

Stock Code: 6861

InnoCare Optoelectronics Corporation

2023 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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I. Letter to Shareholders

1.1 Report on operating results for 2023

The world is still in a turbulent period, with continuing and intense changes in fields of economy, geopolitics and ecology, etc. Over the past two years, subject to the influence of supply chain imbalance and Russo-Ukrainian War, inflation continued to be in a high level, so the Federal Reserve System and the European Central Bank (ECB) have taken urgent measures of increasing interest rate for over one consecutive year since the first half of 2022, so as to cope with the constantly increasing price of commodities, however, the inflation began to be relieved only when it came to the 4th quarter of 2023. The strong increase of interest rate caused capital crunch, had impact on operating cost of enterprises, and also caused compression pressure on consumption and employment, adding variables to economic conditions.

On the other hand, in order to boost the economy, Japan and China did not follow the measure of increasing interest rate as did by the United States and Europe, instead, they continued to release market liquidity; while for the remaining Asian countries, they chose to take a relatively moderate mode of increasing interest rate based on export competition. This made the USD against the major currencies of Asian countries have a sharp appreciation in the short term, while the market's expectation of interest rate rises and falls often caused sharp exchange rate fluctuations, thus increasing the difficulty of business operations.

The main X-ray flat panel detector series products of the Company are mainly used in medical examination and non-destructive testing field for industrial purpose. Despite the increased global economic uncertainty, the medical industry maintained stable on the whole. Over the past several years, the Company continued to be engaged in research and development of new technology and layout of new products, where, its products such as IGZO and soft substrates, etc. have been recognized and adopted by multiple customers, and for the new products entrusted by the customers at present, over a half of them belong to the category of new technology, and the shipment proportion also increases gradually, enabling the sales volume to maintain a growth trend. Besides, in the field of non-destructive testing, the Company continued to be optimistic about the fact that intelligent manufacturing will promote the demand for related products, and over two years of market exploration, it has achieved preliminary results, and is expected to be able to maintain a rapid growth in 2024.

The product and technology development of the Company continued to win external recognition, and this year, the Company's "Ridge X-Ray Flat Panel Detector" won excellent works of "2023 SDIA Award", later, it won the honor of "2024 Taiwan Excellence Award" by virtue of "Snow Mountain Dynamic X-ray Flat Panel Detector". Winning awards for consecutive years is a demonstration of the Company's development energy. Such awards not only is a recognition of the achievements made by efforts of the R&D personnel, but also can improve the product and technology image and visibility of the Company, benefiting sales of the products a lot.

To fulfill social responsibilities of the enterprise, and give play to the enterprise' active value to environment and population, we continued to participate in social welfare activities, for example, in February, we participated in "Chiayi Aogu Wetland × Parent-child Environmental Education Activity", and in March, together with InnoLux Corporation, we held Children's Day activities for rural primary school in Chiayi County, and jointly contributed 10,000 pieces of COVID-19 rapid-screening reagents to them, and in November, we participated in the public welfare activity "Beimen Shuangchun Beach Cleaning Activity" that made teaching through lively activities. Furthermore, the "Southwest Coast Ten Thousands People Action X-ray Early Lung Cancer Screening Project" initiated by use together with National Cheng Kung University School of Medicine also continues to this year, which will use the dual-energy X-ray flat panel sensor module manufactured by the Company together with the mobile X-ray vehicle, to assist with early screening of lung cancer in various townships, towns, cities and regions, so as to continue to make contribution of promoting health of the mass.

The Company was listed on the stock market on March 27, 2023. The increased listed cash capital has improved the Company's financial structure, and also increased the Company's market visibility and stock liquidity, making it more convenient for future fund raising of the Company; the stocks being listed on stock exchanges also enhanced the customers' confidence in the Company's being able to make long-term and stable supply, thus laying a good foundation

for subsequent expansion and development.

1.1.1 Results of Business Plan Implementation

For 2023, net operating revenue of the Company was NT\$1,837,116 thousand, with a decrease of 2.6% compared with the previous year. The main cause was that the unit price of amorphous silicon component products fell due to market competition, as well as some customers made delayed marketing of new products and adjustment of the product portfolio, while the proportion of the Company's module products and system products for industrial testing purpose increased, which has reduced impact of price competition. For 2023, the net profit attributable to shareholders of the Company was NT\$116,658 thousand, with a decrease of 41.3% compared with the previous year, and the earnings per share was NT\$3.00.

1.1.2 Results of Budget Execution

No financial forecast has been disclosed for 2023, therefore there is no need to disclose budget execution.

1.1.3 Analysis of Financial Income and Expenditure and Profitability

Item		2022	2023
Financial structure (%)	Debts to assets ratio	59.17	43.36
	Ratio of long-term capital to property, plant, and equipment	411.22	635.85
Solvency	Current ratio (%)	158.56	218.89
	Quick ratio (%)	112.14	151.00
	Time interest earned (times)	46.80	17.75
Profitability	Return on assets (%)	10.96	5.74
	Return on equity (%)	27.35	11.10
	Operating profits as a percentage of paid-in capital (%)	24.11	7.75
	Net profits before tax as a percentage of paid-in capital (%)	67.63	30.55
	Net profit margin (%)	10.53	6.35
	Earnings per share (NT\$)	5.62	3.00

1.1.4 Status of Research and Development

With development and design of thin-film transistor-photodiode (TFT-PD) structure, detector module and X-ray testing imaging analysis as the core technology, the Company mainly develops X-ray flat panel detector related products based on this core technology, with the product categories covering components, modules, testing system and other different types, and they are mainly used for digital X-ray testing system in testing fields such as medical treatment and industrial manufacturing, etc. Since this type of testing system requires high precision, high reliability and durability, the product development and design verification often lasts for several years, so the product life cycle is generally over 5 to 7 years, and some even cost more than 10 years.

Since X-ray has different penetration capacities for objects with different thickness and materials, by analyzing the difference of X-ray energy at different wavelengths after penetrating the measured object, the internal structure of the human body and the object can be visualized and interpreted, so it is irreplaceable in the field of testing. In recent years, with development of AI technology, there has been rapid growth in both imaging analysis speed and accuracy, and it can be expected that with advance in AI assisted imaging analysis technology, the application fields and types X-ray detecting will continue to expand in the future. In addition, for the X-ray flat panel detector using thin-film transistor-photodiode (TFT-PD) technology, due to its advantage of easy to large size, therefore, together with the new generation of high-frame-rate technological upgrading, it will make the large-size dynamic testing more cost-efficient than before, and the market size of such part is increasing rapidly, which is estimated to be the key factor that drives growth of the Company in recent years.

In order to continuously build competitiveness of both technologies and products, the Company is now devoted to R&D of new generation of high-frame-rate pixel structure and process, component design of high-pixel fill factor, new generation of scintillator process, as well as increasing and updating product lines of X-ray detector module. In addition, the Company also increases investment in research and development of equipment for non-destructive industrial testing. In the field of AI imaging analysis technology, the Company accelerates its development by making independent development and cooperating with external partners. The expenses for research and development was NT\$228,278 thousand in 2023, accounting for 12.4% of net income from operations. In 2023, the Company had total 51

new domestic and foreign patients that were either approved or under application, showing the development achievements of the R&D team. In the future, we will continue to invest R&D resources, launch high-quality and high-value-added products, as well as improve customer adhesion and market competitiveness. In the meantime, the Company will also regularly review the patent portfolio that it holds and patent application status of the competitors, so as to guarantee maximum benefit as much as possible in terms of patent layout and related expenditures.

1.2 Summary of Business Plan for 2024

1.2.1 Business Guidelines

Core competitiveness of the Company comes from the thin-film transistor-photodiode (TFT-PD) technology as continuously accumulated by the R&D team, it continuously invests in the research and development of advanced technologies and products, and based on which integrates the design, manufacturing, and supply chain dispatching capabilities of components and modules; our goal is to expand the base of targeted customers, and enhance customer adhesion, as well as expand application fields, product application modes and target market size through leading technologies and integrated one-stop shopping services.

On this basis, our X-ray flat panel detector device products focus on increasing the penetration of new technologies and applications, increasing sales of high value products, and continuing to invest in the improvement of product specifications, yields, and quality stability, obtain more customers and new product cases and expand the customer base by virtue of constantly advanced technologies and quality, so as to achieve better profits. However, the development of X-ray flat panel detector module (FPD) products will focus on expanding the product line and enhancing the breadth of customer base, and improving the product lines of static/dynamic, hard/soft, standard/high-resolution and other different products; for market expansion, continue to expand the OEM/ODM customer layout for medical and veterinary FPD products, as well as continue to explore and deepen sales channels and increase sales volume in emerging countries based on achievements made in 2023, so as to achieve scale benefit and increased profit from product development and production. On the other hand, the X-ray detection has high development potential in the industrial and manufacturing sectors, and is now being converted to practical sales performance gradually, besides, the penetration rate of TFT-PD technology products in dynamic detection will gradually increase, so we plan to increase the resource and personnel allocation for R&D and sales of industrial detection systems.

The Company mainly implements the following operation management policies and guidelines:

1. Insist on supplying high-efficiency and high-quality detector products, to improve customer satisfaction;
2. Accelerate development of new technologies and new products, continue to promote new technologies and products, and improve shipment proportion of the products with high profitability;
3. Enhance OEM/ODM service capacity for module products;
4. Expand the market of industrial non-destructive testing products;
5. Continue to improve operation and supply chain management, optimize the cost structure, and while expanding the shipment volume and custom base, improve the contributive net profit per unit of product;
6. Be devoted to sustainable development of the enterprise, and from product development to daily operation decision-making, take impact of ESG level into account in a more extensive way.

With the mission of “providing a full range of reliable X-ray image sensing solutions”, the Company continues to promote R&D innovation in X-ray detection and medical imaging fields, and implement the product strategy of technical value maximization and profit orientation. Through innovative technologies, products and business models, the Company will cooperate with upstream and downstream partners in global supply chain to create new business opportunities, and make a global layout to achieve continuous growth in revenue and profit. The Company is also actively strengthening long-term competitiveness and financial position, and moving toward our corporate vision of “perceiving the future to enrich the current performance, and using AI smart vision to protect health and safety”.

The concept of sustainable enterprise development has continued to develop in recent years, where, it is expected by the society that the enterprises could show their value of making contribution to the society, and then by laying emphasis on environmental protection and corporate governance, further improve interest of the shareholders and all stakeholders. The Company will comply with the international trend, to add the spirit and activities of sustainable development to all operation levels of the Company, so please all shareholders continue to show your support and encouragement.

1.2.2 Expected Sales Volume and Basis

The Company's main products are X-ray flat panel detector devices and modules for digital radiography systems. At present, our products are mainly used in human and animal medical applications, as well as industrial testing products. Digital radiography system is a commercialized product and one of the widely used detection technologies, while the X-ray flat panel detector is its core component. According to the data of MarketsandMarkets Research (a market research company), the market of X-Ray Detectors, which cover veterinary, medical, dental, industrial and security detection fields, reached US\$3.1 billion in 2022 and is expected to reach US\$4 billion in 2027, with a compound annual growth rate of 5.2%. Therefore, this is a continuously and steadily growing market. In addition, technical progress improves the performance and application fields of the products. In such an industry environment, the Company expects the sales of X-ray flat panel detectors will continue to grow steadily in 2024.

1.2.3 Key Production and Sales Policies

The Company is mainly engaged in customized products, and provide design, production, and supply chain dispatching services to OEM/ODM customers. The production capacity and inventory plan are adjusted based on customer orders and the market outlook of our sales team, and the safety inventory level of raw materials is adjusted taking into account the supply chain status.

1.3 Future Company Development Strategy

As a provider of X-ray flat panel detector solutions, the Company mainly provides customers with a full range of one-stop products and services including X-ray flat panel detector device, module OEM/ODM, X-ray detection equipment, and supply chain services using TFT-PD as the main technology. Looking forward into the development of Smart Medicine and Industry 4.0, the Company will continue to invest in the development of AI image analysis, intelligent service platform, and industrial detection products to increase new growth potential.

The in-depth technologies and long-term accumulation of customer trust are our most valuable intangible assets, therefore, we will continue to invest in research and development, so as to build fast and good service capabilities, and strive to improve both quality and value of products, making such intangible assets continue to thrive. We will regard the actions that can't provide value-added to long-term technology development, product and service, finance and cash flow as a waste of operating energy, and we will struggle to reduce such circumstances and continue to improve our operation. On the other hand, we will also make repeated analysis and review of the plans that are expected to proceed or under progress, guarantee that the benefits can reach our target level, give up the plans that can't reach the target, and reallocate the resources efficiently. No matter the plans are successful or failed, we will continue to learn from them and convert into the nutrients for our progress.

Excellent talents are the cornerstone for our continuous growth and excellent operation, therefore, we will continue to actively recruit and cultivate talents in various fields required by the Company. INCX expects that the employees can be equipped with invention and creation capacity, can have macroscopical thinking, can make careful planning and act rapidly, can actively create long-term benefit for the customers and shareholders, following which principle we will also make and execute long-term talent development plan.

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

The inflation brought by the economic stimulus policies in the United States and Europe during the Russo-Ukrainian War and the COVID-19 period was suppressed by the rapid increase of interest rate, but it also had a significant depressing effect on investment and consumption. As inflation cools down, the measure for increasing interest rate in the USA and EU is estimated to come to an end in 2023, and they may turn to lower the interest rate in 2024, by then there might be a wild fluctuation in USD exchange rate, which may also bright many uncertainties to business environment all over the globe.

As of the Annual Report's publication date, there has been no adversely impact on financial or business of the Company and its subsidiaries due to any policy and law changed. The Company's quality system has passed ISO 13485 and ISO 9001 certifications, the Taiwan plant has obtained GMP certification, and the medical device products have been certified by TFDA of the Ministry of Health and Welfare and USA FDA for marketing. The Company and its

subsidiaries have always operated in compliance with relevant domestic and foreign laws and regulations. All the Company's teammates would be closely watchful of potential changes in major policies and laws and ordinances concerned at home and abroad. Through such efforts we shall be able to take right countermeasures in real-time to minimize the potential impact upon the financial standing and business of the Company and its subsidiaries which might be incurred by major policies at home and abroad and change in laws.

INCX has always been grateful to the customers for selecting and trusting in our products and services, to every shareholder for their support and encouragement, and to every colleague for their hard work day after day, thank you very much! Lastly, I wish everyone good health and the best of luck. Thank you.

Chairman: Chu-Hsiang Yang

Managerial Officer: Chih-Sheng Lee

Chief Accountant: Chung-Wei Huang

II. Company Profile

2.1 Date of Incorporation: April 2, 2019

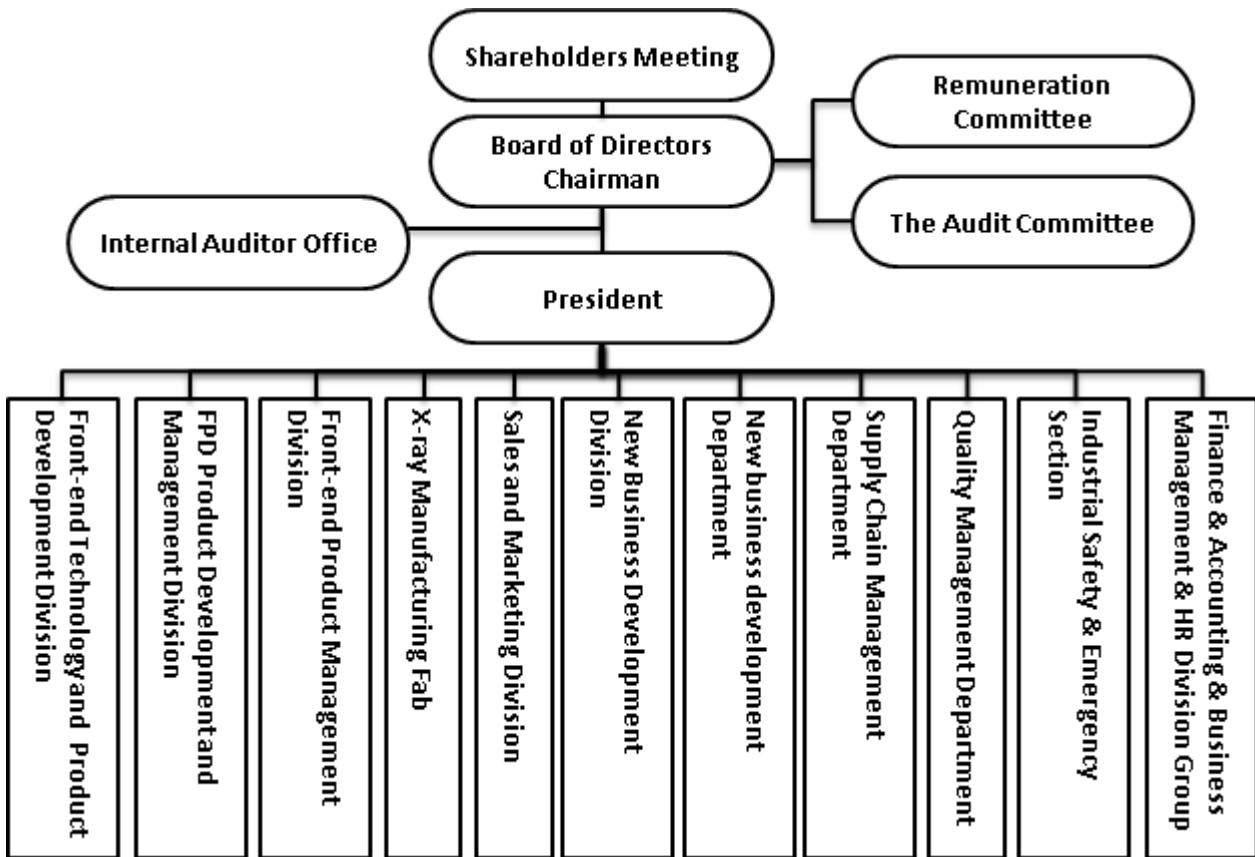
2.2 Company History

Year	Important Events
April 2019	Established InnoCare Optoelectronics Corporation Established the US subsidiary, InnoCare Optoelectronics USA, Inc.
June 2019	Established the Japanese subsidiary, InnoCare Optoelectronics Japan Co., Ltd.
September 2019	Obtained “License for Pharmaceutical Manufacturer” issued by the Republic of China
October 2019	Obtained the approval of USA FDA for FPD products
November 2019	Obtained ISO13485 certification
April 2020	Passed the Good Manufacturing Practice (GMP) for medical devices of the Republic of China
June 2020	Realized mass production of IGZO products Yushan series products obtained the medical device license (TFDA) from the Ministry of Health and Welfare, Republic of China
October 2020	Tainan plant obtained ISO14001 certification Tainan plant obtained ISO45001 certification Yushan series products passed FDA 510(k) review
March 2021	Yushan series products obtained EU CE certification Established the Netherlands subsidiary, Innocare Optoelectronics Europe B.V.
April 2021	Passed the “Industrial Upgrading and Innovation Platform Guidance Program” of Industrial Development Bureau, Ministry of Economic Affairs
May 2021	Obtained ISO9001 certification
September 2021	Effective registration of Public offering of the Company's shares
November 2021	Taipei Exchange approved the Company's shares to be offered to the public
February 2022	Southern Precision Health Industry Cluster Promotion Program applied for approval
April 2022	Flexible substrate series of ODM product Yushan obtained the Medical Device License (TFDA) from the Ministry of Health and Welfare of the Republic of China and the USA FDA license
June 2022	Obtained "Opinions on the Marketability of Science and Technology Enterprises" from from Industrial Development Bureau, Ministry of Economic Affairs
July 2022	Launched the “Southwest Coast Ten Thousands People Action X-ray Early Lung Cancer Screening Project” with College of Medicine, National Cheng Kung University
November 2022	IGZO next-generation snow mountain Sylvia dynamic capture X-Ray flat panel detector won the Bronze Award of “2022 SDIA Award for Forward-Looking Displays”
December 2022	“Smart X-Ray Flat Panel Detector” won the “19th National Innovation Award - Enterprise Innovation Award”
March 2023	The Company was listed on the Taiwan Stock Exchange on March 27.
November 2023	The Company's “Ridge X-Ray Flat Panel Detector” won excellent works of “2023 SDIA Award”
December 2023	The Company won the honor of “2024 Taiwan Excellence Award” and “National Innovation Award - Enterprise Innovation Award” by virtue of “Snow Mountain Dynamic X-ray Flat Panel Detector”

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Name of Department	Responsibilities
Front-end Technology and Product Development Division	<ol style="list-style-type: none"> 1. Design and development of X-ray flat panel detector devices 2. Research on next-generation detector devices technology and process 3. Technical support for customers during product introduction
FPD Product Development and Management Division	<ol style="list-style-type: none"> 1. Design and development and progress management of X-ray flat panel detector module (FPD) products 2. Image analysis and software service development 3. Technical service and after-sales service for X-ray flat panel detector module products
Front-end Product Management Division	Product planning and development progress management of X-ray flat panel detector devices
X-Ray Manufacturing Fab	<ol style="list-style-type: none"> 1. Production of all products of the Company 2. Automated development of production process
Sales and Marketing Division	<ol style="list-style-type: none"> 1. Planning sales strategies and setting sales targets 2. A window for understanding customer product demand and maintaining customer relationship 3. Customer order quotation, review, shipment arrangement and collection follow-up
New Business Development Division	<ol style="list-style-type: none"> 1. Development and design of industrial detection system related products 2. Marketing and sales planning of industrial detection system products 3. Customers quotation, review, shipment arrangement and collection follow-up of industrial detection systems
New Business Development Department	<ol style="list-style-type: none"> 1. Promotion and management of various external cooperation projects 2. Pre-planning and preparation of new products and services 3. Development of sales channels in emerging markets 4. Market development of new products and services
Supply Chain Management Department	<ol style="list-style-type: none"> 1. Bargaining and procurement of raw materials, equipment and production tools 2. Planning for strategic supplier 3. Planning for inventory level of production materials and incoming schedule 4. Import/export customs declaration and shipment arrangements
Quality Management Department	<ol style="list-style-type: none"> 1. Planning and maintenance of quality management system 2. Department responsible for planning, execution, and verification of the Company's quality management
Industrial Safety & Emergency Section	<ol style="list-style-type: none"> 1. Planning for environmental protection and work safety, and supervision of the implementation 2. Promotion of health and hygiene education of the Company
Finance & Accounting & Business Management & HR Division Group	<ol style="list-style-type: none"> 1. Responsible for financing, investment, capital management and credit control of the Company 2. Responsible for accounting, accounts receivable, tax management, expense management and operating performance analysis 3. Stock affairs, investor relations and public relations 4. Planning and promotion of recruitment, education and training, compensation, rewards and punishments, and employee benefits 5. Management of production scheduling and delivery plans 6. Management of production capacity planning and capital expenditure in accordance with operational strategies 7. Planning and management of company-wide information system and various information software and hardware equipment
Internal Auditor Office	<ol style="list-style-type: none"> 1. Drafting annual audit plan 2. Conducting audits in accordance with the audit plan approved by the Board of Directors 3. Conducting special audits as directed by the Board of Directors/Chairman

3.2 Directors and Management Team

3.2.1 Directors

March 26, 2024; Unit: Shares

Title	Nationality/ Place of registration	Name (Note 1)	Gender /Age	Date Elected	Term (Y)	Date First Elected	Shareholding when Elected		Current Shareholding		Shareholding of spouse and underage children		Shares held through nominees		Experience (Education)	Other Position	Spouse or relatives of second degree or closer acting as managerial officer or director		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	TW	Innolux Corporation	—	2021.11.05	3	2019.04.02	20,500,000	50.91	20,200,000	50.17	—	—	—	—	—	—	—	—	—
		Representative: Chu-Hsiang Yang	Male 50-59 yrs. old	2021.11.05		2019.04.02	N.A.	—	308,388	0.77	—	—	—	—	M.S., Chemical Engineering, National Central University President, Innolux Corporation Associate VP, Chi Mei Optoelectronics Corporation	Note 2	—	—	—
Corporate Director	TW	Innolux Corporation	—	2021.11.05	3	2019.04.02	20,500,000	50.91	20,200,000	50.17	—	—	—	—	—	—	—	—	—
		Representative: Tien-Jen Lin	Male 60-69 yrs. old	2021.11.05		2021.11.05	N.A.	—	32,000	0.08	—	—	—	—	M.S., Electronics Engineering, National Taiwan University Associate VP, Innolux Corporation Consultant of President Office, Unity Opto Technology Co., Ltd. Director of Product Development Division Group, Chi Mei Optoelectronics Corporation	Note 3	—	—	—

Title	Nationality/ Place of registration	Name (Note 1)	Gender /Age	Date Elected	Term (Y)	Date First Elected	Shareholding when Elected		Current Shareholding		Shareholding of spouse and underage children		Shares held through nominees		Experience (Education)	Other Position	Spouse or relatives of second degree or closer acting as managerial officer or director		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	TW	Jyh-Chau Wang	Male 60-69 yrs. old	2021.11.05	3	2021.11.05	20,588	0.05	58,838	0.15	—	—	—	—	M.S., Materials Engineering, National Tsing-Hua University Chairman, Innolux Corporation Vice President, Chi Lin Technology Co., Ltd. Deputy Plant Director, Unipac Optoelectronics Corp. Associate Researcher, Material Research laboratories, Industrial Technology Research Institute	Note 4	—	—	—
Director	TW	Ta-Lun Huang	Male 60-69 yrs. old	2021.11.05	3	2021.11.05	—	—	—	—	—	—	—	—	MBA, University of Michigan, Ann Arbor Partner, AsiaVest Partners, TCW/YFY Ltd.	Note 5	—	—	—
Independent Director	TW	Hung-Chi Li	Male 50-59 yrs. old	2021.11.05	3	2021.11.05	—	—	—	—	—	—	—	—	MBA, George Washington University, USA President, Yuanta Securities Co., Ltd. Managing Director, Deutsche Securities Asia, Taipei Branch, Hong Kong Managing Director, Credit Suisse Securities Limited, Taipei Branch, Switzerland Managing Director, Barclays Securities Limited, Taipei Branch, United Kingdom	CEO, Quantum International Corp.	—	—	—

Title	Nationality/ Place of registration	Name (Note 1)	Gender /Age	Date Elected	Term (Y)	Date First Elected	Shareholding when Elected		Current Shareholding		Shareholding of spouse and underage children		Shares held through nominees		Experience (Education)	Other Position	Spouse or relatives of second degree or closer acting as managerial officer or director		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	TW	Chi-Tsung Huang	Male 60-69 yrs. old	2021.11.05	3	2021.11.05	—	—	—	—	—	—	—	—	Department of Mechanical Engineering, Tatung University President, Taiwan Medical and Biotech Industry Association Advisory Committee Member, Engineering Technology Promotion Center, Ministry of Science and Technology	Note 6	—	—	—
Independent Director	TW	Yi-Hung Chou	Male 70-79 yrs. old	2021.11.05	3	2021.11.05	—	—	—	—	—	—	—	—	School of Medicine, Taipei Medical University Academic Vice President, Yuanpei University of Medical Technology Chair Professor, Yuanpei University of Medical Technology	Note 7	—	—	—

Note 1: Existing Directors as of the date of the annual report.

Note 2: Concurrently as Directors: KA Imaging Inc., Yuan Chi investment co., Ltd. (Statutory representative), CarUX Technology Taiwan Inc. (Statutory representative), Epileds Technologies, Inc. (Statutory representative), GIO Optoelectronics Corp. (Statutory representative), InnoJoy Investment Corporation (Statutory representative), Innolux Corporation, FI Medical Device Manufacturing Co., Ltd. (Statutory representative), Ningbo CarUX Technology Co. Ltd. (Statutory representative).

Concurrently as President: Innolux Corporation

Note 3: Concurrently as Directors: Innolux Europe B.V., Innolux Technology Germany GmbH

Note 4: Concurrently as Chairman: Innolux Education Foundation

Concurrently as Chairman & CEO: eLux Inc.

Concurrently as Director: Innolux Corporation

Note 5: Concurrently as Chairman and Director of Strategic Development Office of GCS Holdings, Inc. (British Cayman Islands)

Concurrently as Directors: Shanghai Zhoujia Optoelectronics Co., Ltd., Amulaire Thermal Technology, Inc., Unicorn Semiconductor Corp., GCS Device Technologies, Co., Ltd. (Statutory representative), Parade Technologies, Ltd.

Concurrently as Independent Director: Systex Corporation

Note 6: Chairman and President of Apex Health Care Mfg., Inc., Chairman of Road Social Enterprise Co., Ltd., Member of the Enterprise Advisory Committee of Yunlin-Chiayi-Tainan Area, Executive Yuan, and Advisor of Taiwan Bio-medical Care Association

Note 7: Special Physician, Department of Radiology, Taipei Veterans General Hospital; Adjunct Professor of National Yang Ming Chiao Tung University

Note 8: Where the chairman and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures: None.

1. Major shareholders of the institutional shareholders

March 26, 2024

Name of institutional shareholders	Major shareholders of the institutional shareholders
Innolux Corporation (Note)	Hyield Venture Capital Co., Ltd. (1.67%), Norges Bank-fund mgr Neuberger Berman Europe Limited (1.53%), Hon Hai Precision Components Co., Ltd. (1.40%), TaipeiFubon Bank in custody for Innolux Corporation Trust Account (1.33%), Point72 Associates, LLC (1.23%), Foxconn Technology Co., Ltd. (1.21%), Hua Zhun Investments Co., Ltd. (1.15%), Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (0.88%), Government of Singapore (0.85%), iShares Core MSCI Emerging Markets ETF (0.82%)

Note: The information is derived from the close of registrar information of the Company dated April 2, 2023.

2. Major shareholders of the Company's major institutional shareholders

March 26, 2024

Name of institutional shareholders	Major shareholders
Hyield Venture Capital Co., Ltd.	Hon Hai Precision Components Co., Ltd. (97.95%), Pao Shin International Investment Co., Ltd. (2.05%)
Norges Bank-fund mgr Neuberger Berman Europe Limited	N.A.
Hon Hai Precision Ind. Co., Ltd. (Note)	Tai-Ming Gou (Terry Gou) (12.56%), Government of Singapore (2.78%), New Labor Pension Fund (1.64%), LGT Bank AG (1.20%), Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.19%), JPMorgan Chase Bank Hosting Vanguard STAR Developed Markets Index Fund (1.14%), Norges Bank-fund mgr Neuberger Berman Europe Limited (1.06%), Citibank Hosting Hon Hai Precision Industry Co., Ltd. Depository Receipts Account (1.06%), CTBC Bank Hosting Yuanta/P-shares Taiwan Top 50 ETF (0.89%), iShares Core MSCI Emerging Markets ETF (0.82%)
TaipeiFubon Bank in custody for Innolux Corporation Trust Account	N.A.
Point72 Associates, LLC	N.A.
Foxconn Technology Co., Ltd. (Note)	Hon Hai Precision Components Co., Ltd. (9.88%), Pao Shin International Investment Co., Ltd. (8.92%), Hyield Venture Capital Co., Ltd. (6.01%), Shin Shen Investments Co., Ltd. (4.70%), Hon Yuan International Investments Co., Ltd. (2.41%), Hon Chi International Investments Co., Ltd. (2.25%), LGT Bank AG (2.11%), Norges Bank-fund mgr Neuberger Berman Europe Limited (1.11%), Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.09%), JPMorgan Chase Bank Hosting Vanguard STAR Developed Markets Index Fund (1.04%),
Hua Zhun Investments Co., Ltd.	Foxconn Technology Co., Ltd. (100%)
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	N.A.
Government of Singapore	N.A.
iShares Core MSCI Emerging Markets ETF	N.A.

Note: The information is derived from the close of registrar information of the Company dated April 2, 2023.

3. Disclosure of professional qualifications and independence analysis of directors

(1) Professional qualifications and experience for directors

Name / Title	Professional qualifications and experience
Chairman Innolux Corporation Representative: Chu-Hsiang Yang	M.S., Chemical Engineering, National Central University. Mr. Yang is the Chairman of the Company. He possesses almost 30 years of display industry and over 5 years of work experience in Commerce, Finance and otherwise necessary for the Business of the Company. He possesses international perspectives and the ability to make professional market competition judgments, leading innovatively, conducting management administration, planning strategies and conducting crisis management to lead the Company to become an industry pioneer and move towards sustainable management.
Director Innolux Corporation Representative: Tien-Jen Lin	M.S., Electronics Engineering, National Taiwan University. He has nearly 28 years of experience in the complete TFT-LCD industry, and is specialized in IC design, CCD image and display drive circuit system design. He possesses over 5 years of work experience in commerce and otherwise necessary for the business of the Company, international perspectives and the ability to make professional market competition judgments, leading innovatively, and conducting management administration.
Director Jyh-Chau Wang	M.S., Materials Engineering, National Tsing-Hua University. Over 30 years of experience in flat display industry. He experiences in manufacturing and R&D of the display industry and has extensive business experience. He possesses over 5 years of work experience in commerce, finance and otherwise necessary for the business of the Company, internal perspectives and the ability to make professional market competition judgments, leading innovatively, conducting management administration, planning strategies and conducting crisis management.
Director Ta-Lun Huang	M.B.A., University of Michigan, Ann Arbor. He is Chairman and Director of Strategic Development Office of GCS Holdings, Inc. (British Cayman Islands), and has over 14 years of rich industry experience, over 5 years of work experience in commerce, finance and otherwise necessary for the business of the Company, and the ability to conduct corporate governance, finance, commerce, marketing, and industry-related operational planning.
Independent Director Hung-Chi Li	M.B.A., George Washington University, USA. He is now the CEO of Quantum International Corp. and the convener of the Company's Audit Committee and Remuneration Committee. He has more than 22 years of experience in finance, securities, finance, and investment related fields, with insight into corporate governance, financial analysis, and industry development.
Independent Director Chi-Tsung Huang	Bachelor, Department of Mechanical Engineering, Tatung University. He is now Chairman and President of Apex Health Care Mfg., Inc., and is a member of the Company's Audit Committee and Remuneration Committee. He has over 32 years of experience in industrial operations, with more than 5 years of experience in commerce, finance and otherwise necessary for the business of the Company, and the ability to conduct corporate governance, finance, commerce, marketing and industry-related operational planning, operation and management practices.
Independent Director Yi-Hung Chou	Bachelor, School of Medicine, Taipei Medical University. He is now Adjunct Professor of School of Medicine, National Yang Ming Chiao Tung University, and a member of the Company's Audit Committee and Remuneration Committee. He has over 18 years of academic research experience in medical imaging and radiology technology, and specializes in academic research on medical imaging and radiology technology. He has over 5 years of professional qualification as a lecturer or above in a public or private college or university with a department related to the Company's business.

(2) Independence of directors

Name / Title	Independence	Number of positions as independent director in other public companies
<p>Chairman Innolux Corporation Representative: Chu-Hsiang Yang</p>	<p>Two years before being elected or during the term of office meets the following criteria in:</p> <ol style="list-style-type: none"> (1) Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (2) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (3) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (4) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (5) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (6) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions. (7) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company. (8) Not having any of the situations set forth in Article 30 of the Company Act of the ROC. 	None
<p>Director Innolux Corporation Representative: Tien-Jen Lin</p>	<p>Two years before being elected or during the term of office meets the following criteria in:</p> <ol style="list-style-type: none"> (1) Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (2) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders. (3) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not 	None

Name / Title	Independence	Number of positions as independent director in other public companies
	<p>applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(4) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(5) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(6) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(7) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.</p> <p>(8) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company.</p> <p>(9) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.</p>	
<p>Director Jyh-Chau Wang</p>	<p>Two years before being elected or during the term of office meets the following criteria in:</p> <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).</p> <p>(5) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(6) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of</p>	<p>None</p>

Name / Title	Independence	Number of positions as independent director in other public companies
	<p>the same parent company in accordance with the Act or with local laws).</p> <p>(7) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(8) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(9) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company.</p> <p>(11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.</p> <p>(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.</p>	
<p>Director Ta-Lun Huang</p>	<p>Two years before being elected or during the term of office meets the following criteria in:</p> <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).</p> <p>(5) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(6) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(7) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the</p>	<p>1</p>

Name / Title	Independence	Number of positions as independent director in other public companies
	<p>subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(8) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(9) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company.</p> <p>(11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.</p> <p>(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.</p>	
<p>Independent Director Hung-Chi Li</p>	<p>Two years before being elected or during the term of office meets the following criteria in:</p> <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).</p> <p>(5) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(6) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(7) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(8) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases</p>	<p>None</p>

Name / Title	Independence	Number of positions as independent director in other public companies
	<p>where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(9) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company.</p> <p>(11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.</p> <p>(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.</p>	
Independent Director Chi-Tsung Huang	<p>Two years before being elected or during the term of office meets the following criteria in:</p> <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).</p> <p>(5) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(6) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(7) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(8) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(9) Not a professional individual who, or an owner, partner, Director, supervisor,</p>	None

Name / Title	Independence	Number of positions as independent director in other public companies
	<p>or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company.</p> <p>(11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.</p> <p>(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.</p>	
<p>Independent Director Yi-Hung Chou</p>	<p>Two years before being elected or during the term of office meets the following criteria in:</p> <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).</p> <p>(5) Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(6) Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Director seats or shares with voting rights (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(7) Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(8) Not a Director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(9) Not a professional individual who, or an owner, partner, Director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender</p>	<p>None</p>

Name / Title	Independence	Number of positions as independent director in other public companies
	Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions. (10) Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company. (11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC. (12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.	

