trading of electrolytic capacitor products
Dongguan Lehong	Trading of electronic components
Liding	Manufacturing and sales of automotive electronic components
Liton	Manufacturing and trading of low-voltage aluminum foil, etched foil, and leads.
LITON (BVI)	Equity investment
Liton (Huizhou)	Manufacturing, contract manufacturing, and sales of low-voltage aluminum foil and leads
V-TECH CO., LTD	Equity investment and sales of products from Liton
EVERTECH CAPA CO., LTD	Sales of products from Liton
FOREVER CO., LTD	Equity investment
Liton (Abazhou)	Manufacturing, contract manufacturing, and sales of medium-to-high and low-voltage formed aluminum foil
Lidon	Manufacturing and trading of electroformed aluminum foil and chemically-etched aluminum foil



(V) Information on directors, supervisors and presidents of affiliates

Lelon Electronics Corp.

The names of the Directors, Supervisors, and Presidents of Each Affiliate

Unit: NT\$1,000; Share; %

Name of entities	Title	Name or representative	Shareholding	
			Number of shares (capital contribution)	Capital contribution %
LIRO	Chairman	Lelon Electronics Corp. Legal representative: T.C. Wu	26,005,137 shares	89.47%
	Supervisor	None	-	-
	President	T.C. Wu	450,000 shares	1.55%
Lelon (Huizhou)	Director	T.C. Wu	-	-
	Director	Jimmy Wu	-	-
	Director	Cheng-Hung Chang	-	-
	Supervisor	Peggy Lo	-	-
	President	David Wang	-	-
Lelon (Suzhou)	Director	T.C. Wu	-	-
	Director	Jimmy Wu	-	-
	Director	Fu-Me Wu Zhu	-	-
	Director	Peggy Lo	-	-
	Director	Cheng-Hung Chang	-	-
	Supervisor	Yu-Chi Feng	-	-
	President	Jimmy Wu	-	-
Lelon Technology	Director	Jimmy Wu	-	-
	Director	Peggy Lo	-	-
	Director	Jackson Yen	-	-
	Supervisor	Yu-Chi Feng	-	-
Liding	Director	C.M. Wu	-	-
Lelon International	Director	LIRO	3,000,000 shares	100%
		Legal representative: T.C. Wu		
Dongguan Lehong	Director	Jimmy Wu	-	-
	Director	Linda Chen	-	-
	Director	Raven Tai	-	-
Liton	Director	Lelon Electronics Corp.	43,731,598 shares	30.82%
		Legal representative: T.C. Wu	594,310 shares	0.41%
	Director	Jimmy Wu	470,701 shares	0.33%
	Director	Yong-Chang Zhu	1,060,092 shares	0.74%
	Independent Director	Ying-Tang Zeng	-	-
	Independent Director	Yan-Chong Zou	-	-
	Independent Director	Jimmy Ou	-	-
	President and Director	Cun-Xian Ke	635,309 shares	0.44%

Person in Charge: T.C. Wu

President: Jimmy Wu

Preparer: Erica Lin



Lelon Electronics Corp.

Information on the Directors, Supervisors and Presidents of Each Affiliate

Unit: NT\$1,000; Share; %

Name of entities	Title	Name or representative	Shareholding	
			Number of shares (capital contribution)	Capital contribution %
LITON (BVI)	Director	Liton Technology Corp. Legal representative: T.C. Wu	7,057,715 shares -	100% -
Lidon	Director	Liton Technology Corp. Legal representative: Cun-Xian Ke	RMB 64,000,000 -	40% -
	Director	Liton (Huizhou) Legal representative: Jun-Ying Liu	RMB 32,000,000 -	20% -
	Director	Guangdong Hec Technology Holding Co.,Ltd. Legal representative: Xiang-Jun Luo	RMB 64,000,000 -	40% -
	Supervisor	Jimmy Wu	-	-
	Supervisor	Dong-Rong Li	-	-
	Supervisor	Neng-Liang Zhou	-	-
Liton(Huizhou)	Director	LITON (BVI) CO., LTD Legal representative: Jimmy Wu	USD 16,579,031 -	100% -
	Director	Cun-Xian Ke	-	-
	Director	Dong-Rong Li	-	-
	Supervisor	Kun-Ren Gu	-	-
V-TECH CO., LTD	Director	Liton Technology Corp. Legal representative: T.C. Wu	43,647,362 shares	100%
EVERTECH CAPA CO., LTD	Director	Liton Technology Corp. Legal representative: T.C. Wu	10,000 shares	100%
FOREVER CO., LTD	Director	Liton Technology Corp. Legal representative: T.C. Wu	38,353,012 shares	100%
Liton (Abazhou)	Director	FOREVER CO., LTD Legal representative: Jimmy Wu	USD 42,600,000 -	100% -
	Director	Cun-Xian Ke	-	-
	Director	Dong-Rong Li	-	-
	Supervisor	Roger Wang	-	-

