InnoCare Optoelectronics Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

INNOCARE OPTOELECTRONICS CORPORATION

By:

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JAMES YANG
Chairman

February 9, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
InnoCare Optoelectronics Corporation

Opinion

We have audited the accompanying consolidated financial statements of InnoCare Optoelectronics Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. 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.

Key audit matters of the consolidated financial statements for the year ended December 31, 2022 are as follows:

Revenue Recognition of Sales from Major Customers

The Group mainly engaged in manufacturing and sales of X-ray flat panel detectors. Since most of these products are mostly used for medical purpose, the Group's major customers are relatively stable; the sales revenue from the major customers amounting to $984,665 thousand in 2022 was significant. Therefore, the occurrence of sales revenue from major customers was considered as a key audit matter. The main audit procedure we performed in response to the key audit matter described above included: understanding and testing the design and implementation as well as the operating effectiveness of the internal controls relevant to sales revenue from major customers, sampling from journals of sales from major customers and examing the external orders, shipping documents and receipt vouchers to confirm their occurrence, and checking any significant unusual sales returns and allowance in the subsequent period to realize the reasonableness of revenue recognition for sales from major customers.

Other Matter

We have also audited the parent company only financial statements of InnoCare Optoelectronics Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued unmodified opinion and unmodified opinion with other matter paragraph.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Ya-Ling Wong and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 13, 2023

Notice to Readers

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

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

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 577,373	29	$ 459,451	27
Note receivable (Notes 10 and 21)	-	-	9,139	1
Accounts receivable (Notes 10 and 21)	585,754	30	375,281	22
Accounts receivable from related parties (Notes 21 and 29)	23,853	1	33,363	2
Other receivables (Note 10)	15,379	1	31,065	2
Other receivables from related parties (Note 29)	4,944	-	2,385	-
Current tax assets (Note 23)	3,812	-	11,926	1
Inventories (Note 11)	503,173	25	464,710	27
Other current assets (Note 29)	15,879	1	22,319	1
Total current assets	1,730,167	87	1,409,639	83
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Note 7)	272	-	84	-
Financial assets at amortized cost (Notes 8, 9 and 30)	-	-	34,810	2
Property, plant and equipment (Notes 13 and 29)	186,695	9	180,436	11
Right-of-use assets (Notes 14 and 29)	34,301	2	39,859	2
Intangible assets (Note 29)	1,789	-	1,523	-
Deferred tax assets (Note 22)	15,466	1	7,840	1
Prepayments for equipment (Note 13)	25,352	1	24,248	1
Other non-current assets (Note 29)	5,899	-	5,349	-
Total non-current assets	269,774	13	294,149	17
TOTAL	$ 1,999,941	100	$ 1,703,788	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	$ 425,000	21	$ -	-
Contract liabilities (Note 21)	13,353	1	2,037	-
Accounts payable (Note 16)	178,430	9	133,787	8
Accounts payable to related parties (Note 29)	170,238	8	569,356	34
Other payables (Notes 13 and 17)	203,073	10	176,199	10
Other payables to related parties (Note 29)	18,014	1	23,498	1
Current tax liabilities (Note 23)	40,304	2	31,507	2
Provisions (Note 18)	16,398	1	14,007	1
Lease liabilities (Notes 14 and 29)	15,466	1	12,955	1
Other current liabilities (Notes 17 and 29)	10,884	-	22,046	1
Total current liabilities	1,091,160	54	985,392	58
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 22)	-	-	669	-
Lease liabilities (Notes 14 and 29)	19,027	1	26,937	2
Net defined benefit liabilities (Note 19)	140	-	95	-
Guarantee deposits received	72,992	4	54,013	3
Total non-current liabilities	92,159	5	81,714	5
Total liabilities	1,183,319	59	1,067,106	63
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20, 25 and 29)				
Common stock	357,815	18	349,845	20
Capital collected in advance	50	-	-	-
Capital surplus	77,070	4	66,257	4
Retained earnings				
Legal reserve	34,823	2	17,527	1
Special reserve	17,647	1	-	-
Unappropriated earnings	343,556	17	220,700	13
Total retained earnings	396,026	20	238,227	14
Other equity	(14,339)	(1)	(17,647)	(1)
Total equity	816,622	41	636,682	37
TOTAL	$ 1,999,941	100	$ 1,703,788	100

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

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 21 and 29)	$ 1,886,619	100	$ 1,940,758	100
OPERATING COSTS (Notes 11, 22 and 29)	1,303,407	69	1,414,836	73
GROSS PROFIT	583,212	31	525,922	27
OPERATING EXPENSES (Notes 22 and 29)				
Selling and marketing expenses	131,911	7	102,626	5
General and administrative expenses	116,583	6	78,915	4
Research and development expenses	248,437	13	239,669	13
Total operating expenses	496,931	26	421,210	22
OPERATING INCOME	86,281	5	104,712	5
NON-OPERATING INCOME AND EXPENSES (Notes 22, 26 and 29)				
Interest income	5,422	-	1,030	-
Other income	125,408	7	117,426	6
Other gains	30,156	1	10,687	1
Finance cost	(5,284)	-	(803)	-
Total non-operating income and expenses	155,702	8	128,340	7
INCOME BEFORE INCOME TAX	241,983	13	233,052	12
INCOME TAX EXPENSE (Note 22)	43,266	2	34,529	2
NET INCOME	198,717	11	198,523	10
OTHER COMPREHENSIVE INCOME (LOSS) (Note 19)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	-	-	(36)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-	7	-
	-	-	(29)	-

(Continued)

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	$ 3,308	-	$ (10,911)	-
Other comprehensive income (loss), net of income tax	3,308	-	(10,940)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 202,025	11	$ 187,583	10
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	198,717	11	198,523	10
Non-controlling interests	-	-	-	-
	$ 198,717	11	$ 198,523	10
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	202,025	11	187,583	10
Non-controlling interests	-	-	-	-
	$ 202,025	11	$ 187,583	10
EARNINGS PER SHARE (Note 24)				
Basic	$ 5.62		$ 6.05	
Diluted	$ 5.22		$ 5.49	