4. Diversity and independence of the Board

The Company stipulates guidelines for diversity in its Corporate Governance Principles to strengthen the function of the Board of Directors. The nomination and election of the Company's Board members are in accordance with the provisions of its Articles of Incorporation, adopting the candidates' nomination system and submitted to the shareholders meeting for election upon the Board of Directors' resolution. According to Article 20, Paragraph 4 of the Corporate Governance Principles of the Company, all Board members shall have the knowledge, skills and experience necessary to perform their duties. To achieve the ideal goal of corporate governance. The Board of Directors shall possess the following abilities:

- (1) Ability to make operating judgments.
- (2) Ability to perform accounting and financial analysis.
- (3) Ability to conduct management administration.
- (4) Ability to conduct crisis management.
- (5) Knowledge of the industry.
- (6) An international market perspective.
- (7) Ability to lead.
- (8) Ability to make policy decisions.

To strengthen corporate governance and promote the sound development of the Board of Directors' composition and structure, the Company's policy on diversity of board members per Article 20, Paragraph 3 of its Corporate Governance Principles indicates that: the composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company managerial officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

- (1) Basic requirements and values: Gender, age, nationality, and culture.
- (2) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology,) professional skills and industry experience.

The Company's current Board of Directors consists of 7 directors, including 4 non-executive directors and 3 independent directors. All members possess knowledge of finance, business and industry; an international market perspective; and professional ability to lead, make an operating judgment, manage the business and do crisis management. There are not any matters specified in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act. Directors who are also employees of the Company account for 0% of the Board. Independent directors account for 42.86%. Female directors account for 0%. Three independent directors has served for less than 3 years. Two directors are aged 50-59. Four directors are aged 60-69 and one director is aged 70-79. The Company values gender equality in the composition of the Board of Directors and has set a target of 15% or more female directors. We expect to elect one female director to the next Board of Directors to achieve the target. Implementation of the diversity of the Board members is as follows:

Title	Name	Basic requirements and values						Professional knowledge and skills									Seniority of Independent Director
		Nationality	Gender	Current positions in the Company	Age			Operational Judgments	Management Administration	Accounting & Financial analysis	Business & Economics	Crisis Management	Knowledge of the industry	International market perspective	Ability to lead and to make policy decisions	Below 3 years	
					50-59 yrs. old	60-69 yrs. old	70-79 yrs. old										
Corporate Director Chairman	Chu-Hsiang Yang	TW	Male	—	√	—	—	√	√	√	√	√	√	√	√	√	—
Representative of Corporate Director	Tien-Jen Lin	TW	Male	—	—	√	—	√	√	√	√	√	√	√	√	√	—
Director	Jyh-Chau Wang	TW	Male	—	—	√	—	√	√	√	√	√	√	√	√	√	—
Director	Ta-Lun Wang	TW	Male	—	—	√	—	√	√	√	√	√	√	√	√	√	—
Independent Director	Hung-Chi Li	TW	Male	—	√	—	—	√	√	√	√	√	√	√	√	√	√
Independent Director	Chi-Tsung Huang	TW	Male	—	—	√	—	√	√	√	√	√	√	√	√	√	√
Independent Director	Yi-Hung Chou	TW	Male	—	—	—	√	—	√	√	—	√	√	√	√	√	√

Specific management objectives of the Board’s diversity policy and their achievement

Management Objectives	Achievement
The number of directors who are also managerial officers of the Company should not exceed one-third of the total number of directors	Achieved
The Board members contains at least one female director	Not achieved
Independent directors shall serve no more than three consecutive terms	Achieved

The Board of Directors shall direct the Company’s strategy, supervise the management team, be responsible to the Company and shareholders, and make arrangements for the various operations and arrangements of the Company’s governance system to ensure that it exercises its authorities in accordance with laws and regulations, the Company’s Articles of Incorporation or the resolutions of the shareholders’ meeting. The Board of Directors emphasizes the function of independent operation and transparency, and the directors and independent directors are independent individuals who exercise their duties and powers independently. The three independent directors also comply with the relevant laws and regulations, together with the duties and powers of the Audit Committee, they will review the control of the Company's existing or potential risks, so as to supervise the effective implementation of the Company's internal controls, the election (dismissal) and independence of certified public accountants, and proper preparation of financial statements. In addition, in accordance with the Company's “Procedures for Election of Directors”, a cumulative voting system and a candidate nomination system are adopted for the election of directors and independent directors, and shareholders are encouraged to participate. Shareholders holding more than a certain number of shares can propose a list of candidates. The examination of the candidates' qualifications and the confirmation of whether there is any violation of Article 30 of the Company Act are conducted and announced in accordance with the law, so as to protect the shareholders' rights and interests, avoid monopoly or excessive abuse of nomination rights, and maintain independence.

3.2.2 Management Team

March 26, 2024; Unit: shares

Title	Nationality	Name (Note 1)	Gender	Date Effective	Shareholding		Shareholdings of spouse and underage children		Shares held through nominees		Experience (Education)	Other Position	Spouse or relatives of second degree or closer acting as managerial officer		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	TW	Chih-Sheng Lee	Male	2019.09.01	90,000	0.22	—	—	—	—	M.S., Optoelectronics Research Institute, National Yang Ming Chiao Tung University Sales Deputy GM, Innolux Corporation	Chairman, Ningbo Innolux Electronics Ltd. Chairman, InnoCare Optoelectronics Japan Co., Ltd. Director, InnoCare Optoelectronics USA, Inc.	—	—	—
Associate VP	TW	Chien-Lang Lo	Male	2020.07.01	76,000	0.19	—	—	—	—	MBA, Financial Investment Institute, Bernard M. Baruch College-CUNY Division Group Director, Innolux Corporation Associate Manager, Sumitomo Mitsui Banking Corporation, Japan Associate Manager, The Hong Kong and Shanghai Banking Corporation Supervisor, MUFG Bank, Ltd., Japan	Director, InnoCare Optoelectronics Japan Co., Ltd. Director, Ningbo Innolux Optoelectronics Co., LTD Director, Ningbo Innolux Display LTD	—	—	—
Division Director	TW	Ming-Hsien Sun	Male	2019.09.01	39,600	0.10	—	—	—	—	M.S., Graduate Institute of Electronics Engineering, National Taiwan University Division Director, Innolux Corporation Associate Manager, TPO Displays Corp.	Director, InnoCare Optoelectronics Japan Co., Ltd.	—	—	—
Division Director	TW	Tun-Jen Cheng	Male	2019.09.01	24,600	0.06	—	—	—	—	M.S., Institute of Electronics Engineering, University of Southern California Deputy Business Director, Innolux Corporation Deputy Director, Chi Mei EL Corporation Manager, Chi Mei Optoelectronics Corporation	—	—	—	—
Division Director	JP	Fujisawa Yoshinori	Male	2020.11.01	—	—	—	—	—	—	BA, in Economics, Chiba University-Chiba, Japan Director, Innolux Japan Co., Ltd.	President, InnoCare Optoelectronics Japan Co., Ltd.	—	—	—

Title	Nationality	Name (Note 1)	Gender	Date Effective	Shareholding		Shareholdings of spouse and underage children		Shares held through nominees		Experience (Education)	Other Position	Spouse or relatives of second degree or closer acting as managerial officer		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Plant Director	TW	Yi-Chien Li	Male	2022.01.28	49,400	0.12	—	—	—	—	M.S., Institute of Microelectronics Engineering of National Cheng Kung University Manager, Innolux Corporation Assistant Engineer, Taiwan Semiconductor Manufacturing Company Limited	—	—	—	
Financial Officer Accounting Officer	TW	Chung-Wei Huang	Male	2021.08.01	48,149	0.12	—	—	—	—	MBA, International Business Institute of National Cheng Kung University Manager, Innolux Corporation Chief Internal Auditor, Taiwan Pulp & Paper Corp. Manager, Luxshare Precision Industry Co., Ltd.	Supervisor, Ningbo Innolux Electronics Ltd.	—	—	—

Note 1: Existing Managerial Officers as of the printed date of the annual report.

Note 2: Where the chairman and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures : None.

3.3 Remuneration of Directors, President, and Vice President

3.3.1 Remuneration to Directors and Independent Directors

Unit: NT\$ thousand; thousand shares; %

Title	Name (Note 1)	Remuneration of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note8)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%) (Note8)		Remuneration Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 9)		
		Base Remuneration (A) (Note 2)		Severance Pay (B)		Directors Remuneration (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Special Disbursement (E) (Note 5)		Severance Pay (F) (Note 6)		Employees Remuneration (G) (Note 7)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report			
Chairman	Innolux Corporation Representative: Chu-Hsiang Yang	1,200	1,200	-	-	74	74	240	240	1.30	1.30	-	-	-	-	-	-	-	-	1.30	1.30	52,721
Director	Innolux Corporation Representative: Tien-Jen Lin																					
Director	Jyh-Chau Wang																					
Director	Ta-Lun Huang																					
Independent Director	Hung-Chi Li	900	900	-	-	55	55	170	170	0.96	0.96	-	-	-	-	-	-	-	-	0.96	0.96	-
Independent Director	Chi-Tsung Huang																					
Independent Director	Yi-Hung Chou																					

- Please describe the policy, system, standard, and structure of remuneration to Independent Directors, and the correlation between duties, risk, and time input with the amount of remuneration:
For the remuneration of Independent Directors, besides referring to results of Directors performance evaluations, the Remuneration Committee considers each Director's degree of participation and contribution to the Company's operations, links the reasonableness and fairness of performance and risks to remuneration, considers the Company's business performance and the remuneration standards of competitors, and makes recommendations to the Board of Directors in accordance with the Company's Articles of Incorporation.
- Other than as disclosed in the above table, the remuneration earned by Directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the latest fiscal year: None.

Note 1: Refers to the remuneration information of directors (including independent directors) who served in 2023.

Note 2: Refers to directors' remuneration paid in 2023.

Note 3: The proposal of remuneration distribution resolved by the Board of Directors.

Note 4: Refers to the relevant service execution fees of directors in 2023.

Note 5: Refers to the total amount of various remunerations paid to the Company's directors by all companies (including the Company) in the consolidated financial statements in 2023.

Note 6: Refers to the amounts transferred to government authorities in 2023.

Note 7: These are proposed amounts; the amounts of individual employee remunerations have not been approved by the Board of Directors.

Note 8: Net income (loss) after tax refers to the net income (loss) after tax in the parent company only financial statements for the year ended December 31, 2023.

Note 9: These are proposed amounts; the total amount of remunerations has not been approved by the Board of Directors of the parent company.

Remuneration Bracket Table

Range of Remuneration	Name of Directors			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Less than NT\$ 1,000,000	Innolux Corporation/Chu-Hsiang Yang/Tien-Jen Lin/Jyh-Chau Wang /Ta-Lun Huang/Hung-Chi Li/Chi-Tsung Huang/Yi-Hung Chou	Innolux Corporation/Chu-Hsiang Yang/Tien-Jen Lin/Jyh-Chau Wang /Ta-Lun Huang/Hung-Chi Li/Chi-Tsung Huang/Yi-Hung Chou	Innolux Corporation/Chu-Hsiang Yang/Tien-Jen Lin/Jyh-Chau Wang /Ta-Lun Huang/Hung-Chi Li/Chi-Tsung Huang/Yi-Hung Chou	Innolux Corporation/Ta-Lun Huang/Hung-Chi Li/Chi-Tsung Huang/Yi-Hung Chou
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)				Tien-Jen Lin
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)				Chu-Hsiang Yang/Jyh-Chau Wang
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)				
NT\$100,000,000 and above				
Total	8	8	8	8

3.3.2 Remuneration of the President and Vice Presidents

Unit: NT\$ thousand; thousand shares; %

Title	Name (Note 1)	Salary (A) (Note 2)		Severance Pay (B) (Note 3)		Bonuses and Special Disbursement (C) (Note 4)		Employee Remuneration (D) (Note 5)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 6)		Remuneration Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Chih-Sheng Lee	3,101	3,101	108	108	3,317	3,317	418	—	418	—	5.95	5.95	—

Note 1: Please fill in the remuneration information of president and vice president who served in 2023.

Note 2: Refers to remuneration paid in 2023.

Note 3: Refers to the amounts transferred to government authorities in 2023.

Note 4: Refers to the bonuses and special disbursement, etc. received by employees in 2023. The bonuses and special disbursement are proposed amounts.

Note 5: These are proposed amounts; the amounts of individual employee remunerations have not been approved by the Board of Directors.

Note 6: Net income after tax refers to the net income after tax in the parent company only financial statements for the year ended December 31, 2023.

Note 7: According to the Company's organizational structure, there is no vice president or equivalent managerial officer, so the Remuneration Bracket Table is not disclosed separately.

3.3.3 Names and Distributions of Employee Profit-Sharing Remunerations to Managerial Officers

March 31, 2024; Unit: NT\$ thousand

	Title	Name (Note 1)	Stock amount	Cash amount (Note 2)	Total	Ratio of total amount to net income (%) (Note 3)
Managerial Officers	President	Chih-Sheng Lee	—	1,674	1,674	1.43%
	Associate VP	Chien-Lang Lo				
	Division Director	Ming-Hsien Sun				
	Division Director	Tun-Jen Cheng				
	Division Director	Yung-Hsiang Liang				
	Division Director	Fujisawa Yoshinori				
	Plant Director	Yi-Chien Li				
	Financial Officer Accounting Officer	Chung-Wei Huang				

Note 1: The managerial officers who served in 2023.

Note 2: These are proposed amounts; the amounts of individual employee remunerations have not been approved by the Board of Directors.

Note 3: Net income after tax refers to the net income after tax in the parent company only financial statements for the year ended December 31, 2023.

3.3.5 Comparison of Remuneration for Directors, Presidents, and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Presidents, and Vice Presidents

I. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the most recent two fiscal years to Directors, presidents, and vice presidents of the Company to the percentage of net income stated in the parent company only financial reports or individual financial reports.

Item	Fiscal Year		Ratio of total remuneration paid to net income							
			2022				2023 (Note)			
			Total remuneration		Ratio in net income		Total remuneration		Ratio in net income	
	The Company	All Companies in the consolidated financial statements	The Company	All Companies in the consolidated financial statements	The Company	All Companies in the consolidated financial statements	The Company	All Companies in the consolidated financial statements		
Director	2,895	2,895	1.46%	1.46%	2,639	2,639	2.26%	2.26%		
Presidents & Vice Presidents	7,955	7,955	4.00%	4.00%	6,944	6,944	5.95%	5.95%		

Note: The directors' remuneration has been approved by the Board of Directors. Remunerations of the President and Vice Presidents are proposed amounts.

II. The policies, standards, and packages, for the payment of remuneration, the procedures for determining remuneration, and its linkage to operating performance.

(I) Policies, standards and packages of remuneration of the Company

The remunerations of directors are paid in accordance with the Company's Articles of Incorporation, while considering each director's degree of participation and contribution to the Company's operations, and the remuneration standards of competitors. The president's remuneration includes salary, bonus, special disbursements, employee remuneration, employee stock options and new restricted employee shares, etc. The Remuneration Committee comprehensively considers the Company's operating performance, personal performance and responsibilities, industry development trends, contribution and performance of corporate governance indicators in the environment, social, governance, and other aspects, and taking into account external remuneration and similar job standards in the industry, the Board of Directors resolves after comprehensively considering the remuneration amount and payment method and other matters.

The directors' and employees' remuneration are proposed by the Remuneration Committee after considering the industrial environment, and the Company's operating conditions, as well as the directors' and the president's responsibilities, contributions, and goal achievement, and then submit it to the Board of Directors for resolution, and distribute the remuneration after reporting to the shareholders' meeting.

(II) The procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

In accordance with Article 32 of the Articles of Incorporation, in cases of profits for the year, the Company shall set aside no less than 5% as the remuneration to its employees and no higher than 1% as that to directors.

The Company allocates directors' and employees' remuneration based on the actual annual profit and the ratio specified in the Articles of Incorporation. The Remuneration Committee shall make a proposal after considering the industrial environment, the Company's operating conditions, as well as the directors' and the president's responsibilities, contribution and goal achievement, and then submit it to the Board of Directors for resolution, and distribute the remuneration after reporting to the shareholders' meeting.

The reasonableness of the remuneration shall be reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system shall be reviewed from time to time according to the actual business situation and relevant laws and regulations, so as to achieve a balance between the Company's sustainable operation and risk control.

3.4 Implementation of Corporate Governance

3.4.1 Operations of the Board of Directors

A total of 5 meetings of the Board of Directors were held in the previous (2023) period. Directors' attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%) (Note)	Remarks
Chairman	Innolux Corporation Representative: Chu-Hsiang Yang	5	—	100.00%	
Corporate Director	Innolux Corporation Representative: Tien-Jen Lin	5	—	100.00%	
Director	Jyh-Chau Wang	5	—	100.00%	
Director	Ta-Lun Huang	5	—	100.00%	
Independent Director	Hung-Chi Li	4	1	80.00%	
Independent Director	Chi-Tsung Huang	5	—	100.00%	
Independent Director	Yi-Hung Chou	5	—	100.00%	

Note: The actual attendance (%) was calculated based on the number of Board meetings and the actual number of attendances during his term.

Other information required to be disclosed:

I. If any of the following circumstances occur, the dates of the meetings, sessions, and motion contents, all independent directors' opinions and the Company's response should be specified:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Total 6 meetings of the Board were held in the period from 2023 to the printed date of the annual report. For the resolutions please refer the pages 63-64 of the annual report. All independent directors did not object to the matters listed in Article 14-3 of the Securities Exchange Act and approved the resolution as presented.

(II) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors : None.

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

III. Execution of Board Performance Evaluation:

Type	Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content and Result
Self-evaluation	Once a year	2023.01.01-2023.12.31	Board of Directors, functional committees (including the Audit Committee and the Remuneration Committee) and individual directors	Self-evaluation of Board of Directors, functional committees (including the Audit Committee and the Remuneration Committee) and individual directors	<p>Evaluation items:</p> <ol style="list-style-type: none"> 1. The evaluation of the Board as a whole: which should cover, participation in the Company's operation; the Board' decision making quality; the composition and structure of the Boards; the election and continuing education of directors; and internal control. 2. Functional committees: which should cover participation in the Company's operation; understanding of the duties of functional committees; the functional committees' decision-making quality; the composition of functional committees and the election of their members and internal control. 3. Individual directors: which should cover alignment of the goals and missions of the Company; understanding of the duties and responsibilities of directors; participation in the Company's operation; management of internal relationships and communications; professionalism and continuing education; and internal control. <p>Evaluation results:</p> <p>The evaluation results are divided into five levels: very poor (strongly disagree), poor (disagree), moderate (average), good (agree) and excellent (strongly agree). The internal self-evaluation results of the Company's "Board of Directors", "Board Members", "Audit Committee" and "Remuneration Committee" are good, good, excellent, and excellent, respectively, which sufficiently indicate that the Company's Board of Directors and functional committees are operating effectively.</p>
External Evaluation	Once every three years	2023.01.01-2023.12.31	Board of Directors	Evaluation by questionnaire, written review, and on-site interview	<p>Evaluation items:</p> <p>The evaluation was conducted by questionnaire, written review, and on-site interview from four aspects of the professional functions of the Board (the composition and structure of the Board members, the election and appointment of directors and continuous education), the decision functions of the Board (the degree of participation in the Company's operations, and the improvement of the decision-making quality of the Board), the level of emphasis on internal control and supervision, and the Board's attitude towards sustainable management.</p> <p>Evaluation results:</p> <p>The background of the Company's independent directors covers accounting, medicine, medical equipment, and other majors, and they can provide diversified opinions from different perspectives.</p> <p>Board members are deeply involved in the Company's operations and give full play to their decision-making effectiveness.</p>

Type	Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content and Result
					<p>In addition to complying with regulatory requirements, the Company is also actively participating in community care activities. In addition to preparing a sustainability report, our future goals also include carbon neutrality and carbon footprint verification. We hope to deepen the implementation of corporate social responsibility in order to pursue sustainable development goals.</p> <p>The recommendations mainly include: increasing the diversity of the Board of Directors, continuously reviewing the appropriateness of talent performance evaluation standards, and increasing the discussion of sustainable development issues in the Board of Directors.</p> <p>In response to the above recommendations, the Company will discuss and formulate a plan, including carefully evaluating the list of director candidates when reelection in the future, and incorporating gender elements into the evaluation, so as to make the composition of the Board more diverse and help introduce different values. Strengthen the Board diversity;</p> <p>The Company will regularly review the performance evaluation standards and increase relevant discussions in Board meetings to make them closer to the actual needs of the Company, develop more detailed and clear operational standards for the evaluation standards; and seek the advice of external consultants. It is recommended to provide diverse perspectives on talent cultivation and development to formulate appropriate development plans, reward systems, or performance evaluation standards.</p> <p>The Company will go beyond legal requirements and prepare the 2023 Sustainability Report in advance to facilitate investors to grasp relevant information. When the Company considers policies related to the implementation of its corporate social responsibility, in addition to the existing policies that have been implemented, it will continue to move towards more diversified development. For example, in addition to providing free testing in the Company's area, it may also regularly provide tests for individuals at high risk of lung-related diseases. In the future, we will continue to refer to the advice provided by external consultants to facilitate more diversified and innovative thinking on issues such as the environment, sustainability, and corporate governance.</p>

IV. Targets for strengthening of the functions of the Board during the current and immediately preceding fiscal years (e.g. establishing an audit committee and enhancing information transparency) and the implementation status evaluation:

- (I) In order to effectively establish the governance system of the Board of Directors and improve the supervisory function, the Company has established the Rules for Board of Directors Meetings, and material resolutions are announced on the MOPS in accordance with the law to achieve full disclosure of information and protect shareholders' interests. The Board of Directors shall direct the Company's strategy, supervise the management team, be responsible to the Company and shareholders' meeting, and make arrangements for the various operations and arrangements of the Company's governance system to ensure that it exercises its authorities in accordance with laws and regulations, the Company's Articles of Incorporation or the resolutions of the shareholders' meeting.
- (II) The Company has established an Audit Committee on November, 2021 to exercise the authorities required by the Securities and Exchange Act, the Company Act and other laws and regulations to assist the Board of Directors in supervising the Company's quality and integrity in the implementation of relevant accounting, auditing, financial reporting procedures and financial control. Please see pages 32-35 for the detail of the Audit Committee's operation.
- (III) The Company has established Remuneration Committee on November, 2021 and set up standard for the directors and managers. The Remuneration Committee is also in charge of making regular review of performance of the directors and managers, and the related remuneration policy, system, standard, and structure. Please see pages 44-45 for the detail of the Remuneration Committee's operation.
- (IV) The Company has re-elected its Board of Directors at extraordinary general meeting on November 5, 2021. The new Board is made of 7 Board members, including 3 independent directors for strengthening the Board function and corporate governance.
- (V) The Board members continuing education extending beyond the scope of the professional expertise of the Directors, and to select courses encompassing corporate governance related topics such as finance, risk management, business, commerce, legal affairs, accounting, and sustainable development, or courses relating to internal control systems or liability for financial reports to enhance the awareness and implementation of corporate governance by Board members. Please see page 59 for the detail of the status of directors' participation in corporate governance related courses and trainings.

V. Attendance of independent directors at 2023 Board Meetings

Board Meetings	Independent Director Hung-Chi Li	Independent Director Chi-Tsung Huang	Independent Director Yi-Hung Chou
11th meeting of the 3rd session 2023.02.09	Attend in person	Attend in person	Attend in person
12th meeting of the 3rd session 2023.04.12	By Proxy	Attend in person	Attend in person
13th meeting of the 3rd session 2023.05.23	Attend in person	Attend in person	Attend in person
14th meeting of the 3rd session 2023.07.25	Attend in person	Attend in person	Attend in person
15th meeting of the 3rd session 2023.10.24	Attend in person	Attend in person	Attend in person

3.4.2 Operations of the Audit Committee

A total of 5 audit committee meetings were held in the previous (2023) period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director	Hung-Chi Li	4	1	80.00%	
Independent Director	Chi-Tsung Huang	5	—	100.00%	
Independent Director	Yi-Hung Chou	5	—	100.00%	

Note : The actual attendance (%) was calculated based on the number of meetings and the actual number of attendances during his term.

Other information required to be disclosed:

I. The annual work focus and authority of the audit committee

(I) The main function of the Audit Committee is to supervise the following matters:

1. Fair presentation of the financial reports of the Company.
2. The hiring (and dismissal), independence of certificated public accountants and their performance.
3. The effective implementation of the internal control system of the Company.
4. Compliance with relevant laws and regulations by the Company.
5. Management and control of the existing or potential risks of the Company.

(II) The powers of the Committee are as follows:

1. The adoption or amendment to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
4. Matters in which a director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of any equity-type securities.
8. The hiring or dismissal of a certified public accountant, or their compensation.
9. The appointment or discharge of a financial, accounting, or internal auditing officer.
10. Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial officer, and accounting officer.
11. Other material matters as may be required by the Company or by the competent authority.

II. If any of the following circumstances occur, the dates of Board meetings, sessions, motion contents, resolutions of the audit committee and the Company's response to the audit committee's opinion should be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Board Meetings	Motion Contents	Resolution of the Audit Committee	The Company's response to the members' opinions
11th meeting of the 3rd session 2023.02.09	<ol style="list-style-type: none"> 1. 2022 Business Report and Financial Statements of the Company 2. The appointment, remuneration, and assessment of the independence and competency of CPAs 3. General principles for establishing the Company's pre-approved non-assurance service policy and non-assurance service provided by Deloitte Taiwan 4. Proposal of the Company's 2022 Internal Control System Statement 	Approved by all committee members present as proposed	Approved by all directors present as proposed
12th meeting of the 3rd session 2023.04.12	<ol style="list-style-type: none"> 1. Proposal of the 2022 Earnings Distribution Table 2. Amendments to the Procedures for the Acquisition and Disposal of Assets 3. Review the financial statements for the first quarter of 2023 4. Acquisition of Right-of-Use Asset -Buildings from related party for business use 5. Amendment to the Procedures for Related Parties, Specific Companies and Group Enterprises Transaction, as well as the Procedures for Handling Material Inside Information and Preventing Insider Trading 	Approved by all committee members present as proposed	Approved by all directors present as proposed
13th meeting of the 3rd session 2023.05.23	<ol style="list-style-type: none"> 1. Proposal of the acquisition of shares issued by Deep01 Limited 	Approved by all committee members present as proposed	Approved by all directors present as proposed
14th meeting of the 3rd session 2023.07.25	<ol style="list-style-type: none"> 1. Review the financial statements for the second quarter of 2023 	Approved by all committee members present as proposed	Approved by all directors present as proposed
15th meeting of the 3rd session 2023.10.24	<ol style="list-style-type: none"> 1. Review the financial statements for the third quarter of 2023 2. Proposal of 2024 Audit plan 3. Amendments to some clauses of the Company's internal control system 	Approved by all committee members present as proposed	Approved by all directors present as proposed

(II) Other matters which were not approved by the audit committee but were approved by two-thirds or more of all directors : None.

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

IV. Communications between the Independent Directors and the Chief Internal Auditor Officer and the CPAs:

(I) The Communication between independent directors and internal auditors:

The independent directors of the Company and the internal auditors shall meet regularly at least once a quarter and submit the audit report and deficiency tracking report for the previous month by the end of each month to report on the implementation status of the Company's annual audit plan and the improvement of internal control deficiency tracking; a meeting may be convened at any time in case of material unusual matters.

(II) The 2023 major matters of the communications between independent directors (Audit Committee) and the chief internal auditor officer:

Date	Descriptions of the major matters	Resolution
2023.01.06	December 2022 Audit Report was submitted to independent directors for review	No objection
2023.02.03	January 2023 Audit Report was submitted to independent directors for review	No objection
2023.02.09 Audit Committee	1. Report on the implementation of the audit plan for the fourth quarter of 2023 2. 2022 Internal Control System Statement	1.No objection 2.After review and submit to the Board for resolution
2023.03.07	February 2023 Audit Report was submitted to independent directors for review	No objection
2023.04.12 Audit Committee	Report on the implementation of the audit plan for February 2022 Amendments to the internal control system	No objection
2023.04.13	March 2023 Audit Report was submitted to independent directors for review	No objection
2023.05.09	April 2023 Audit Report was submitted to independent directors for review	No objection
2023.05.23 Audit Committee	Report on the implementation of the audit plan for April 2023	No objection
2023.06.12	May 2023 Audit Report was submitted to independent directors for review	No objection
2023.07.12	June 2023 Audit Report was submitted to independent directors for review	No objection
2023.07.25 Audit Committee	Report on the implementation of the audit plan for the second quarter of 2023	No objection
2023.08.10	July 2023 Audit Report was submitted to independent directors for review	No objection
2023.09.08	August 2023 Audit Report was submitted to independent directors for review	No objection
2023.10.12	September 2023 Audit Report was submitted to independent directors for review	No objection
2023.10.24 Audit Committee	Report on the implementation of the audit plan for the third quarter of 2023	No objection
2023.11.09	October 2023 Audit Report was submitted to independent directors for review	No objection
2023.12.08	November 2023 Audit Report was submitted to independent directors for review	No objection

(III) The communication between independent directors (Audit Committee) and the CPAs:

The Company's independent directors and the independent auditors meet regularly at least once a quarter. The independent auditors discuss the results of the audit/review of the Company's financial reports at the Audit Committee meeting, and communicate fully with the Company regarding whether the amendments to laws have any material impact on the Company.

(IV) The 2023 major matters of the communications between independent directors (Audit Committee) and the CPAs:

Date	Descriptions of the major matters	Resolution
2023.02.09	<ol style="list-style-type: none">1. 2022 Business Report and Financial Statements of the Company2. The appointment, remuneration, and appropriateness assessment of the independence and competency of CPAs3. General principles for establishing the Company's pre-approved non-assurance service policy and non-assurance service provided by Deloitte Taiwan4. Proposal of the Company's 2022 Internal Control System Statement	No objection
2023.04.12	<ol style="list-style-type: none">1. Prepare the 2022 Profit Distribution Table2. Amendments to the Procedures for the Acquisition and Disposal of Assets3. Review the financial statements for the first quarter of 20234. Acquisition of Right-of-Use Asset -Buildings from related party for business use5. Amendment to the Procedures for Related Parties, Specific Companies and Group Enterprises Transaction, as well as the Procedures for Handling Material Inside Information and Preventing Insider Trading	No objection
2023.05.23	<ol style="list-style-type: none">1. Proposal of the acquisition of shares issued by Deep01 Limited	No objection
2023.07.25	<ol style="list-style-type: none">1. Review the financial statements for the second quarter of 2023	No objection
2023.10.24	<ol style="list-style-type: none">1. Review the financial statements for the third quarter of 20232. Proposal of 2024 Audit plan3. Amendments to some clauses of the Company's internal control system	No objection

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the Company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?</p> <p>(4) Does the Company regularly evaluate the independence of CPAs?</p>	V	V	<p>(2) The Company has set up the Audit Committee and Remuneration Committee, the Company’s Independent Directors’ serve as the Committee members. For more details regarding the business performance of the Company’s Audit and Remuneration Committee, please refer to pages 32-35 & 44-45 of this Annual Report. In the future, the Company will set up committees of other functions according to the legal requirements or practical needs.</p> <p>(3) In order to implement corporate governance and enhance the functions of the Company’s Board of Directors, a performance evaluation will be conducted at the end of each year according to the Rules for Performance Evaluation of Board of Directors and the results of which, together with the directors’ self-evaluation, will serve as the basis for nominating directors and setting their remunerations.</p> <p>(4) The Audit Committee annually evaluates the independence and competency of CPAs every year. In addition to providing “Declaration of Independence” and “Audit Quality Indicators (AQIs)”, CPAs are evaluated based on the standard in Note 1 on Page 42 of this annual report, as well as six AQI indicators across three aspects. It is confirmed that the CPAs have no other financial interests or business relationships with the Company except for fees for certificates and financial and tax cases. The CPA’s family members do not violate the independence requirements. With reference to the AQI indicator information, it is confirmed that the CPAs and the firm surpass the industry average in both auditing experience and the number of training hours. The evaluation results of the most recent year have been discussed and approved by the Audit Committee on February 20, 2024, and submitted to the Board of Directors, who approved a resolution on February 20, 2024 to evaluate the independence and competency of CPAs.</p>	
<p>4. Does the Company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance officer responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their</p>	V		<p>On December 28, 2021, the Board of Directors resolved to appoint Associate VP Chien-Lang Lo as the Corporate Governance Officer to be responsible for supervision and planning of the corporate governance. His qualification meets the requirements of paragraph 1, Article 3-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The affairs of the Corporate Governance Officer include:</p> <p>I. Handling matters relating to board meetings and shareholders meetings</p>	<p>No significant difference compared to Corporate Governance Best-Practice Principles</p>

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders’ meetings, and making minutes for Board meetings and shareholders’ meetings)?			<p>according to laws.</p> <p>II. Producing minutes of board meetings and shareholders meetings.</p> <p>III. Assisting in onboarding and continuous development of directors.</p> <p>IV. Furnishing information required for business execution by directors.</p> <p>V. Assisting directors with legal compliance.</p> <p>VI. Report to the board of directors the results of its review on whether the qualifications of independent directors comply with relevant laws and regulations at the time of nomination, election and during their tenure.</p> <p>VII. Handle matters related to the change of directors.</p> <p>VIII. Other matters set out in the Articles of Incorporation or contracts.</p> <p>Report the operation of corporate governance to the Board of Directors on a regular basis every year.</p> <p>The 2023 completed items were as below, and were reported to the Board of Directors on February 20, 2024:</p> <ol style="list-style-type: none"> 1. The Company held 5 Board meeting, 5 Audit Committee meetings and 3 Remuneration Committee meetings in 2023. 2. Held 1 annual general shareholders’ meeting in 2023. 3. Assisted board members in developing annual continuing education plans and arranging continuing education courses. All the members of Board of Directors completed 6 hours of continuing education courses in 2023. 4. The Company maintains D&O insurance for its directors and key officers and report to the Board meeting. 5. Regularly communicate with independent directors and CPAs about the Company’s financial and business situation. Please refer to pages 34-35 of annual report and our website (http://www.innocare-x.com) for communication. 6. The agenda and meeting materials of Board meeting mail/send to all directors 7 days before of the Board meeting and remind in advance if the issues require interest avoidance, and finished the meeting minutes in 20 days after the meeting. 7. Booking the date of AGM, prepare meeting notice, meeting agenda and minutes within the statutory time limit, and handle change registration matters in the amendment of the Articles of Incorporation or the re-election of directors. 8. The internal performance evaluation of the Board of Directors and functional committees was conducted. For the evaluation results of the Board of Directors, the Audit Committee, the Remuneration Committee and their individual 	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			members, please refer to pages 29-30 of this annual report and the Company's website (http://www.innocare-x.com). 9. Please refer to pages 59-60 of annual report for the training situation of Corporate Governance Officer.	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has set up a Stakeholder area on the Company's website (http://www.innocare-x.com) to provide a channel for stakeholders to contact the Company. The Company also regularly reports the communication status, implementation plan, goals and results related to all stakeholders to the Board of Directors each year. The communication status of all stakeholders in 2023 was reported to the Board of Directors on February 20, 2024. The issues of stakeholders please refer to pages 42-43 Note 2 of annual report.	No significant difference compared to Corporate Governance Best-Practice Principles
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company mandates Registrar & Transfer Agency Department of Yuanta Securities Co., Ltd. to be the Company's shareholder services agent, and to handle the affairs related to the shareholders' meeting.	No significant difference compared to Corporate Governance Best-Practice Principles
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	V V V		(1) The Company has set up a corporate website (https://www.innocare-x.com) to disclose both financial standings and the status of corporate governance. (2) The Company has designated personnel responsible for the collection and disclosure of corporate information, and has implemented a spokesman and acting spokesman system in accordance with the regulations. The corporate briefings in each period will also be updated timely on the Company's website for the reference of investors. (3) The Company announced and reported annual financial statements within two months after the end of each fiscal year, and announced the operating conditions of each month and the interim financial statements within the prescribed time limit.	No significant difference compared to Corporate Governance Best-Practice Principles