Person in Charge: T.C. Wu

President: Jimmy Wu

Preparer: Erica Lin



(VI) The overview of the operations of the affiliates

Unit: NT\$ Thousands

Name of entities	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income (loss)	Income (loss) after tax	Earnings per share (NT\$) (after tax)
LIRO	902,244	5,445,584	23,246	5,422,338	0	0	829,203	28.53
Lelon(Huizhou)	373,546	2,684,492	557,949	2,126,543	3,360,542	625,396	525,260	N/A (Note 3)
Lelon(Suzhou)	343,833	2,278,073	741,728	1,536,345	2,894,563	452,288	368,387	N/A (Note 3)
Lelon International	12,649	367,795	339,795	28,000	3,057,078	0	2,045	N/A (Note 3)
Lelon Technology	1,969,711	2,126,864	372,345	1,754,518	672,713	(57,511)	(66,488)	N/A (Note 3)
Dongguan Lehong	11,666	55,631	28,631	27,000	16,558	1,040	1,140	N/A (Note 3)
Liding	132,420	114,809	11,411	103,398	56,733	(77)	699	N/A (Note 3)
Liton	1,432,196	4,496,348	1,375,418	3,120,930	1,755,439	189,207	503,342	3.52
LITON (BVI)	216,785	839,022	0	839,022	0	0	87,452	12.39
Liton (Huizhou)	509,224	1,069,467	254,541	814,926	705,892	56,646	87,428	N/A (Note 3)
V-TECH CO., LTD.	1,340,618	1,805,305	391,937	1,413,368	1,412,925	(9,819)	135,772	3.11
EVERTECH CAPACO., LTD.	307	0	0	0	0	0	0	0
FOREVER CO., LTD.	1,178,012	1,476,071	0	1,476,071	0	0	141,272	3.68
Liton(Abazhou)	1,308,459	1,803,750	327,679	1,476,071	1,585,277	180,399	139,349	N/A (Note 3)
Lidon	706,240	2,512,956	872,577	1,640,379	2,187,378	210,248	174,024	N/A (Note 3)

Exchange rate as at 31 December 2022: USD/NTD30.715 RMB/NTD = 4.414 2022 average rate: USD/NTD = 29.8056 RMB/NTD = 4.4227

Note 1: Disclose all affiliates regardless of the size.

Note 2: For foreign affiliates, the relevant figures shall be presented in NT\$ using the exchange rate as at the reporting date.

Note 3: The calculation of earnings per share is N/A as the investment in China is registered as a registered capital (without number of shares).

Person in charge: T.C. Wu

President: Jimmy Wu

Preparer: Erica Lin



VI. Consolidated Financial Statements of the Affiliates

Lelon Electronics Corp.

Statement

The entities that are required to be included in the consolidated statements of affiliates of Lelon Electronics Corp. as of and for the year ended 31 December 2022 under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No.10 “Consolidated Financial Statements”. Relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Lelon Electronics Corp. and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Truly yours,

Lelon Electronics Corp.

Person in Charge: T.C. Wu

23 March 2023

Lelon Electronics Corp.

Person in Charge: T.C. Wu



立隆的願景~

永續經營

快樂生活



立隆的文化~

誠/儉/迅/愛

誠 誠實負責 永續經營

迅 迅速反應 採取行動 保持領先

儉 儉樸實在 追根究底

愛 關愛員工 客戶 投資者與社會

PASSION



立隆人的熱忱宣言

PASSION

團隊合作

懂得團結力量大的道理，樂於分工、喜歡合群；共同合作達成目標。

責任感

不推拖、不推卸責任、認真負責、勇於承擔工作及責任；做一個成熟負責的人。

主動積極

積極努力把工作做的更專業更完美；主動完成份內該做與能做的工作，盡力協助公司成長茁壯；做一個可信賴、有貢獻的人。

持續學習

不斷的學習，活到老學到老；願和公司共同成長進步。

顧客導向

顧客滿意是立隆成長的必要關鍵、是每一位員工絕無旁貸的重責大任；做一個識大體的人。

創新求變

以創新帶領公司成長；突破舒適圈，尋找更大的價值；以求新求變的精神，永遠不斷追求完美，積極創新。

我們的家

立隆是我們共同的家，不分彼此、共享榮譽、共同珍惜在一起的緣份；做一個惜情的人。

解決問題

勇於面對問題，解決問題；懂得分析問題，做好解決對策。

計劃性工作

做事有計劃，懂得妥善安排時間，知道辨別事情輕重緩急；做一個有品味的人。

正向思考

熱愛工作珍惜擁有；做事有信心有樂趣；做一個有希望有活力的人。

正直誠信

說真話、不誇張、不作秀；做一個正直誠實守信用的人；適度的承諾，一旦承諾，必定全力以赴。

品質導向

做事高標準，不草率、不馬虎；以完美的心，造就完美的事物。