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

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings: Legal Reserve	Retained Earnings: Special Reserve	Retained Earnings: Unappropriated Earnings	Other Equity: Exchange Differences on Translation of Foreign Operations	Total Equity
BALANCE AT JANUARY 1, 2021	$ 200,000	$ -	$ 29,047	$ -	$ -	$ 175,269	$ (6,736)	$ 397,580
Appropriation of 2020 earnings								
Legal reserve	-	-	-	17,527	-	(17,527)	-	-
Stock dividends of common stock	110,000	-	-	-	-	(110,000)	-	-
Net income for the year ended December 31, 2021	-	-	-	-	-	198,523	-	198,523
Other comprehensive loss for the year ended December 31, 2021	-	-	-	-	-	(29)	(10,911)	(10,940)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	198,494	(10,911)	187,583
Reorganization	-	-	-	-	-	(16,830)	-	(16,830)
Employee share options	39,845	-	17,930	-	-	-	-	57,775
Share-based payments	-	-	19,280	-	-	(8,706)	-	10,574
BALANCE AT DECEMBER 31, 2021	349,845	-	66,257	17,527	-	220,700	(17,647)	636,682
Appropriation of 2021 earning								
Legal reserve	-	-	-	17,296	-	(17,296)	-	-
Special reserve	-	-	-	-	17,647	(17,647)	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(38,483)	-	(38,483)
Net income for the year ended December 31, 2022	-	-	-	-	-	198,717	-	198,717
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	3,308	3,308
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	198,717	3,308	202,025
Employee share options	7,970	50	3,587	-	-	-	-	11,607
Share-based payments	-	-	7,226	-	-	(2,435)	-	4,791
BALANCE AT DECEMBER 31, 2022	$ 357,815	$ 50	$ 77,070	$ 34,823	$ 17,647	$ 343,556	$ (14,339)	$ 816,622

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

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 241,983	$ 233,052
Adjustments for:		
Depreciation	69,236	67,404
Amortization	545	482
Net gain on fair value changes of financial assets at fair value through profit or loss	(2)	(1)
Finance costs	5,284	803
Interest income	(5,422)	(1,030)
Share-based payments	4,791	10,574
Write-down (reversal of write-down) of inventories	29,028	(5,619)
Unrealized loss on foreign exchange	15,657	35,773
Net changes in operating assets and liabilities		
Notes receivable	9,337	44,698
Accounts receivable	(232,447)	73,578
Accounts receivable from related parties	6,044	15,215
Other receivables	15,314	18,672
Other receivables from related parties	(1,988)	7,172
Inventories	(67,491)	(37,218)
Other current assets	6,333	(63)
Contract liabilities	11,310	(9,824)
Accounts payable	57,636	(23,437)
Accounts payable to related parties	(396,869)	(526,288)
Other payables	27,075	62,383
Other payables to related parties	(5,292)	(32,173)
Provisions	2,391	(6,568)
Other current liabilities	(11,074)	3,340
Net defined benefit liabilities	45	28
Cash used in operations	(218,576)	(69,047)
Income tax refunded	7,789	-
Income tax paid	(42,463)	(57,201)
Net cash used in operating activities	(253,250)	(126,248)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	-	(29,250)
Proceeds from sale of financial assets at amortized cost	34,810	-
Purchase of financial assets at fair value through profit or loss	(186)	(83)
Acquisition of subsidiaries	-	(90,337)
Payments for property, plant, equipment	(61,850)	(67,452)
Payments for intangible assets	(811)	(147)
Increase in other non-current assets	(636)	(1,230)
Interest received	5,422	1,030
Net cash used in investing activities	(23,251)	(187,469)

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INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	$ 425,000	$ -
Increase in guarantee deposits received	13,574	3,719
Repayment of the principal portion of lease liabilities	(14,862)	(13,484)
Cash dividends paid	(38,483)	-
Exercise of employee share options	11,607	57,775
Interest paid	(5,284)	(803)
Reorganization	-	(16,830)
Net cash generated from financing activities	391,552	30,377
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE	2,871	(6,225)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	117,922	(289,565)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	459,451	749,016
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 577,373	$ 459,451

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

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

1. GENERAL INFORMATION

InnoCare Optoelectronics Corporation (the "Company") was incorporated on April 2, 2019, and the Company is mainly engaged in manufacturing and sales of optical instrument and medical equipment.

The Company's shares were approved to be listed on the Taipei Exchanges (TPEx) Emerging Stock Board (ESB) on November 30, 2021.

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the "Group", are presented in the Company's functional currency, the New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on February 9, 2023.

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

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

   The initial application of IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies, financial positions and financial performance.

b. The IFRSs endorsed by the FSC for application starting from 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Group assessed that the application of above amendments to standards and interpretations did not have material impact on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

As of the date the financial statements were authorized for issue, the application of above amendments to standards and interpretations did not have material impact on the Group's financial position and financial performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 12, Table 5 and Table 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

For the purpose of presenting consolidated financial statements, the financial statement of the Company's foreign operations (including subsidiaries in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

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

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

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

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

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use asset and intangible assets

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years (less amortization and depreciation). A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets is mandatorily classified as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends interest earned and remeasurement recognized in other profit or loss. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

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

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

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost.

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

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

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

i. Internal or external information shows that the debtor is unlikely to pay its creditors.

ii. When a financial asset has reached beyond the expiration date of contract unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

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

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

3) Financial liabilities

All financial liabilities are measured at amortized cost using the effective interest method. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

k. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties the present obligation.

Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligations.

l. Revenue recognition

1) Revenue from sale of goods

Revenue from sales of goods is recognized when the goods are delivered to the customer's specific location because it is the time when the customer has control over the goods and performance obligation are satisfied. Accounts receivable are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from rendering of services

Revenue from rendering of services is recognized when services are rendered.

m. Leasing

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

The Group as lessee

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

Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

n. Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

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

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

q. Share-based payment arrangements

<u>Equity-settled share-based payment arrangements and Employee share options</u>

The fair value at the grant date of the employee share options or equity-settled share-based payments for employees is expensed on a straight-line basis over the vesting period, based on the Group's estimate of employee share options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options or other equity - unearned employee benefits. It is recognized as an expense in full at the grant date if vested immediately.