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors)?</p> <p>(1) Employee’s Rights The Company attaches great importance to the treatment and welfare of employees, and provides salary levels, leave systems, and retirement insurance that are superior to the legal requirements. Please refer to page 87 “V. Operational Highlights – 5.5 Labor Relations” of the annual report.</p> <p>(2) Employee Care The Company attaches great importance on the physical and mental balance of employees, and the Taiwan plant establishes the Staff Welfare Committee, organizes various leisure and cultural activities, promotes community activities and constructs a website of the Staff Welfare Association, so that employees can balance their health and life while working. In order to improve employees’ health awareness, we conduct regular health checkups and provide employee health consultations every year. In addition, in order to ensure the well-being of female employees, and in accordance with the labor regulations of the locality of the plant, the implementation of the maternity leave pay allowance, the strengthening of the fetus rest and the family care leave, etc., for the female employees of pregnancy, implement the health risk assessment, adjust the work as needed. Under the principle of maternity protection and employment equal rights, create a friendly working environment for female employees.</p> <p>(3) Investor relations, the rights of suppliers and stakeholders According to different interested groups, the Company has established multiple and unobstructed communication channels, such as setting up a stakeholders area on the Company’s webpage, so that we can keep communicating and getting feedback from those interests groups’ needs and expectations.</p> <ol style="list-style-type: none"> 1. Employees: Establish communication channels such as employee care hotline, employee care mailbox, mobilization meeting communication meeting, online publicity system of government decrees, labor-management meetings, and job welfare meetings. 2. Shareholders/Investors: The Company treats our shareholders with the principle of fairness and openness. We call the shareholders meetings according to the Company Act and other related laws every year, encourage stockholders to actively participate in the stockholders meeting with proposals and questions. 3. Customers: We have salespeople and customer service units to reply to customers’ demands effectively, establish a CRM system, monitor the progress of handling issues, field audits and questionnaire feedback, and customers’ satisfaction survey. 4. Suppliers: Setting up an interactive platform for supplier purchasing and supplier management, and a buyer and procurement management department to hold irregular exchanges and meetings with suppliers, and provide anti-corruption reporting mailboxes. 5. Society (communities, media, non-governmental organizations): set up full-time spokesman and deputy spokesman to respond in a timely manner, issue press releases and statement from time to time, and hold press conferences. Participate in seminars organized by non-governmental organizations to grasp the trend of the industry, as a reference for policy planning, and cooperate with non-governmental organizations to support the disadvantaged and promote environmental awareness projects to strengthen two-way communication. <p>(4) Continuing education for directors The Company’s directors have both professional background and practical experience. The Company arranges continuing education for directors and every year. For the continuing education for directors in the latest year and as of the publication date of annual report, please refer to page 59 of this annual report.</p> <p>(5) Implementation of risk management policies and risk measurement standards The Board of the Company has established risk management policies and procedures to establish a risk management system to regularly monitor the related financial risks,</p>				

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>regulation risks, climate change risks, hydropower risks, supplier chain risks, information safety risks, and the occupational safety and health risks to enhance the competitiveness of the industry.</p> <p>The risk management process mainly includes risk identification, risk assessment and risk response.</p> <p>Risk identification: Identify relevant risk items according to regulations, industry standards and international development trends.</p> <p>Risk assessment: The degree of risk is comprehensively considered according to the severity and frequency of occurrence</p> <p>Risk response: According to the degree of risk, formulate control measures and response plans. The criteria for evaluating control plans generally include effectiveness, feasibility and cost.</p> <p>(6)The implementation of customer policy</p> <p>The Company attaches importance to the confidentiality and privacy of customer information, and is committed to building information networks covering design, purchase, production and sales to optimize customer service through complete collection of information, deepen product competitiveness and customer dependency, and achieve customer satisfaction. In addition, we conduct annual customer satisfaction analysis surveys to understand and satisfy customer needs, regularly review customer feedback and opinions, and propose appropriate improvement plans to continuously improve the highest-quality products and services.</p> <p>(7)Purchase of liability insurance for Directors: The Company has purchased liability insurance for its directors.</p> <p>9.Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures for those unimproved: The Company has not been included in the evaluation list, which is therefore not applicable.</p>				

Note 1: Evaluation form of the independence and competency of CPAs

CPA Firm: Deloitte & Touche

CPAs: Ya-Ling Wong, Chih-Ming Shao

No.	Evaluation Item	Yes	No
1	Not an employee of the Company or any of its affiliates.	V	
2	Not a director of the Company or any of its affiliates (not applicable in cases where the person is an independent directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).	V	
3	Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.	V	
4	Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager listed in the above three items.	V	
5	Not a director, supervisor or employee of an institutional shareholder who directly hold more than 5% of the total issued shares of the Company, nor a director, supervisor or employee of the top five institutional shareholders.	V	
6	Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or organization with which the Company has financial or business dealings.	V	
7	Not having a marital relationship, or a relative within the second degree of kinship to any other directors of the Company;	V	
8	Not having any of the situations set forth in Article 30 of the Company Act of the ROC.	V	
9	Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.	V	
10	Not holding director, manager or other position of the Company that may have a significant impact on the audit within the last two years.	V	
11	Not be involved in the Company's management function of making decisions.	V	

Note 2: The concerned issues of stakeholders, communication channel and response method

Stakeholder	Concerned issues	Major Communication Channel, Response Method, Frequency	Result in 2023
Employees	<ol style="list-style-type: none"> Recruitment and staffing Immediate care and feedback during complaint On-the-job training Occupational health and safety 	Communication channel: <ol style="list-style-type: none"> Labor-management meeting: quarterly Employee welfare meeting: quarterly Employee suggestion box: irregularly Contact person: Ms. Hsu HR@innocare-x.com, 06-7007238#22612	<ol style="list-style-type: none"> 4 labor-management meetings; 4 employee welfare meetings in a year 2 employee care cases in a year
Shareholders/ Investors	<ol style="list-style-type: none"> Financial Performance Recruitment and retention 	Communication channel: <ol style="list-style-type: none"> AGM: yearly Institutional investor conference: half-yearly Annual report: yearly Investors mailbox: irregularly Releasing material information on MOPS: irregularly Contact person: Investor Relations: Mr. Huang, IR@innocare-x.com, 06-7007238#22552	<ol style="list-style-type: none"> Annual report, quarterly financial reports and monthly revenue are announced on time Keep the IR mailbox and spokesperson channels open to help investors understand the Company's operations and performance. The IR mailbox responded to a total of 5 inquiry emails from investors and made more than 15 phone calls this year One entity Investors' Conference was held this year

Stakeholder	Concerned issues	Major Communication Channel, Response Method, Frequency	Result in 2023
			4. 76 pieces of material information (Chinese/English) and 202 pieces of announcements
Customers	<ol style="list-style-type: none"> Continuously provide high-quality and high-tech products Customer Relationship Management Product design, manufacturing and storage procedures meet medical regulatory requirements 	Communication channel: <ol style="list-style-type: none"> Daily meeting: daily, weekly, monthly Evaluation: quarterly, yearly Satisfaction survey: yearly Contact person: Ms. Chen <u>Sales@innocare-x.com</u> , 06-7007238#22497	<ol style="list-style-type: none"> Communicate at sales meetings and negotiations at any time Visit customers from time to time, listen directly to their opinions, and provide immediate feedback
Suppliers	<ol style="list-style-type: none"> Occupational health and work safety Stable operation 	Communication channel: <ol style="list-style-type: none"> Daily meeting: daily, weekly, monthly Evaluation: yearly Supplier audit: irregularly Anti-corruption mailbox: irregularly Contact person: Anti-corruption mailbox: <u>speak-up@innocare-x.com</u> Ms. Tseng, <u>joy.tseng@innocare-x.com</u> , 06-7007238#22610	<ol style="list-style-type: none"> 5 supplier high-level communication meetings 8 supplier evaluation and review meetings
Society (communities, media, non-governmental organizations)	<ol style="list-style-type: none"> Pollution control Recruitment and staffing 	Communication channel: Public benefit activity projects: irregularly Contact person: Ms. Hsu, <u>CSR@innocare-x.com</u> , 06-7007238#22612	<ol style="list-style-type: none"> Participate in seminars and actively respond to surveys such as questionnaires Release company information irregularly, announce company's operating performance and more quarterly Jointly organize environmental education, beach cleanup, donation of materials, and other public welfare activities with Innolux Corporation Education Foundation Held the "Southwest Coast Ten Thousands People Action X-ray Lung Cancer Screening Program" (continuation from the previous year) with the National Cheng Kung University School of Medicine

3.4.4 Operations of the Remuneration Committee

A. Information on members of the Remuneration Committee

March 31, 2024

Identity	Qualification		Professional qualifications and experience	Independence	Number of public companies for which the committee member concurrently serves in their remuneration committees
	Name				
Independent Director Convener	Hung-Chi Li		Please refer to “Directors” in pages 10-11 and “Professional qualifications and experience for Directors” in page 13 of annual report.	Please refer to “Independence of Directors” in pages 14-20 of annual report.	—
Independent Director	Chi-Tsung Huang				—
Independent Director	Yi-Hung Chou				—

B. Attendance of Members at Remuneration Committee Meetings

- (1) There are 3 members in the Remuneration Committee.
- (2) The term of office of the current committee members: November 5, 2021 to November 4, 2024. In the most recent year (2023), the Remuneration Committee met 3 times (A). The qualifications and attendance of the members are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) (B/A) (Note)	Remarks
Independent Director Convener	Hung-Chi Li	2	1	66.67%	
Independent Director	Chi-Tsung Huang	3	—	100.00%	
Independent Director	Yi-Hung Chou	3	—	100.00%	

Note: The actual attendance (%) was calculated based on the number of meetings and the actual number of attendances during his term.

Other items to be recorded:

I. Scope of duties of the Remuneration Committee

- (I) Periodically reviewing the Remuneration Committee Charter and making recommendations for amendments.
- (II) Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors, and managerial officers of the Company.
- (III) Periodically assessing the degree to which performance goals for the directors, and managerial officers of the Company have been achieved, setting the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards.

The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

- (I) Salary management should conform to the Company’s salary concept.
- (II) Performance assessments and compensation levels of directors, and managerial officers shall take into account the general pay levels in the industry, individual performance assessment results, and the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure.
- (III) No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

II. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, motion contents, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.

III. The resolutions of the Remuneration Committee and the Company's response are as follows:

Board Meetings	Remuneration Committee Meetings	Motion Contents	Resolution of the Remuneration Committee	The Company's response to the members' opinions
11th meeting of the 3rd session 2023.02.09	8th meeting of the 1st session 2023.02.09	1. Proposal of 2022 employees' and directors' remuneration distribution 2. Proposal of reward and remuneration system for managerial officers 3. Proposal of the remuneration of managerial officers	Approved by all committee members present as proposed	Approved by all directors present as proposed
12th meeting of the 3rd session 2023.04.12	9th meeting of the 1st session 2023.04.12	1. Proposal of the remuneration of managerial officers 2. Proposal of managerial officers remuneration in 2022	Approved by all committee members present as proposed	Approved by all directors present as proposed
15th meeting of the 3rd session 2023.10.24	10th meeting of the 1st session 2023.10.24	1. Proposal of the subscription amount of INX's Treasury stock transferred to managerial officers 2. Proposal of the remuneration adjustment of managerial officers in 2023	Approved by all committee members present as proposed	Approved by all directors present as proposed

3.4.5 Composition, Responsibilities and Operations of the Nominating Committee: N/A.

3.4.6 Sustainable Development Implementation Status and Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Whether or not the Company establishes a governance framework and sets up a dedicated (concurrent) unit that promotes sustainable development; whether or not senior management is delegated by the Board of Directors to deal with sustainable development issues and the supervision of the Board?	V		The Company designates the Finance & Accounting & Business Management & HR Division Group as the responsible unit for promoting corporate sustainable development. On September 24, 2021, the Board of Directors formulated the Company's Sustainable Development Best Practice Principles, and authorized the Chairman or his/her designee to propose and implement corporate social responsibility policies, systems or related management guidelines and specific promotion plans, and to conduct risk assessments of environmental, social or corporate governance issues related to the Company's operations in accordance with the material principles. The implementation results for year 2023 were reported to the Board of Directors on February 20, 2024, so that the Board could supervise and assist the management team in practicing the corporate social responsibility to promote sustainable performance.	No significant difference compared to Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
2. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		<p>The Board of the Company has established Risk Management Policy and Procedures to regularly review the risks related to finance, laws and regulations, climate change, water and electricity resources, industrial supply chain, cyber security and occupational safety and health, so as to improve its competitiveness in the industry.</p> <p>The risk management process mainly includes risk identification, risk assessment and risk response.</p> <p>Risk identification: identifying relevant risk items according to laws and regulations, industrial standards and international development trends.</p> <p>Risk assessment: comprehensive consideration of the severity and frequency of the risk.</p> <p>Risk response: formulating control measures and response plans according to the degree of risk. The criteria for evaluating control plans generally include the effectiveness, feasibility and cost.</p>	No significant difference compared to Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>3. Environmental issues</p> <p>(1) Does the Company establish proper environmental management systems based on the characteristics of their industries?</p> <p>(2) Does the Company endeavor to utilize energy resources more efficiently and use renewable materials which have low impact on the environment?</p> <p>(3) Does the Company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) 1. In compliance with relevant domestic environmental protection regulations and ISO14001 Environmental Management Systems guidelines, the Company conducted the first verification of the ISO14001:2018 Environmental Management Systems in October 2020, successfully passed the BSI verification audit, and obtained the ISO14001:2018 Environmental Management Systems certificate. Subsequently, it will accept the audit and verification by the certification body regularly every year to maintain the validity of the certificate. Passed the annual certification in August 2023, with the certificate valid until the end of August 2024.</p> <p>2. The Company holds regular Safety and Health Committee and environmental management review meeting every quarter, and continues to strive to minimize environmental impact and achieve environmentally friendly goals.</p> <p>(2) The Company has been reducing the discharge of environmental pollutants from source through machine design, technology improvement, continuous parameter adjustment and optimization, and promotion of raw material consumption reduction and recycling. For example: in 2023, the total weight of general industrial waste disposal was 12.713 metric tons, while the total weight of recycling was 5.56 metric tons. The main types of recycled waste were paper and plastic, with a total recycling rate of 42.97%; The raw material cesium iodide was operated in a circular economy in 2023. The total weight of recovered and purified cesium iodide was 2.25 tons, and the unpurified residue was 0.25 metric tons. The purification recovery rate was 90%. We continue to be committed to minimizing environmental impact and achieving environmentally friendly goals.</p> <p>(3) The Company refers to the TCFD proposal report framework and uses eight aspects including “revenue”, “direct cost”, “indirect cost”, “capital expenditure”, “capital acquisition”, “asset value”, “premium” and “liability” to summarize potential financial impact risks. As of now, TCFD is still under analysis and will be disclosed in 2024 Sustainability Report.</p>	<p>No significant difference compared to Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies</p>

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Does the Company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation, carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?	V		<p>(4)1. The Company’s greenhouse gas inventory sets 2021 as the base year. The greenhouse gas inventory description is as follows:</p> <p>(1) The greenhouse gas emissions in 2021 were 4,112.66 metric tons of CO₂e, and the sales intensity was 2.12 metric tons of CO₂e/NT\$ million of revenue, mainly from indirect power emissions in Scope 2, accounting for 79.67% of the previous emissions. This was followed by emissions from electricity purchased in Scope 3, accounting for 14.65% of the previous emissions. The data covers Scope 1, Scope 2, and Scope 3 of the Company’s Taiwan plant (excluding overseas subsidiaries and offices).</p> <p>(2) The greenhouse gas emissions in 2022 were 4,602.9229 metric tons of CO₂e, and the sales intensity was 2.44 metric tons of CO₂e/NT\$ million of revenue, mainly from indirect power emissions in Scope 2, accounting for 80.49% of the previous emissions. This was followed by emissions from electricity purchased in Scope 3, accounting for 13.95% of the previous emissions. The data covers Scope 1, Scope 2, and Scope 3 of the Company’s Taiwan plant (excluding overseas subsidiaries and offices).</p> <p>2. Water consumption: The Company mainly uses water for product and equipment cleaning. In the future, it will continue to evaluate the increase in the use of equipment circulating water and the improvement of equipment water efficiency to save water resources. According to statistics, water consumption used in manufacturing has been very small in recent years. In 2023, water consumption was only 167 tons.</p> <p>3. Waste management instructions are as follows:</p> <p>(1) In order to fulfill its waste management responsibilities, the Company not only reports monthly waste storage and output status, but also conducts on-site audits of waste removal, processing and reuse manufacturers every year to ensure that waste manufacturers comply with regulations.</p> <p>(2) The Company audits manufacturer entry control, waste storage area management, operation of waste treatment equipment and pollution prevention and control facilities, on-site operation safety management and</p>	

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>operating conditions, and determines the possibility of subsequent cooperation based on the audit results.</p> <p>(3) For the selection of new manufacturers, the Company uses the stability of financial operations, whether they have relevant licensing qualifications, and past violation records as evaluation criteria to ensure the quality of waste processors.</p> <p>(4) In 2023, the total weight of waste was 12.938 metric tons, of which 12.713 metric tons were general industrial waste, accounting for 98.26%; hazardous industrial waste was 0.225 tons, accounting for 1.74%. The waste was mainly processed by qualified waste-cleaning operators.</p> <p>(5) In 2023, the total weight of waste recycling was 5.56 metric tons, all of which were general industrial waste. The types of recycling were paper and plastic, with a total recycling rate of 42.97%.</p> <p>(6) The raw material cesium iodide was operated in a circular economy in 2023. The total weight of recovered and purified cesium iodide was 2.25 tons, and the unpurified residue was 0.25 tons. The purification recovery rate was 90%.</p>	
<p>4.Social issues</p> <p>(1)Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	V		<p>(1) The Company formulates relevant employee codes in accordance with labor standards law, employment service law and gender work equality law, etc. to protect the rights and interests of colleagues. Committed to protecting human rights. In 2023, the policy of human rights and diversity and inclusion was proposed, supporting and respecting relevant international labor rights norms, including the Universal Declaration of Human Rights (UDHR), the United Nations Global Compact (Global Compact), the United Nations Guiding Principles on Business and Human Rights (UNGPs), and the International Labor Organization (ILO) and Code of Conduct - Responsible Business Alliance (RBA), following local laws and regulations and the spirit of international human rights standards, formulates human rights protection and labor-related norms, establishes a corporate culture of equal opportunities, and</p>	No significant difference compared to Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(2) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		publishes them on the Company’s website. (2) The Company provides employees with work and life leave plans, festive bonuses, and group insurance. It also plans a competitive salary level. In addition to considering the external competitiveness and internal fairness of salary and benefits, it also has an overview of the Company's financial and operating conditions. The industry's annual salary adjustment strategy and personal work performance, improve the planning and execution of annual salary adjustment operations, design and issue incentive bonuses to motivate and retain outstanding talents.	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) 1. The Company has dedicated safety and health management personnel responsible for drafting occupational safety and health management plans, promoting the identification, evaluation and control of work environment and operational safety, and other safety and health management matters. The Company has set up an Occupational Safety and Health Committee, which meets regularly every quarter to discuss occupational safety and health issues, and employees can also participate in the discussion of occupational safety and health issues through labor representatives, so that the implementation of occupational safety and health policies can most fit for the needs of employees on site, thus achieving the purpose of safety and health of all employees. 2. The Company has passed the ISO45001 and TOSHMS certifications and obtained certificates in 2020. It continued to undergo annual verification and audit qualifications in August 2023 to maintain the validity of the certificate, which remains valid until the end of August 2024. 3. The Company pursues the vision of zero occupational hazards and is committed to ensuring that the working environment meets safety standards and that personnel are not harmed at work, implementing the Company’s commitment to building a safe and healthy workplace and aligning with the United Nations’ sustainable development goals. In 2023, the frequency of disabling injuries and the severity of disabling injuries were zero, achieving	

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Does the Company provide its employees with career development and training sessions?	V		<p>the goal of zero occupational accidents in the same year.</p> <p>4. The Company did not experience any fires in 2023, so there is no relevant casualty data and fire improvement response measures.</p> <p>(4) Based on the “medical device regulatory requirements” and the “cognition education” thought, the Company plans a sound certification development framework, and vertically promote relevant courses with professional and management function certifications as the cornerstone, and then promote various departmental trainings horizontally. In accordance with the Company's operational strategy, we also provide internal/external training channels, such as language learning, E-book learning, on-the-job training and other talent development networks, to enhance the professional knowledge and skills of our employees and achieve the Company's goals and diversified education and training paths required. We also offer a series of courses on digital transformation, according to the learning blueprints of different targets, and cooperate with academic institutions to introduce online and physical learning courses to enhance the intelligent thinking of employee, continue to increase and strengthen the overall competitiveness of employees and organization in response to the AI wave of Industry 4.0 and the integration of cross-domain management talents and technology leaders.</p>	
(5) Does the Company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services etc., and has it established consumer rights protection policies and complaint procedures?	V		<p>(5) The Company has established operating principles that are customer-oriented and through means of telephone calls, email exchanges and face-to-face meetings, we are able to have solid grasp of customers’ needs so as to formulate improvement strategies to respond to customers in a timely manner. The Company has also established customer service related procedures to ensure that all customer needs can be properly responded to.</p>	
(6) Does the Company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health,	V		<p>(6) The Company has established a Supplier Code of Conduct Statement, which requires suppliers to comply with the Code in all business activities, including labor, health and safety, environment, business ethics and management system, and to fully comply with the laws and regulations of the countries/regions</p>	

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
and labor rights, and what is its implementation status?			where they operate. In addition, the Company will conduct regular audits, and the audit results are an important factor for the Company to make decisions.	
5. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the Company, such as ESG reports? Do the reports above obtain assurance from a third party verification unit?		V	The Company collaborates with the competent authorities to promote the policy of “Corporate Governance 3.0 - A Blueprint for Sustainable Development” to collect information and preparing the 2023 Sustainability Report. The report exceeds regulatory requirements but has not yet been confirmed by a third-party assurance unit.	
6. If the Company has established the Sustainable Development Best Practice Principles based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has established the Sustainable Development Best Practice Principles based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, and its related operations are disclosed on the Company's website and the Market Observation Post System. All employees and affiliates of the Company are required to comply with these regulations, which have no significant difference compared to Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.				
7. Other important information to facilitate better understanding of the Company’s sustainable development implementation: To fulfill the social responsibilities of the enterprise, and give play to the enterprise’ active value to the environment and population, we continued to participate in social welfare activities, for example, in February, we held “Chiayi Aogu Wetland × Parent-child Environmental Education Activity”, and in March, together with InnoLux Corporation, we held Children’s Day activities for rural primary school in Chiayi County, and jointly contributed 10,000 pieces of COVID-19 rapid-screening reagents to them, and in November, we participated in the public welfare activity “Beimen Shuangchun Beach Cleaning Activity” that made teaching through lively activities. Furthermore, the “Southwest Coast Ten Thousands People Action X-ray Early Lung Cancer Screening Project” initiated by use together with National Cheng Kung University School of Medicine also continues to this year, which will use the dual-energy X-ray flat panel sensor module manufactured by the Company together with the mobile X-ray vehicle, to assist with early screening of lung cancer in various townships, towns, cities and regions, so as to continue to make contribution of promoting health of the mass.				

3.4.7 Climate-Related Information

I. Implementation of Climate-Related Information

Item	Implementation Status
1. Describe Board of Directors and management oversight and governance of climate-related risks and opportunities.	1. The Company has risk management policies and procedures, and the Board of Directors approves overall risk management policies and major decisions. In 2024, the Company's dedicated organization for promoting corporate sustainable development is expected to report climate risks and opportunities to the Board of Directors, collaborating on the review of relevant sustainability vision goals and results to adjust them on a rolling basis depending on the situation.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	2. The Company refers to the TCFD proposal report framework and summarizes the long-, medium- and short-term risks of potential business, strategy and finance from eight aspects: revenue, direct costs, indirect costs, capital expenditures, capital acquisition, asset value, premiums and liabilities. The relevant evaluation results will be disclosed in the 2024 Sustainability Report.
3. Describe the financial impact of extreme climate events and transition actions.	3. The Company refers to the TCFD proposal report framework to summarize the impact of potential financial impacts. That will be disclosed in the 2024 Sustainability Report.
4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.	4. The Company's risk management policies and procedures are based on the principle of three lines of defense. The business execution unit is responsible for identifying and controlling risks; the risk management unit ensures compliance with laws and mastery of risk management objectives; the audit office independently audits the business to ensure the effective operation of the internal control system.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used should be described.	5. The Company currently adopts the TCFD framework, but does not currently conduct scenario analysis.
6. If there is a transition plan to manage climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical and transition risks.	6. The Company has not yet formulated a transition plan to respond to climate change, and will discuss whether to formulate it based on the results of the risk analysis.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	7. The Company has not yet adopted internal carbon pricing as a planning tool and will continue to evaluate its introduction.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	8. The Company voluntarily conducts greenhouse gas inventory in advance, setting 2021 as the base year, and continues to conduct greenhouse gas inventory from 2022 to 2023. The scope of the greenhouse gas emission inventory covers Scope 1 to Scope 3, all of which are verified and confirmed by third-party organizations. We have obtained verification statements.
9. Greenhouse gas inventory and assurance status, reduction goals, strategies and specific action plans (fill in 1-1 and 1-2 separately).	9. Fill in 1-1 and 1-2 separately.

1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

1-1-1 Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO ₂ e), intensity (metric tons CO ₂ e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.
<ol style="list-style-type: none">1. The Company's greenhouse gas emissions in 2021 were 4,112.66 metric tons of CO₂e, and the sales intensity was 2.12 metric tons of CO₂e/NT\$ million of revenue, mainly from indirect power emissions in Scope 2, accounting for 79.67% of the previous emissions. This was followed by emissions from electricity purchased in Scope 3, accounting for 14.65% of the previous emissions. The data covers Scope 1, Scope 2, and Scope 3 of the Company's Taiwan plant (excluding overseas subsidiaries and offices).2. The Company's greenhouse gas emissions in 2022 were 4,602.9229 metric tons of CO₂e, and the sales intensity was 2.44 metric tons of CO₂e/NT\$ million of revenue, mainly from indirect power emissions in Scope 2, accounting for 80.49% of the previous emissions. This was followed by emissions from electricity purchased in Scope 3, accounting for 13.95% of the previous emissions. The data covers Scope 1, Scope 2, and Scope 3 of the Company's Taiwan plant (excluding overseas subsidiaries and offices).

1-1-2 Greenhouse Gas Assurance Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.
<ol style="list-style-type: none">1. The Company's 2021 assurance date was June 21, 2022. The scope of the assurance covered the Company's Taiwan plant (excluding overseas subsidiaries and offices) for Scope 1, Scope 2 and Scope 3. The assurance organization was DNV GL Business Assurance Co., Ltd. (DNV), and the assurance standard was ISO14064-1:2018. The assurance statement's opinion showed that greenhouse gas emissions were real, transparent and measurable. Complete assurance information will be disclosed on MOPS.2. The Company's 2022 assurance date was May 3, 2023. The scope of the assurance covered the Company's Taiwan plant (excluding overseas subsidiaries and offices) for Scope 1, Scope 2 and Scope 3. The assurance organization was DNV GL Business Assurance Co., Ltd. (DNV), and the assurance standard was ISO14064-1:2018. The assurance statement's opinion showed that greenhouse gas emissions were real, transparent and measurable. Complete assurance information will be disclosed on MOPS.

1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Greenhouse gas reduction base year and its data, reduction goals, strategies, specific action plans and achievement of reduction goals.
<ol style="list-style-type: none">1. In accordance with the timetable stipulated in Article 10, Paragraph 2 of the Regulations Governing Information to be Published in Annual Reports of Public Companies and the Sustainable Development Roadmap, the Company has no specific reduction data in 2023.2. In 2024 greenhouse gas reduction strategy and specific actions and reduction target planning, the Company will evaluate and implement the ISO 50001 energy management system and identify the Company's major power sources as a reference for formulating specific action plans and goals in the future.

3.4.8 Ethical Corporate Management Implementation Status and Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1.Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?</p>	V		(1)The Company’s Board of Directors has resolved to formulate the “Ethical Corporate Management Principles”, “Procedures for Ethical Management and Guidelines for Conduct”, and “Codes of Ethical Conduct for Directors and Managerial Officers” to explicitly stipulate the policies and practices of integrity management. Various internal regulations and external documents, such as employee code of conduct, supplier corporate social responsibility code of conduct, and operating standards, explicitly stipulate the policies and practices of integrity management, and strictly require employees of the Company to fulfill the Company’s integrity policy. At the same time, the Company’s annual report and official website and other documents also detail the Company’s integrity management policy and the Board of Directors and management’s commitment to actively implement the situation.	No significant difference compared to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
<p>(2) Does the Company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p>	V		(2)In order to prevent dishonesty, the Company has strengthened relevant prevention measures in regulations and external documents for business activities with a high risk of dishonesty. In addition, the Company requires all employees to understand the aforementioned specifications in detail, and publish the specifications on the Company’s official website and internal website for internal and external personnel to consult at any time. The Company continues to use regular education and training and diversified publicity methods to make employees clearly aware of the norms they should abide by, thereby reducing the occurrence of dishonest behavior.	
<p>(3) Does the Company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?</p>	V		(3)In order to prevent dishonesty, the Company requires suppliers, contractors or other partners to make written integrity commitments, such as not to engage in any illegal business practices and not to offer improper benefits or bribes to InnoCare employees. In case of severe dishonesty, in addition to terminating or canceling the contract at any time, the Company will report to the judicial authorities in case of gross violation. The Company has	

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			established the “Ethical Corporate Management Principles”, which specifies the operating procedures, behavior guidelines, violation punishments and complaint systems, and implemented the Code. When the regulations are amended, the Company will review whether the “Ethical Corporate Management Principles” needs to be amended when the Board of Directors presents the annual report on the implementation of corporate integrity management.	
2.Fulfill operations integrity policy				No significant difference compared to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
(1) Does the Company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	V		(1) The Company requires global suppliers to comply with the supplier's code of social responsibility for corporate behavior and sign a manufacturer's commitment to jointly practice the Company's corporate culture of integrity management. In addition, the Company continues to conduct policy communications to suppliers and customers to communicate the Company's integrity management culture to suppliers and customers, and to understand whether any misconduct has occurred.	
(2) Does the Company establish a dedicated unit under the Board of Directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?	V		(2) The Company is led by the Finance & Accounting & Business Management Division as a responsible unit. It continues to promote various integrity management plans in accordance with company policies, and promotes integrity and honesty matters. The Company will report the integrity management policies, prevention of dishonesty behavior plans, supervision, and implementation situation to the Board of Directors every year, and the integrity management implementation situation in 2023 has been reported to the Board of Directors on February 20, 2024. In the event of a breach of integrity and honesty, the Company will impose disciplinary punishment against the violator.	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) The Company has set out the relevant codes of conduct for the prevention of conflicts of interest in the Codes of Ethical Conduct for Directors and Managerial Officers and employee code of conduct for Directors and managers. All colleagues are required to voluntarily declare and avoid any conflict of interest. In order to implement the policy, the Company also requires employees to fill out an annual questionnaire survey to voluntarily report any conflicts of interest.	
(4) Does the Company have effective accounting system and internal control systems set up to facilitate ethical	V		(4) The Company establishes a complete and effective accounting system and internal control system to ensure the continuous design and implementation of the system. In addition to regular audits by the internal auditing unit of	

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit?</p> <p>(5) Does the Company regularly hold internal and external educational trainings on operational integrity?</p>	V		<p>the Company and its compliance with the anti-corruption measures formulated in accordance with the risk assessment results within the Company, there is also Deloitte & Touche to regularly audit the financial statements for the Company.</p> <p>(5) Education and training are the most important part of the Company’s implementation of the integrity policy. The Company continues to strengthen the compliance awareness of colleagues through the integrity management education and training courses, and at the same time uses the official website to continue to promote integrity management standards. The Company also conducts regular internal education and training on anti-corruption policies. In addition, in order to ensure that suppliers follow the Company’s integrity management policy, the Company also requires suppliers to sign and abide by the manufacturer’s commitment letter.</p>	
<p>3. The operation of the Company's whistleblowing system</p> <p>(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the Company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation?</p> <p>(3) Does the Company provide proper whistleblower protection?</p>	V V V		<p>(1) The Company set up a report mailbox (speak-up@innocare-x.com) to provide whistleblowing channels, reception procedures and other information for internal and external personnel at any time to use. In addition, this reporting channel information is disclosed in the Company’s internal advocacy posters and the commitment letter that suppliers should sign, so that internal and external people are informed and make full use of the whistleblowing channels to report.</p> <p>(2) For investigations of reported cases, the Company conducts investigations in a confidential and rigorous manner. After the investigation of the reported cases is completed, the Company takes follow-up measures according to the severity of the internal rules. If criminal responsibility is involved, it will be transferred to the judicial office for investigation.</p> <p>(3) The Company strictly prohibits any form of retaliation. In order to protect the whistleblower, the Company clearly stated in the internal code that the Company will protect the whistleblower from any retaliation caused by the report, and prohibits colleagues from taking any retaliation measures. In the course of the investigation, the investigation team did abide by the relevant</p>	No significant difference compared to the Ethical Corporate Management Best Practice Principles for TWSE /TPEX Listed Companies

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			provisions of the confidentiality of the informant’s identity and anonymous reporting, strictly abided by the standard operating procedures for the investigation of the report, and related confidentiality mechanisms, to protect the confidentiality of the informant’s identity, so that the informant would not suffer from the report improper disposal.	
4.Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?	V		The Company discloses the Ethical Corporate Management Principles on the Company’s official website and MOPS for inquiry at any time. The annual report of the shareholder's meeting also discloses in detail the contents of the Ethical Corporate Management Principles and the promotion results.	No significant difference compared to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. The Company has enacted Ethical Corporate Management Principles in accordance with Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and disclosed on the official website and MOPS. All of the Company’s colleagues and affiliates are required to comply with these provisions, there is not conformity with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.				
6. Other important information to facilitate a better understanding of the ethical corporate management operation of the Company (e.g., review and amend its policies.): (1)Strictly abide by the business conduct regulations and other relevant regulations for listing companies as the basis for the implementation of integrity management, and continue to identify and update the regulations to ensure the implementation of the regulations. (2)The Company continues to conduct business ethics regulatory risk assessments every year, and implements the Company’s business ethics risk management through the internal control system.				

3.4.8 Corporate Governance Guidelines and Regulations

The Company has established the Corporate Governance Principles, which addresses the protection of shareholders' rights and interests, strengthens the functions of the Board of Directors, respects the rights and interests of stakeholders, and enhances information transparency. It also reviews and evaluates the corporate governance evaluation. The actual implementation of the quantitative indicators is expected to assist the Company to gradually establish a good corporate governance system to enhance the effectiveness of corporate governance. For the Company's corporate governance operation, please refer to the annual report. For the Company's corporate governance operation, please refer to the annual report, 3.4 Implementation of Corporate Governance of III. Corporate Governance Report (pages 28-64). For the Company's Corporate Governance Principles and related regulations, please inquire on the MOPS or the Company's website.