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

<u>Employee share options granted to the employees of its parent company</u>

The employee share options granted by the Group to the employees of its parent company is treated as an earning appropriation. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as deduction to unappropriated earnings, with a corresponding credit to capital surplus - employee share options.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in unappropriated earnings such that the cumulative reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

r. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the possible impact of the relevant development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flow, growth rate, discount rates, profitabilities, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Write-down of Inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	**2021**
Demand deposits	$ 498,004	$ 405,182
Cash equivalents		
Time deposits	79,369	54,269
	$ 577,373	$ 459,451

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2022	December 31 2021
Financial assets - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Beneficial certificates	$ 272	$ 84

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31 2022	December 31 2021
Non-current		
Pledge time deposits	$ -	$ 34,810

a. The range of interest rates for pledged time deposits was from 0.07% to 0.76% as of December 31, 2021.

b. Refer to Note 9 for information relating to their credit risk management and impairment.

c. Refer to Note 30 for information relating to financial assets at amortized cost pledged as collateral or for security.

9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

	December 31 2022	December 31 2021
At amortized cost		
Gross carrying amount	$ -	$ 34,810
Less: Allowance for impairment loss	-	-
Amortized cost	$ -	$ 34,810

The credit risk of financial instruments such as bank deposits is measured and monitored by the finance department.

The Group selects the transaction partners and the performing partners which are all banks with good credit.

10. NOTES AND ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2022	2021
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	$ -	$ 9,139
Less: Allowance for impairment loss	-	-
	$ -	$ 9,139
Notes receivable-operating	$ -	$ 9,139
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	$ 585,754	$ 375,281
Less: Allowance impairment loss	-	-
	$ 585,754	$ 375,281
<u>Other receivables</u>		
Subsidize of research and development	$ 10,018	$ 13,649
VAT refundable	4,670	11,684
Others	691	5,732
	$ 15,379	$ 31,065

<u>Notes receivables</u>

As of December 31, 2021, the notes receivable were not past due.

<u>Accounts receivable</u>

The Group recognizes allowance for impairment loss on accounts receivable on the based on individual customers for which credit losses have actually taken place and uses the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable.

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

The aging of accounts receivable are as follows:

	December 31	
	2022	2021
Not past due	$ 567,604	$ 347,888
1-90 days past due	18,150	27,265
Pass due more than 90 days	-	128
	$ 585,754	$ 375,281

The above aging schedule was based on the past due days.

11. INVENTORIES

	December 31	
	2022	2021
Finished goods	$ 117,129	$ 115,114
Work in progress	252,767	186,552
Raw materials	133,277	163,044
	$ 503,173	$ 464,710

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2022	2021
Cost of inventories sold	$ 1,274,379	$ 1,420,455
Write-down (reversed of write-down) of net realizable values of inventories	29,028	(5,619)
	$ 1,303,407	$ 1,414,836

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

		Proportion of Ownership	
		December 31	
Investee	**Nature of Activities**	**2022**	**2021**
Ningbo Innolux Electronics Ltd.	Medical device and equipment manufacturing and sales business	100%	100%
InnoCare Optoelectronics Japan Co., Ltd.	Distribution Company	100%	100%
InnoCare Optoelectronics USA, INC.	Distribution Company	100%	100%
InnoCare Optoelectronics Europe B.V.	After-sales service Company	100%	100%

The Group established InnoCare Optoelectronics Europe B.V. in Netherlands in March 2021. The Group initially invested $675 thousand (EUR20 thousand) and made additional investment of $987 thousand (EUR30 thousand) in September 2021.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery Equipment	Other Equipment	Total
Cost			
Balance at January 1, 2022	$ 187,274	$ 105,871	$ 293,145
Additions	-	77	77
Reclassification	51,360	8,870	60,230
Effect of exchange rate differences	183	96	279
Balance at December 31, 2022	$ 238,817	$ 114,914	$ 353,731
Accumulated depreciation			
Balance at January 1, 2022	$ 55,961	$ 56,748	$ 112,709
Depreciation expense	34,979	19,243	54,222
Effect of exchange rate differences	45	60	105
Balance at December 31, 2022	$ 90,985	$ 76,051	$ 167,036
Carrying amount at December 31, 2022	$ 147,832	$ 38,863	$ 186,695
Cost			
Balance at January 1, 2021	$ 151,702	$ 73,369	$ 225,071
Additions	-	1,679	1,679
Reclassification	35,635	31,139	66,774
Effect of exchange rate differences	(63)	(316)	(379)
Balance at December 31, 2021	$ 187,274	$ 105,871	$ 293,145
Accumulated depreciation			
Balance at January 1, 2021	$ 29,170	$ 29,300	$ 58,470
Depreciation expense	26,801	27,475	54,276
Effect of exchange rate differences	(10)	(27)	(37)
Balance at December 31, 2021	$ 55,961	$ 56,748	$ 112,709
Carrying amount at December 31, 2021	$ 131,313	$ 49,123	$ 180,436

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

Machinery equipment	3-10 years
Other equipment	2-6 years

Payments for property, plant and equipment included non-cash items and are reconciled as follow:

	For the Year Ended December 31	
	2022	2021
Additions to property, plant and equipment	$ 77	$ 1,679
Prepayments of equipment	61,334	57,683
Payable for equipment (other payable)	439	8,090
	$ 61,850	$ 67,452

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amount		
Buildings	$ 34,301	$ 39,859

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	$ 9,568	$ 15,543
Depreciation charge for right-of-use assets		
Buildings	$ 15,014	$ 13,128

b. Lease liabilities

	December 31	
	2022	2021
Carrying amount		
Current	$ 15,466	$ 12,955
Non-current	$ 19,027	$ 26,937

The range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	1.7895%-1.8291%	1.8143%-1.9056%

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases and low-value asset leases	$ 3,010	$ 1,751
Total cash outflow for leases	$ 18,550	$ 16,038

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

15. BORROWINGS

	December 31	
	2022	2021
Unsecured borrowings		
Bank unsecured loans	$ 425,000	$ -

The range of interest rates of bank unsecured loans was from 1.95% to 2.07%.

16. ACCOUNTS PAYABLE

	December 31	
	2022	2021
Accounts payable		
Accounts payable - operating	$ 178,430	$ 133,787

17. OTHER LIABILITIES

	December 31	
	2022	2021
Current		
Other payables		
Payable for salaries and bonus	$ 126,217	$ 106,261
Payable for bonus to employees and directors	16,173	16,310
Payable for equipment	12,240	12,679
Payable for labor and health insurance	11,045	4,613
Payable for professional fees	10,176	4,709
Other	27,222	31,627
	$ 203,073	$ 176,199
Other Liabilities		
Deferred revenue	$ 3,245	$ 5,511
Temporary receipts (Note 29)	-	13,013
Other	7,639	3,522
	$ 10,884	$ 22,046

Temporary receipts were generated due to certain transactions were treated as materials delivered to subcontractors, and deferred revenue was generated from government grants.