3.4.9 Other Important Information Regarding Corporate Governance

1. The Company has established the Procedures for Handling Material Inside Information and Preventing Insider Trading that clearly regulates the handling and disclosure of important internal information. Relevant procedures are regularly reviewed to meet the current laws and regulations and the practical management needs, and internal announcements have been made in the Company along with relevant trainings for all employees.
2. In order to strengthen our competitive edge, the Company continues to combine operational objectives and R&D resources to formulate intellectual property strategies and to implement intellectual property deployment and protection measures. In particular, we have established tactic deployment strategies for intellectual property management (including patent education and training, proposed evaluation mechanism, incentive system, post-approval evaluation, and patent revitalization strategy), and have also established a patent management system to create a comprehensive patent control framework to strengthen the control, utilization, and deployment of patents. As of printed date of annual report, the Company has an aggregate of approximately 49 patents worldwide. In addition, for trademarks, copyrights, and trade secrets, the Company continues to actively perform trademark examination and arrangement in accordance with the relevant management regulations. As of printed date of annual report, the Company has obtained 19 registered trademarks worldwide. In addition, we control trade secrets and copyrights through strict security measures, and further extend the protection of all intellectual property to effectively control and integrate the superior resources of intellectual property, strengthen the Company's competitiveness, and ensure the competitive advantage. The implementation of the Company's 2023 intellectual property management plan was reported to the Board of Directors on February 20, 2024.
3. Status of Directors' participation in corporate governance related courses and trainings in 2023:

Title	Name	Date	Sponsoring Organization	Course	Hours
Chairman	Chu-Hsiang Yang	2023.07.27	Corporate Operating and Sustainable Development Association	Trade Secrets Protection and Prevention of Insider Trading	3
Director	Tien-Jen Lin Jyh-Chau Wang Ta-Lun Huang				
Independent Director	Hung-Chi Li Chi-Tsung Huang Yi-Hung Chou	2023.10.26		Corporate Sustainable Governance - DEI in Workplace	3

4. Status of managerial officers participating in corporate governance related courses and trainings in 2023:

Title	Name	Date	Sponsoring Organization	Course	Hours
President	Chih-Sheng Lee	2023.07.27	Corporate Operating and Sustainable Development Association	Trade Secrets Protection and Prevention of Insider Trading	3
		2023.10.26		Corporate Sustainable Governance - DEI in Workplace	3
Corporate Governance Officer	Chien-Lang Lo	2023.07.21	Taiwan Corporate Governance Association	Understanding Venture Capital Investment Terms and Conditions - a primer for corporate VC	3
		2023.07.27	Corporate Operating and Sustainable Development	Trade Secrets Protection and Prevention of Insider Trading	3

Title	Name	Date	Sponsoring Organization	Course	Hours
			Association		
		2023.08.11	Taiwan Corporate Governance Association	Roles and Responsibilities of the Board of Directors/Senior Management in ESG Governance	3
		2023.10.26	Corporate Operating and Sustainable Development Association	Corporate Sustainable Governance - DEI in Workplace	3
Division Director	Tun-Jen Cheng Ming-Hsien Sun Fujisawa Yoshinori	2023.07.27	Corporate Operating and Sustainable Development Association	Trade Secrets Protection and Prevention of Insider Trading	3
		2023.10.26		Corporate Sustainable Governance - DEI in Workplace	3
Plant Director	Yi-Chien Li	2023.07.27	Corporate Operating and Sustainable Development Association	Trade Secrets Protection and Prevention of Insider Trading	3
		2023.10.26		Corporate Sustainable Governance - DEI in Workplace	3
Financial Officer Accounting Officer	Chung-Wei Huang	2023.07.27	Corporate Operating and Sustainable Development Association	Trade Secrets Protection and Prevention of Insider Trading	3
		2023.10.26		Corporate Sustainable Governance - DEI in Workplace	3

5. Succession planning and operation of Board members and important management members

The Company implements the diversification policy of Board members in accordance with the Corporate Governance Principles. There are currently 7 directors (including 3 independent directors), all of whom have industry knowledge and international market views, and are good at leadership, operational judgment, operation management, crisis management and other professional capabilities.

In the future, the current composition of the Board and the experience background of Board members will be continued. The annual “Board Performance Evaluation Results” will be used as a reference for the nomination of directors for renewal.

Regarding the succession plan of the Board of Directors, in addition to considering diversity, the Company will focus on gender equality and possession of the knowledge, skills and literacy necessary for performing duties.

The Company adheres to embracing change and leading the market demand, with the three main directions of “cultivating innovation and arranging succession”, “deploying the leadership team” and “deepening the depth of positions”. In addition to excellent work ability, the successors should also have the values consistent with those of the Company.

Based on the talents’ future development and potential ability, the succession cultivation plan is divided into the three stages of experience cultivation, agency and observation, and formal succession. During the period, courses and action learning, project assignment and management authorization, and assignment and rotation are provided, and the feasibility of formal succession is assessed through performance evaluation and high-level personnel review. In addition to internal learning, senior executives and potential talents are also encouraged to study in top universities to deepen the knowledge and ability of business management.

3.4.10 Internal Control System

1. Statement of internal control system

InnoCare Optoelectronics Corporation
Statement of Internal Control System

February 20, 2024

According to the examination on internal control systems done by the Company itself in 2023, we hereby state as follows:

- (1) The Company's Board of Directors and management team understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives: The effectiveness and efficiency of business operation (including earnings, operation performance, and the safeguard of company assets); The reliability of the financial and related reports; and The compliance of the relevant laws/regulations and company policies;
- (2) Due to the innate limitations in designing a faultless internal control system, this system can only assure that the reasonableness of the above three objectives has been fairly achieved. In addition, the effectiveness of the internal control system may change over time due to the change of the business environment or situation. Since the Company's internal control system has included a self-examination capability, the Company will make immediate corrections when errors are detected.
- (3) The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) supervision. Each factor also includes several items. Details of each factor can be found in the Guidelines.
- (4) The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.
- (5) The examination results indicated that the Company's internal control system (including subsidiary governance) dated December 31, 2023 had effectively assured that the following objectives had been reasonably achieved during the assessing period: The degree of effectiveness and efficiency of business operation; The reliability of the financial and related reports; The compliance of the relevant laws/regulations and company policies
- (6) This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171, and Article 174 set forth in the Taiwan's Securities and Exchange Act.
- (7) The Company hereby declares that this statement had been approved by the Board of Directors on February 20, 2024. Among the 7 attending Directors, no one raised any objection to the contents of this statement.

InnoCare Optoelectronics Corporation
Chairman: Chu-Hsiang Yang
President: Chih-Sheng Lee

2. Hire an accountant to audit the Company's internal control system and disclose the audit report made by accountants: None.

3.4.11 If any penalties are imposed on the Company and its personnel or punishments are imposed by the Company on personnel in violation of internal control system regulations in the past year and up to the date of report, and the results of the penalty may have a material effect on shareholders equity or stock price, specify the contents of the penalty, major deficiencies and improvement: None.

3.4.12 Major Resolutions of Shareholders' Meeting and Board Meetings

1. Important resolutions and implementation made by the 2023 Shareholders' Meeting as of the printed date of annual report

(1) Recognition of 2022 Business Report and Financial Statements

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements.

Implementation Status: The relevant forms have been submitted to the competent authority for reference and announcement in accordance with the Company Act and other relevant laws and regulations.

(2) Recognition of 2022 Earnings Distribution Table

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements.

Implementation Status: The Ex-dividend record date was set on June 17, 2023, and payment date of cash dividend distribution was on July 14, 2023. The distribution of cash is NT\$ 1.3 per share.

(3) Amendment to the Articles of Incorporation

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements.

Implementation Status: It has been registered with the competent authority in accordance with the Company Act and other relevant laws and regulations.

(4) Amendment to the Procedures for the Acquisition and Disposal of Assets

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements.

Implementation Status: The Company uploaded to the MOPS and disclosed on the Company website on June 5, 2023, and matters were handled in accordance with the amended procedures.

(5) Amendment to the Rules of Shareholders Meeting

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements.

Implementation Status: The Company uploaded to the MOPS and disclosed on the Company website on June 5, 2023, and matters were handled in accordance with the amended procedures.

2. Major resolutions by the Board Meetings for 2023 as of the printed date of annual report

Date	Major Resolutions
11th meeting of the 3th session 2023.02.09	<ol style="list-style-type: none"> 1. The Company's Business Plan in 2023 2. The Company's Annual Budget in 2023 3. Proposal of 2022 Allocation on Directors and Employees Remuneration Distribution 4. 2022 Business Report and Financial Statements of the Company 5. The appointment, remuneration, and assessment of the independence and competency of CPAs 6. General principles for establishing the Company's pre-approved non-confirmatory service policy 7. Proposal to convene 2023 Annual Shareholders' Meeting 8. Proposal of the Company's 2022 Internal Control System Statement 9. Proposal for setting the record date for the issuance of new shares for execution of employee stock options for the fourth quarter of 2022 10. Proposal for executing loan agreements with financial institutions 11. Proposal for the reward system of managerial officers 12. Proposal for the remuneration of managerial officers
12th meeting of the 3rd session 2023.04.12	<ol style="list-style-type: none"> 1. Proposal of 2022 Earnings Distribution Table 2. Amendment to the Articles of Incorporation 3. Amendments to the Procedures for the Acquisition and Disposal of Assets 4. Amendments to the Rules of Shareholders Meeting 5. Proposal to convene 2023 Annual Shareholders' Meeting (adding discussion motions) 6. Proposal of financial statements for the first quarter of 2023 7. Acquisition of Right-of-Use Asset -Buildings from related party for business use 8. Amendment to the Rules for Board of Directors Meetings, the Corporate Governance Principles, the Sustainable Development Best Practice Principles, the Procedures for applying for halt of dealing and resumption of exchange, the Procedures for declaration of newly appointed and dismissal of insider's information, the Ethical Corporate Management Principles, the Procedures for Ethical Management and Guidelines for Conduct, the Procedures for Related Parties, Specific Companies and Group Enterprises Transaction, the Procedures for Handling Material Inside Information and Preventing Insider Trading and the Decision-making Power Guidelines 9. Proposal for setting the record date for the issuance of new shares for execution of employee stock options for the first quarter of 2023 10. Proposal for the remuneration of managerial officers 11. Proposal for managerial employees remuneration in 2022
13th meeting of the 3rd session 2023.05.23	<ol style="list-style-type: none"> 1. Proposal of the acquisition of shares issued by DEEP01 LIMITED
14th meeting of the 3rd session 2023.07.25	<ol style="list-style-type: none"> 1. Proposal of the financial statements for the second quarter of 2023
15th meeting of the 3rd session 2023.10.24	<ol style="list-style-type: none"> 1. Proposal of the financial statements for the third quarter of 2023 2. Proposal of 2024 Audit plan 3. Amendments to some clauses of the Company's internal control system 4. Amendments to the Procedures for Handling Material Inside Information and Preventing Insider Trading 5. Proposal for setting the record date for the issuance of new shares for execution of employee stock options for the third quarter of 2023 6. Proposal for executing loan agreements with financial institutions 7. Proposal for the subscription amount of INX's Treasury stock transferred to managerial officers 8. Proposal for the managerial employees remuneration in 2023
16th meeting of the 3rd session 2024.02.20	<ol style="list-style-type: none"> 1. Proposal of 2023 Allocation on Directors and Employees Remuneration Distribution 2. 2023 Business Report and Financial Statements of the Company 3. The appointment, remuneration, and assessment of the independence and competency of CPAs 4. The Company's Business Plan in 2024 5. The Company's Annual Budget in 2024 6. Amendment to the Rules of Shareholders' Meeting 7. Proposal to overall re-election of Directors 8. Proposal to convene 2024 Annual Shareholders' Meeting 9. Proposal of the Company's 2023 Internal Control System Statement 10. Amendments to the Audit Committee Charter and Rules for Board of Directors Meetings

Date	Major Resolutions
	11. Proposal for setting the record date for the issuance of new shares for execution of employee stock options of the Company for the fourth quarter of 2023 12. Proposal for executing loan agreements with financial institutions 13. Proposal of the managerial officers' pension management measures 14. Proposal of the Company's proposed Employee Stock Ownership Plans 15. Proposal for the remuneration of managerial officers in 2023

3.4.13 Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year, up until the publication date of annual report: None.

3.4.14 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of this Annual Report, of the Company's Chairman, President, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer: None.

3.5 Disclosure of CPA Fees

3.5.1 Fee Information

Amount Unit: NT\$ thousand

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Ya-Ling Wong	2023.01.01-	3,500	2,452	5,952	-
	Chih-Ming Shao	2023.12.31				

1. Replaced the accounting firm and the audit fee paid to the new accounting firm was less than the payment of the previous year: None.

2. Audit fee reduced more than 10% year over year, required to disclose the reduced amount, proportion, and reason: None.

3.5.2 The professional fees for auditing services referred means the professional fees paid by the Company to a certified public accountant for auditing, review, and secondary reviews of financial reports, financial forecast reviews, and tax certification.

3.6 Replacement of CPA: None.

3.7 The Company's Chairman, President, or any Managerial Officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise: None.

3.8 Changes in Shareholding of Directors, Managerial Officers and Major Shareholders

3.8.1 Changes in Shareholding of Directors, Managerial Officers and Major Shareholders

Unit: Per share

Title	Name (Note 1)	2023		In 2024, up to March 31, 2024	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Innolux Corporation	(300,000)	—	—	—
	Representative: Chu-Hsiang Yang	13,500	—	—	—
Corporate Director	Innolux Corporation	—	—	—	—
	Representative: Tien-Jen Lin	32,000	—	—	—
Director	Jyh-Chau Wang	34,000	—	—	—
Director	Ta-Lun Huang	—	—	—	—
Independent Director	Hung-Chi Li	—	—	—	—
Independent Director	Chi-Tsung Huang	—	—	—	—
Independent Director	Yi-Hung Chou	—	—	—	—
President	Chih-Sheng Lee	60,000	—	—	—
Associate VP	Chien-Lang Lo	64,000	—	—	—
Division Director	Tun-Jen Cheng	20,400	—	—	—
Division Director	Ming-Hsien Sun	30,400	—	—	—
Division Director	Fujisawa Yoshinori	—	—	—	—
Plant Director	Yi-Chien Li	40,600	—	—	—
Financial Officer Accounting Officer	Chung-Wei Huang	40,000	—	—	—

Note 1: Existing directors and managerial officers as of the printed date of the annual report.

Note 2: Newly elected on January 28, 2022.

3.8.2 Where the counterpart of the equity transfer is a related party :

In the most recent year (2023) and as of the date of publication of the annual report, the Company's directors, managerial officers and shareholders holding more than 10% of the shares have not had any equity transfers to the Company's related parties.

3.8.3 Where the counterpart of the equity pledge is a related party :

In the most recent year (2023) and as of the date of publication of the annual report, the Company's directors, managerial officers and shareholders holding more than 10% of the shares have not had any equity pledges to the Company's related parties.

3.9 Relationship among the Top 10 shareholders

Name	Shares held		Shareholdings of spouse and underage children		Shares held through nominees		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its title (or name) and relationships		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationships	
Innolux Corporation	20,200,000	50.17%	—	—	—	—	Jin Yang Hung	Chairman	—
Representative: Jin Yang Hung	329,800	0.82%	—	—	—	—	Innolux Corporation	Chairman	—
Yuanta Bank in Custody for Trust Property Account	2,789,914	6.93%	—	—	—	—	—	—	—
CDIB-Innolux L.P	1,000,000	2.48%	—	—	—	—	Innolux Corporation	Subsidiary under the equity method	—
ABICO Asia Excelsior Partners L.P.	650,000	1.61%	—	—	—	—	—	—	—
Yuanta Bank in Custody for FUJIFILM Business Innovation Corp. Account	500,000	1.24%	—	—	—	—	—	—	—
Hefeng United Co., Ltd.	400,000	0.99%	—	—	—	—	—	—	—
Jin Yang Hung	329,800	0.82 %	—	—	—	—	Innolux Corporation	Chairman	—
Chu Hsiang Yang	308,388	0.77%	—	—	—	—	Innolux Corporation	Director & President	—
CDIB Capital Growth Partners L.P.	211,000	0.52%	—	—	—	—	—	—	—
Cheng-An Huang	171,000	0.42%	—	—	—	—	—	—	—

3.10 The total number of shares and total equity stake held in any single enterprise by the Company, its Directors, Managerial Officers, and any companies controlled either directly or indirectly by the Company

Unit: Shares; December 31, 2023

Investee Enterprises	Investment by the Company		Investment by the Directors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total Investment	
	Shares	%	Shares	%	Shares	%
InnoCare Optoelectronics Europe B.V.	500	100.00	—	—	500	100.00
InnoCare Optoelectronics Japan Co., Ltd.	30,010	100.00	—	—	30,010	100.00
InnoCare Optoelectronics USA, INC.	900,000	100.00	—	—	900,000	100.00
Ningbo Innolux Electronics Ltd.	Note 2	100.00	—	—	Note 2	100.00

Note 1: This refers to investee enterprises in which the Company makes long-term investment calculated according to the equity method.

Note 2: It is a limited company, so no information on the number of shares is available.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Capital and Shares

March 26, 2024; Unit: Shares

Share Type	Authorized Capital			Remarks
	Outstanding Shares	Un-issued Shares	Total	
Common Shares	40,267,000	9,733,000	50,000,000	

4.1.2 Source of Capital

Unit: Shares thousand; NT\$ thousand

Year/ Month	Issue price (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital increase by assets other than cash	Others
2019.04	10	20,000	200,000	20,000	200,000	Establishment	None	2019.04.02 Nan-Shang-Zih No. 1080008497
2021.05	-	45,000	450,000	31,000	310,000	11,000 thousand shares from capital increase through capitalization of retained earnings	None	2021.05.31 Nan-Shang-Zih No. 1100015621
2021.08	14.5	45,000	450,000	34,985	349,845	3,984 thousand new shares issued upon the exercise of employee stock options	None	2021.08.02 Nan-Shang-Zih No. 1100021997
2021.11	-	50,000	500,000	34,985	349,845	Authorized capital increased by amendment of Articles of Incorporation	None	2021.11.10 Nan-Shang-Zih No. 1100032627
2022.11	14.5	50,000	500,000	35,782	357,820	797 thousand new shares issued upon the exercise of employee stock options	None	2022.11.11 Nan-Shang-Zih No. 1110033395
2023.03	14.5	50,000	500,000	35,785	357,850	3 thousand new shares issued upon the exercise of employee stock options	None	2023.03.03 Nan-Shang-Zih No. 1120005634
2023.04	70	50,000	500,000	39,385	393,850	3,600 thousand new shares from capital increase by cash	None	2023.04.12 Nan-Shang-Zih No.1120009727
2023.05	14.5	50,000	500,000	39,387	393,870	2 thousand new shares issued upon the exercise of employee stock options	None	2023.05.03 Nan-Shang-Zih No.1120011951
2023.11	14.5	50,000	500,000	40,229	402,290	841 thousand new shares issued upon the exercise of employee stock options	None	2023.11.13 Nan-Shang-Zih No.110032434
2024.03	14.5	50,000	500,000	40,236	402,360	7 thousand new shares issued upon the exercise of employee stock options	None	2024.03.11 Nan-Shang-Zih No.1130006912

4.1.3 Information for Shelf Registration: None.

4.1.4 Shareholder structure

March 26, 2024

Shareholder structure Number	Government Institutions	Financial Institutions	Other Corporation	Individual	Foreign Institutions & Foreigners	Total
Number of Shareholders	—	—	70	25,551	26	25,647
Number of Share Held	—	—	26,400,818	13,155,422	710,760	40,267,000
Shareholding (%)	—	—	65.56 %	32.67%	1.77 %	100.00%

4.1.5 Distribution of Equity Ownership

1. Common Shares

NT\$ 10 per share; March 26, 2024

Class of Shareholding (Shares)	Number of Shareholders	Number of Share Held	Percentage
1 ~ 999	22,607	673,257	1.67%
1,000 ~ 5,000	2,564	4,827,560	11.99%
5,001 ~ 10,000	244	1,863,700	4.63%
10,001 ~ 15,000	91	1,129,781	2.81%
15,001 ~ 20,000	41	736,293	1.83%
20,001 ~ 30,000	29	710,530	1.76%
30,001 ~ 40,000	17	599,620	1.49%
40,001 ~ 50,000	15	705,249	1.75%
50,001 ~ 100,000	23	1,683,845	4.18%
100,001 ~ 200,000	7	948,063	2.35%
200,001 ~ 400,000	4	1,249,188	3.10%
400,001 ~ 600,000	1	500,000	1.24%
600,001 ~ 800,000	1	650,000	1.61%
800,001 ~ 1,000,000	1	1,000,000	2.48%
1,000,001 or over	2	22,989,914	57.11%
Total	25,647	40,267,000	100.00%

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

4.1.6 List of Major Shareholders (Top 10 shareholders who own the most shares)

March 26, 2024; Unit: Shares

Name of Shareholders	Number of Share Held	Percentage
Innolux Corporation	20,200,000	50.17%
Yuanta Bank in Custody for Trust Property Account	2,789,914	6.93%
CDIB-Innolux L.P	1,000,000	2.48%
ABICO Asia Excelsior Partners L.P.	650,000	1.61%
Yuanta Bank in Custody for FUJIFILM Business Innovation Corp. Account	500,000	1.24%
Hefeng United Co., Ltd.	400,000	0.99%
Jin-Yang Hung	329,800	0.82%
Chu-Hsiang Yang	308,388	0.77%
CDIB Capital Growth Partners L.P.	211,000	0.52%
Cheng-An Huang	171,000	0.42%

4.1.7 Market Price, Net Worth, Earnings, and Dividends in the Past Two Years

Unit: NT\$; thousand share

Item		Year	2022 (Note1)	2023	As of March 31, 2024
Market Price Per Share	Highest Market Price		163.50	158.50	86.20
	Lowest Market Price		62.40	79.90	78.90
	Average Market Price		104.72	101.54	81.94
Net Worth Per Share	Before Distribution		22.82	31.94	32.54
	After Distribution		22.82	31.94	32.54
Earnings Per Share (EPS)	Weighted Average Shares (thousand shares)		35,780	38,946	40,254
	Earnings Per Share(in dollars)		5.62	3.00	0.51
Dividends Per Share	Cash Dividends		1.30	1.10 (Note2)	—
	Stock Dividends	Dividends from Retained Earnings	—	—	N.A.
		Dividends from Capital Reserve	—	—	N.A.
	Accumulated Unpaid Dividends		—	—	N.A.
Return on Investment (ROI) Analysis	Price-to-Earnings Ratio		Unlisted	(Note 2)	160
	Price-Dividend Ratio		Unlisted		N.A.
	Cash Dividend Yield Rate		Unlisted		N.A.

Note 1: The Company is an unlisted company, so there is no market price for reference, and the relevant ratios cannot be calculated.

Note 2: 2023 earnings distribution were passed by the Board of Directors, and will be submitted to Shareholders' Meeting for resolution.

Note 3: The listing and trading start date is March 27, 2023; no relevant information is available for calculation.

4.1.8 Dividend Policy and Implementation Status

1. Dividend Policy

In cases of earnings upon annual general settlement, the Company shall set them aside to pay for taxes and to recover accumulated losses and then set aside 10% to be the legal reserve unless the legal reserve has reached the capital size. Provision or reversal of special reserve may be done if necessary and as required by law. For earnings that remain, if any, the Board of Directors shall prepare the proposal on distribution of the earnings and those yet to be distributed at the start of the term and the distribution will be resolved by the shareholders' meeting.

The Company shall set aside to special reserve, from prior period's undistributed earnings, an amount equal to net deductions from other equity. If the amount is not sufficient, the Company should further set aside from the current period's net profits plus other items to be included in the current period's undistributed earnings.

Depending on the Company's long-term financial planning, investment environment, industry competition, capital expenditure budget, funding requirements and protection of shareholders' equity, dividends should be paid at a rate of no less than 20% of the current year's distributable earnings; however, if the distributable earnings are less than 2% of the paid-in capital, the Company may resolve to transfer the entire amount to retained earnings without distribution. For earnings distribution, cash dividends are preferred but it may also be in the form of stock dividends, with no less than 50% of the earnings to be distributed with cash dividends. The aforementioned dividend distribution percentage may be adjusted based on financial, business and operating factors.

2. Proposed Distribution of Dividend

On April 11, 2024, the Board of Directors will resolve to approve the proposed distribution of cash dividends to shareholders in the amount of NT\$ 44,293,700, with the distributed cash of NT\$ 1.1 per share according to the shareholders and their shares as recorded in the register of shareholders on the record date of the distribution, subject to the approval of the 2024 Shareholders' Meeting.

3. Significant changes of Dividend policy: None.

4.1.9 Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the business performance and earnings per share

Not applicable. There is no stock dividend distribution proposed in this shareholders' meeting.

4.1.10 Remuneration of Employees and Directors

1. The percentages or ranges with respect to Remuneration of Employees and Directors in the Articles of Incorporation

Article 32 of the Articles of Incorporation stipulates that: In cases of profits for the year, the Company shall set aside no less than 5% as the remuneration to its employees and no higher than 1% as that to directors. In cases of accumulated deficits, on the other hand, the Company shall first retain the value sufficient to offset the deficits.

Those entitled to the remuneration to employees assigned by the Company include the employees of a controlled or affiliated company who meet the criteria set by the Board of Directors or its authorized people.

2. The basis for estimating the amount of employee and director remuneration, for calculating the number of shares to be distributed as employee profit-sharing compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The Company has an amount equivalent to a certain percentage of the current net earnings (net income before tax before deducting the remuneration to employees and the remuneration to Directors) minus the accumulated losses estimated and appropriated as remuneration to employees and remuneration to Directors, which will be reported as operating cost or operating expense. The remuneration to employees paid with stock are with the number of shares calculated in accordance with the closing price of common stock in the day prior to the resolution reached by the Board of Directors, and the Company will no longer take account of ex-right and ex-dividend. If there is any change in the estimated stock share to be distributed after the publication of the financial report in the following year, it is to be treated as changes in accounting estimates and with the effect of such change recognized in the profit and loss of the following year.

3. Information on any approval by the Board of Directors of Remuneration Distribution

- (1) The amount of any employee remuneration distributed in cash or shares and remuneration for directors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

The Board of Directors of the Company has approved remuneration to employee in cash, NT\$ 8,383,070 and remuneration to directors in cash, NT\$ 128,970 on February 20, 2024.

There is no discrepancy between that amounts of remuneration to employee and remuneration to directors and the estimated figures for 2023 these expenses are recognized.

- (2) The amount of any employee remuneration distributed in shares, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration:

The Company has not had stock shares distributed as remuneration to employees in the current year; therefore, it is not applicable.

4. The actual distribution of employee and director remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee and director remuneration, additionally the discrepancy, cause, and how it is treated.

(1) Actual distribution amount:

Unit: NT\$

Remuneration of Employees			Remuneration of Directors
Distributed in Shares: Monetary Amount	Distributed in Shares: Number of Shares	Distributed in Cash	
—	—	15,927,886	245,044

(2) If there is any discrepancy between that actual and the recognized amount; the discrepancy, its cause, and the status of treatment shall be disclosed : There is no discrepancy between the actual distribution amount and the recognized amount.

4.1.11 Status of repurchasing of shares of the Company: The Company has not repurchased shares of the Company in recent years and up to the date of publication of the annual report.

4.2 Bonds

4.2.1 Information regarding corporate bonds: None.

4.2.2 Information regarding convertible corporate bonds: None.

4.2.3 Information regarding exchangeable corporate bonds: None.

4.2.4 Information regarding issuance of corporate bonds under shelf registration: None.

4.2.5 Information regarding corporate bond with warrants: None.

4.3 Preferred Shares

4.3.1 Information regarding Preferred Shares: None.

4.3.2 Information of preferred shares with warrants: None.

4.4 Global Depositary Receipts: None.

4.5 Employee Stock Options

4.5.1 As of the printed date of the Annual Report, the processing situation and impact on shareholders' right from employee stock option that have not matured yet

Unit: NT\$; Share

Type of Employee Stock Options	The First (Issue no.) of Employee Stock Option
Effective registration date	N.A. (Note 1)
Issue (handling) date	July 7, 2020
Number of units issued	3,414,000 units (1 unit can subscribe 1 common share)
Ratio of the number of issued subscribable shares to the total number of issued shares (Note 2)	8.49%
Duration	6 years
Exercise method	Issuing of new stocks
Vesting period and percentage (%)	Expired for 2 years: 30% Expired for 3 years: 60% Expired for 4 years: 100%
Number of shares subscribed through exercise of the options	1,651,200
Amount of the shares subscribed through exercise of the options (NT\$)	NT\$ 23,942,400
Number of unexercised shares	1,762,800
Subscription price per share of the unexercised shares	NT\$ 14.5(Note 3)
Ratio of the number of unexercised shares to the total number of issued shares (%) (Note 2)	4.38%
The effect on shareholders' equity	The Company issues employee stock options in order to attract and retain professionals needed for the Company and to enhance employees' loyalty and sense of belonging to the Company. As the Company is still in its growth stage, the effect on stockholders' equity and the dilution effect should be limited.

Note 1: The Company was a non-public company at the time of issuing the employee stock options, and the issuance was approved by the Board of Directors in accordance with Article 167-2 of the Company Act.

Note 2: The total number of issued shares is the total number of issued shares registered with the Ministry of Economic Affairs as of the printed date of the annual report.

Note 3: On May 12, 2021, the Board of Directors acted as the Shareholders' Meeting and adjusted the subscription price from NT\$ 22.5 to NT\$ 14.5 in accordance with the earnings distribution.

4.5.2 Names, acquisition, and subscription of managerial officers who have obtained employee stock option as well as employees who rank among the top 10 in terms of the number of shares obtained via employee stock option, cumulative as of the printed date of the Annual Report

Unit: thousand units; NT\$ thousand; %

	Title	Name	Number of shares subscribable from exercise of warrants granted	Ratio of the number of shares subscribable from the exercise of warrants granted to the total number of issued shares (Note 1)	Exercised				Unexercised			
					Number of shares	Exercise price	Total exercise price	Ratio of the number of exercised shares to the total number of issued Shares (Note 1)	Number of shares	Exercise price	Total exercise price	Ratio of the number of exercised shares to the total number of issued Shares (Note 1)
Managerial Officers	President	Chih-Sheng Lee	744	1.85	599	14.5	8,688	1.49	145	14.5	2,100	0.36
	Associate VP	Chien-Lang Lo										
	Division Director	Tun-Jen Cheng										
	Division Director	Ming-Hsien Sun										
	Division Director	Yung-Hsiang Liang										
	Division Director	Fujisawa Yoshinori										
	Plant Director	Yi-Chien Li										
	Financial Officer Accounting Officer	Chung-Wei Huang										
Employees	Manager	Chih-Hao Wu	669	1.66	544	14.5	7,884	1.35	125	14.5	1,817	0.31
	Manager	Chang-Ling Hsu										
	Manager	Yu-Heng Chen										
	Manager	Chin-Chi Chen										
	Manager	Yu-Shan Tseng										
	Manager	Chih-Chian Liu										
	Manager	Yi-Hsun Tsai										
	Manager	Jui-Wen Cheng										
	Senior Manager	Chung-Liang Kuo										
	Manager	Chi-Pin Teng										

4.5.3 Private placement of employee stock options for the last three years and as of the date of the prospectus: None.

4.6 New Restricted Employee Shares

4.6.1 New restricted employee shares that have not fully met the conditions and the impact on shareholders' right: None.

4.6.2 Names of managers and top 10 employees holding new restricted employee shares as of the publication: None.

4.7 Status of New Shares Issuance in connection with Mergers and Acquisitions

4.7.1 In the most recent year as of the publication date of the Annual Report, the Company has completed merger or acquisition of other corporations to issue new shares: None.

1. A clear opinion prepared by the managing underwriter concerning any issuance of new shares in connection with any merger or acquisition or with any acquisition of shares of any other company within the past quarter: None.
2. If the progress or benefits of such implementation were not as good as expected, the annual report shall explain specifically how the situation is likely to affect shareholders' equity, and shall put forward a plan for corrective action: N.A.

4.7.2 In the most recent year as of the publication date of the Annual Report, the Board of Directors of the Company has approved merger or acquisition of other corporations to issue new shares: None.

4.8 Financing Plans and Implementation

The Company doesn't have any uncompleted issuance plan or completed plan with unrealized benefit within the latest three years.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Main areas of business operations

The Company is mainly engaged in the R&D, design and sales of X-Ray flat panel detector devices and modules and industrial X-ray detection equipment, as well as assembly services for medical electronic components.

2. Consolidated operating ratios of each business in 2023

Unit: NT\$ thousand

Products	Sales Revenue	(%) of Total Sales
X-Ray Flat Panel Detector Device	1,313,492	71.50%
X-Ray Flat Panel Detector Module	495,768	26.98%
Others	27,856	1.52%
Total	1,837,116	100.00%

3. Main products (Services)

Our main products are key components produced by Thin Film Transistor - Photodiode (TFT-PD) technology and used in Digital Radiography (DR) systems. The main product categories include:

(1) X-Ray Flat Panel Detector Device

It is the core component of commercially available X-Ray flat panel detector module, the main body of which is a rigid or flexible substrate with TFT-PD, and can be custom designed according to different needs for size, pixel size and pixel circuit structure. Scintillator or data reading circuit can be attached upon request. The main function is to configure the detection pixels in array mode to perform photoelectric sensing of X-rays penetrating the object under test, and to convert the different levels of X-ray energy sensed by each sensing pixel into electrical charges and store them.

(2) X-Ray Flat Panel Detector Module

It is the main component of the digital X-ray radiography system, and its main function is to process the electric signals read out from each pixel in the detector device, including image formation, data storage, and transmission, so that it can be practically used in the detection field. It is the product made of detector device attached with control panel, memory, internal and external mechanical parts, battery, antenna and other components. Since the product is used in the practical detection field, it is designed to be with shock-resistant, waterproof, and static-proof properties according to the user scenarios of different product lines, and it is also divided into products for static, semi-dynamic, and dynamic detections according to the detection needs.

(3) Production line of X-Ray Flat Panel Detector Module/Device for industrial use

The manufacturing industry, food industry or agriculture industry often needs to detect the internal structure of products or the internal condition after packaging, and the perspectivity of X-ray allows it to be used in non-destructive and invasive detection fields. Compared to Complementary Metal-Oxide-Semiconductor (CMOS) technology, detection devices using TFT-PD structure have the advantage of one-time large area detection and low cost, allowing for a wider range of applications. In addition to independent R&D, the R&D team of the Company also works with our supply chain strategic partners to develop X-ray detection equipment suitable for manufacturing field by combining X-ray flat panel detector technology and equipment design capabilities, so as to provide customers with complete detection solutions supplemented by image analysis technology. On the other hand, to meet the demand for detection equipment that cannot be met by the existing product lines, the Company also sell products of domestic and foreign professional brands as an agent to provide more comprehensive services to our customers.

4. New products (services) planned for development

(1) Detector devices suitable for higher frame rate

In response to more diverse detection fields and applications, the products are evolving from static to semi-dynamic and dynamic forms, which requires the device efficiency can support image sensing of higher frame rates. The Company has applied the technology of “Indium Gallium Zinc Oxide (IGZO)” structure, an oxide semiconductor, to TFT-PD products to support dynamic applications. Currently, the products have been adopted by many international brand customers. On this basis, the Company has been continuously improving its design and manufacturing process technology to continuously launch the next-generation IGZO technology products with better performance. In addition, with an eye on the future, the Company has also initiated the research and development of the next-generation Low Temperature Poly-Silicon (LTPS) products with active pixel sensing structure, hoping to further upgrade the performance of the products.

(2) Diagnostic Imaging Platform Services and AI-assisted Analysis Applications

The Company is working with our partners to establish an online diagnostic imaging platform for veterinarians, for which professional animal medical image interpretation experts are invited to join the platform and provide diagnostic advice to veterinarians in veterinary hospitals/clinics in Taiwan. In addition, the Company also adopts both self-development and external cooperation to develop the applications that utilize AI-assisted detection and analysis, in the hope of reducing the workload of the detectors, increasing the detection and recognition rates and the detection efficiency, and providing the product value of the Company.

(3) Development of high-end dynamic X-ray detector technology and product with multiple applications

Considering customers’ needs and market development trend, for medical radiography and surgical examination and various industrial X-ray non-destructive in-line detection markets, the Company not only develops dynamic components using IGZO technology, but also invests in the development of the dynamic module product platform. The products have high frame rate and low-noise performance, and provide real-time image acquisition, image calibration, transmission, and display functions, in order to provide customers with options suitable for medical diagnosis or industrial detection.

(4) Semiconductor X-ray detection technology

Since optical detection technology can only detect the surface wafer defects, the X-ray detection system can scan the entire ingot from surface to center to reflect the structural information and provide the crystal defect density and distribution, so that the customers can effectively control the substrate quality, and the quality and efficiency of the components produced in the future can also be more stable. Based on the X-ray flat panel detector technology, coupled with the software and hardware integration technology capability, the Company has developed the composite detection technology to detect SiC ingots and wafers, thus entering upstream, midstream, and downstream SiC detection markets. The Company also integrates X-ray imaging and optical coherence tomography (OCT) detection technologies to enhance defect recognition through image correlation and establish non-destructive defect detection solutions for SiC ingots/balls/wafers.

5.1.2 Industry Overview

1. Current status and development of the industry

The Company’s main products are X-ray flat panel detector devices and modules for digital X-ray radiography systems, and the main product field is medical applications currently, which can also be integrated into industrial detection equipment. Digital radiography system is a commercialized product and one of the widely used detection technologies, while the X-ray flat panel detector is its core component. According to the estimates of MarketsandMarkets (a market research company) on X-Ray Detectors Market by Technology, FPD, Application - Global Forecast to 2027, the market of X-Ray Detectors, which cover veterinary, medical, dental, industrial and security detection fields, reached US\$3.1 billion in 2022 and is expected to reach US\$4 billion in 2027, with a compound annual growth rate of 5.2%, indicating that this is a continuously and steadily growing market. If the market definition is extended to the overall digital X-ray detection market, according to the estimates of MarketsandMarkets (a market research company), the market size is US\$11.1 billion in 2021, and is expected to

grow at an average annual growth rate of 8.1%, the overall market size will reach US\$16.4 billion in 2026.

Digital radiography has the advantages of fast digital image reading and low X-ray dose. As users pay great attention to low radiation dose and the popularity of cloud technology has accelerated the development of various diagnostic and analysis applications, the global market switches to digital radiography (DR) at a faster pace. In addition, the global population aging issue is also generating more demands for medical equipment and healthcare. On the supply side, with the rise of several emerging module suppliers and digital X-ray system suppliers in Korea and Chinese Mainland, although the market price decreases due to competition, it also accelerates the penetration of these products in emerging countries and regions and drives the continuous growth of the market size.