18. PROVISIONS

	December 31	
	2022	2021
Warranties	$ 16,398	$ 14,007

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under contracts for the sale of goods. The estimate has been made based on historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The employees of the Group's subsidiaries in the United States, Japan, and Europe are required to contribute a specified percentage of payroll costs to the retirement benefit scheme under local government's regulations.

b. Defined benefit plans

The defined benefit plan adopted by the Company under the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average of monthly salaries for the 6 months before retirement. The Company contributed amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	$ 181	$ 120
Fair value of plan assets	(41)	(25)
Net defined benefit liabilities	$ 140	$ 95

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	$ 120	$ (25)	$ 95
Service cost			
Current service cost	61	-	61
Recognized in profit or loss	61	-	61
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	(1)	-	(1)
Actuarial gain - changes in financial assumptions	(30)	-	(30)
Actuarial loss - experience adjustments	31	-	31
Recognized in other comprehensive income	-	-	-
Contributions from the employer	-	(16)	(16)
Balance at December 31, 2022	$ 181	$ (41)	$ 140
Balance at January 1, 2021	$ 42	$ (11)	$ 31
Service cost			
Current service cost	42	-	42
Recognized in profit or loss	42	-	42
Remeasurement			
Actuarial loss - changes in financial assumptions	6	-	6
Actuarial loss - experience adjustments	30	-	30
Recognized in other comprehensive income	36	-	36
Contributions from the employer	-	(14)	(14)
Balance at December 31, 2021	$ 120	$ (25)	$ 95

Through the defined benefit plan under the Labor Standards Act, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2022	2021
Discount rate	2.250%	0.625%
Expected rate of salary increase	3.500%	3.000%

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	$ (14)	$ (10)
0.25% decrease	$ 15	$ 11
Expected rate of salary increase		
0.25% increase	$ 15	$ 10
0.25% decrease	$ (14)	$ (9)

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

	December 31	
	2022	2021
The expected contributions to the plan for the next year	$ 16	$ 14
The average duration of the defined benefit obligation	33.2 years	34.5 years

20. EQUITY

a. Common stock

	December 31	
	2022	2021
Number of authorized shares (in thousands)	50,000	50,000
Amount of authorized shares	$ 500,000	$ 500,000
Number of issued and fully paid shares (in thousands)	35,782	34,985
Amount of issued shares	$ 357,815	$ 349,845
Capital collected in advance	$ 50	$ -

On December 28, 2022, the Company’s board of directors resolved to issue 3,600 thousand common stock with a par value of $10, for a consideration of $60 per share, and the above transaction was approved by the FSC on January 11, 2023.

The change in the Company's share capital in 2021 was mainly due to the exercise of employee share options, which increased 3,985 thousand common stock, and the stock dividends in appropriation of earnings approved by the shareholders' meeting, which increased 11,000 thousand common stock.

The change in the Company's share capital in 2022 was mainly due to the exercise of employee share options 800 thousand common stock, and the considerations of $11,607 thousand was received. On October 25, 2022, the Company's board of directors resolved the subscription base date for 797 thousand common stock to be October 26, 2022. On February 9, 2023, the Company's board of directors resolved the subscription base date for the remaining 3 thousand common stock to be February 10, 2023.

Of the Company's authorized shares, 7,500 thousand shares were reserved for the issuance of employee share options.

b. Capital surplus

	December 31	
	2022	**2021**
May be used to offset a deficit, distributed as cash dividends or transferred to share capital*		
Issuance of common shares	$ 52,869	$ 43,599
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	9,309	9,309
May not be used for any purpose		
Employee share options	14,892	13,349
	$ 77,070	$ 66,257

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.

c. Retained earnings and dividend policy

Under the dividend policy in the Company's Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved by the shareholders in their meeting for distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 22-f.

Depending on the Company's future long-term financial planning, investment environment, industry competition, capital expenditure budget, capital requirements and protection of shareholders' rights, dividends should account for less 20% of the distributable earnings for the year. However, as the distributable earnings for the year are lower than 2% of the paid-in capital, the Company may choose not to distribute dividends and transfer dividends to the retained earnings. Earnings shall be preferably distributed using cash dividends and may also be distributed using stock dividends. The ratio for cash dividends shall not be less than 50% of the total amount of dividends distributed. The aforementioned dividend distribution rate may be adjusted based on financial, business and operational factors.

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

The net decrease in other equity accumulated in prior periods should be appropriated from prior period's undistributed earnings to a special reserve of the same amount, and if there is a deficiency, the same amount should be appropriated from the post-tax profit for the year plus the number of items other than post-tax profit for the year, and the amount was included in the unappropriated earnings for the year.

The appropriations of earnings for 2021 and 2020, which were approved by the shareholders in their meetings on May 24, 2022 and by the board of directors (on behalf of shareholders meeting) on May 12, 2021, respectively, were as follows:

	Appropriation and Earnings For the Year Ended December 31	
	2021	2020
Legal reserve	$ 17,296	$ 17,527
Special reserve	$ 17,647	$ -
Cash dividends	$ 38,483	$ -
Stock dividends	$ -	$ 110,000
Cash dividends per share (NT$)	$ 1.1	$ -
Stock dividends per share (NT$)	$ -	$ 5.5

d. Special reserve

	For the Year Ended December 31	
	2022	2021
Beginning balance	$ -	$ -
Appropriation in respect of:		
Debits to other equity items	17,647	-
Ending balance	$ 17,647	$ -

21. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from X-Ray flat panel detector device	$ 1,480,443	$ 1,337,913
Revenue from X-Ray flat panel detector module	348,559	507,658
Others	57,617	95,187
	$ 1,886,619	$ 1,940,758

Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Trade receivable	$ -	$ 9,139	$ 53,540
Accounts receivables (including those from related parties)	$ 609,607	$ 408,644	$ 478,925
Contract liabilities	$ 13,353	$ 2,037	$ 11,755

22. NET PROFIT FOR THE YEAR

a. Other income

	For the Year Ended December 31	
	2022	2021
Development subsidy	$ 98,204	$ 90,704
Government grants (Note 26)	18,190	13,496
Manpower supporting	-	4,696
Others	9,014	8,530
	$ 125,408	$ 117,426