In addition to the medical market, Industry 4.0 and intelligent manufacturing have become key development fields in recent years. The development of IoT will drive more demand for non-destructive detection, combined with Automated Optical Inspection (AOI) equipment that has been widely used, it will be able to simultaneously detect the external form and internal structure. This will improve the efficiency of quality control and the ability to detect defective products. Therefore, the Company expects that automated X-ray detection equipment will be another important field that drives the growth of the X-ray flat panel detector market.

2. Association of upstream, mid-stream, and downstream industries

Digital radiography system is composed of multiple components with a long industry chain, and the key part is the manufacturing of midstream core components and unit/module. It is generally divided into six parts (as shown below): raw materials, parts, core components, unit/module, system integration and user site; among them, raw materials and parts are in upstream, core components and unit/module are in midstream, system integration and user site are in downstream of the industry chain. The key to the development of upstream industry chain is basic science and process technology, while in downstream, the key to competition is the understanding of user scenario and user experience, and the ability to integrate hardware and software. Starting from the midstream TFT-PD substrate core technology, our R&D and design capabilities now span from upstream to midstream, including parts, core components, and units/modules, and our goal is to enhance our integration capabilities to provide higher value services downstream.

Raw materials	Components	Core parts	Complete machine/module	System integration	Application areas
<ul style="list-style-type: none"> • Chemical materials (CsI, GOS, etc.) • Metal raw materials • Plastic raw materials • Others 	<ul style="list-style-type: none"> • Mechanical parts • Electronic components (IC/PCB, etc.) • Others 	<ul style="list-style-type: none"> • TFT-PD substrate • X-ray bulb • High voltage generator • Motherboards/controller boards • Others 	<ul style="list-style-type: none"> • X-ray flat panel detector module • Computer host • Others 	<ul style="list-style-type: none"> • Stationary standalone system • Mobile standalone system • PACS • Others 	<ul style="list-style-type: none"> • Hospital • Clinic • X-ray vehicle • Others
Upstream		Midstream		Downstream	

3. Development trend of products

(1) Flexible substrate provides better fall protection and lightweight experience

For digital radiography system, we have developed wireless X-ray flat panel detector module products, which can improve the flexibility of shooting position and operation angle. However, the product weighing above 2.5 kg will cause burden to the arms of the operator (doctor or radiologist) during long-time continuous use; if the TFT-PD devices using glass substrate are damaged by accidental fall or heavy impact during operation, the repair cost will be high. The products with flexible substrates reduce the product weight and have better resistance to fall or collision than products with glass substrates, thus providing better user experience. The market penetration of such products is expected to increase gradually.

On the other hand, products with glass substrates are limited by their planar characteristics, so that the design of detector modules and detection devices can only adopt planar structure. With the gradual maturity of detector technology using flexible substrates, it is expected that detector products with curve design will emerge to meet the needs of different detection fields, which will increase the diversity of application fields.

(2) Products with higher pixel density (pixel size 100um or smaller)

With the same shooting range, a higher image resolution means more tiny details of the shot object. With the progress of TFT-PD design and manufacturing technology, coupled with better signal processing technology, products with high pixel density can give full play to their image advantages, and more manufacturers are willing to launch such products.

(3) Components with low lag and high sensitivity

When the TFT-PD IGZO process is applied to dynamic products, the requirement for low lag will be higher in image quality due to the increase in frame rate. In addition to the improvement of TFT-PD process, the coating control of the scintillator also affects the characteristics. A high sensitivity detector can provide better image quality at the same dosage, which requires a better match and balance between pixel structure design and various processes.

(4) Expansion of application fields and the combination of software and hardware

The development of cloud computing and AI has created more applications for various medical data including X-ray images, and the X-ray flat panel detector, as an image data acquisition device, also allows manufacturers to invest in the R&D of functions for assisting in the pre-interpretation of symptoms. The combination of software and hardware applications will bring in new opportunities. Therefore, in addition to existing hardware products, the Company has also independently developed highly integrated operating software that can highlight our own hardware features and functions, as well as the corresponding AI-assisted function. In addition, in order to help realize the high-quality development of Taiwan's veterinary market, InnoCare has collaborated with the veterinary and medical communities to develop Veticle, a new professional platform for cloud services. These investments and installations will be put into field testing and use from this year, in the hope of gradually transforming from a pure hardware manufacturer to a solution provider.

4. Competition in the market

(1) Competition between upstream and downstream of the supply chain

The upstream and downstream companies in the supply chain will create their value in their respective parts. In addition to the cooperative relationship between suppliers and customers, there is also competition between them. The competitive relationship between upstream and downstream of the X-ray flat panel detector products operated by InnoCare Optoelectronics Corporation is described as follows:

A. X-ray flat panel detector device manufacturers

At present, there are many manufacturers in Taiwan, the United States, Japan, Korea, and Chinese Mainland that provide products related to X-ray flat panel detector device, and most of these suppliers are mainly engaged in TFT-LCD, and then set foot in the supply of TFT-PD. At present, they mainly provide TFT-PD substrates produced with amorphous silicon (a-Si) technology to X-ray flat panel detector module manufacturers or system manufacturers, and some of them have started to supply products using IGZO technology.

B. X-ray flat panel detector module manufacturers

They mainly purchase TFT-PD substrates from X-ray flat panel detector device suppliers (e.g. the Company), entrust professional scintillator manufacturers for scintillator process, and then conduct assembly and manufacturing. These suppliers are specialized in the design and manufacture of data reading circuits and modules for flat panel detector devices, and some larger suppliers also have their own scintillator R&D and manufacturing capabilities. These companies are our major customers.

C. Digital radiography system manufacturers

Most of these manufacturers are major medical device manufacturers, and their main R&D capability lies in the integration of the overall system (X-ray bulb, flat panel detector module, image management system, etc.). Most of the system manufacturers used to design and manufacture their own X-ray flat panel detector modules. With the evolution of the division of labor in the medical imaging industry, some system manufacturers have shifted to focus on system integration, image processing, and brand and channel

management in recent years, and X-ray flat panel detector modules are obtained by OEM/ODM or direct outsourcing.

The Company is mainly involved in X-ray flat panel detector device and module in the supply chain, and is one of the few companies in the global supply chain that has complete capabilities of TFT-PD device design, scintillator manufacturing, and module design and manufacturing. The Company plans to provide module and system manufacturers with customized and diversified product options through cross-segment integrated technology and manufacturing capabilities, and respond to industry competition with a high degree of customer stickiness. In addition, because our technology layout crosses different segments, we are able to conduct integrated research and development of new technologies compared with ordinary component suppliers, and create new value by different technology characteristics.

(2) Competition among different technology applications

High frame rate, high pixel density, low noise, low dose radiography, and large size are the goals of various X-ray detection technologies, but different technology applications have their own advantages, and product manufacturers need to strike a balance between cost and technical advantages.

The main technologies currently used in the field of X-ray detectors are Charge-Coupled Device (CCD), CMOS, TFT-PD (a-Si) and TFT-PD (IGZO). In terms of technical characteristics, CMOS adopts semiconductor technology to produce silicon wafer. Due to the physical characteristics of silicon wafers, CMOS has the best performance in frame rate, pixel density, and noise. However, limited by the size and manufacturing cost of silicon wafers, the cost in large-size detection applications is much higher; the TFT-PD (a-Si) technology compensates the disadvantage of CMOS technology, although the detection performance is not as good as CMOS technology, but it has cost advantage in the field of large size detection. Therefore, this technology is mainly used for static and large area detection products; CCD technology is in between, although it can be used for dynamic products, but the device is too heavy.

In the field of medical X-ray image detection, the detectors used in static products are mainly produced by TFT-PD technology, while dynamic products (e.g. cardiovascular photography, C-arm, etc.) mainly use CCD or CMOS technology. In particular, CMOS has obvious performance advantages, and most high-end dynamic products use CMOS technology.

The Company is mainly engaged in the development of TFT technology products. Although we do not compete directly with device or module manufacturers using different technologies and products in the supply chain, the physical characteristics of the different technologies have resulted in differences in application fields and costs, which have changed in the product development direction on the market with the iterative evolution of the technologies. In recent years, due to the progress of TFT-PD technology, the newly developed TFT-PD (IGZO) technology enables the products to enter the application field of dynamic detection with better cost advantage while maintaining the original large size advantage. As many digital X-ray system manufacturers successively release new products using TFT-PD (IGZO) for dynamic application, it is expected that this technology will gradually withdraw CCD from the market and gradually increase the usage rate of entry-level and middle level dynamic products.

5.1.3 Technology and R&D Overview

1. Technical Level and Research Development

Our digital X-ray flat panel detector technology is based on our R&D team's design expertise accumulated through years of experience in the industry. Based on our own TFT-PD technology, we have extended into the field of product with scintillators and reading circuits, and further developed and designed X-ray flat panel detector module products integrating software and hardware. We have complete independent technology in developing X-ray detection applications, including:

(1) Years of experience in designing TFT-PD for X-ray flat panel detectors

Our team has many years of experience in designing TFT-PD for X-ray flat panel detectors. With the experience in designing customized products for various module and system manufacturers around the world

for several years, we have gradually optimized the performance, yield, and reliability of our products.

On the other hand, our team also foresees the development trend of technologies and products, and plans for potential technologies and products in advance, which is the key to maintain our technological competitiveness.

(2) Embedded software and hardware design

Reading the signals from TFT-PD substrates requires precise circuit design capability, high-intensity mechanism design capability, and embedded software design capability. The Company establishes our own hardware and software design capabilities and systems that meet the design process of medical products, so that we can quickly put the products into mass production.

(3) X-ray detection expertise and application experience

The Company has been accumulating X-ray detection expertise and experience in the veterinary and human medical fields for many years, and defining product requirements based on feedback from doctors and manufacturers.

In the meantime, the Company continues to cooperate with domestic and foreign research institutes and medical institutions to develop next-generation technologies, including fracture AI detection models, veterinary imaging cloud platform, and dual-energy imaging chest AI system. The Company also uses its experience to further develop detection equipment for industry and production lines, and combines X-ray detection and image interpretation technologies to develop related detection product lines.

2. The consolidated research & development costs invested in during the current fiscal year up to the date of publication of the annual report.

Unit: NT\$ thousand; %

Item	2023
R & D expense	228,278
Sales Revenue	1,837,116
Percentage of Revenue	12.4%

3. Successful development technical or product

Year	Successful development technical or product	Main benefits
2019	1. Static FPD product Yushan 2. Flexible TFT-PD substrate	1. Enrich product line completeness and increase customer's options 2. Better performance of advanced products 3. Independent key processes
2020	1. Substrate based on IGZO technology 2. Cesium iodide evaporation process	
2021	1. Pixel design and process development of high fill factor 2. CsI evaporation process development for flexible substrate 3. New generation IGZO pixel structure 4. Sylvia, a dynamic module ODM platform product 5. Yushan, a static module ODM platform with flexible substrate	
2022	1. IGZO technology with high X-ray resistance for industrial use 2. Flexible TFT-PD substrate with CsI direct evaporation	
2023	1. AI software "VHS" for animal detection 2. IGZO technology for flexible substrates 3. Double-sided scintillator technology for flexible substrates 4. AXI optical module for production line	

5.1.4 Long- and Short-Term Business Development Plans

1. Short-term Business Development Plan

(1) Strengthen the benefits of one-stop service

The Company is one of the few companies in the market that can provide customers with both medical X-ray flat panel detector devices and modules, and has comprehensive independent R&D and design capabilities to provide customized designs according to market demands. The one-stop service can provide better integration and quality control stability of products. The Company will continue to strengthen customer service

and increase the proportion of integrated products co-created with customers.

(2) Promote new technology products to enhance product value

In recent years, the Company has developed flexible substrates, IGZO technology and dual-energy detection technology. These new technologies can provide customers with better product benefits, and the Company plans to increase the market penetration of these products to increase the product value.

(3) Continue to expand demand in emerging markets

There are still a large number of medical testing facilities in emerging markets that use old-generation film-based or CR-based products. As the economy continues to grow and equipment will be replaced with DR products, the Company will continue to work with customers and distributors to develop and cultivate emerging markets in order to gain business opportunities for replacing old products with new products.

(4) Continuously improve product cost and yield

Based on existing production equipment, we will continue to improve our process technology, increase production yields and quality stability, and further improve costs and efficiency with carefully planned capital expenditures.

(5) Continue to expand the application of X-ray flat panel detector products in non-medical fields

The Company expects to continue to develop our expertise in thin-film transistor-photodiode (TFT-PD) technology and apply our X-ray flat panel detector technology and products to the quality control of manufacturing, agriculture, forestry, fisheries, animal husbandry, and food industries, or safety detection fields.

2. Long-term Business Development Plan

(1) Accelerate the development of detection technologies for non-medical fields

More and more applications in the fields of agriculture, manufacturing quality control, industrial detection or safety detection are using X-ray detection equipment, especially in the field of semiconductor manufacturing, which is the focus of active development of the industry. The Company plans to invest more R&D resources to develop detection technologies and products that can be applied to advanced semiconductor manufacturing.

(2) Diagnostic auxiliary services

The X-ray flat panel detector module is a product used by first-line detection personnel. This device not only receives and processes the received X-ray images, but also serves as a carrier for providing more in-depth services to customers. The Company plans to provide a platform for diagnostic auxiliary services, which is expected to start with the field of pet healthcare, and provide diagnostic assistance for pet X-ray images by cooperative experts and AI technology.

(3) R&D of advanced manufacturing process and new materials

In order to maintain the competitiveness of our products in the long run, we have invested R&D resources in the research and development of advanced processes and new-generation detector materials, and made arrangements for patents and products in advance to ensure that we stay ahead in the technology field of next generation X-ray flat panel detectors.

(4) Development of integrated image processing and recognition platform

The performance of a detection system depends not only on the image capturing ability of the detector, but also on the matching of the detector with the X-ray emission source and the image processing after capture. The competitiveness of our X-ray detection system business is not only based on the TFT-PD technology, but also requires the image processing platform technology. The Company will continue to strengthen our technical capabilities in hardware and software integration to enhance our competitiveness in the field of X-ray detection system in the future.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Main products selling area

Unit: NT\$ thousand; %

Area		Amount of Sales 2023	%
Domestic Sales		30,502	1.66%
Foreign Sales	Asia	1,314,952	71.58%
	America	368,571	20.06%
	Europe	115,695	6.30%
	Africa & Others	7,396	0.40%
	Subtotal	1,806,614	98.34%
Total		1,837,116	100.00%

2. Market Share

The Company's products are mainly used in the medical field. According to the research report of Global Market Insights, "X-Ray Detectors Market- By Detector Type, Application, End-use - Global Forecasts to 2030", the annual output of X-ray Detectors for global medical applications was about US\$1.3 billion in 2022, with an average annual growth rate of 5~6%. In 2023, the Company's revenue was NT\$1.84 billion, accounting for 3.5~4% of the industry.

3. The supply and demand situation and growth of the future market

- (1) The economic development of emerging countries has brought about product upgrades: According to statistics, the increase in the average national income of a country will increase the proportion of medical expenses and people will require more considerate medical services. In recent years, continuous economic growth in emerging markets with large populations such as China, India, and Southeast Asian countries has driven the upgrade of medical systems, generating demand for replacing old film-based and CR-based products with digital radiography systems, and thus expanding the market for X-ray flat panel detectors.
- (2) Medical progress increases the average life expectancy of the global population, and the demand for medical services is also growing year by year due to the aging society and patients with civilization-induced diseases: the improvement of global medical technology and the development of medical systems over the past few decades have gradually increased the average life expectancy of human beings, which means larger population and more elderly people. This contributes to the growing demand for medical services, and increases the demand for medical equipment and devices. In addition, the increasing number of patients with cancers, orthopedic diseases, tumors, cardiovascular diseases (CVD), and dental diseases due to changes in lifestyles also increases the demand for X-ray detection, which will drive the growth of the global market in the coming years.
- (3) The progress of TFT-PD technology and the improvement of frame rate further fill the gap of static X-ray radiography systems and entry-level CT markets: The improvement of frame rate of X-ray flat panel detectors expands the module/system products to semi-dynamic/dynamic fields, fills the market gap between the previous mainstream static products and entry-level Computed Tomography (CT), and further expands the market base.
- (4) Due to the advantages of low radiation dose, portability, and ease of use, digital radiography systems are gradually replacing old X-ray products after cost and price decreases: The market growth attracts more manufacturers to join the supply chain of X-ray flat panel detector devices and modules, which leads to decreases in price and cost and further accelerates the replacement of old products (film-based and CT-based radiography) in the market.
- (5) Rise of Industry 4.0, IoT and other automated manufacturing: as Industry 4.0 becomes popular in the world, the demand for automated detection has increased, and X-ray can be used to inspect the internal structure of items, which is expected to continue to increase the application fields. The demand for integrated detection solutions combining automatic X-ray detection and automatic optical detection is increasing rapidly in the manufacturing and food detection fields.

- (6) COVID-19 and various emerging infectious diseases accelerates the increase in medical demand for digital X-ray: In recent years, the impact of COVID-19, the increase in the number of cases around the world has forced many countries to improve the medical level, more companies are developing and promoting the use of portable digital X-ray equipment.

4. Competitive Niche

(1) Experienced R&D teams and technologies

Our R&D and design teams have been involved in the technical development of X-ray flat panel detectors for many years and have accumulated deep technical capabilities. We have been working closely with the world's leading manufacturers for years to continuously improve the product performance, and our accumulated technology and experience have realized better performance, yield, quality and reliability of products.

In addition to our main products using amorphous silicon (s-Si) structure and process, we have also mass-produced and sold products using IGZO process, and have further invested in the research and development of next-generation products using low-temperature polysilicon process and with Active-Pixel Detector (APS) function. The key to maintaining our competitiveness is our strong research and development capabilities, which enable us to continuously plan for our next-generation technologies and products in advance. The X-ray flat panel detector team and related technologies accumulated over the years are also niches in competition for the Company to develop integrated products such as X-ray detection systems.

(2) Global customer bases

We have a wide and deep customer base, with many major manufacturers of digital X-ray systems or modules in Japan, South Korea, North America and Europe as our close customers. Safety and reliability are key to medical products, and the upstream and downstream cooperation in the supply chain is closer and more stable than that of consumer products, which also provides a solid foundation for our business operation. In recent years, with the expansion of business, the Company has gradually cooperated with system vendors or distributors in many emerging markets, and the expanding customer base has also enhanced our ability to respond to fluctuations in the global economic environment.

(3) One-stop product and production layout

We are one of the few companies in the world that has the ability to design and manufacture a complete set of TFT-PD X-ray flat panel detector array pixels, devices and modules, which provides customers with more flexibility in product manufacturing strategies. We can accept customer's request to design and manufacture different specifications of X-ray flat panel detector devices; in terms of module products, we can provide OEM/ODM services to assist in the procurement management of components and assembly, and even provide various customized products.

5. Positive and Negative Factors for Future Development, and the Company's Response to such Factors

(1) Positive Factors for Future Development

A. Stable growth of the market

Relying on the above-mentioned factors driving market growth, according to the research report of SPER Market Research (a market research company), the market of X-Ray Detectors, which cover veterinary, medical, dental, industrial and security detection fields, is expected to grow at a compound annual growth rate of 6.8% in 2030. The stable growth in market size will allow the Company to invest in future technology and product development more actively.

B. High entry barriers for competitors

As mentioned above, X-ray flat panel detector is a typical high technology-intensive product. Its operation principle involves semiconductor components, photoelectric conversion, optical image processing and radio wave transmission. Product development includes X-ray flat panel detector devices and modules, and the overall development cycle usually takes 1~3 years and more. Manufacturers need to gradually develop core technologies and processes through years of research and development experience

accumulation. It is not easy for new entrants to master the key technologies or design and produce products with stable quality and meeting customer and market demands in a short time. For new entrants, the main technical barriers are “TFT-PD design and production”, “scintillator process development” and “optical-electro-mechanical integration of module operation”, and interdisciplinary integration also requires long-term accumulation of skills and experience.

C. Long validation cycle and high customer adhesion for medical products

Medical products are related to personal safety. Even though X-ray flat panel detectors are non-invasive medical devices, the validation and management of each important component need to meet the strict standards for medical devices. We have established long-term and close cooperative relationship with our major customers and are familiar with their product validation processes, which is conducive to the continued development of long-term product cooperation.

(2) Negative Factors for Future Development, and Response to such Factors

A. New competitive products and technologies emerge in the market

With a reasonable performance/price ratio, consumers will switch to technologies with better performance, and market demand will gradually switch to new technology products. In our specialized TFT-PD technology field, we are still using a-Si process for mainstream products, and we are starting to adopt IGZO technology for our high-end and dynamic products. Although the Company is leading the market in terms of customers and product layout, it is possible that the market demand for new technology products will change faster than expected, resulting in a decline in sales of existing products and affecting the Company's revenue.

Reaction Strategy:

In the face of the risk that the accelerated transition of new technologies and products in the market may impact the sales of existing products, the Company's strategy is to “plan for the next two generations of products in advance, and actively encourage the customers to propose new schemes”.

In terms of technology, the revenue mainly comes from our mainstream a-Si products, and we are actively persuading our customers to utilize this generation of IGZO technology in new products or new applications, and making full use of our leading edge in new technology to expand the sales volumes of high-end, high-margin products, and allow our customers to gain better market visibility and profits, realizing a win-win situation. In addition, even though the penetration rate of IGZO products is still on the rise, the Company has already started the research and development of next-generation LTPS-APS and perovskite technologies, and made plans for the new technologies and products in 3~5 years to ensure that we can maintain the leading position in new technologies and specifications.

B. Existing or potential competitors are investing in emerging alternative technologies

The Company's X-ray flat panel detector products are based on TFT-PD technology, and these products account for a large proportion of the Company's revenue currently. Although the Company continues to invest in research and development of next-generation X-ray detector materials and technologies, it may still face the risk of having its current market and customers replaced due to the rise of other emerging technologies.

Reaction Strategy:

In addition to employing our own research and development personnel, the Company also cooperates with domestic universities and laboratories and professional research institutions to explore the possible applications of new technologies and materials from basic theories and materials research, explore emerging competitive technologies in advance, and develop new technical fields of X-ray detector. In addition, the Company has customers all over the world, and the products of some customers cover various medical and non-medical X-ray detection fields and have many years of technology and product bases; therefore, the Company also works with customers or other strategic partners to develop new product applications and expand new business sources to reduce the possible risks caused by the replacement of new technologies.

C. Rapidly increasing costs and expenses for new product development and validation

X-ray flat panel detector products have complex design structure, high product specification requirements, and stringent regulatory requirements, and new products and technologies require long development cycles, highly specialized R&D personnel, and huge R&D expenses. If the new products or technologies developed with significant resources cannot gain market recognition or cannot be successfully mass-produced due to high difficulty of production and manufacturing, the Company's financial position may be affected. In addition, the longer validation period for products due to regulatory requirements may also be a potential financial burden.

Reaction Strategy:

The capital market can expand the Company's fundraising target and flexibility, and increase the flexibility of financial planning; after listing, it can improve the Company's reputation and credit rating for dealings with banks, which is helpful for recruiting excellent talents, expanding sales, fund raising and financing. The Company plans to raise funds through bank loans and equity financing and use capital market financing tools according to the long-term capital planning, so as to support future working capital needs and strengthen the financial position, deepen its future development and cope with competition.

D. Intensified price competition in the market

The era of globalization has intensified the pressure of competition in the market. In particular, compared with consumer electronics products, medical products have higher gross margins and less volatile demand, which has attracted entry of enterprises from China and South Korea. The Company is exposed to the risk of existing or potential competitors attempting to capture the market, and if other competitors adopt more aggressive pricing strategies to obtain orders, this may have an impact on the profit margin of products.

Reaction Strategy:

In the face of competition from existing or potential competitors, we will not only provide products with better technology, better specifications, and better quality stability, but also provide more comprehensive services to improve customer adhesion. The Company provides customized product design services for our X-ray flat panel detector device products with leading technology and sales, and also strives to convince customers to use our OEM/ODM services for X-ray flat panel detector module products. Through efficient supply chain operation and management, better bargaining power in raw material procurement, and comprehensive product design and validation services, we will enhance customer dependence and reduce the negative effects of industry competition on revenue and profit. In addition, expanding the application of products can reduce the impact of fluctuations in a single industry on our operations. With the progress of Industry 4.0, intelligent manufacturing, and AI-assisted analysis technologies, the demand for non-destructive detection is gradually increasing. Digital radiography can be used for product inspection and pipeline inspection, and will grow significantly in the manufacturing industry. The Company has already invested in the development of intelligent detection-related products in manufacturing field, which are expected to become another important revenue source in the future in addition to medical applications.

E. Tightening regulation of medical devices

Although digital radiography systems are non-invasive detection equipment, they are still subject to the restrictions and requirements of medical device validation and registration. With the increasingly stringent regulations and requirements for medical and health products in various countries/regions, the Company may need to incur additional expenses to comply with the relevant validation and registration requirements in the event of adjustments and amendments of laws and regulations; the marketing schedule of the products may also be affected in addition to the expenses.

Reaction Strategy:

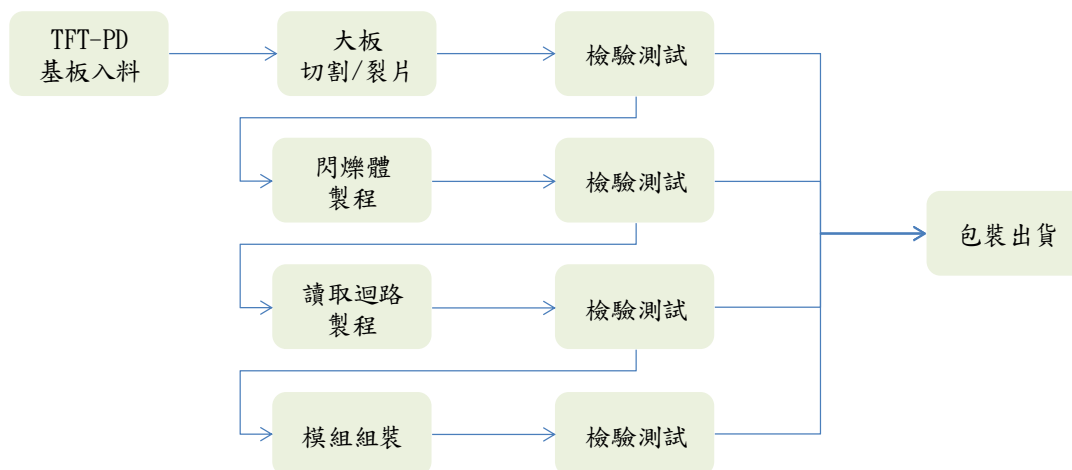
Medical regulations vary from one major region/country to another, and the relevant regulations are evolving. In order to ensure the successful registration and marketing of our products, we have hired professional medical product registration personnel who are responsible for product registration application and validation preparation, as well as regularly monitoring the trend of regulatory amendments in major regions, which will be the reference for the planning of sales and product development strategies.

5.2.2 Usage and Manufacturing Processes for the Main Products

1. Main Products and Their Main Usage

The Company's major products are X-ray flat panel detector devices and modules based on TFT-PD technology, which are mainly used in digital X-ray detection systems to detect the X-ray energy penetrating the object and convert it into and save as digital images for non-invasive detection in medical or industrial fields.

2. Main Products and Their Manufacturing Processes



5.2.3 Supply Situation for the Major Raw Materials.

Major Raw Materials	Source of Supply	Supply Situation
TFT-PD substrate	Innolux Corporation	Good
Mechanical and electronic parts of module	JA Company	Good
OEM of scintillator process	FI Medical Device Manufacturing Co., Ltd.	Good
IC of reading circuit	S3 Company	Good

5.2.4 Major Suppliers and Customers

1. Information of major suppliers in the last two years

Unit: NT\$ thousand; %

Item	2022				2023			
	Name	Amount	Percentage	Relation with the issuer	Name	Amount	Percentage	Relation with the issuer
1	Innolux Corporation	481,403	52.01%	Parent Company	Innolux Corporation	414,997	40.59%	Parent Company
2	Others	444,149	47.99%	—	Others	607,328	59.41%	—
	Net purchases	925,552	100.00%		Net purchases	1,022,325	100.00%	

Note to change: Mainly due to the adjustment of purchased items as a result of the adjustment of the product mix purchased by customers.

2. Information of major customers in the last two years

Unit: NT\$ thousand; %

Item	2022				2023			
	Name	Amount	Percentage	Relation with the issuer	Name	Amount	Percentage	Relation with the issuer
1	UA Company	298,313	15.81%	None	UA Company	282,857	15.40%	None
2	JA Company	204,426	10.84%	None	JA Company	247,396	13.47%	None
3	JC Company	279,352	14.81%	None	JC Company	241,917	13.17%	None
4	Others	1,104,528	58.54%	—	Others	1,064,946	57.96%	—
	Net sales	1,886,619	100.00%		Net sales	1,837,116	100.00%	

Note to change: Mainly due to the adjustment of the product mix purchased by customers.

5.2.5 Production Volume and Value in the Most Recent Two Fiscal Years

Unit: Units thousand; NT\$ thousand

Main Products \ Year	2022			2023		
	Capacity	Production Volume	Production Value	Capacity	Production Volume	Production Value
X-Ray Flat Panel Detector Device	142.20	91.98	1,814,584	137.82	87.57	1,927,027
X-Ray Flat Panel Detector Module	8.72	8.72	331,480	9.09	9.09	618,976
Total	150.92	100.70	2,146,064	146.91	96.66	2,546,003

5.2.6 Sales Volume and Value in the Most Recent Two Fiscal Years

Unit : NT\$ thousand

Main Products \ Year	2022				2023			
	Local		Export		Local		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
X-Ray Flat Panel Detector Device	0.56	21,486	50.58	1,458,957	0.52	11,012	46.62	1,302,480
X-Ray Flat Panel Detector Module	0.05	25,053	7.90	323,506	0.04	18,669	6.83	477,098
Others	2.93	2,796	7,151.50	54,821	4.30	821	843.18	27,036
Total	3.54	49,335	7,209.98	1,837,284	4.86	30,502	896.63	1,806,614

5.3 Human Resources

Year		2022	2023	March 31, 2024
Number of Employees	Managerial Officers	8	8	7
	IDL	202	222	230
	DL	134	135	122
	Total	344	365	359
Average Age (Unit: years)		40	41	41
Average Years of Service (Unit: years)		2.6	3.3	3.5
Education Distribution Percentage (%)	Ph. D.	0.6%	0.6%	0.6%
	Masters	32.6%	34.20%	34.5%
	Bachelor's Degree	50.9%	49.60%	49.3%
	Senior High School	15.1%	14.80%	14.8%
	Below Senior High School	0.9%	0.80%	0.8%
Total		100%	100%	100%

5.4 Environmental Protection Expenditures

5.4.1 Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any remuneration paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

5.5 Labor Relations

5.5.1 List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Employee benefit plans, continuing education, training, retirement systems, and the situation of implementation

(1) Employee benefit plans and implementation status

Our Employees have the labor insurance, citizen health insurance, and group insurance from the very first day of employment. Besides the basic monthly salary, we also provide Luna Festival, dragon boat festival, New Year bonuses. In addition, the Company will provide employee with incentive bonuses and employee rewards timely according to the operation revenue; Employee remuneration is issued after the Board of Directors' resolution. According to the position, performance and contribution, the amount of each employee is determined to motivate and retain outstanding talents.

The plant has a staff canteen, which provides meal subsidies for employees according to the Company's regulations, and there are also convenience stores, banks, insurance, travel, telecommunication and other assistance. Based on the concept of vitality, happiness and health, the Company aims to activate team morale and promote work-life balance.

In addition, the Company provides regular health examination, and provides physical abnormality consultation and health guidance after the examination results are revealed, so as to help employees strengthen their health management and expect early identification and early treatment of diseases; meanwhile, professional doctors will visit the plant regularly to provide various health promotion and psychological consultation programs to care for the physical and mental well-being of employees. Besides, we provide multiple self-financed health check-up programs for family members, which not only takes care of employees, but also extends to family members, providing more comprehensive life care.

Based on the concept of sharing business results with employees, the Employee Welfare Committee is established in accordance with the law to be responsible for the planning and implementation of various welfare programs; including community activities, sports seasons, family days, departmental dedication activities, seminars by talents from different industries, discounts for special stores, and subsidies for festivals, weddings and funerals, emergency relief, etc. To encourage colleagues to cultivate personal interests outside of work and promote work-life balance, through the establishment of diversified clubs, and the three key points of enrichment, activism, and life-oriented management of the clubs, to meet the different preferences of employees through cross-field, same-interest activities and exchanges, and create both energetic, creative, caring and joyful workplace environment.

(2) Continuing education and training for employees

Based on the "medical device regulatory requirements" and the "cognition education" thought, the Company plans a sound certification development framework, and vertically promote courses related to quality, green products, and legal affairs with professional and management function certifications as the cornerstone, and then promote various departmental trainings horizontally. In accordance with the Company's operational strategy, we also conduct business capability training. We also provide internal/external training channels, such as language learning, on-the-job training and other talent development networks, to enhance the professional knowledge and skills of our employees and achieve the Company's goals and diversified education and training paths required. We offer a series of courses on digital transformation, according to the learning blueprints of different targets, and cooperate with academic institutions to introduce online and physical learning courses to enhance the intelligent thinking of employee, continue to increase and strengthen the overall competitiveness of employees and organization in response to the AI wave of Industry 4.0 and the integration of cross-domain management talents and technology leaders.

2. Retirement systems and implementation status

At present, there are two kinds of labor pension systems, the old system of retired labor implemented by the accordance with the Labor Standards Law and the new system of retired labor implemented by the accordance with the Labor Pension Regulations.

- (1) The company formulates employee retirement measures in accordance with the Labor Standards Act, and establishes a Labor Retirement Reserve Supervision Committee.
- (2) We hire actuary to evaluate our employees' retirement preparation fund and issue the evaluation report according to the IAS19R financial principles.
- (3) We transfer 2%~15% monthly salary to retirement preparation every month.
- (4) If a labor retirement pension system is established, the Company will allocate 6% of the insured salary to the employees' personal account established by the Labor Insurance Bureau on a monthly basis to fully protect employees' rights.

3. The status of labor-management agreements

The Company has always attached importance to labor relations and emphasized labor harmony. In order to maintain two-way communication, management and exchange, the company has been promoting zero distance communication with employees through various measures. Quarterly labor-management meetings and employee welfare meetings are held, in which representatives from the employer side, composed of senior management, and representatives from the labor side, selected by employees, to communicate directly face-to-face and exchange opinions with each other in an open manner.

4. Measures for preserving employees' rights and interests

Construct a comprehensive communication channel, announcing important information and issues through bulletin board and INCX News; provide all-day communication platforms such as employee care hotline, employee care mailbox, plant manager mailbox and president mailbox. Employees can choose to escalate their problems by name or anonymously, and we also work with Lifeline to provide psychological and legal consulting to employees, so that their problems can be solved immediately and effectively, and a harmonious labor-management relations can be established.

5. Working environment and individual safety protection

(1) Safety and Health organization and operation

The Company has set up a dedicated unit for the development of environmental safety and health management systems and the comprehensive environmental safety and health management affairs under the President's office. Invite the top executives of the plant area, various authorities and labor representatives to convene a "Safety, Health and Environmental Protection Committee" on a quarterly basis to discuss the progress of the target plan, internal and external concerns and communication, environmental safety and health management plans, occupational disease prevention and Issues such as health promotion matters, epidemic prevention management matters, and environmental safety and health management performance appraisal.

In April, 2020, ISO14001 environmental management system, ISO45001 occupational safety and health management system and TOSHMS Taiwan Occupational Safety and Health Management System were introduced. In October 2020, we passed the external certification and obtained the management system certificates. We hope to make the environmental safety and health management system more comprehensive and complete, provide a better working environment for plant workers, fulfill social responsibilities and enhance competitiveness to implement the sustainable business philosophy.

In 2022 and August 2023, we continuously passed the annual external audit certification for ISO14001 Environmental Management System, ISO45001 Occupational Safety and Health Management System and TOSHMS Taiwan Occupational Safety and Health Management System, keeping the certificates valid.

Occupational Safety and Health Risk Management

To effectively prevent occupational hazards, our opportunity/risk assessment procedures identify hazards in regular or ad hoc activities that may harm employees or cause accidents. Every year, each department regularly re-examines operations, services, and activities with comprehensive hazard identification and risk assessment to properly revise EHS identification and evaluation form.

Pre- or post-event assessment on accidents, use of new materials/chemicals or machineries, and changes to operating environment/conditions (affected by regulatory amendments and organizational changes) shall be conducted. All safety risks will be classified for management based on severity, frequency, and probability to establish measures.

Operational Safety Management

The Company continues to strengthen its occupational safety and health management system, striving for excellence in safety and health performance. For operations with high levels of hazard risk and severity, the responsible units are required to submit applications before operation and can only proceed after approval from relevant departments.

The Company ensures that the protective equipment provided to colleagues meets the operational environment requirements to ensure safety production and employees' occupational safety and health. The company's "Environmental, Safety and Health Manual" also specifies that when workers feel that their lives or health are in urgent and serious danger, they may withdraw from the work situation on their own and be protected from punishment.

Reduce Occupational Hazards

The Company implemented training on safety and health awareness and various publicity activities of environmental safety and health for all employees, as well as the observation of operational safety risks and operational safety and the management programs, so as to reduce unsafe environments and behaviors, improve the intrinsic safety design of equipment, and promote the automation of manufacturing processes to reduce the operation of employees and equipment interfaces.

The frequency rate (FR) and the severity rate (SR) of disabling injuries were both zero in 2023, achieving the goal of zero occupational accidents, which were superior to the standards for manufacturing industry as stipulated by the Occupational Safety and Health Administration.

Contractor management

Through regular agreement organization meetings and irregular construction safety meetings to strengthen contractors' awareness of environmental safety and health management, they also cooperate with contractors to complete job hazard identification, risk assessment and analysis, and emergency response plans for high-risk operations. In the event of an accident, the Company will conduct accident investigation and analysis and implement corrective and preventive measures according to relevant regulations; in order to prevent accidents, the contractor's hazard assessment and prevention capabilities will be promoted and strengthened through education and training activities. In 2023, the accident rate, injury rate (IR) and lost day rate (LDR) of the contractors were all zero.

ESH Training and Contingency drill

In order to cultivate employees' concept of safety and health and strengthen their awareness of hazards in their duties, the Company provides general safety and health knowledge, professional knowledge and skills training, and emergency response training for employees according to the nature of their departments and duties, such as: knowledge and skills training for emergency response team members, AED and CPR first-aid training courses, earthquake drills, emergency response commander education and training, respiratory protection equipment education and training, etc. We also conduct tests or on-site drills after the courses to confirm the compliance and effectiveness of the training. We hope that through the diversified and all-round courses, the employees can become familiar with the skills, understand the required knowledge, and ensure

their safety in both daily work and emergencies.

In order to provide employees with high-quality education and training courses, the internal occupational safety and health education and training courses has set up post-training evaluation to achieve the purpose of enhancing employees' safety and health awareness and preventing occupational diseases and occupational accidents.

Emergency response drills

The Company builds emergency response organizations and develops contingency procedures for various situations, and through daily education, training and drills to enable the Company to quickly and effectively deal with disasters and reduce losses.

(2) Risk Management on Occupational Safety and Health

Prevention and Management of ergonomic hazards

In recent years, the proportion of occupational musculoskeletal disorders in the occupational disease benefits of labor insurance is increasing year by year. Prevention and control of ergonomic hazards is one of the key points of active management in the industry. In order to effectively prevent the occurrence of diseases caused by occupation-related factors, the Company has taken the following measures:

- A. Identification and analysis of the risk of job-specific processes of a systematic, resource and continuous improvement mode execution.
- B. Occupational Safety and Health Act will trigger repetitive operations, such as pre-musculoskeletal diseases Anti concept implanted "hazard identification and risk assessment norms" to implement career In order to effectively prevent and control concepts, health management must be through hazard awareness, assessment and control improvement.

Prevention and Management of overwork related illness

The Company aims to effectively prevent abnormal workloads from causing diseases and ensure the safety and health of employees as follow:

- A. Ensure that employees' working hours, rest, and vacation conditions are in line with local labor regulations.
- B. Perform workload level assessment, including employee overload and work pattern assessment, and assess the risk of cardiovascular disease incidence of employees based on health examination results, and adopt health management
- C. The health management system was implemented, including annual regular health checkups, risk case identification and management, anomaly tracking management, mental health management, matching work, fitness adjustment, etc.
- D. Actively promote mental health management and stress management-related preventive education and disseminate the rules of overload prevention, knowledge of preventing workplace fatigue related diseases, and health management strategies to employees through various ways.

Maternal health protection and management

In order to ensure the well-being of female employees and protect their health, Innolux Corporation, taking into consideration the impact of gender differences and pregnancy on health risks, has implemented maternal health protection activities and management, including:

- A. In conjunction with the local labor laws, parental leave allowance is implemented, miscarriage prevention leave and family care leave rights are reinforced, related health protection measures are established, internal standard operating procedures are set up. For pregnant female employees, health risk assessments are implemented, hazard control and risk communication are carried out, and work adjustments are made as needed.
- B. Health guidance during pregnancy and breastfeeding is provided to pregnant employees. Rest areas and breastfeeding rooms are provided to create a friendly working environment for female employees, taking into account the principles of maternity protection and gender equality in employment.

(3) Recruitment and Staffing

The Company's goal is to employ qualified personnel to create the best possible performance. Our company cares about diversity and equal opportunity. We do not allow employment discrimination based on race, color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership, and marital status or otherwise. In our day-to-day operations, this means that we monitor and manage our human resources consciously. We analyze and improve turnover patterns. We build a labor force with a balanced structure, which was also integrated into our recruiting policy.

At the same time, adhering to the "take from society, use to society" concept, promote employees with physical and mental disabilities, consider different physical and mental conditions to arrange work appropriately, provide a friendly working environment and strengthen their work functions, so that the work performance of colleagues with disabilities and general colleagues go hand in hand, and the Company also fully fulfill corporate social responsibility.

(4) Zero Distance Communication

Unblocked communication channel

The Company emphasizes harmonious labor relations. To this end, we convene quarterly meetings with the labor-capital committee and the Employee Welfare Committee. High-level managers from the capital side and grassroots level representatives from the labor side engage in two-way face-to-face communications, to exchange views in an open atmosphere. We also have built a full range of communication channels, which employees can use under their names or anonymously to report problems through the Employee Care Hotline, the Employee Care Mailbox, and Suggestion Box, so that such problems can be solved immediately and effectively.

Establish a friendly working environment to eliminate sexual harassment

In order to protect our employees from the threat of sexual harassment, we have established sexual harassment prevention measures, complaint and management practices to effectively prevent and handle sexual harassment. The sexual harassment will be investigated in a non-public manner to protect the privacy of the parties involved, and workplace protection publicity is also conducted regularly to establish a friendly work environment.

Employee Assistance Programs

Employees are company's most important asset. Employees are company's most important asset. Innolux understands how difficulties may affect an individual's work and life. Therefore, the Company provides appropriate professional resources through systematic and institutionalized service mode, such as employee communications, psychological counseling, and healthcare, in an effort to reduce the impact that problems may have on our employees' work and lives. We hope to enable our employees to work with a fit body and a healthy mind and improve productivity.

5.5.2 List any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

5.6 Cyber Security Management

5.6.1 The cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management

The Company has appointed the cyber security chief officer and personnel in 2023 to make overall plan for information security-related policy formulation, implementation, risk management and compliance check. Report the implementation results of cyber security to the Board of Directors on an annual basis. In addition, the cyber security personnel is responsible to implement the Company's cyber security policies; advocate the cyber security to enhance employees' cyber security awareness; report to the cyber security chief officer, President, and Chairman the implementation result of cyber security; review and assess the effectiveness of internal controls over the Company's information operations; and build an "Active Cyber Security Detection and Defense" framework to protect the confidentiality, integrity, and availability of information, reducing the risk of unauthorized use, damage, or leakage of information.

5.6.2 Cyber Security Policy

In order to effectively implement cyber security management, the corporate security organization holds regular meetings to review the applicability of cyber security policies and protection measures in accordance with the management cycle of Plan-Do-Check-Act (PDCA), and reports the review results to the cyber security manager regularly.

1. Cyber Security Governance:

Establish information management-related procedures and operation documents, implement cyber security policy management, cyber security compliance control, and continuously conduct the business contingency drills to protect the Company's critical systems and cyber security.

2. Promoting cyber security awareness:

Promote the "Month of Cyber Security" campaign, and hold cyber security educational training and drills periodically to upgrade employees, cyber security awareness.

3. Control on risk of information and communication security and Implementation:

The Company has an information software operation system and a cyber security disaster recovery mechanism to regulate the control of information assets such as computer mainframes, database systems, application software systems and personal computers, operational information, personal privacy information, and others on the Company's information service system. The Company also established guidelines pursuant to the Cyber Security Management System (ISMS) to ensure the three targets, including confidentiality, integrity and availability of information, and to strengthen cyber security management, established a secure and reliable electronic information operation environment, and established an emergency response mechanisms that conducts timely notification and adoption of countermeasures when the Company's information system and operational information encounter a cyber security breach to recover to normal operation in the shortest possible time in order to ensure the sustainable operation of the Company's business.

The contents of the Company's enhancement of the security and strengthening management and defense the Company are described as follows:

Item	Contents
Framework of Defense	<ol style="list-style-type: none"> 1. To avoid hacker attacks, invest the construction of DDoS defense architecture. 2. Prevent the intrusion of ransomware and install endpoint protection software on important equipment in the computer room to prevent unknown file program attacks. 3. Import the Business Email Compromise technology identification system (Anti-BEC) and the Advanced Persistent Threat prevention system (Anti-APT) to isolate phishing & fraud mail infiltration. 4. Complete the construction of firewalls for external connections. 5. Backup software expand: strengthen backup of Sever Farm, to avoid the

Item	Contents
	hazard of ransomware attack.
Cyber Security Governance and Advocacy	<ol style="list-style-type: none"> 1. Formulate and revise the cyber security education and training courses, and educate employees on cyber security concepts through the internal advocacy platform. 2. Regularly collect the latest cyber security attack methods and security protection information, publish internal cyber security announcements, and organize drills. 3. Reduce the risk of phishing emails through the use of email source verification mechanisms.
Strengthen the Cyber Security Management Mechanism	<ol style="list-style-type: none"> 1. Join TWCERT as member of cyber security alliance, and exchange information with the other alliance members. 2. Subscribe to domestic and international cyber security organizations to obtain information on hacking attacks in real time.
Cyber security protection drills	<ol style="list-style-type: none"> 1. Carry out critical system (SAP) disaster recovery simulation drills every year to ensure that the system can operate continuously and the business operations are not interrupted. 2. Carry out social engineering drills semiannually to raise the email alertness and cyber security awareness of employees.

5.6.2 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

5.7 Important Contracts

Contract nature	Counterparty	Contract start and end dates	Major Contents	Restrictive clauses
Lease Contract	Innolux Corporation	2019.03.20-2024.04.30	Tainan Headquarter, Office and Plant	Pursuant to the terms and conditions set forth under the Agreement
OEM Contract	Innolux Corporation	2020.01.01-2024.12.31	Contract manufacturing of TFT-PD substrates	Pursuant to the terms and conditions set forth under the Agreement
Loan Contract	CTBC Bank	2023.11.30-2024.11.30	Comprehensive Credit Facilities Agreement	Pursuant to the terms and conditions set forth under the Agreement
Loan Contract	KGI Bank	2024.02.17-2025.02.17	Comprehensive Credit Facilities Agreement	Pursuant to the terms and conditions set forth under the Agreement
Loan Contract	Mega International Commercial Bank	2023.12.01-2024.11.03	Comprehensive Credit Facilities Agreement	Pursuant to the terms and conditions set forth under the Agreement
Loan Contract	Hua Nan Bank	2023.11.13-2024.11.13	Comprehensive Credit Facilities Agreement	Pursuant to the terms and conditions set forth under the Agreement
Loan Contract	Bank of Taiwan	2024.02.26-2025.02.26	Comprehensive Credit Facilities Agreement	Pursuant to the terms and conditions set forth under the Agreement
Loan Contract	Development Bank of Singapore (Taiwan)	2023.11.30-2024.11.30	Comprehensive Credit Facilities Agreement	Pursuant to the terms and conditions set forth under the Agreement
Loan Contract	Yuanta Bank	2023.11.17-2025.11.16	Comprehensive Credit Facilities Agreement	Pursuant to the terms and conditions set forth under the Agreement

VI. Financial Information

6.1 Five Years Financial Summary

6.1.1 Condensed Balance Sheets and Statements of Comprehensive Income - International Financial Reporting Standards

Condensed Consolidated Balance Sheet

Unit: NT\$ thousand

Fiscal Year		Financial Information for Most Recent 5 Fiscal Years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		1,251,659	1,780,495	1,409,639	1,730,167	1,955,637
Property, Plant and Equipment		155,816	166,601	180,436	186,695	195,807
Intangible assets		—	1,858	1,523	1,789	13,843
Other assets		110,805	89,705	112,190	81,290	103,173
Total assets		1,518,280	2,038,659	1,703,788	1,999,941	2,268,460
Current liabilities	Before distribution	1,088,703	1,564,358	985,392	1,091,160	893,450
	After distribution	1,088,703	1,564,358	985,392	1,091,160	893,450
Non-current liabilities		35,188	76,721	81,714	92,159	90,261
Total liabilities	Before distribution	1,123,891	1,641,079	1,067,106	1,183,319	983,711
	After distribution	1,123,891	1,641,079	1,067,106	1,183,319	983,711
Equity attributable to owners of the parent company		210,663	397,580	636,682	816,622	1,284,749
Share capital		200,000	200,000	349,845	357,865	402,389
Capital surplus		—	29,047	66,257	77,070	448,127
Retained earnings	Before distribution	16,032	175,269	238,227	396,026	459,849
	After distribution	16,032	175,269	238,227	396,026	459,849
Other equity		(5,369)	(6,736)	(17,647)	(14,339)	(25,616)
Treasury shares		—	—	—	—	—
Non-controlling interests		183,726	—	—	—	—
Total equity	Before distribution	394,389	397,580	636,682	816,622	1,284,749
	After distribution	394,389	397,580	636,682	816,622	1,284,749

Note 1: The Company was approved to be established on April 2, 2019. Financial summary for the last five years audited and certified by accountants.

Note 2: Pending the resolution by the shareholders' meeting.

Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousand

Item	Fiscal Year	Financial Information for Most Recent 5 Fiscal Years (Note1)				
		2019	2020	2021	2022	2023 (Note2)
Operating revenue		362,891	2,357,716	1,940,758	1,886,619	1,837,116
Gross profit		170,886	458,290	525,922	583,212	502,669
Operating income		76,676	146,014	104,712	86,281	31,169
Non-operating income and expenses		22,710	100,345	128,340	155,702	91,725
Profit Before Income Tax		99,386	246,359	233,052	241,983	122,894
Net income for the period from continuing operations		99,386	246,359	233,052	241,983	122,894
Loss from discontinued operations		—	—	—	—	—
Net income for the period		76,164	187,246	198,523	198,717	116,658
Other comprehensive income (loss) for the period (net of Income Tax)		(15,577)	2,683	(10,940)	3,308	(11,524)
Total comprehensive income for the period		60,587	189,929	187,583	202,025	105,134
Net income attributable to owners of parent		62,096	166,026	198,523	198,717	116,658
Net income (loss) attributable to non-controlling interests		14,068	21,220	—	—	—
Total comprehensive income attributable to owners of parent		56,727	164,664	187,583	202,025	105,134
Total comprehensive income, attributable to non-controlling interests		3,860	25,265	—	—	—
Earnings per share		3.10	5.36	6.05	5.62	3.00

Note 1: The Company was approved to be established on April 2, 2019. Financial summary for the last five years audited and certified by accountants.

Note 2: Pending the resolution by the shareholders' meeting.

Condensed Balance Sheet

Unit: NT\$ thousand

Fiscal Year		Financial Information for Most Recent 5 Fiscal Years (Note1)				
		2019	2020	2021	2022	2023
Current assets		933,862	1,517,322	1,132,724	1,308,158	1,480,894
Property, Plant and Equipment		143,599	149,080	165,341	175,264	192,206
Intangible assets		—	1,858	1,523	1,789	13,843
Other assets		352,082	268,946	313,439	320,186	375,984
Total assets		1,429,543	1,937,206	1,613,027	1,805,397	2,062,927
Current liabilities	Before distribution	1,001,406	1,507,019	945,876	962,041	766,376
	After distribution	1,001,406	1,507,019	945,876	962,041	766,376
Non-current liabilities		33,748	32,607	30,469	26,734	11,802
Total liabilities	Before distribution	1,035,154	1,539,626	976,345	988,775	778,178
	After distribution	1,035,154	1,539,626	976,345	988,775	778,178
Equity attributable to owners of the parent company		394,389	397,580	636,682	816,622	1,284,749
Share capital		200,000	200,000	349,845	357,865	402,389
Capital surplus		—	29,047	66,257	77,070	448,127
Retained earnings	Before distribution	16,032	175,269	348,227	396,026	459,849
	After distribution	16,032	175,269	238,227	396,026	459,849
Other equity		(5,369)	(6,736)	(17,647)	(14,339)	(25,616)
Treasury shares		—	—	—	—	—
Non-controlling interests		183,726	—	—	—	—
Total equity	Before distribution	394,389	397,580	636,682	816,622	1,284,749
	After distribution	394,389	397,580	636,682	816,622	1,284,749

Note 1: The Company was approved to be established on April 2, 2019. Financial summary for the last five years audited and certified by accountants.

Note 2: Pending the resolution by the shareholders' meeting.

Condensed Statement of Comprehensive Income

Unit: NT\$ thousand

Item	Financial Information for Most Recent 5 Fiscal Years (Note1)				
	2019	2020	2021	2022	2023 (Note2)
Operating revenue	310,951	2,120,830	1,783,822	1,658,714	1,648,608
Gross profit	140,099	309,361	428,067	439,644	366,934
Operating income	58,523	85,092	87,180	48,894	(9,978)
Non-operating income and expenses	32,119	130,861	143,634	179,978	130,436
Profit Before Income Tax	90,642	215,953	230,814	228,872	120,458
Net income for the period from continuing operations	76,164	187,246	198,523	198,717	116,658
Net income for the period	76,164	187,246	198,523	198,717	116,658
Other comprehensive income (loss) for the period (net of Income Tax)	(15,577)	2,683	(10,940)	3,308	(11,524)
Total comprehensive income for the period	60,587	189,929	187,583	202,025	105,134
Net income attributable to owners of parent	62,096	166,026	198,523	198,717	116,658
Net income (loss) attributable to non-controlling interests	14,068	21,220	—	—	—
Total comprehensive income attributable to owners of parent	56,727	164,664	187,583	202,025	116,658
Total comprehensive income, attributable to non-controlling interests	3,860	25,265	—	—	—
Earnings per share	2.00	5.36	6.05	5.62	3.00

Note 1: The Company was approved to be established on April 2, 2019. Financial summary for the last five years audited and certified by accountants.

Note 2: Pending the resolution by the shareholders' meeting.

6.1.2 CPA name and Audit Opinions of the Last 5 Years

Year	CPA	Opinion Content
2019	Ya-Ling Wong, Chih-Ming Shao	Unqualified opinion
2020	Ya-Ling Wong, Chih-Ming Shao	Unqualified opinion
2021	Ya-Ling Wong, Chih-Ming Shao	Unqualified opinion includes an Emphasis of Matter
2022	Ya-Ling Wong, Chih-Ming Shao	Unqualified opinion
2023	Ya-Ling Wong, Chih-Ming Shao	Unqualified opinion

Note: The Company was approved to be established on April 2, 2019.

6.1.3 If there was change/replacement of the CPA within the most recent 5 fiscal years, explanation made by the Company's previous and current CPA over the causes for such change/replacement shall be set forth: None.

6.2 Five Years Financial Analysis

Consolidated Financial Analysis

Item		Fiscal Year (Note 1)				
		Financial Information for the Most Recent 5 Years				
		2019 (Note 2)	2020	2021	2022	2023
Financial structure (%)	Debt to asset ratio	74.02	80.50	62.63	59.17	43.36
	Ratio of long-term capital to property, plant and equipment	218.35	231.90	326.11	411.22	635.85
Solvency (%)	Current ratio	114.97	113.82	143.05	158.56	218.89
	Quick ratio	90.33	85.54	93.63	112.14	151.00
	Time interest earned	518.64	353.95	291.23	46.80	17.75
Operating performance	Accounts receivable turnover(times)	3.88	5.20	4.08	3.67	2.97
	Average collection days	94.07	70.19	89.46	99.38	122.89
	Inventory turnover(times)	2.73	5.22	3.03	2.52	2.18
	Accounts payable turnover (times)	1.05	1.96	1.49	2.48	3.40
	Average days in sales	133.69	69.92	120.46	145.09	167.43
	Property, plant and equipment turnover(times)	7.38	11.75	9.14	8.55	8.40
	Total assets turnover (times)	0.96	1.33	1.04	1.02	0.86
Profitability	Return on total assets (%)	20.11	10.56	10.64	10.96	5.74
	Return on equity (%)	77.25	47.29	38.39	27.35	11.10
	Ratio of income before tax to paid-in capital (%)	198.77	123.18	66.62	67.63	30.55
	Net profit margin (%)	20.99	7.94	10.23	10.53	6.35
	Earnings per share (NT\$)	3.10	5.36	6.05	5.62	3.00
Cash flow	Cash flow ratio (%)	29.85	28.18	(12.81)	(23.21)	12.22
	Cash flow adequacy ratio (%)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)
	Cash reinvestment ratio (%)	99.43	99.07	(17.47)	(29.21)	3.89
Leverage	Operating leverage	2.22	3.77	5.39	6.74	16.13
	Financial leverage	1.00	1.00	1.01	1.07	1.31

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%)

- Debt to assets ratio: The ratio decreased in 2023, compared with 2022, which was mainly due to the Company increased in cash capital, therefore the funds were abundant, and the borrowings were reduced.
- Ratio of long-term capital to property, plant and equipment: The ratio increased in 2023, compared with 2022, which was mainly due to the listed issued shares increase of 3,600,000 common shares, and capital increase NT\$ 382,951 thousand.
- Current ratio and Quick ratio: It was mainly due to the relatively abundant funds, so short-term borrowings were repaid and current liabilities decreased.
- Average collection days: It increased in 2023 compared with 2022, because some customers adjusted their credit extension days from 30 days to 60 days.
- Inventory turnover (times): It was increased in 2023, compared with 2022 which was mainly due to the increase in closing inventory (compared with 2022) as a result of increase in safety stock due to the unstable supply chain and transportation.
- Time interest earned: The ratio decreased in 2023, compared with 2022, which was mainly due to the decrease in profit before income tax.
- Accounts payable turnover (times): The rate increase in 2023, compared with 2022 was mainly due to the increase in the cost of goods sold.
- Return on total assets: The ratio decreased in 2023, compared with 2022, which was mainly due to the substantial increase in cash capital.
- Return on equity: It decreased in 2023, compared with 2022, which was mainly due to the listed issued shares increase of 3,600,000 common shares, and capital increase NT\$ 382,951 thousand.
- Ratio of income before tax to paid-in capital: It decreased in 2023, compared with 2022, which was mainly due to the substantial decrease in net income before tax.
- Net profit margin: It decreased in 2023, compared with 2022, which was mainly due to decline in net income.
- Earnings per share: The decrease in 2023 was mainly due to the capital increase of 3,600,000 shares in the listing and the increase in the number of outstanding shares.
- Cash flow and cash reinvestment ratio: The ratio increased in 2023, compared with 2022, which was mainly due to the payment to related parties of overdue accounts payable in 2022, and this situation did not occur in 2023,

which resulting in net cash inflows of operating activities.

14. Operating leverage: It increased in 2023, compared with 2022, which was mainly due to the decrease in operating revenue.

15. Financial leverage: It increased in 2023, compared with 2022, which was mainly due to the decrease in net income.

Note 1: The Company was approved to be established on April 2, 2019. Financial data for the last five years were audited and attested by CPA.

Note 2: The Company was approved to be established on April 2, 2019, so some financial ratios are calculated in an annual manner.

Note 3: The Company was approved to be established on April 2, 2019, so there are no complete data available for calculation of some financial ratios.

Note 4: Formulas for the calculation of the financial ratios

1. Financial structure

(1) Debt to assets ratio = total liabilities / total assets.

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

2. Solvency

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

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

(3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).

(2) Average collection days = 365 / accounts receivable turnover.

(3) Inventory turnover = cost of goods sold / average inventory.

(4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).

(5) Average days in sales = 365 / inventory turnover.

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

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

4. Profitability

(1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.

(2) Return on equity = net income after tax / average total equity.

(3) Net profit margin = net income after tax / net sales.

(4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding.

5. Cash flow

(1) Cash flow ratio = net cash flows from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).

(3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Leverage:

(1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income.

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

Financial Analysis

Item		Fiscal Year (Note 1)				
		Financial Information for the Most Recent 5 Years				
		2019 (Note 2)	2020	2021	2022	2023
Financial structure (%)	Debt to asset ratio	72.41	79.48	60.53	54.77	37.72
	Ratio of long-term capital to property, plant and equipment	232.03	236.10	328.16	410.34	614.68
Solvency (%)	Current ratio	93.26	100.68	119.75	135.98	193.23
	Quick ratio	69.94	74.86	76.97	89.14	121.27
	Time interest earned	473.09	317.65	313.33	44.55	17.56
Operating performance	Accounts receivable turnover(times)	2.16	3.37	3.02	3.56	3.35
	Average collection days	168.98	108.31	120.86	102.44	109.01
	Inventory turnover(times)	2.69	5.49	3.28	2.68	2.34
	Accounts payable turnover (times)	0.95	1.92	1.46	2.57	4.15
	Average days in sales	135.69	66.48	111.28	136.06	155.87
	Property, plant and equipment turnover(times)	6.74	11.57	9.25	8.11	7.92
	Total assets turnover (times)	0.87	1.26	1.00	0.97	0.85
Profitability	Return on total assets (%)	21.35	11.16	11.22	11.87	6.33
	Return on equity (%)	77.25	47.29	38.39	27.35	11.10
	Ratio of income before tax to paid-in capital (%)	181.28	107.98	65.98	63.96	29.94
	Net profit margin (%)	24.49	8.83	11.13	11.98	7.08
	Earnings per share (NT\$)	3.10	5.36	6.05	5.62	3.00
Cash flow	Cash flow ratio (%)	5.08	33.25	(5.63)	(16.21)	(4.86)
	Cash flow adequacy ratio (%)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)
	Cash reinvestment ratio (%)	15.47	125.02	(8.01)	(21.01)	(6.32)
Leverage	Operating leverage	2.61	5.52	6.05	10.58	(44.09)
	Financial leverage	1.00	1.01	1.01	1.12	0.58

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%)

1. Debt to assets ratio: The ratio decreased in 2023, compared with 2022, which was mainly due to the Company increased in cash capital, therefore the funds were abundant, and the borrowings were reduced.
2. Ratio of long-term capital to property, plant and equipment: The ratio increased in 2023, compared with 2022, which was mainly due to the listed issued shares increase of 3,600,000 common shares, and capital increase NT\$ 382,951 thousand.
3. Current ratio and Quick ratio: It was mainly due to the relatively abundant funds, so short-term borrowings were repaid and current liabilities decreased.
4. Average collection days: It increased in 2023 compared with 2022, because some customers adjusted their credit extension days from 30 days to 60 days.
5. Inventory turnover (times): It was increased in 2023, compared with 2022 which was mainly due to the increase in closing inventory (compared with 2022) as a result of increase in safety stock due to the unstable supply chain and transportation.
6. Time interest earned: The ratio decreased in 2023, compared with 2022, which was mainly due to the decrease in profit before income tax.
7. Accounts payable turnover (times): The rate increase in 2023, compared with 2022 was mainly due to the increase in the cost of goods sold.
8. Return on total assets: The ratio decreased in 2023, compared with 2022, which was mainly due to the substantial increase in cash capital.
9. Return on equity: It decreased in 2023, compared with 2022, which was mainly due to the listed issued shares increase of 3,600,000 common shares, and capital increase NT\$ 382,951 thousand.
10. Ratio of income before tax to paid-in capital: It decreased in 2023, compared with 2022, which was mainly due to the substantial decrease in net income before tax.
11. Net profit margin: It decreased in 2023, compared with 2022, which was mainly due to decline in net income.
12. Earnings per share: The decrease in 2023 was mainly due to the capital increase of 3,600,000 shares in the listing and the increase in the number of outstanding shares.
13. Cash flow and cash reinvestment ratio: The ratio increased in 2023, compared with 2022, which was mainly due to the payment to related parties of overdue accounts payable in 2022, and this situation did not occur in 2023, which resulting in net cash inflows of operating activities.

14. Operating leverage: It increased in 2023, compared with 2022, which was mainly due to the decrease in operating revenue.

15. Financial leverage: It increased in 2023, compared with 2022, which was mainly due to the decrease in net income.

Note 1: The Company was approved to be established on April 2, 2019. Financial data for the last five years were audited and attested by CPA.

Note 2: The Company was approved to be established on April 2, 2019, so some financial ratios are calculated in an annual manner.

Note 3: The Company was approved to be established on April 2, 2019, so there are no complete data available for calculation of some financial ratios.

Note 4: Formulas for the calculation of the financial ratios

1. Financial structure

(1) Debt to assets ratio = total liabilities / total assets.

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

2. Solvency

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

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

(3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).

(2) Average collection days = 365 / accounts receivable turnover.

(3) Inventory turnover = cost of goods sold / average inventory.

(4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).

(5) Average days in sales = 365 / inventory turnover.

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

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

4. Profitability

(1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.

(2) Return on equity = net income after tax / average total equity.

(3) Net profit margin = net income after tax / net sales.

(4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding.

5. Cash flow

(1) Cash flow ratio = net cash flows from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).

(3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Leverage:

(1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income.

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

6.3 Audit Committee Review Report

Audit Committee Review Report

The Board of Directors has duly submitted the 2023 business report, financial statements, and the proposal of earnings distribution. The financial statements has been duly reviewed and approved by CPAs of Deloitte & Touche with the issuance of Independent Auditor's Report.

The Audit Committee of the Company, have completed the audit and review, and had found nothing inconsistent with any of the above business report, financial statements, and the proposal of earnings distribution. Therefore, I issue this audit report for acknowledgment in accordance with the Securities and Exchange Act and the Company Act.

To

Annual Shareholders' Meeting of the Company in 2024

Convener of the Audit Committee
Li, Hung-Chi
Date: April 11, 2024

6.4 Financial Statements and Independent Auditors' Report for the Most Recent Year: Please refer to page 116 of the annual report.

6.5 Parent Company only Financial Statements and Independent Auditors' Report for the Most Recent Year: Please refer to page 174 of the annual report.

6.6 Disclosure of Impact on Company's Financial Status Due to Financial Difficulties: None.

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Positions

Unit: NT\$ thousand

Fiscal Year Items	2022	2023	Difference Amount	Percentage (%)	Note
Current assets	1,730,167	1,955,637	225,470	13.03	
Property, Plant and Equipment	186,695	195,807	9,112	4.88	
Intangible assets	1,789	13,843	12,054	673.78	1
Other non-current assets	81,290	103,173	21,883	26.92	2
Total assets	1,999,941	2,268,460	268,519	13.42	
Current liabilities	1,091,160	893,450	(197,710)	(18.12)	
Other non-current liabilities	92,159	90,261	(1,898)	(2.06)	
Total liabilities	1,183,319	983,711	(199,608)	(16.87)	
Capital stock	357,865	402,389	44,524	12.44	
Capital surplus	77,070	448,127	371,057	481.45	3
Retained earnings	396,026	459,849	63,823	16.12	
Other equity	(14,339)	(25,616)	(11,277)	78.65	4
Total equity	816,622	1,284,749	468,127	57.32	5

Note: Analysis will be conducted only for major changes, namely, the change in financial ratios reaches 20% and the amount exceeds NT\$ 30,000,000.

Analysis of changes in financial ratios:

1. Mainly due to the increase in newly purchased computer software.
2. Mainly due to the investments in financial assets at fair value through other comprehensive income.
3. Mainly due to the increased listed cash capital on March 27, 2023.
4. The Exchange differences on translation of the financial statements of foreign operations are mainly due to U.S. dollar currency exchange rate fluctuated greatly.
5. The substantial increase in the total equity was mainly due to the increased listed cash capital this year.

7.2 Analysis of Financial Performance

Unit: NT\$ thousand

Items \ Fiscal Year	2022	2023	Difference Amount	Percentage (%)	Note
Operating revenue	1,886,619	1,837,116	(49,503)	(2.62)	
Operating costs	1,303,407	1,334,447	31,040	2.38	
Gross profit	583,212	502,669	(80,543)	(13.81)	
Operating expenses	496,931	471,500	(25,431)	(5.12)	
Operating income	86,281	31,169	(55,112)	(63.88)	1
Non-operating income and expenses	155,702	91,725	(63,977)	(41.09)	2
Profit before income tax	241,983	122,894	(119,089)	(49.21)	3
Income tax expense	43,266	6,236	(37,030)	(85.59)	4
Net income	198,717	116,658	82,059	41.29	5
Other comprehensive income (loss)(net of income tax)	3,308	(9,277)	(12,585)	(380.44)	5
Total comprehensive income for the period	202,025	105,134	(96,891)	(47.96)	6

Note: Analysis will be conducted only for major changes, namely, the change in financial ratios reaches 20% and the amount exceeds NT\$ 30,000,000.

Analysis of changes in financial ratios:

1. Mainly due to the decline in operating revenue this year, resulting in the decrease of profits.
2. Mainly due to the fluctuation of gains and loss on exchange.
3. Mainly due to the decrease in operating income.
4. Mainly due to the decrease in profit before income tax.
5. Mainly due to the fluctuation of U.S. dollar currency exchange rate, resulting in exchange differences on translation of the financial statements of foreign operations.
6. Mainly due to the decrease in net income.

7.3 Analysis of Cash Flow

7.3.1 Cash flow changes for the most recent fiscal year

Unit: NT\$ thousand

Items \ Fiscal Year	2023	Analysis
Cash inflow from operating activities	109,197	The payment to related parties of overdue accounts payable in 2022, resulting in net cash inflows.
Cash outflow from investing activities	(74,518)	Mainly used for the investments of financial assets at fair value through other comprehensive income and the acquisition of property, plant and equipment.
Cash inflow from financing activities	76,864	Mainly due to receiving the payment of listed stock capital.

7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousand

Estimated Cash and Cash Equivalents, Beginning of Year(1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plan	Financing Plan
671,658	120,352	(256,436)	535,574	N.A.	N.A.
<p>Analysis of cash flow changes for the coming year:</p> <p>Operating activities: Mainly due to the collection of estimated accounts receivable and payment of material purchase; it is expected that the operating activities will generate cash inflow throughout the year.</p> <p>Investing activities: The net cash outflow was mainly due to the continuing investment in new technology and production equipment.</p> <p>Financing activities: The net cash inflow was mainly due to the cash capital increase and repayment of some bank loans in 2024.</p> <p>Leverage of Cash Surplus (Deficit): None.</p>					

7.4 Effect upon Financial Operations of Major Capital Expenditures

The Company's major capital expenditure was mainly for the capacity expansion of the Tainan Plant, which was financed by its own capital and had no significant impact on financial performance.

7.5 Reinvestment Policy and its Main Reasons for Profits/Losses, Plans for Improving Reinvestment Profitability and the Investment Plans for the Coming Year

7.5.1 Investment Policy

The Company's investment policy is based on the main principle of focusing on the long-term development of the X-ray flat panel detector business, and shall be implemented by the relevant executive departments in accordance with the internal control system and procedures for the acquisition or disposal of assets.

7.5.2 Main Causes for Profits or Losses on Investment Business in Last Year, and Improvement Plans

Unit: NT\$ thousand

Investees	Profit (Loss) in 2023	Main Causes	Improvement Plans
Innocare Optoelectronics Europe B.V.	603	Providing after-sales service	N.A.
InnoCare Optoelectronics Japan Co., Ltd.	33,580	Sales profit	N.A.
InnoCare Optoelectronics USA, Inc.	(2,057)	Sales Loss	Ongoing business Development
Ningbo Innolux Electronics Ltd.	14,294	Sales profit	N.A.

7.5.3 Investment Plans for the Coming Year

The Company adopts a conservative investment policy and, in addition to avoiding investments that are not highly correlated to the main business of the Company, the Company's investment plans for the coming year will continue to be in line with its long-term development strategy and make investment layout related to the main business, and will continue to supervise and manage existing investee companies to achieve the expected investment goals.

7.6 Analysis of Risk Management

7.6.1 The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

1. Change in interest rate

The ratio of interest expenses to net operating income of the Company and its subsidiaries was 0.28% and 0.44% in 2022 and 2023, respectively. The interest expenses in each period accounted for a very small proportion in the net operating income, and were mainly the financing interest on the loans from financial institutions incurred by the Company and its subsidiaries. The Company and its subsidiaries observe and analyze the impact of interest rate changes in the financial market on the cash flows generated from all interest-bearing liabilities of the Company and its subsidiaries, maintain good relationships with banks, and timely evaluate the interest rate risk that all interest-bearing liabilities may encounter to reduce the impact of interest rate changes on the profit or loss of the Company and its subsidiaries.