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gains	$ 33,085	$ 11,005
Net gain on fair value changes of financial assets at FVTPL		
Financial assets designated as at FVTPL	2	1
Others	(2,931)	(319)
	$ 30,156	$ 10,687

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	$ 4,606	$ -
Interest on lease liabilities	678	803
	$ 5,284	$ 803

d. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	$ 54,222	$ 54,276
Right-of-use assets	15,014	13,128
Intangible assets	545	482
	$ 69,781	$ 67,886
An analysis of depreciation by function		
Operating costs	$ 46,539	$ 45,210
Operating expenses	22,697	22,194
	$ 69,236	$ 67,404
An analysis of amortization by function		
Operating costs	$ 8	$ -
Operating expenses	537	482
	$ 545	$ 482

e. Employee benefits expense

	For the Year Ended December 31, 2022		
	Cost of Sales	Operating Expense	Total
Post-employment benefits			
Defined contribution plan	$ 7,555	$ 12,960	$ 20,515
Defined benefit plans	-	61	61
	7,555	13,021	20,576
Share-based payments			
Equity-settled	1,291	3,500	4,791
Other employee benefits			
Salary expense	176,290	267,325	443,615
Labor and health insurance	15,319	24,072	39,391
Others	7,182	9,726	16,908
	198,791	301,123	499,914
	$ 207,637	$ 317,644	$ 525,281

	For the Year Ended December 31, 2021		
	Cost of Sales	Operating Expense	Total
Post-employment benefits			
Defined contribution plan	$ 5,857	$ 9,324	$ 15,181
Defined benefit plans	-	42	42
	5,857	9,366	15,223
Share-based payments			
Equity-settled	2,652	7,922	10,574
Other employee benefits			
Salary expense	167,004	210,826	377,830
Labor and health insurance	12,493	16,570	29,063
Others	8,652	6,904	15,556
	188,419	234,300	422,449
	$ 196,568	$ 251,588	$ 448,246

f. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at the rates of no less than 5.0% and no higher than 0.1%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. However, the Company has to first offset losses from the previous years. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on February 9, 2023 and January 27, 2022, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Compensation of employees	6.5%	6.5%
Remuneration of directors	0.1%	0.1%

Amount

	For the Year Ended December 31	
	2022	2021
Compensation of employees	$ 15,928	$ 16,063
Remuneration of directors	$ 245	$ 247

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors for 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense tax are as follow:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	$ 59,946	$ 46,744
Income tax on unappropriated earnings	4,759	385
Adjustments for prior years	(13,144)	(7,872)
	51,561	39,257
Deferred tax		
In respect of the current year	(8,295)	(4,728)
Income tax expense recognized in profit or loss	$ 43,266	$ 34,529

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

	For the Year Ended December 31	
	2022	2021
Income before income tax	$ 241,983	$ 233,052
Income tax expense calculated at the statutory rate	$ 48,397	$ 46,611
Income tax on unappropriated earnings	4,759	385
Effect of different tax rates of group entities operating in other jurisdictions	3,254	(4,595)
Adjustments for prior years' tax	(13,144)	(7,872)
Income tax expense recognized in profit or loss	$ 43,266	$ 34,529

b. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Income tax refundable	$ 3,812	$ 11,926
Current tax liabilities		
Income tax payable	$ 40,304	$ 31,507

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Temporary difference			
Inventory write-downs	$ 3,257	$ 4,680	$ 7,937
Unrealized provisions	2,801	479	3,280
Unrealized exchange losses	-	2,999	2,999
Others	1,782	(532)	1,250
	$ 7,840	$ 7,626	$ 15,466
Deferred tax liabilities			
Temporary difference			
Unrealized exchange gains	$ 669	$ (669)	$ -

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary difference				
Unrealized provisions	$ 4,115	$ (1,314)	$ -	$ 2,801
Inventory write-downs	3,980	(723)	-	3,257
Others	1,071	704	7	1,782
	$ 9,166	$ (1,333)	$ 7	$ 7,840
Deferred tax liabilities				
Temporary difference				
Unrealized exchange gains	$ 6,700	$ (6,031)	$ -	$ 669
Others	30	(30)	-	-
	$ 6,730	$ (6,061)	$ -	$ 669

d. Income tax assessments

The income of the Company through 2020 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2022	**2021**
Basic earnings per share	$ 5.62	$ 6.05
Diluted earnings per share	$ 5.22	$ 5.49

The earnings and weighted average number of common stock outstanding that were used in the computation of earnings per share were as follows:

Net Income for the Year

	For the Year Ended December 31	
	2022	**2021**
Net income for the period attributable to owners of the Company	$ 198,717	$ 198,523

Weighted Average Number of Common Stock Outstanding

Unit: In Thousand Shares

	For the Year Ended December 31	
	2022	**2021**
Weighted average number of common stock used in the computation of basic earnings per share	35,374	32,801
Effect of potentially dilutive common stock:		
Employee share options	2,502	3,099
Compensation of employees	197	228
Weighted average number of common stock used in the computation of diluted earnings per share	38,073	36,128

The Company may settle compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share, if the effect was dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan I

Qualified employees of the Company and its affiliated companies who meet certain conditions were granted 4,086 thousand options in July 2020. Each option entitles the holder to subscribe for one thousand common shares of the Company. The options granted are valid for 13 months and exercisable after one anniversary from the grant date. The options were granted at an exercise price of $22.50. For any subsequent changes in the Company’s capital surplus, the exercise price is adjusted accordingly. The exercise price was adjusted to $14.50 due to issuance of bonus shares on May 18, 2021.

Information on employee share options was as follows:

	For the Year Ended December 31, 2021	
	Number of Options (In Thousands of Units)	**Weighted-average Exercise Price ($)**
Balance at January 1	4,086	$ 14.50
Options exercised	(3,985)	14.50
Options expired	(101)	-
Balance at December 31	-	
Options exercisable, end of the year	-	
Weighted-average fair value of options granted ($)	$ -	

	December 31, 2020
Range of exercise price ($)	$ 14.50
Weighted-average remaining contractual life (in years)	-

Options granted in July 2020 is priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	July 2020
Grant-date share price	$23.61
Exercise price	$22.50
Expected volatility	45.98%
Expected life (in years)	1.04
Risk-free interest rate	0.26%

The compensation cost recognized was $4,610 thousand for the year ended December 31, 2021.

All options of Employee share option plan I were exercised before the end of 2021.

b. Employee share option plan II

Qualified employees of the Company and its affiliated companies who meet certain conditions were granted 3,414 thousand options in July 2020. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years and exercisable at 30%, 30% and 40% after the second, third and fourth anniversary from the grant date, respectively. The options were granted at an exercise price of $22.50. For any subsequent changes in the Company’s capital surplus, the exercise price is adjusted accordingly. The exercise price was adjusted to $14.50 due to issuance of bonus shares on May 18, 2021.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2022		2021	
	Number of Options (In Thousands of Units)	Weighted-average Exercise Price ($)	Number of Options (In Thousands of Units)	Weighted-average Exercise Price ($)
Balance at January 1	3,414	$ 14.50	3,414	$ 14.50
Options exercised	(800)	14.50	-	-
Balance at December 31	2,614	14.50	3,414	14.50
Options exercisable, end of the year	224	14.50	-	
Weighted-average fair value of options granted ($)	$ 7.65		$ 7.65	

Information on outstanding options was as follows:

	December 31	
	2022	2021
Range of exercise price ($)	$ 14.50	$ 14.50
Weighted-average remaining contractual life (in years)	3.52	4.52

Options granted in July 2020 is priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	July 2020
Grant-date share price	$23.61
Exercise price	$22.50
Expected volatility	35.59%-37.23%
Expected life (in years)	4-5 years
Risk-free interest rate	0.34%-0.37%

The compensation costs recognized were $4,791 thousand and $5,964 thousand for the years ended December 31, 2022 and 2021, respectively.

26. GOVERNMENT GRANTS

The Group obtained government subsidies for the various programs, and recognized other income of $18,190 thousand and $13,496 thousand for the years ended December 31, 2022 and 2021, respectively.

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The key management personnel of the Group reviews the capital structure on an annual basis. As part of this review, the key management personnel considers the cost of capital and the risks associated with each class of capital.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The Group's management believes that the carrying amount of financial assets and financial liabilities recognized in the consolidated financial statements which are not measured at fair value approximates their fair value.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2022

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Beneficial certificates	$ 272	$ -	$ -	$ 272

December 31, 2021

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Beneficial certificates	$ 84	$ -	$ -	$ 84

There were no transfers between Levels 1 and 2 in 2022 and 2021.

c. Categories of financial instruments

	December 31	
	2022	**2021**
Financial assets		
Financial assets at fair value through profit or loss		
Mandatorily at fair value through profit or Loss	$ 272	$ 84
Amortized cost		
Cash and cash equivalents	577,373	459,451
Accounts receivable	585,754	375,281
Accounts receivable from related parties	23,853	33,363
Other receivables	10,709	19,381
Other receivables from related parties	4,944	2,385
Financial assets at amortized cost	-	34,810
Refundable deposits (included in other non-current assets)	5,899	5,349

(Continued)

	December 31	
	2022	2021
Financial liabilities		
Amortized cost		
Short-term borrowings	$ 425,000	$ -
Accounts payable	178,430	133,787
Accounts payable from related parties	170,238	569,356
Other payables	60,683	53,628
Other payables from related parties	18,014	23,498
Temporary receipts (included in other current liabilities)	-	13,013
Guarantee deposits	72,992	54,013

(Concluded)

d. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, accounts payable and lease liabilities. Financial risks relating to the operations include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group have foreign currency-denominated sales and purchases, which expose the Group to foreign currency risk.

Holding foreign currency-denominated assets and liabilities exposes the Group to adverse fluctuations in cash flows and the reduction of foreign currency assets due to the changes in foreign currency rates.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period were detailed in Note 32.

Sensitivity analysis

The Group was mainly exposed to the USD and JPY

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollar (the functional currency) against the USD and JPY. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency-denominated monetary items, and adjusts their translation at the end of the reporting period was adjusted for a 1% change in exchange rates. A positive number below indicates an increase in pretax income associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pretax income and the balances below would be negative.

	December 31	
	2022	2021
1% change in profit or loss		
USD	$ 5,592	$ 437
JPY	$ (141)	$ (469)

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	$ 79,369	$ 89,079
Financial liabilities	$ 34,493	$ 39,892
Cash flow interest rate risk		
Financial assets	$ 498,004	$ 405,182
Financial liabilities	$ 425,000	$ -

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. A 0.25% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by $183 thousand and $1,013 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amounts of the recognized financial assets as stated in the balance sheets.

As of December 31, 2022 and 2021, the customers whose single customer accounts for more than 10% of the total accounts receivable are as follows:

	December 31	
	2022	2021
Customer JA	$ 159,663	$ 93,797
Customer JG	122,615	1,257
Customer JC	57,440	43,371
Customer UA	11,386	74,160

The Group adopted a policy of only dealing with creditworthy counterparties, evaluated potential customers through an internal credit rating system and set the credit limit of customers to grasp the credit status of the counterparties and effectively control the credit exposure; therefore, the Group does not expect any material credit risk.

On August 23, 2022 in the US., the Customer UA filed for prepackaged reorganization under Chapter 11 of the Bankruptcy Code in the Delaware Court, and, on September 28, 2022, the prepackaged reorganization was approved by the court, which was effective on September 30, 2022. The Customer UA exited out for recognization process described in Chapter 11 and resumed normal operation. The Group believed the above event did not cause material credit risk to accounts receivable.

3) Liquidity risk

The Group has sufficient working capital to meet the cash needs for its operations. Thus, no material liquidity risk is anticipated.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed-upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows.

The non-interest-bearing financial liabilities of the Group's current liabilities are due within one year and are not required to be paid off. Guarantee deposits received in non-current financial liabilities are mainly deposited by customers as credit guarantees without specific maturity dates.

	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
December 31, 2022				
Variable interest instruments	$ 425,000	$ -	$ -	$ -
Lease liabilities	4,037	12,110	19,248	-
	$ 429,037	$ 12,110	$ 19,248	$ -
December 31, 2021				
Lease liabilities	$ 3,638	$ 10,526	$ 27,511	$ -

29. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is Innolux Corporation, in line with the Company's initial public offering schedule, who released part of the Company's shares in the third quarter of 2021. As of December 31, 2022 and 2021, Innolux Corporation held 57.3% and 58.6% of the common stock of the Company, respectively.