2. Change in Foreign exchange rates

(1) The Company's operations are in a stable growth stage, it has a real demand for foreign currencies (USD, JPY, etc.), and the source of funds is mainly the USD revenue. Therefore, in addition to using natural hedges to reduce the parts that need to be hedged, the Company will evaluate the combination of spot goods, forward foreign exchange contracts and currency options to hedge the risk of exchange rate fluctuations according to the trend of the global economy.

(2) In order to hedge the risk of exchange rate fluctuations, the Company uses professional financial information systems to monitor international exchange rate fluctuations in real time and fully grasp international exchange rate trends and information, so as to respond to the negative effects of exchange rate fluctuations. Usually, the Company pays close attention to exchange rate fluctuations and should be able to minimize the impact of exchange rate risk.

(3)Based on the features of natural hedge, the Company uses foreign currency cash received from foreign currency denominated products to pay the foreign currency payables generated from foreign currency denominated purchases. Therefore, the Company only needs to evaluate the future exchange rate fluctuations with respect to the net assets in foreign currency, and evaluate the future hedge of exchange rate fluctuation risks by buying and selling forward exchange and foreign exchange options held by the Company.

(4)In accordance with the “Regulations Governing the Acquisition or Disposal of Assets by Public Companies” of the Securities and Futures Bureau of the Financial Supervisory Commission, the Company has established “Procedures to Engage in Transaction and Disposal of Derivatives” to regulate the procedures for trading, risk management, supervision and auditing of derivative financial instruments, which will help the Company strengthen its risk control mechanism when using financial instruments to hedge exchange rate risks in the future.

3. Inflation or deflation

The Company and its subsidiaries maintain close and good interaction with suppliers and customers, pay close attention to the price fluctuations of raw materials, and timely adjust purchasing strategies and sales prices to reduce the impact of inflation. Inflation had no significant impact on the operations of the Company and its subsidiaries in the most recent year.

7.6.2 The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

1. In order to control financial risks, the Company had not engaged in highly risky and high financial leverage investment. Exactly as required by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan and the laws and ordinances concerned, we have set up wholesome financial and operating grounds in the managerial regulations and operating procedures, including “Procedures for Engaging in Derivatives Trading”, “Procedures for Governing Loaning of Funds”, “Procedures for the Acquisition and Disposal of Assets” and “Procedures for Endorsements and Guarantees”, to manage and control the related transaction risks.
- 2.The Company adheres to the conservative and prudent principles in financial operations, and it had not engaged in any other highly risky and high financial leverage investments, loans of funds to others, endorsements and guarantees, or derivative transactions for the most recent year or as of the printed date of the annual report.

7.6.3 Future Research & Development Work and Expenditures

1. Future Research & Development Projects

The Company and its subsidiaries make plan for research and development projects in accordance with market and technology trends, customer needs and the Company’s operating strategies to provide market- and future-oriented products and technologies. The main development directions are as follows:

- (1) X-ray flat panel detector elements
 - A. Detection pixel structure for next-generation IGZO technology
 - B. Next-generation detector technology (e.g. low temperature polysilicon or perovskite)
- (2) X-ray flat panel detector module
 - A. Develop static X-ray flat panel detector module with high pixel density and flexible substrate
 - B. Develop dynamic X-ray flat panel detector module with high read speed based on IGZO technology
 - C. Enhance embedded system software design capability
 - D. Enhance the image processing capability of X-ray flat panel detector module after capturing X-ray images and build its own user interface software capability
 - E. Combine with AI technology development to assist users in interpreting X-ray images
- (3) Integrated design of non-destructive detection system for manufacturing industry

2. Estimated Research and Development Budget

The Company spent NT\$228,278 thousand on research and development in 2023, and will continue to allocate and recognize R&D expenses in accordance with the progress of technology and product. The Company’s

operations are in a growth stage. In order to maintain and improve the competitiveness of our technologies and products, the Company expects to invest another R&D fee of NT\$ 0.27 billion in 2024. However, it will adjust according to the customer layout, market conditions and actual operating conditions, and continue to maintain its leading edge in technological development.

7.6.4 Effects of and Response to Changes in Policies and Legal Environment at Home and Abroad Relating to Financial Operations

As of the Annual Report's publication date, there has been no adversely impact on financial or business due to any policy and law changed. All the Company's teammates would be closely watchful of potential changes in major policies and laws and ordinances concerned at home and abroad. Through such efforts we shall be able to take right countermeasures in real-time to minimize the potential impact upon the Company's financial standing which might be incurred by major policies at home and abroad and change in laws.

7.6.5 Effects of and Response to Changes in Science and Technology (including Cyber Security Risks) and the Industry Relating to Financial Operations

1. Technology Change

In the face of continuous introduction of new technologies and products on the market, the accelerated transition of mainstream products may have an impact on the sales of the Company's existing products, which in turn may have a negative impact on its financial performance. The Company's countermeasure is to "make plan for next-generation products in advance and actively promote new cases to customers".

In terms of technology, the Company will use mainstream products to contribute to revenue, offer more favorable cooperative conditions to attract some customers to adopt next-generation technologies in new product development in advance, and make good use of the Company's development results in new technologies to expand sales volume of high-end, high-margin products. In addition to actively promoting oxide semiconductor, high pixel density, ultra-narrow bezel and high pixel fill factor products, the Company has also started the research and development projects for next-generation technologies and is planning ahead for new technologies and products in the next 3~5 years to ensure that it can maintain the leading position in new technologies and specifications.

2. Cyber security risk

The Company and its subsidiaries attach importance to cyber security management, strengthen the awareness of cyber security among the Company's employees based on the improvement of data protection and equipment use security, and avoid the occurrence of cyber security incidents that may cause harm to the service quality and corporate reputation through active establishment of relevant cyber security management measures and risk assessment, thus protecting the rights and interests of shareholders. The main measures taken to control cyber security risks are described as follows:

- (1)The Company's operation procedures have relevant regulations on cyber security for compliance by employees; in addition, the computer information cycle of the internal control system also provides for the control procedures of cyber security inspection, so the Company will further strengthen and implement cyber security in combination with the irregular review of the effectiveness of internal control system.
- (2)Cyber security inspection is included in the annual audit plan, and auditors will conduct annual audits to understand the operating status of cyber security and evaluate whether various risk controls and improvements of abnormalities have been practically implemented to reduce and avoid related cyber security risks.
- (3)Strengthen the publicity of the employee cyber security concept, and announce relevant cyber security precautions from time to time to raise the awareness of employees to prevent malicious attacks by external parties, so as to reduce the risks caused by improper habits and provide security guarantee for the daily operation and management of the Company.
- (4)In order to ensure the protection and confidentiality of data, the authorization for login and access to the relevant systems must be properly reviewed and approved; pay attention to whether there is any improper use of accounts and passwords by others to prevent the risk of leakage of confidential information.

3. Industry Change

X-ray flat panel detector industry is of growing scale and expanding scope of technology application. However, any sort of economic trend drops, competitor dynamics, and changes in end-user demand all might lead to a shock to the Company's business operation on the seamy side. Here at the Company, all our teammates would be closely watchful of fluctuation that might hit the Company into passive aspect and work out sound countermeasures beforehand. In terms of financial operation, we adopt sound and stable financial operation to deal with potential fluctuation in the businesses.

7.6.6 The Impact of Changes in Corporate Image on Crisis Management, and Corresponding Measures

Faithful law compliance, focus on employees' and shareholders' equity, and fulfillment of corporate social responsibilities represent the very bounden duties to the Company and its subsidiaries. In case of a contingency, the Company and its subsidiaries will immediately establish the Crisis Task Force, with the ranking department head serving as the emergency convener, to defuse the crisis forthwith. As of the Annual Report's publication date, there has been no event that adversely impacts corporate image of the Company and its subsidiaries and impacts on corporate risk management.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

At the moment, the Company and its subsidiaries have no plan to launch a merger with another enterprise. Toward potential strategic investment or vertical integration, and the cost benefit and the potential risk so arising, the Company's management would conduct appropriate evaluation and evasion as appropriate.

7.6.8 Expected Benefits from, Risks Relating to and Response to Plant Expansion Plans

The Company and its subsidiaries have no specific plans for plant expansion in the latest year and as of the publication date of the annual report. If there are such plans in the future, the Company and its subsidiaries will execute and make announcements according to the relevant laws and regulations.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

1. Risks Relating to and Response to Excessive Concentration of Purchasing Sources

The Company and its subsidiaries design, manufacture and sell X-ray flat panel detectors, and as one of the main raw materials, the Company also designs thin-film transistors-photoelectric diode substrates, which are then entrusted to professional TFT manufacturers for OEM production. During the product development and manufacturing process, we must maintain a cooperative relationship with OEMs to complete the manufacturing of products through specialized division of labor. Since the products of the Company and its subsidiaries are mainly used in the medical testing field, involve many product items and require high technical level and supply stability, the selection of suppliers requires a comprehensive consideration of process technology, quality yield, capacity supply, delivery time, and geographical relationship. Based on the characteristics of products and industry, we have entrusted Innolux Corporation, one of our related parties, for the OEM production of TFT-PD substrates, and have signed a 5-year contract with Innolux Corporation. Since the Company only uses a small proportion of the total production capacity of Innolux Corporation, there is no concern about insufficient production capacity; for the procurement of key components, the Company and its subsidiaries not only select two or more suppliers as far as possible, but also establish a safety inventory to reduce the risk of excessive concentration of purchasing sources.

2. Risks Relating to and Response to Excessive Customer Concentration

The Company and its subsidiaries are professional manufacturers in the field of X-ray detectors with independent design, development and manufacturing capabilities. The main source of operating revenue is the sale of X-ray flat panel detector elements and modules, which are widely sold in Japan, Korea, North America, Europe and Chinese Mainland, and the main sales objects are major manufacturers of medical devices and digital X-ray radiography system. At present, there is no single sales object who account for more than 30% of sales volume, so there is no excessive customer concentration.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%

As of the printed date of the annual report, there has been no large share transfers or changes in shareholdings by directors or shareholders with shareholdings of over 10%.

7.6.11 Effects of, Risks Relating to and Response to Changes in Management Rights

As of the printed date of the annual report, there has been no changes in management rights of directors or shareholders with shareholdings of over 10%.

7.6.12 Litigation or Non-litigation Matters

1. The lawsuits, non-contentious cases, administrative litigation that are decided by the court or still in proceeding in the most recent years until this report was issued: None.
2. List litigious, non-litigious or administrative disputes that: (1) involve any company director, the president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment in the most recent year and as of the publication date of the annual report, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities:

Except for the legal entity represented by the corporate representative director and the shareholder holding a stake of greater than 10 percent, Innolux Corporation, there are no litigious, non-litigious or administrative disputes pending against the remaining director, the president, any person with actual responsibility for the firm. The lawsuit related to the legal entity represented by the corporate representative director and the shareholder holding a stake of greater than 10 percent, Innolux Corporation, is described as follows:

- (1) The Company's subsidiary in U.S. received a civil complaint from the government of Puerto Rico in September 2018, claiming that the company, together with other defendants of Taiwan, Japan and South Korea TFT - LCD companies, had unjustified enrichment from the TFT-LCD price conspiracy in 2006 and requested monetary compensation. The U.S. subsidiary of the Company retained lawyers to handle the lawsuit. On October 31, 2022, the court dismissed the case for lack of diligent prosecution.
- (2) Bishop Display Tech LLC (Bishop) filed a lawsuit against the Company with the United States District Court for the Eastern District of Texas on October 3, 2022, alleging infringement of its US patent. The Company received the service of a complaint on October 28, 2022 and subsequently filed an answer to the complaint on January 26, 2023. The two parties have reached a settlement in September 2023. As the patent litigation against the Company had been revoked on October 18, 2023, it has no impact on the Company's operations and financial position.
- (3) Polaris PowerLED Technologies, LLC ("Polaris") filed a lawsuit against the Company and the Company's American subsidiary with the United States District Court for the Central District of California on May 8, 2023, alleging infringement of its US patent. The Company received the service of a complaint on May 22, 2023 and subsequently filed an answer to the complaint on July 24, 2023. Currently, the lawsuit has no impact on Innolux Corporation's operations and financial position.

In summary, the above-mentioned event was derived from the business operations of the ultimate parent company and was assessed as not affecting the financial performance of the Company. Therefore, there was no event that materially affected shareholders' equity or the prices of securities of the Company.

7.6.13 Other Important Risks, and Mitigation Measures

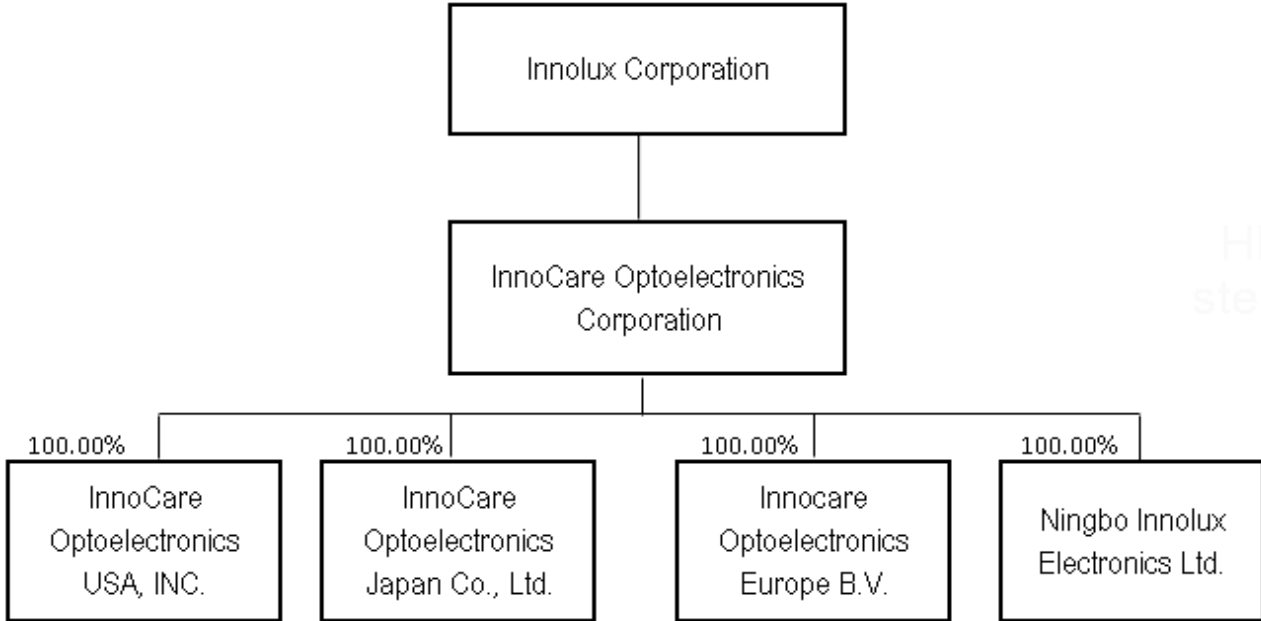
For the description of the cyber security risk assessment and analysis, please refer to pages 92-93 and page 108 of the annual report.

7.7 Other Important Matters: None.

VIII. Special Disclosures

8.1 Summary of Affiliated Companies

8.1.1 Organization chart of affiliate



8.1.2 Basic information of affiliates

Unit: \$; Date: December 31, 2023

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
Innolux Corporation	January 14, 2003	No.160, Kexue Rd., Zhunan Township, Miaoli County, Hsinchu Science Park	TWD 90,786,333,380	Manufacturing of electronic components
InnoCare Optoelectronics Europe B.V.	August 11, 2020	Stationstraat39-G, 6411NK, Heerlen	EUR 50,000	After-sales service Company
InnoCare Optoelectronics Japan Co., Ltd.	June 17, 2019	14F Kawasaki Nisshin-cho Bldg. 7-1, Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa 210-0024, Japan	JPY 300,100,000	Distribution company
InnoCare Optoelectronics USA, INC.	February 9, 2018	101 Metro Drive Suite 510, San Jose, CA 95110, United States	USD 900,000	Distribution company
Ningbo Innolux Electronics Ltd.	November 04, 2015	No.8, Cao E River Rd., Ningbo Bonded Zone Building 2 2F	CNY 15,370,000	Manufacture and sale of medical devices

8.1.3 Concluded as the existence of the controlling and Subordinate Relation: None.

8.1.4 Business Scope of INCX and its overall affiliated companies:

The main business scope of the Company and its subsidiaries includes the development, manufacture, after service and sale of X-ray flat panel detector products. Innolux Corporation is mainly engaged in the TFT-LCD related business, and undertakes the OEM production of TFT-PD substrates of the Company.

Through globalized layout and the construction of production bases in Taiwan and China, we can provide our customers with highly flexible supply ability and timely technical and commercial supports.

8.1.5 Directors, supervisors, and presidents of affiliates

As of December 31, 2023

Name of Company	Title	Name or representative	Shareholding (Shares)	
			Shares	%
Innolux Corporation	Chairman	Chin-Jin Hung	1,298,728	0.01%
	Director	Chu-Hsiang Yang	1,777,511	0.02%
	Director	Jyh-Chau Wang	144,438	—
	Director	Ching-Lung Ting	981,888	0.01%
	Independent Director	Chi-Chia Hsieh	—	—
	Independent Director	Chih-I Wu	—	—
	Independent Director	Chih-Wei Wu	—	—
	Independent Director	Hsin-Bei Shen	—	—
Innocare Optoelectronics Europe B.V.	Chairman	Lu-Ting Yang	—	100%
InnoCare Optoelectronics USA, Inc.	Chairman	Junichi Ishii	—	100%
	Director	Chu-Hsiang Yang	—	100%
	Director	Chih-Sheng Lee	—	100%
InnoCare Optoelectronics Japan Co., Ltd.	Chairman	Chih-Sheng Lee	—	100%
	Director	Chien-Lang Lo	—	100%
	Director	Ming-Hsien Sun	—	100%
Ningbo Innolux Electronics Ltd.	Chairman	Chih-Sheng Lee	—	100%
	Supervisor	Chung-Wei Huang	—	100%

8.1.6 Overview of subsidiaries' operations

Unit: NT\$ thousand, December, 31, 2023

Company Name	Paid-in Capital	Total assets	Total liabilities	Net Worth	Revenue	Profit (Loss) from Operation	Profit (Loss) for the year (After Tax)	Earnings Per Share (Loss) (After Tax)
Innolux Corporation	90,786,334	353,721,725	125,596,856	228,124,869	178,996,596	(24,390,083)	(18,642,539)	(2.01)
InnoCare Optoelectronics Europe B.V.	1,699	6,230	2,799	3,431	14,100	760	603	1,205.75
InnoCare Optoelectronics Japan Co., Ltd.	65,182	659,863	533,729	126,134	1,618,886	33,759	33,580	1,118.98
InnoCare Optoelectronics USA, Inc.	27,635	164,368	127,214	37,154	334,381	(849)	(2,057)	(2.29)
Ningbo Innolux Electronics Ltd.	66,632	206,579	84,441	122,138	299,606	7,475	14,294	—

8.1.7 Consolidated Financial Statements of Affiliated Enterprises

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

INNOCARE OPTOELECTRONICS CORPORATION

By:

Chu-Hsiang Yang
Chairman
February 20, 2024

8.1.8 Reports on Affiliations

1. Affiliation report statement of InnoCare Optoelectronics Corporation

DECLARATION OF REPORTS ON AFFILIATIONS

The Affiliation Report of the Company for the year 2023 (from January 1 to December 31, 2023) was prepared in accordance with the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, and the information disclosed was not materially inconsistent with the information disclosed in the notes to the financial statements for the preceding period.

Very truly yours,

INNOCARE OPTOELECTRONICS CORPORATION

By:

Chu-Hsiang Yang
Chairman
February 20, 2024

2. Independent Auditor Opinion on Secondary Reviews of Affiliation Report

2024.2.20 Qin-Shen No. 11302832

To: InnoCare Optoelectronics Corporation

Purpose: To express an opinion on the statement that there are no material inconsistencies in the relevant information in the Affiliation Report of your company for the year ended December 31, 2023

Note:

- I. Your company had prepared the Affiliation Report for the year 2023 (from January 1 to December 31, 2023) on February 20, 2024, and made a statement that the report was prepared in accordance with the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, and the information disclosed was not materially inconsistent with the information disclosed in the notes to the financial statements for the preceding period. Please refer to the Attachment for the statement.
- II. We have compared the Affiliation Report prepared by your company in accordance with the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” with the notes to the financial statements for the year ended December 31, 2023, and no material inconsistency has been found in the above statement.

Deloitte & Touche

Certified Public Accountants: Ya-Ling Wong

3. The relationship between the subordinate company and the controlling company

Controlled Company	Reason for control	Shareholding and pledge of controlled company			The controlled company sends its employees to act as directors	
		Shareholding (Shares)	%	Pledged shares	Title	Name
Innolux Corporation	Controlled subsidiary in compliance with Article 369-2 of the Company Act	20,200,000 shares	50.17	—	Chairman	Chu-Hsiang Yang
					Director	Tien-Jen Lin

4. Purchase (sale) of goods

Transactions with controlled company				Terms of transactions with controlled company		Terms of transactions with general company		Reason for the difference	Accounts and notes receivable (payable)		Overdue accounts receivable			Remarks
Purchase (Sales)	Amount	Ratio in total purchase (sales)	Gross profit on sales	Unit price (NT\$)	Credit period	Unit price (NT\$)	Credit period		Balance	Ratio in total accounts and notes receivable (payable)	Amount	Disposal way	Amount of allowance for bad debt	
Purchase	414,997	40.59	—	(Note 3)	90 days	(Note 3)	90 days	None	(130,410)	29.81	—	—	—	—
Sales	185	0.01	—	(Note 3)	60 days	(Note 3)	60 days	None	—	—	—	—	—	—

5. Property transactions: None.

6. Financing: None.

7. Asset leasing: None.

8. Endorsements and guarantees: None.

9. Trading in derivative products: None.

8.2 Private Placement Securities in the Most Recent Years: None.

8.3 Holding or Disposal of Shares in the Company by the Subsidiaries During the Most Recent Years: None.

8.4 Other Matters Required Additional Description: None.

IX. Materially might affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one: None.

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, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The key audit matter of the consolidated financial statements for the year ended December 31, 2023 is stated as follows:

Cutoff of Operating Revenue Recognition

The Group is mainly engaged in the manufacturing and sale of X-ray flat panel detectors. On the basis of the shipping terms agreed between customers and the Group, the Group recognizes operating revenue when satisfying the performance obligation by transferring control of a promised good or service to the customer. The operating revenue might not be recorded in the correct accounting period due to various shipping terms. Therefore, the cutoff of operating revenue recognition was considered 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 the cutoff of operating revenue recognition, sampling from a specific period of journals of sales close to the balance sheet date, examining the delivery notices and external shipping documents, and confirmed operating revenue was recognized in the appropriate period.

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, 2023 and 2022 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 20, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally 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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 671,658	30	\$ 577,373	29
Notes receivable (Notes 9 and 20)	25,100	1	-	-
Accounts receivable (Notes 9 and 20)	598,814	26	585,754	30
Accounts receivable from related parties (Notes 20 and 28)	1,530	-	23,853	1
Other receivables (Note 9)	30,167	1	15,379	1
Other receivables from related parties (Note 28)	241	-	4,944	-
Current tax assets (Note 22)	9,025	1	3,812	-
Inventories (Note 10)	597,380	26	503,173	25
Other current assets (Note 28)	<u>21,722</u>	<u>1</u>	<u>15,879</u>	<u>1</u>
Total current assets	<u>1,955,637</u>	<u>86</u>	<u>1,730,167</u>	<u>87</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Note 7)	476	-	272	-
Financial assets at fair value through other comprehensive income (Note 8)	34,000	1	-	-
Property, plant and equipment (Notes 12 and 28)	195,807	9	186,695	9
Right-of-use assets (Notes 13 and 28)	20,440	1	34,301	2
Intangible assets (Note 28)	13,843	1	1,789	-
Deferred tax assets (Note 22)	25,468	1	15,466	1
Prepayments for equipment (Note 12)	18,049	1	25,352	1
Other non-current assets (Note 28)	<u>4,740</u>	<u>-</u>	<u>5,899</u>	<u>-</u>
Total non-current assets	<u>312,823</u>	<u>14</u>	<u>269,774</u>	<u>13</u>
TOTAL	<u>\$ 2,268,460</u>	<u>100</u>	<u>\$ 1,999,941</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	\$ 170,000	7	\$ 425,000	21
Contract liabilities (Note 20)	10,421	-	13,353	1
Accounts payable (Note 15)	249,833	11	178,430	9
Accounts payable to related parties (Note 28)	187,597	8	170,238	8
Other payables (Notes 12 and 16)	184,600	8	203,073	10
Other payables to related parties (Note 28)	18,337	1	18,014	1
Current tax liabilities (Note 22)	24,446	1	40,304	2
Provisions (Note 17)	16,812	1	16,398	1
Lease liabilities (Notes 13 and 28)	15,695	1	15,466	1
Other current liabilities (Note 16)	<u>15,709</u>	<u>1</u>	<u>10,884</u>	<u>-</u>
Total current liabilities	<u>893,450</u>	<u>39</u>	<u>1,091,160</u>	<u>54</u>
NON-CURRENT LIABILITIES				
Lease liabilities (Notes 13 and 28)	4,960	-	19,027	1
Net defined benefit liabilities (Note 18)	491	-	140	-
Guarantee deposits received	<u>84,810</u>	<u>4</u>	<u>72,992</u>	<u>4</u>
Total non-current liabilities	<u>90,261</u>	<u>4</u>	<u>92,159</u>	<u>5</u>
Total liabilities	<u>983,711</u>	<u>43</u>	<u>1,183,319</u>	<u>59</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 19, 22 and 24)				
Common stock	<u>402,285</u>	<u>18</u>	<u>357,815</u>	<u>18</u>
Capital collected in advance	<u>104</u>	<u>-</u>	<u>50</u>	<u>-</u>
Capital surplus	<u>448,127</u>	<u>20</u>	<u>77,070</u>	<u>4</u>
Retained earnings				
Legal reserve	54,451	2	34,823	2
Special reserve	14,339	1	17,647	1
Unappropriated earnings	<u>391,059</u>	<u>17</u>	<u>343,556</u>	<u>17</u>
Total retained earnings	<u>459,849</u>	<u>20</u>	<u>396,026</u>	<u>20</u>
Other equity	<u>(25,616)</u>	<u>(1)</u>	<u>(14,339)</u>	<u>(1)</u>
Total equity	<u>1,284,749</u>	<u>57</u>	<u>816,622</u>	<u>41</u>
TOTAL	<u>\$ 2,268,460</u>	<u>100</u>	<u>\$ 1,999,941</u>	<u>100</u>

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, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 28)	\$ 1,837,116	100	\$ 1,886,619	100
OPERATING COSTS (Notes 10, 21 and 28)	<u>1,334,447</u>	<u>72</u>	<u>1,303,407</u>	<u>69</u>
GROSS PROFIT	<u>502,669</u>	<u>28</u>	<u>583,212</u>	<u>31</u>
OPERATING EXPENSES (Notes 21 and 28)				
Selling and marketing expenses	133,509	7	131,911	7
General and administrative expenses	109,713	6	116,583	6
Research and development expenses	<u>228,278</u>	<u>13</u>	<u>248,437</u>	<u>13</u>
Total operating expenses	<u>471,500</u>	<u>26</u>	<u>496,931</u>	<u>26</u>
OPERATING INCOME	<u>31,169</u>	<u>2</u>	<u>86,281</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES (Notes 21, 25 and 28)				
Interest income	21,897	1	5,422	-
Other income	84,344	4	125,408	7
Other gains and losses	(7,179)	-	30,156	1
Finance cost	<u>(7,337)</u>	<u>-</u>	<u>(5,284)</u>	<u>-</u>
Total non-operating income and expenses	<u>91,725</u>	<u>5</u>	<u>155,702</u>	<u>8</u>
INCOME BEFORE INCOME TAX	122,894	7	241,983	13
INCOME TAX EXPENSE (Note 22)	<u>6,236</u>	<u>1</u>	<u>43,266</u>	<u>2</u>
NET INCOME	<u>116,658</u>	<u>6</u>	<u>198,717</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 18 and 22)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(309)	-	-	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	(2,000)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>62</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(2,247)</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (9,277)	-	\$ 3,308	-
Other comprehensive income (loss), net of income tax	(11,524)	-	3,308	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 105,134</u>	<u>6</u>	<u>\$ 202,025</u>	<u>11</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 116,658	6	\$ 198,717	11
Non-controlling interests	-	-	-	-
	<u>\$ 116,658</u>	<u>6</u>	<u>\$ 198,717</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 105,134	6	\$ 202,025	11
Non-controlling interests	-	-	-	-
	<u>\$ 105,134</u>	<u>6</u>	<u>\$ 202,025</u>	<u>11</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 3.00</u>		<u>\$ 5.62</u>	
Diluted	<u>\$ 2.84</u>		<u>\$ 5.22</u>	

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

	Capital			Retained Earnings			Other Equity			Total Equity
	Common Stock	Collected in Advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2022	\$ 349,845	\$ -	\$ 66,257	\$ 17,527	\$ -	\$ 220,700	\$ (17,647)	\$ -	\$ 636,682	
Appropriation of 2021 earning	-	-	-	-	-	(17,296)	-	-	-	
Legal reserve	-	-	-	17,296	-	(17,647)	-	-	-	
Special reserve	-	-	-	-	17,647	(38,483)	-	-	(38,483)	
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	
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	
Appropriation of 2022 earnings	-	-	-	-	-	(19,628)	-	-	-	
Legal reserve	-	-	-	19,628	-	(51,204)	-	-	(51,204)	
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	-	(3,308)	3,308	-	-	-	
Net income for the year ended December 31, 2023	-	-	-	-	-	116,658	-	-	116,658	
Other comprehensive loss for the year ended December 31, 2023	-	-	-	-	-	(247)	(9,277)	(2,000)	(11,524)	
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	116,411	(9,277)	(2,000)	105,134	
Employee share options	8,470	54	3,811	-	-	-	-	-	12,335	
Share-based payments	-	-	22,947	-	-	(1,384)	-	-	21,563	
Issuance of ordinary shares for cash	36,000	-	344,299	-	-	-	-	-	380,299	
BALANCE AT DECEMBER 31, 2023	\$ 402,285	\$ 104	\$ 448,127	\$ 54,451	\$ 14,339	\$ 391,059	\$ (23,616)	\$ (2,000)	\$ 1,284,749	

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 122,894	\$ 241,983
Adjustments for:		
Depreciation	77,648	69,236
Amortization	2,759	545
Net gain on fair value changes of financial assets at fair value through profit or loss	(11)	(2)
Finance costs	7,337	5,284
Interest income	(21,897)	(5,422)
Share-based payments	21,563	4,791
Write-down of inventories	23,933	29,028
Unrealized loss on foreign exchange	1,017	15,657
Net changes in operating assets and liabilities		
Notes receivable	(25,619)	9,337
Accounts receivable	(7,046)	(232,447)
Accounts receivable from related parties	26,722	6,044
Other receivables	(15,637)	15,314
Other receivables from related parties	3,795	(1,988)
Inventories	(118,064)	(67,491)
Other current assets	(6,693)	6,333
Contract liabilities	(2,932)	11,310
Accounts payable	63,745	57,636
Accounts payable to related parties	21,329	(396,869)
Other payables	(35,010)	27,075
Other payables to related parties	252	(5,292)
Provisions	414	2,391
Other current liabilities	4,960	(11,074)
Net defined benefit liabilities	42	45
Cash generated from (used in) operations	<u>145,501</u>	<u>(218,576)</u>
Income tax refunded	-	7,789
Income tax paid	<u>(36,304)</u>	<u>(42,463)</u>
Net cash generated from (used in) operating activities	<u>109,197</u>	<u>(253,250)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(36,000)	-
Proceeds from sale of financial assets at amortized cost	-	34,810
Purchase of financial assets at fair value through profit or loss	(202)	(186)
Payments for property, plant, equipment	(46,982)	(61,850)
Proceeds from disposal of property, plant and equipment	1,034	-
Payments for intangible assets	(14,813)	(811)
Increase in other non-current assets	-	(636)

(Continued)

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2023	2022
Decrease in other non-current assets	\$ 988	\$ -
Interest received	<u>21,457</u>	<u>5,422</u>
Net cash used in investing activities	<u>(74,518)</u>	<u>(23,251)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	425,000
Decrease in short-term borrowings	(255,000)	-
Increase in guarantee deposits received	14,133	13,574
Repayment of the principal portion of lease liabilities	(15,837)	(14,862)
Cash dividends paid	(51,204)	(38,483)
Proceeds from issuance of ordinary shares	379,635	-
Exercise of employee share options	12,335	11,607
Interest paid	<u>(7,198)</u>	<u>(5,284)</u>
Net cash generated from financing activities	<u>76,864</u>	<u>391,552</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE	<u>(17,258)</u>	<u>2,871</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	94,285	117,922
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>577,373</u>	<u>459,451</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 671,658</u>	<u>\$ 577,373</u>

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

(Concluded)

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

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

1. GENERAL INFORMATION

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

The Company’s shares have been listed on the Taiwan Stock Exchange since March 27, 2023.

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 20, 2024.

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

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

The initial application of IFRS Accounting Standards 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 IFRS Accounting Standards endorsed by the FSC for application starting from 2024

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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

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

For the purpose of presenting consolidated financial statements, the financial statements 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 dollars, 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 value 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 value 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, financial assets at amortized cost and investment in equity instruments measured at fair value through other comprehensive income(FVTOCI).

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 27.

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 and commercial paper 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.

iii. Investments in equity instruments at FVTOCI

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

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

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

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 which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. 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

Equity-settled share-based payment arrangements and employee share options

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.

Employee share options granted to the employees of its parent company

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.

Employee share options granted from the parent company to the employees

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. 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 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. MATERIAL 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.

When developing material accounting estimates, the estimates and underlying assumptions are reviewed on an ongoing basis.

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Demand deposits	\$ 518,133	\$ 498,004
Cash equivalents		
Time deposits	<u>153,525</u>	<u>79,369</u>
	<u>\$ 671,658</u>	<u>\$ 577,373</u>

The interest rate of time deposits as of the balance sheet date was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Time deposits	5.57%	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Insurance financial instruments	<u>\$ 476</u>	<u>\$ 272</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Non-current</u>		
Domestic investments		
Unlisted shares	<u>\$ 34,000</u>	<u>\$ -</u>

In May 2023, the Company's board of directors resolved to invest \$36,000 thousand in DEEP01 LIMITED.

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

9. NOTES AND ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 25,100	\$ -
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 25,100</u>	<u>\$ -</u>
Notes receivable-operating	<u>\$ 25,100</u>	<u>\$ -</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 598,814	\$ 585,754
Less: Allowance impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 598,814</u>	<u>\$ 585,754</u>
<u>Other receivables</u>		
Subsidize of research and development	\$ 17,529	\$ 10,018
VAT refundable	11,299	4,670
Others	<u>1,339</u>	<u>691</u>
	<u>\$ 30,167</u>	<u>\$ 15,379</u>

Notes receivables

As of December 31, 2023, the notes receivable were not past due.