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

a. Related party name and category

Related Party Name	Related Party Category
Innolux Corporation	The Company's parent
Innolux USA Inc.	Sister company
Innolux Europe B.V.	Sister company
Shanghai Innolux Optoelectronics Ltd	Sister company
Nanjing Innolux Optoelectronics Ltd	Sister company
Foshan Innolux Optoelectronics Ltd.	Sister company
Ningbo Innolux Optoelectronics Ltd.	Sister company
Ningbo Innolux Display Ltd	Sister company
Innocom Technology (Shenzhen) Co., Ltd.	Sister company
FI Medical Device Manufacturing Co., Ltd.	Associate of parent company
KA Imaging Inc.	Related party in substance
Fortunebay Technology Pte Ltd.	Related party in substance
Jusda International Limited	Related party in substance
Shenzhen Fertile Plan International Logistics Co., Ltd	Related party in substance

b. Operating revenue

Related Party Category/Name	For the Year Ended December 31 2022	2021
Parent entity	$ 11,600	$ 4,900
Sister companies	14,921	8,988
Associate of parent company	11,024	41,464
Related party in substance	19,981	15,098
	$ 57,526	$ 70,450

c. Purchases of goods (including processing costs)

Related Party Category/Name	For the Year Ended December 31 2022	2021
Parent entity	$ 481,403	$ 439,706
Sister companies	7	3
Associate of parent company	12,877	35,888
Related party in substance	65,372	108,581
	$ 559,659	$ 584,178

d. Manufacturing and Operating expenses

Line Item	Related Party Category/Name	For the Year Ended December 31 2022	2021
Manufacturing expenses	Parent entity	$ 47,277	$ 47,288
	Sister companies	2,667	2,465
	Related party in substance	-	76
		$ 49,944	$ 49,829
Operating expenses	Parent entity	$ 22,274	$ 15,525
	Sister companies	2,291	2,529
	Associate of parent company	-	1,686
	Related party in substance	-	3,272
		$ 24,565	$ 23,012

e. Other income

Related Party Category/Name	For the Year Ended December 31 2022	2021
Parent entity	$ -	$ 264
Associate of parent company	107	4,807
Related party in substance	356	311
	$ 463	$ 5,382

f. Receivables from related parties

Line Item	Related Party Category/Name	December 31 2022	2021
Accounts receivable	Parent entity	$ 5,093	$ 13,439
	Sister companies	9,423	2,554
	Associate of parent company	1,566	8,752
	Related party in substance	7,771	8,618
		$ 23,853	$ 33,363
Other receivables	Parent entity	$ 4,931	$ 2,385
	Associate of parent company	5	-
	Related party in substance	8	-
		$ 4,944	$ 2,385
Temporary payments (included in other current assets)	Associate of parent company	$ 56	$ -

The outstanding trade receivables from related parties are unsecured. After assessment, no impairment losses were recognized for trade receivables from related parties.

g. Payables to related parties

Line Item	Related Party Category/Name	December 31 2022	December 31 2021
Accounts payable	Parent entity	$ 131,258	$ 482,496
	Sister companies	106	194
	Associate of parent company		
	FI Medical Device Manufacturing Co., Ltd.	36,849	72,933
	Related party in substance	2,025	13,733
		$ 170,238	$ 569,356
Other payables	Parent entity	$ 17,491	$ 18,677
	Sister companies	503	1,334
	Related party in substance	20	3,487
		$ 18,014	$ 23,498
Temporary receipts (included in other current liabilities)	Associate of parent company FI Medical Device Manufacturing Co., Ltd.	$ -	$ 13,013

The price and terms of the above transactions were similar to those for third parties.

h. Lease arrangements

Related Party Category/Name	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Acquisition of right-of-use assets		
Parent entity	$ 5,161	$ 15,543

Line Item	Related Party Category/Name	December 31 2022	December 31 2021
Lease liabilities (including current and non-current)	Parent entity	$ 30,634	$ 38,166
Refundable deposits (included in other current assets)	Parent entity	$ 2,038	$ 2,038

Related Party Category/Name	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Interest expense		
Parent entity	$ 649	$ 739

i. Prepayments

Related Party Category/Name	December 31 2022	December 31 2021
Related party in substance	$ -	$ 156

j. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31 2022	Purchase Price For the Year Ended December 31 2021
Parent entity	$ -	$ 5,450

k. Acquisition of intangible assets

Related Party Category/Name	Purchase Price For the Year Ended December 31 2022	Purchase Price For the Year Ended December 31 2021
Parent entity	$ -	$ 16,946

The Group acquired patent related to X-ray flat panel detector from the parent entity for $16,830 thousand. Since the transaction is a business combination under joint control, it is accounted for using the book value method.

l. Remuneration of key management personnel

	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Short-term employee benefits	$ 33,347	$ 28,447
Post-employment benefits	746	540
Share-based payments	541	1,527
	$ 34,634	$ 30,514

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided for customs surety bonds and performance bonds:

	December 31 2022	December 31 2021
Pledged deposits (classified as financial assets at amortized cost)	$ -	$ 34,810

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2022, the Company has commissioned the bank to issue letters of guarantee for the customs duty was RMB3,000 and $5,560 thousand, and the amount for the project was $29,250 thousand.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (NT$)
Financial assets			
Monetary items			
USD	$ 37,176	30.71	$ 1,141,675
JPY	52,957	0.2324	12,307
			$ 1,153,982
Financial liabilities			
Monetary items			
USD	18,968	30.71	$ 582,507
JPY	113,774	0.2324	26,434
			$ 608,941

December 31, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (NT$)
Financial assets			
Monetary items			
USD	$ 36,368	27.68	$ 1,006,666
JPY	55,548	0.2405	13,359
			$ 1,020,025
Financial liabilities			
Monetary items			
USD	34,790	27.68	$ 962,987
JPY	250,646	0.2405	60,280
			$ 1,023,267

For the years ended December 31, 2022 and 2021, (realized and unrealized) net foreign exchange gains (losses) were $33,085 thousand and $11,005 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of functional currencies.

33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

1) Financing provided to others: No

2) Endorsements/guarantees provided: No

3) Marketable securities held: Table 1 (attached)

4) Marketable securities acquired and disposed of at costs or prices at least NT$300 million or 20% of the paid-in capital: No

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: No

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: No

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 2 (attached)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3 (attached)

9) Trading in derivative instruments: No

10) Intercompany relationships and significant intercompany transactions: Table 4 (attached)

b. Information on investees: Table 5 (attached)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6 (attached)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: No

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest period balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

d. Information on major shareholders: Shareholders' name holding amounts and ratio whose holding ratio exceed 5%: NA

34. SEGMENT INFORMATION

a. information about operating segment

The Group has managed the organization and allocated resources as a single operating segment. The operating activities are all related to the medical business of X-ray flat panel detector.

b. Segment total assets and liabilities

	For the Year Ended December 31	
	2022	**2021**
Revenue from X-ray flat panel detector device	$ 1,480,443	$ 1,337,913
Revenue from X-ray flat panel detector module	348,559	507,658
Others	57,617	95,187
	$ 1,886,619	$ 1,940,758

c. Information about geographical area

The Group's revenue from external customers by location of operations are detailed below:

	For the Year Ended December 31	
	2022	**2021**
Taiwan	$ 49,335	$ 77,286
Asia	1,228,965	1,147,254
America	475,158	529,560
Europe	130,715	186,658
Africa	2,446	-
	$ 1,886,619	$ 1,940,758

The Group's non-current assets by location of operations are detailed below:

	December 31	
	2022	**2021**
Taiwan	$ 232,666	$ 229,071
Asia	15,471	16,995
	$ 248,137	$ 246,066

Non-current assets excluded those classified as financial assets and deferred tax assets.

d. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31 2022		For the Year Ended December 31 2021	
	Amount	**% of Sales**	**Amount**	**% of Sales**
Customer UA	$ 298,313	16	$ 357,862	18
Customer JC	279,352	15	263,334	14
Customer JA	204,426	14	275,701	14

TABLE 1

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Unit	Carrying Amount	Percentage of Ownership	Fair Value	
Ninbo Innolux Electronics Ltd.	Beneficiary certificate Chang Jiang Sheng Shin Ru Yi Serials A congregate group pension plan	None	Financial assets at fair value through profit or loss	60,129.306048	$ 272 (RMB 61 thousand)	-	$ 272 (RMB 61 thousand)	(Note)

Note: RMB1=$4.4094 as of December 31, 2022.

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
InnoCare Optoelectronics Corporation	InnoCare Corporation	Parent entity	Purchase	$ 481,403	61	Net 90 days from the end of the month	-	-	$ (131,258)	38	
	InnoCare Optoelectronics Japan Co., Ltd.	Subsidiary	Sale	676,264	41	Net 60 days from the end of the month	-	-	240,817	40	(Note)
InnoCare Optoelectronics Japan Co., Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Purchase	676,264	86	Net 60 days from the end of the month	-	-	(240,817)	69	(Note)
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	Subsidiary	Sale	394,403	24	Net 60 days from the end of the month	-	-	67,105	11	(Note)
InnoCare Optoelectronics USA, INC.	InnoCare Optoelectronics Corporation	Parent entity	Purchase	394,403	100	Net 60 days from the end of the month	-	-	(67,105)	19	(Note)
InnoCare Optoelectronics Corporation	Ninbo Innolux Electronics Ltd.	Subsidiary	Sale	227,435	14	Net 60 days from the end of the month	-	-	43,082	7	(Note)
Ninbo Innolux Electronics Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Purchase	227,435	87	Net 60 days from the end of the month	-	-	(43,082)	12	(Note)

Note: The above transactions have been eliminated during the preparation of the consolidated financial statements.

TABLE 3

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Subsidiary	$ 240,817	5.99	$ 5,461	Subsequent collection	$ 123,037	$ -	Note

Note: The above transactions have been eliminated during the preparation of the consolidated financial statements.

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

For the year ended December 31, 2021

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Subsidiary	Accounts receivable	$ 240,817	Net 60 days from the end of the month	12
				Other receivable	14,994	Net 60 days from the end of the month	1
				Operating revenue	676,264	Internal transfer pricing	36
		InnoCare Optoelectronics USA, INC.	Subsidiary	Accounts receivable	67,105	Net 60 days from the end of the month	3
				Operating revenue	394,403	Internal transfer pricing	21
		Ninbo Innolux Electronics Ltd.	Subsidiary	Accounts receivable	43,082	Net 60 days from the end of the month	2
				Operating revenue	227,435	Internal transfer pricing	12
1	InnoCare Optoelectronics Japan Co., Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Accounts receivable	24,685	Net 60 days from the end of the month	1
				Operating revenue	91,817	Internal transfer pricing	5
2	InnoCare Optoelectronics Europe B.V.	InnoCare Optoelectronics Corporation	Parent entity	Operating revenue	14,000	Internal transfer pricing	1

Note 1: This table includes transactions for amounts exceeding $10 thousand.

Note 2: The above transactions have been eliminated during the preparation of the consolidated financial statements.

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2022	December 31, 2021	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Japan	Distribution company	$ 87,149	$ 87,149	30,010	100	$ 99,823	$ 25,604	$ 25,604	Subsidiary
	InnoCare Optoelectronics USA, INC.	U.S.A.	Distribution company	27,963	27,963	900,000	100	33,491	3,783	3,783	Subsidiary
	InnoCare Optoelectronics Europe B.V.	Netherlands	After-sales service company	1,662	1,662	500	100	2,718	640	640	Subsidiary

Note 1: For information on investee companies in mainland China, refer to Table 6
.
Note 2: The above transactions have been eliminated during the preparation of the consolidated financial statements.

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (In Thousand)	Investee Company Current Net Income	Percentage of Ownership	Investment Income (Loss) Recognized (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
Ninbo Innolux Electronics Ltd.	Manufacturing and selling of medical equipment	$ 67,772 (RMB 15,370 thousand)	Direct investing in mainland China	$ 90,337 (US$ 3,172 thousand)	$ -	$ -	$ 90,337 (US$ 3,172 thousand)	$ 4,415	100	$ 4,415	$ 109,972	$ -

2. The limited amounts of the investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2022 (Note 1)	Investment Amount Authorized by the Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
$97,412 (US$3,172 thousand)	$97,412 (US$3,172 thousand)	$489,973

Note 1: US$1=$30.71, RMB1=$4.4094 as of December 31, 2022.

Note 2: The investees’ financial statements used as basis for calculating investment gains (losses) recognized have all been audited.

Note 3: The limit stated in the Investment Commission’s regulation, “Investment or Technical Cooperation in Mainland China Adjustment Rule”, is the higher of the Company’s net asset value or 60% of its consolidated net asset value.

Note 4: The above transactions have been eliminated during the preparation of the consolidated financial statements.