Accounts receivable

The Group recognizes allowance for impairment loss on accounts receivable based on individual customers for which credit losses have actually taken place and uses the forecast ability 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	
	2023	2022
Not past due	\$ 587,682	\$ 567,604
1-90 days past due	<u>11,132</u>	<u>18,150</u>
	<u>\$ 598,814</u>	<u>\$ 585,754</u>

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

10. INVENTORIES

	December 31	
	2023	2022
Finished goods	\$ 187,423	\$ 117,129
Work in progress	285,262	252,767
Raw materials	<u>124,695</u>	<u>133,277</u>
	<u>\$ 597,380</u>	<u>\$ 503,173</u>

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

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 1,310,514	\$ 1,274,379
Write-down of net realizable values of inventories	<u>23,933</u>	<u>29,028</u>
	<u>\$ 1,334,447</u>	<u>\$ 1,303,407</u>

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investee	Nature of Activities	Proportion of Ownership	
		December 31	
		2023	2022
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%

12. PROPERTY, PLANT AND EQUIPMENT

	Machinery Equipment	Other Equipment	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 238,817	\$ 114,914	\$ 353,731
Reclassification	54,280	17,774	72,054
Disposals	-	(1,677)	(1,677)
Effect of exchange rate differences	<u>(86)</u>	<u>(226)</u>	<u>(312)</u>
Balance at December 31, 2023	<u>\$ 293,011</u>	<u>\$ 130,785</u>	<u>\$ 423,796</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ 90,985	\$ 76,051	\$ 167,036
Depreciation expense	45,598	16,201	61,799
Disposals	-	(643)	(643)
Effect of exchange rate differences	<u>(68)</u>	<u>(135)</u>	<u>(203)</u>
Balance at December 31, 2023	<u>\$ 136,515</u>	<u>\$ 91,474</u>	<u>\$ 227,989</u>
Carrying amount at December 31, 2023	<u>\$ 156,496</u>	<u>\$ 39,311</u>	<u>\$ 195,807</u>
<u>Cost</u>			
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	<u>183</u>	<u>96</u>	<u>279</u>
Balance at December 31, 2022	<u>\$ 238,817</u>	<u>\$ 114,914</u>	<u>\$ 353,731</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ 55,961	\$ 56,748	\$ 112,709
Depreciation expense	34,979	19,243	54,222
Effect of exchange rate differences	<u>45</u>	<u>60</u>	<u>105</u>
Balance at December 31, 2022	<u>\$ 90,985</u>	<u>\$ 76,051</u>	<u>\$ 167,036</u>
Carrying amount at December 31, 2022	<u>\$ 147,832</u>	<u>\$ 38,863</u>	<u>\$ 186,695</u>

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

Machinery equipment	2-10 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	
	2023	2022
Additions to property, plant and equipment	\$ -	\$ 77
Prepayments of equipment	64,751	61,334
Payable for equipment (other payable)	<u>(17,769)</u>	<u>439</u>
	<u>\$ 46,982</u>	<u>\$ 61,850</u>

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amount</u>		
Buildings	<u>\$ 20,440</u>	<u>\$ 34,301</u>

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 2,206</u>	<u>\$ 9,568</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 15,849</u>	<u>\$ 15,014</u>

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	<u>\$ 15,695</u>	<u>\$ 15,466</u>
Non-current	<u>\$ 4,960</u>	<u>\$ 19,027</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Buildings	1.7895%- 2.0335%	1.7895%- 1.8291%

c. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases and low-value asset leases	<u>\$ 3,423</u>	<u>\$ 3,568</u>
Total cash outflow for leases	<u>\$ 19,780</u>	<u>\$ 19,108</u>

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.

14. BORROWINGS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Unsecured borrowings</u>		
Bank loans	<u>\$ 170,000</u>	<u>\$ 425,000</u>

The range of interest rates of unsecured bank loans was from 1.78% to 1.80% and from 1.95 % to 2.07% as of December 31, 2023 and 2022, respectively.

15. ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Accounts payable</u>		
Accounts payable - operating	<u>\$ 249,833</u>	<u>\$ 178,430</u>

16. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Other payables		
Payable for salaries and bonus	\$ 92,341	\$ 126,217
Payable for equipment	30,009	12,240
Payable for labor and health insurance	11,659	11,045
Payable for bonus to employees and directors	8,512	16,173
Payable for professional fees	6,614	10,176
Other	<u>35,465</u>	<u>27,222</u>
	<u>\$ 184,600</u>	<u>\$ 203,073</u>
Other Liabilities		
Refund liabilities	\$ 6,371	\$ -
Deferred revenue	2,730	3,245
Other	<u>6,608</u>	<u>7,639</u>
	<u>\$ 15,709</u>	<u>\$ 10,884</u>

Deferred revenue was generated from government grants.

17. PROVISIONS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Warranties	<u>\$ 16,812</u>	<u>\$ 16,398</u>

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.

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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 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 plan were as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Present value of defined benefit obligation	\$ 558	\$ 181
Fair value of plan assets	<u>(67)</u>	<u>(41)</u>
Net defined benefit liabilities	<u>\$ 491</u>	<u>\$ 140</u>

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, 2023	\$ 181	\$ (41)	\$ 140
Service cost			
Current service cost	63	-	63
Net Interest expense (revenue)	<u>5</u>	<u>(2)</u>	<u>3</u>
Recognized in profit or loss	<u>68</u>	<u>(2)</u>	<u>66</u>
Remeasurement			
Actuarial loss			
Changes in demographic assumptions	80	-	80
Changes in financial assumptions	107	-	107
Experience adjustments	<u>122</u>	<u>-</u>	<u>122</u>
Recognized in other comprehensive income	<u>309</u>	<u>-</u>	<u>309</u>
Contributions from the employer	<u>-</u>	<u>(24)</u>	<u>(24)</u>
Balance at December 31, 2023	<u>\$ 558</u>	<u>\$ (67)</u>	<u>\$ 491</u>
Balance at January 1, 2022	\$ 120	\$ (25)	\$ 95
Service cost			
Current service cost	<u>61</u>	<u>-</u>	<u>61</u>
Recognized in profit or loss	<u>61</u>	<u>-</u>	<u>61</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	(1)	-	(1)
Actuarial (gain) loss			
Changes in financial assumptions	(30)	-	(30)
Experience adjustments	<u>31</u>	<u>-</u>	<u>31</u>
Recognized in other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(16)</u>	<u>(16)</u>
Balance at December 31, 2022	<u>\$ 181</u>	<u>\$ (41)</u>	<u>\$ 140</u>

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	
	2023	2022
Discount rate	1.500%	2.250%
Expected rate of salary increase	3.500%	3.500%

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

	December 31	
	2023	2022
Discount rate		
0.25% increase	<u>\$ (42)</u>	<u>\$ (14)</u>
0.25% decrease	<u>\$ 45</u>	<u>\$ 15</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 44</u>	<u>\$ 15</u>
0.25% decrease	<u>\$ (41)</u>	<u>\$ (14)</u>

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

	December 31	
	2023	2022
The expected contributions to the plan for the next year	<u>\$ 29</u>	<u>\$ 16</u>
The average duration of the defined benefit obligation	30.2 years	33.2 years

19. EQUITY

a. Common stock

	December 31	
	2023	2022
Number of authorized shares (in thousands)	<u>50,000</u>	<u>50,000</u>
Amount of authorized shares	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Number of issued and fully paid shares (in thousands)	<u>40,229</u>	<u>35,782</u>
Amount of issued shares	<u>\$ 402,285</u>	<u>\$ 357,815</u>

With the application of an initial public offering (IPO) on the Taiwan Stock Exchange (TWSE), on December 28, 2022, the Company's board of directors resolved to issue 3,600 thousand common stock with a par value of \$10. On January 11, 2023, the above transaction was approved by the TWSE, and the subscription base date was determined by the board of directors to be March 23, 2023.

The abovementioned new shares included public subscriptions, employee subscriptions and auctions of 612 thousand shares, 540 thousand shares and 2,448 thousand shares, respectively. The public subscription and employee subscription were issued at a premium of \$70 per share. The auction was issued at a premium to the average weighted average price of \$123.49 per share. The net capital addition was \$379,635 thousand after collecting the share proceeds and deducting relevant commission expenses on March 23, 2023.

The change in the Company's share capital in 2023 was mainly due to the exercise of employee share options of 851 thousand common stock, and consideration of \$12,355 thousand was received. The change in the Company's share capital in 2022 was mainly due to the exercise of employee share options of 800 thousand common stock, and consideration of \$11,607 thousand was received.

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

b. Capital collected in advance

	<u>December 31</u>	
	2023	2022
Capital collected in advance	<u>\$ 104</u>	<u>\$ 50</u>

c. Capital surplus

	<u>December 31</u>	
	2023	2022
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital*</u>		
Issuance of common shares	\$ 403,783	\$ 52,869
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	9,309	9,309
<u>May not be used for any purpose</u>		
Employee share options	<u>35,035</u>	<u>14,892</u>
	<u>\$ 448,127</u>	<u>\$ 77,070</u>

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

d. Retained earnings and dividend policy

Under the dividend policy in the Company's Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing 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 21-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 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 2022 and 2021, which were approved by the shareholders in their meetings on May 24, 2023 and 2022, were as follows:

	<u>Appropriation and Earnings</u>	
	<u>For the Year Ended December 31</u>	
	2022	2021
Legal reserve	<u>\$ 19,628</u>	<u>\$ 17,296</u>
(Reversal of) special reserve	<u>\$ (3,308)</u>	<u>\$ 17,647</u>
Cash dividends	<u>\$ 51,204</u>	<u>\$ 38,483</u>
Cash dividends per share (NT\$)	<u>\$ 1.3</u>	<u>\$ 1.1</u>

e. Special reserve

	<u>For the Year Ended December 31</u>	
	2023	2022
Beginning balance	\$ 17,647	\$ -
Appropriation in respect of:		
Debits to other equity items	-	17,647
Reversals:		
Debits to other equity items	<u>(3,308)</u>	<u>-</u>
Ending balance	<u>\$ 14,339</u>	<u>\$ 17,647</u>

20. REVENUE

a. Disaggregation of revenue from contracts with customers

	For the Year Ended December 31	
	2023	2022
Revenue from X-ray flat panel detector device	\$ 1,313,492	\$ 1,480,443
Revenue from X-ray flat panel detector module	495,768	348,559
Others	<u>27,856</u>	<u>57,617</u>
	<u>\$ 1,837,116</u>	<u>\$ 1,886,619</u>

b. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable	<u>\$ 25,100</u>	<u>\$ -</u>	<u>\$ 9,139</u>
Accounts receivables (including those from related parties)	<u>\$ 600,344</u>	<u>\$ 609,607</u>	<u>\$ 408,644</u>
Contract liabilities	<u>\$ 10,421</u>	<u>\$ 13,353</u>	<u>\$ 2,037</u>

21. NET PROFIT FOR THE YEAR

a. Other income

	For the Year Ended December 31	
	2023	2022
Development subsidy	\$ 69,586	\$ 98,204
Government grants (Note 25)	6,194	18,190
Others	<u>8,564</u>	<u>9,014</u>
	<u>\$ 84,344</u>	<u>\$ 125,408</u>

b. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Net foreign exchange gains	\$ 5,274	\$ 33,085
Net gain on fair value changes of financial assets at FVTPL	11	2
Others	<u>(12,464)</u>	<u>(2,931)</u>
	<u>\$ (7,179)</u>	<u>\$ 30,156</u>

c. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 6,817	\$ 4,606
Interest on lease liabilities	<u>520</u>	<u>678</u>
	<u>\$ 7,337</u>	<u>\$ 5,284</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 61,799	\$ 54,222
Right-of-use assets	15,849	15,014
Intangible assets	<u>2,759</u>	<u>545</u>
	<u>\$ 80,407</u>	<u>\$ 69,781</u>
 An analysis of depreciation by function		
Operating costs	\$ 55,089	\$ 46,539
Operating expenses	<u>22,559</u>	<u>22,697</u>
	<u>\$ 77,648</u>	<u>\$ 69,236</u>
 An analysis of amortization by function		
Operating costs	\$ 8	\$ 8
Operating expenses	<u>2,751</u>	<u>537</u>
	<u>\$ 2,759</u>	<u>\$ 545</u>

e. Employee benefits expense

	For the Year Ended December 31, 2023		
	Cost of Sales	Operating Expense	Total
Post-employment benefits			
Defined contribution plan	\$ 7,021	\$ 14,912	\$ 21,933
Defined benefit plans (Note 18)	<u>23</u>	<u>43</u>	<u>66</u>
	<u>7,044</u>	<u>14,955</u>	<u>21,999</u>
Share-based payments			
Equity-settled (Note 24)	<u>5,070</u>	<u>16,493</u>	<u>21,563</u>
Other employee benefits			
Salary expense	147,397	239,277	386,674
Labor and health insurance	13,496	24,719	38,215
Others	<u>7,020</u>	<u>10,300</u>	<u>17,320</u>
	<u>167,913</u>	<u>274,296</u>	<u>442,209</u>
	<u>\$ 180,027</u>	<u>\$ 305,744</u>	<u>\$ 485,771</u>

	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 (Note 18)	<u>-</u>	<u>61</u>	<u>61</u>
	<u>7,555</u>	<u>13,021</u>	<u>20,576</u>
Share-based payments			
Equity-settled (Note 24)	<u>1,291</u>	<u>3,500</u>	<u>4,791</u>
Other employee benefits			
Salary expense	176,290	267,325	443,615
Labor and health insurance	15,319	24,072	39,391
Others	<u>7,182</u>	<u>10,106</u>	<u>17,288</u>
	<u>198,791</u>	<u>301,503</u>	<u>500,294</u>
	<u>\$ 207,637</u>	<u>\$ 318,024</u>	<u>\$ 525,661</u>

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, 2023 and 2022, which were approved by the Company's board of directors on February 20, 2024 and February 9, 2023, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2023	2022
Compensation of employees	6.5%	6.5%
Remuneration of directors	0.1%	0.1%

Amount

	For the Year Ended December 31	
	2023	2022
Compensation of employees	<u>\$ 8,383</u>	<u>\$ 15,928</u>
Remuneration of directors	<u>\$ 129</u>	<u>\$ 245</u>

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 value in the next fiscal year.

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, 2022 and 2021.

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

22. 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	
	2023	2022
Current tax		
In respect of the current year	\$ 31,296	\$ 59,946
Income tax on unappropriated earnings	3,861	4,759
Adjustments for prior years	<u>(19,645)</u>	<u>(13,144)</u>
	15,512	51,561
Deferred tax		
In respect of the current year	<u>(9,276)</u>	<u>(8,295)</u>
Income tax expense recognized in profit or loss	<u>\$ 6,236</u>	<u>\$ 43,266</u>

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

	For the Year Ended December 31	
	2023	2022
Income before income tax	<u>\$ 122,894</u>	<u>\$ 241,983</u>
Income tax expense calculated at the statutory rate	\$ 24,579	\$ 48,397
Income tax on unappropriated earnings	3,861	4,759
Effect of different tax rates of group entities operating in other jurisdictions	(2,559)	3,254
Adjustments for prior years' tax	<u>(19,645)</u>	<u>(13,144)</u>
Income tax expense recognized in profit or loss	<u>\$ 6,236</u>	<u>\$ 43,266</u>

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2023	2022
Current tax		
Transaction costs attributed to the issuance of shares	<u>\$ 664</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	<u>\$ (62)</u>	<u>\$ -</u>

d. Current tax assets and liabilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Current tax assets		
Income tax refundable	<u>\$ 9,025</u>	<u>\$ 3,812</u>
Current tax liabilities		
Income tax payable	<u>\$ 24,446</u>	<u>\$ 40,304</u>

e. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Recognized Directly in Equity	Reclassified from Equity to Profit or Loss	Closing Balance
<u>Deferred tax assets</u>						
Temporary difference						
Inventory write-downs	\$ 7,937	\$ 5,391	\$ -	\$ -	\$ -	\$ 13,328
Unrealized provisions	3,280	1,357	-	-	-	4,637
Unrealized exchange losses	2,999	2,160	-	-	-	5,159
Others	<u>1,250</u>	<u>1,032</u>	<u>62</u>	<u>664</u>	<u>(664)</u>	<u>2,344</u>
	<u>\$ 15,466</u>	<u>\$ 9,940</u>	<u>\$ 62</u>	<u>\$ 664</u>	<u>\$ (664)</u>	<u>\$ 25,468</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
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	<u>1,782</u>	<u>(532)</u>	<u>1,250</u>
	<u>\$ 7,840</u>	<u>\$ 7,626</u>	<u>\$ 15,466</u>
<u>Deferred tax liabilities</u>			
Temporary difference			
Unrealized exchange gains	<u>\$ 669</u>	<u>\$ (669)</u>	<u>\$ -</u>

f. Income tax assessments

The income of the Company through 2021 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2023	2022
Basic earnings per share	<u>\$ 3.00</u>	<u>\$ 5.62</u>
Diluted earnings per share	<u>\$ 2.84</u>	<u>\$ 5.22</u>

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	
	2023	2022
Net income for the period attributable to owners of the Company	<u>\$ 116,658</u>	<u>\$ 198,717</u>

Weighted Average Number of Common Stock Outstanding

Unit: In Thousand Shares

	For the Year Ended December 31	
	2023	2022
Weighted average number of common stock used in the computation of basic earnings per share	38,946	35,374
Effect of potentially dilutive common stock:		
Employee share options	1,909	2,502
Compensation of employees	<u>175</u>	<u>197</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>41,030</u>	<u>38,073</u>

The Company may settle the 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 is dilutive. Such dilutive effect of the potential shares is 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.

24. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share options plan for cash capital increase

On December 28, 2022, the Company's board of directors resolved to issue 3,600 thousand common stock. In accordance with the Company Act, the Company reserved 540 thousand shares of the total number of new shares for employee subscription. The Company recognized a compensation cost of \$16,038 thousand during 2023.

The employee share options plan for cash capital increase in 2023 is priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

Grant-date share price	\$99.69
Exercise price	\$70.00
Expected volatility	33.09%
Expected life (in years)	5 days
Risk-free interest rate	0.98%

b. Employee share option plan

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			
	2023		2022	
	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	2,614	\$ 14.50	3,414	\$ 14.50
Options exercised	<u>(851)</u>	14.50	<u>(800)</u>	14.50
Balance at December 31	<u>1,763</u>	14.50	<u>2,614</u>	14.50
Options exercisable, end of the year	<u>397</u>	14.50	<u>224</u>	14.50
Weighted-average fair value of options granted (\$)	<u>\$ 7.65</u>		<u>\$ 7.65</u>	

Information on outstanding options was as follows:

	December 31	
	2023	2022
Range of exercise price (\$)	\$ 14.50	\$ 14.50
Weighted-average remaining contractual life (in years)	2.52	3.52

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 \$2,721 thousand and \$4,791 thousand for the years ended December 31, 2023 and 2022, respectively.

- c. The Company's parent repurchased treasury stock and transferred it to the Company's employees

The Company's parent repurchased treasury stock on October 26, 2023 as the grant date. The Company's parent granted employees who meet certain conditions 530 thousand shares, with a fair value of \$5.29, an exercise price of \$6.51, and a price of \$11.8. According to the model, the Company recognized compensation costs (included in salary expenses) and capital surpluses of \$2,804 thousand, respectively.

25. GOVERNMENT GRANTS

The Group obtained government subsidies for the various programs and recognized other income of \$6,194 thousand and \$18,190 thousand for the years ended December 31, 2023 and 2022, respectively.

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

27. 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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Insurance financial instruments	\$ <u>-</u>	\$ <u>476</u>	\$ <u>-</u>	\$ <u>476</u>
Financial assets at FVTOCI				
Unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>34,000</u>	\$ <u>34,000</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Beneficial certificates	\$ <u>-</u>	\$ <u>272</u>	\$ <u>-</u>	\$ <u>272</u>

There were no transfers between Levels 1 and 2 in 2023 and 2022.

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

Financial Assets	<u>For the Year Ended December 31</u>	
	2023	2022
Balance, beginning of the year	\$ -	\$ -
Additions	36,000	-
Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI)	<u>(2,000)</u>	<u>-</u>
Balance, end of the year	<u>\$ 34,000</u>	<u>\$ -</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Insurance financial instruments	The asset-based approach is used for evaluation based on the net asset value which is measured by fair value.

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

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Unlisted shares - domestic	The market approach is used for evaluation determined with reference to the share prices of listed companies with similar businesses as the Company to show the overall value of the investment target. Significant unobservable inputs are discounted by considering market liquidity.

c. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Mandatorily at fair value through profit or Loss	\$ 476	\$ 272
<u>Financial assets</u>		
Amortized cost		
Cash and cash equivalents	671,658	577,373
Notes receivable	25,100	-
Accounts receivable	598,814	585,754
Accounts receivable from related parties	1,530	23,853
Other receivables	18,868	10,709
Other receivables from related parties	241	4,944
Refundable deposits (included in other non-current assets)	4,740	5,899
Financial assets at FVTOCI	34,000	-
<u>Financial liabilities</u>		
Amortized cost		
Short-term borrowings	170,000	425,000
Accounts payable	249,833	178,430
Accounts payable from related parties	187,597	170,238
Other payables	83,747	60,683
Other payables from related parties	18,337	18,014
Guarantee deposits	84,810	72,992

d. Financial risk management objectives and policies

The Group's major financial instruments include equity instruments, accounts receivable, accounts payable, short-term borrowings 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 has 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 30.

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 their adjusted 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 that 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.

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
1% change in profit or loss		
USD	<u>\$ 5,248</u>	<u>\$ 5,592</u>
JPY	<u>\$ (414)</u>	<u>\$ (141)</u>

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:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Fair value interest rate risk		
Financial assets	<u>\$ 153,525</u>	<u>\$ 79,369</u>
Financial liabilities	<u>\$ 90,655</u>	<u>\$ 34,493</u>
Cash flow interest rate risk		
Financial assets	<u>\$ 518,133</u>	<u>\$ 498,004</u>
Financial liabilities	<u>\$ 100,000</u>	<u>\$ 425,000</u>

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, 2023 and 2022 would have increased/decreased by \$1,045 thousand and \$183 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, 2023 and 2022, the customers whose single customer accounts for more than 10% of the total accounts receivable are as follows:

	December 31	
	2023	2022
Customer JM	\$ 168,250	\$ 122,615
Customer JA	110,140	159,663
Customer JC	65,824	57,440

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 recognition 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 immediately. 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
<u>December 31, 2023</u>				
Variable interest instruments	\$ 100,000	\$ -	\$ -	\$ -
Fixed interest rate liabilities	70,000	-	-	-
Lease liabilities	<u>4,116</u>	<u>11,998</u>	<u>5,023</u>	<u>-</u>
	<u>\$ 174,116</u>	<u>\$ 11,998</u>	<u>\$ 5,023</u>	<u>\$ -</u>

(Continued)

	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2022</u>				
Variable interest instruments	\$ 425,000	\$ -	\$ -	\$ -
Lease liabilities	<u>4,037</u>	<u>12,110</u>	<u>19,248</u>	<u>-</u>
	<u>\$ 429,037</u>	<u>\$ 12,110</u>	<u>\$ 19,248</u>	<u>\$ -</u> (Concluded)

28. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is Innolux Corporation, which held 50.20% and 57.29% of the common stock of the Company as of December 31, 2023 and 2022, respectively.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon 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

<u>Related Party Name</u>	<u>Related Party Category</u>
Innolux Corporation	The Company's parent
Innolux USA Inc.	Sister company
CarUX Technology Europe B.V.	Sister company (Note 1)
CarUX Technology Shanghai B.V.	Sister company (Note 2)
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
VISIONATICS INC.	Related party in substance

Note 1: Innolux Europe B.V. changed its name in July 2023 to CarUX Technology Europe B.V.

Note 2: Shanghai Innolux Optoelectronics Ltd. changed its name in May 2023 to CarUX Technology Shanghai B.V.

b. Operating revenue

Related Party Category	For the Year Ended December 31	
	2023	2022
Parent entity	\$ 185	\$ 11,600
Sister companies	4,957	14,921
Associate of parent company	6,756	11,024
Related party in substance	<u>3,092</u>	<u>19,981</u>
	<u>\$ 14,990</u>	<u>\$ 57,526</u>

c. Purchases of goods (including processing costs)

Related Party Category	For the Year Ended December 31	
	2023	2022
Parent entity	\$ 414,997	\$ 481,403
Sister companies	-	7
Associate of parent company	49,381	12,877
Related party in substance	<u>52,423</u>	<u>65,372</u>
	<u>\$ 516,801</u>	<u>\$ 559,659</u>

d. Manufacturing and operating expenses

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Manufacturing expenses	Parent entity	\$ 48,007	\$ 47,277
	Sister companies	1,057	2,667
	Related party in substance	<u>33</u>	<u>-</u>
		<u>\$ 49,097</u>	<u>\$ 49,944</u>
Operating expenses	Parent entity	\$ 22,944	\$ 22,274
	Sister companies	1,740	2,291
	Associate of parent company	636	-
	Related party in substance	<u>7</u>	<u>-</u>
		<u>\$ 25,327</u>	<u>\$ 24,565</u>

e. Other income

Related Party Category	For the Year Ended December 31	
	2023	2022
Associate of parent company	\$ -	107
Related party in substance	<u>26</u>	<u>356</u>
	<u>\$ 26</u>	<u>\$ 463</u>

f. Receivables from related parties

Line Item	Related Party Category	December 31	
		2023	2022
Accounts receivable	Parent entity	\$ -	\$ 5,093
	Sister companies	-	9,423
	Associate of parent company	1,438	1,566
	Related party in substance	<u>92</u>	<u>7,771</u>
		<u>\$ 1,530</u>	<u>\$ 23,853</u>
Other receivables	Parent entity	\$ 241	\$ 4,931
	Associate of parent company	-	5
	Related party in substance	<u>-</u>	<u>8</u>
		<u>\$ 241</u>	<u>\$ 4,944</u>
Temporary payments (included in other current assets)	Sister companies	<u>\$ -</u>	<u>\$ 56</u>

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

g. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2023	2022
Accounts payable	Parent entity	\$ 130,410	\$ 131,258
	Sister companies	-	106
	Associate of parent company FI Medical Device Manufacturing Co., Ltd.	47,969	36,849
	Related party in substance	<u>9,218</u>	<u>2,025</u>
		<u>\$ 187,597</u>	<u>\$ 170,238</u>
Other payables	Parent entity	\$ 17,634	\$ 17,491
	Sister companies	703	503
	Related party in substance	<u>-</u>	<u>20</u>
		<u>\$ 18,337</u>	<u>\$ 18,014</u>

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

h. Lease arrangements

Related Party Category	For the Year Ended December 31	
	2023	2022
<u>Acquisition of right-of-use assets</u>		
Parent entity	<u>\$ 2,206</u>	<u>\$ 5,161</u>

Line Item	Related Party Category	December 31		
		2023	2022	
Lease liabilities (including current and non-current)	Parent entity	\$ 19,095	\$ 30,634	
Refundable deposits (included in other non-current assets)	Parent entity	\$ 2,115	\$ 2,038	
		For the Year Ended December 31		
		2023	2022	
Related Party Category				
<u>Interest expense</u>				
Parent entity		\$ 466	\$ 649	
i. Disposal of property, plant and equipment				
Related Party Category/Name	<u>Proceeds</u>		<u>Gain (Loss) on Disposal</u>	
	For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022
Sister companies	\$ 1,034	\$ -	\$ -	\$ -
j. Acquisition of intangible assets				
Related Party Category/Name	<u>Purchase Price</u>			
	For the Year Ended December 31			
	2023	2022		
Related party in substance	\$ 9,524	\$ -		
k. Remuneration of key management personnel				
		For the Year Ended December 31		
		2023	2022	
Short-term employee benefits		\$ 30,501	\$ 33,347	
Post-employment benefits		756	746	
Share-based payments		2,979	541	
		<u>\$ 34,236</u>	<u>\$ 34,634</u>	

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

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2023, the Group has commissioned the bank to issue letters of guarantee for the customs duty of RMB3,000 thousand and \$5,600 thousand.

30. 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, 2023

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (NT\$)
<u>Financial assets</u>			
Monetary items			
USD	\$ 41,542	30.705	\$ 1,275,547
JPY	99,331	0.2172	<u>21,575</u>
			<u>\$ 1,297,122</u>
<u>Financial liabilities</u>			
Monetary items			
USD	24,450	30.705	\$ 750,737
JPY	289,804	0.2172	<u>62,945</u>
			<u>\$ 813,682</u>

December 31, 2022

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

For the years ended December 31, 2023 and 2022, (realized and unrealized) net foreign exchange gains were \$5,274 thousand and \$33,085 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of functional currencies.

31. 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: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and the percentage of ownership of each shareholder: Table 7

32. 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. Revenue from major products and services

	For the Year Ended December 31	
	2023	2022
Revenue from X-ray flat panel detector device	\$ 1,313,492	\$ 1,480,443
Revenue from X-ray flat panel detector module	495,768	348,559
Others	<u>27,856</u>	<u>57,617</u>
	<u>\$ 1,837,116</u>	<u>\$ 1,886,619</u>

- 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	
	2023	2022
Taiwan	\$ 30,502	\$ 49,335
Asia	1,314,952	1,228,965
America	368,571	475,158
Europe	115,695	130,715
Africa	<u>7,396</u>	<u>2,446</u>
	<u>\$ 1,837,116</u>	<u>\$ 1,886,619</u>

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

	December 31	
	2023	2022
Taiwan	\$ 242,822	\$ 232,666
Asia	<u>5,317</u>	<u>15,471</u>
	<u>\$ 248,139</u>	<u>\$ 248,137</u>

Non-current assets exclude 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			
	2023		2022	
	Amount	% of Sales	Amount	% of Sales
Customer UA	\$ 282,857	15	\$ 298,313	16
Customer JA	247,396	13	204,426	14
Customer JC	241,917	13	279,352	15

INNOCARE OPTOELECTRONICS CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(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, 2023			Note
				Unit	Carrying Amount	Percentage of Ownership	
InnoCare Optoelectronics Corporation	Shares DEEP01 LIMITED	None	Financial assets at fair value through other comprehensive income	\$ 200,323	\$ 34,000	6.12	\$ 34,000
Ningbo Innolux Electronics Ltd.	Insurance financial instruments Chang Jiang Sheng Shin Ru Yi Serials A congregate group pension plan	None	Financial assets at fair value through profit or loss	103,625	476 (RMB 110 thousand)	None	476 110 (RMB thousand)

Note: RMB1=\$4.3352 as of December 31, 2023.

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, 2023
(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	Innolux Corporation InnoCare Optoelectronics Japan Co., Ltd.	Parent entity Subsidiary	Purchase	\$ 414,997	42	Net 90 days from the end of the month	\$ -	-	\$ (130,410)	37	Note
InnoCare Optoelectronics Japan Co., Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Sale	720,069	44	Net 60 days from the end of the month	-	-	343,920	62	Note
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Corporation	Parent entity	Purchase	720,069	82	Net 60 days from the end of the month	-	-	(343,920)	(77)	Note
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	Subsidiary	Sale	294,863	18	Net 60 days from the end of the month	-	-	103,787	19	Note
InnoCare Optoelectronics USA, INC.	InnoCare Optoelectronics Corporation	Parent entity	Purchase	294,863	100	Net 60 days from the end of the month	-	-	(103,787)	(100)	Note
InnoCare Optoelectronics Corporation	Ningbo Innolux Electronics Ltd.	Subsidiary	Sale	184,628	11	Net 60 days from the end of the month	-	-	40,821	7	Note
Ningbo Innolux Electronics Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Purchase	184,628	90	Net 60 days from the end of the month	-	-	(40,821)	(74)	Note
InnoCare Optoelectronics Japan Co., Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Sale	153,343	9	Net 60 days from the end of the month	-	-	31,467	7	Note
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Subsidiary	Purchase	153,343	15	Net 60 days from the end of the month	-	-	(31,467)	(9)	Note

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

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, 2023
 (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. InnoCare Optoelectronics USA, Inc.	Subsidiary Subsidiary	\$ 343,920 103,787	4.84 3.45	\$ 96,876	Subsequent collection	\$ 225,865 74,074	\$ - -	Note Note
					30,162	Subsequent collection			

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, 2023
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Accounts	Amount	Terms (Note 2)	
0	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd. InnoCare Optoelectronics USA, INC. Ningbo InnoLux Electronics Ltd.	Subsidiary Subsidiary Subsidiary	Accounts receivable Operating revenue Accounts receivable Operating revenue Accounts receivable Operating revenue	\$ 343,920 720,069 103,787 294,863 40,821 184,628	Net 60 days from the end of the month Internal transfer pricing Net 60 days from the end of the month Internal transfer pricing Net 60 days from the end of the month Internal transfer pricing	17 39 5 16 2 10
1	InnoCare Optoelectronics Japan Co., Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Accounts receivable Operating revenue	31,467 153,343	Net 60 days from the end of the month Internal transfer pricing	2 8
2	InnoCare Optoelectronics Europe B.V.	InnoCare Optoelectronics Corporation	Parent entity	Operating revenue	14,100	Internal transfer pricing	1

Note 1: This table includes transactions for amounts exceeding \$10,000 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 INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2023	Investment Amount December 31, 2022	Balance as of December 31, 2023		Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
						Shares (In Thousands)	Percentage of Ownership			
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Japan	Distribution company	\$ 87,149	\$ 87,149	30,010	100	\$ 33,580	\$ 33,580	Subsidiary
	InnoCare Optoelectronics USA, INC.	U.S.A.	Distribution company	27,963	27,963	900,000	100	(2,057)	(2,057)	Subsidiary
	InnoCare Optoelectronics Europe B.V.	Netherlands	After-sales service company	1,662	1,662	500	100	603	603	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, 2023 (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, 2023 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (In Thousand)	Investee Company Current Net Income	Percentage of Ownership	Investment Income (Loss) Recognized (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023	Note
					Outflow	Inflow							
Ningbo Innolux Electronics Ltd.	Manufacturing and selling of medical equipment	\$ 66,632 (RMB 15,370 thousand)	Direct investing in mainland China	\$ 90,337 (US\$ 3,172 thousand)	\$ -	\$ -	\$ 90,337 (US\$ 3,172 thousand)	\$ 14,294	100	\$ 14,294	\$ 122,138	\$ -	

2. The limited amounts of the investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2023 (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)
\$97,396 (US\$3,172 thousand)	\$97,396 (US\$3,172 thousand)	\$770,849

Note 1: US\$1=\$30.705; RMB1=\$4.3352 as of December 31, 2023.

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.

TABLE 7**INNOCARE OPTOELECTRONICS CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Innolux Corporation	20,200,000	50.20
Yuanta Commercial Bank in Custody for Innocare Optoelectronics Corporation Ownership Trust Property Account	2,802,650	6.96

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

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
InnoCare Optoelectronics Corporation

Opinion

We have audited the accompanying financial statements of InnoCare Optoelectronics Corporation (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

The key audit matter of the financial statements for the year ended December 31, 2023 is stated as follows:

Cutoff of Operating Revenue Recognition

The Company is mainly engaged in the manufacturing and sale of X-ray flat panel detectors. On the basis of the shipping terms agreed between customers and the Company, the Company recognizes operating revenue when satisfying the performance obligation by transferring control of a promised good or service to the customer. The operating revenue might not be recorded in the correct accounting period due to various shipping terms. Therefore, the cutoff of operating revenue recognition was considered 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 the cutoff of operating revenue recognition, sampling from a specific period of journals of sales close to the balance sheet date, examining the delivery notices and external shipping documents, and confirmed operating revenue was recognized in the appropriate period.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 20, 2024

Notice to Readers

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

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

INNOCARE OPTOELECTRONICS CORPORATION

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 342,838	17	\$ 399,972	22
Accounts receivable (Notes 8 and 19)	61,135	3	61,672	3
Accounts receivable from related parties (Notes 19 and 27)	490,058	24	371,855	21
Other receivables (Note 8)	16,349	1	4,537	-
Other receivables from related parties (Note 27)	18,970	1	20,008	1
Inventories (Note 9)	543,722	26	449,352	25
Other current assets	<u>7,822</u>	-	<u>762</u>	-
Total current assets	<u>1,480,894</u>	<u>72</u>	<u>1,308,158</u>	<u>72</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 7)	34,000	2	-	-
Investments accounted for using the equity method (Note 10)	277,628	13	246,004	14
Property, plant and equipment (Notes 11 and 27)	192,206	9	175,264	10
Right-of-use assets (Notes 12 and 27)	18,724	1	30,262	2
Intangible assets (Note 27)	13,843	1	1,789	-
Deferred tax assets (Note 21)	25,468	1	15,466	1
Prepayments for equipment (Note 11)	18,049	1	25,352	1
Other non-current assets (Note 27)	<u>2,115</u>	-	<u>3,102</u>	-
Total non-current assets	<u>582,033</u>	<u>28</u>	<u>497,239</u>	<u>28</u>
TOTAL	<u>\$ 2,062,927</u>	<u>100</u>	<u>\$ 1,805,397</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 170,000	8	\$ 425,000	23
Contract liabilities (Note 19)	2,859	-	-	-
Accounts payable (Note 14)	131,838	6	73,581	4
Accounts payable to related parties (Note 27)	217,040	10	197,252	11
Other payables (Notes 11 and 15)	158,589	8	179,887	10
Other payable to related parties (Note 27)	21,559	1	19,625	1
Current tax liabilities (Note 21)	19,140	1	29,290	2
Provision (Note 16)	16,812	1	16,398	1
Lease liabilities (Notes 12 and 27)	14,135	1	13,463	1
Other current liabilities (Note 15)	<u>14,404</u>	<u>1</u>	<u>7,545</u>	-
Total current liabilities	<u>766,376</u>	<u>37</u>	<u>962,041</u>	<u>53</u>
NON-CURRENT LIABILITIES				
Lease liabilities (Notes 12 and 27)	4,960	-	17,171	1
Net defined benefit liabilities (Note 17)	491	-	140	-
Guarantee deposits received	<u>6,351</u>	<u>1</u>	<u>9,423</u>	<u>1</u>
Total non-current liabilities	<u>11,802</u>	<u>1</u>	<u>26,734</u>	<u>2</u>
Total liabilities	<u>778,178</u>	<u>38</u>	<u>988,775</u>	<u>55</u>
EQUITY (Notes 18, 21 and 23)				
Common stock	<u>402,285</u>	<u>19</u>	<u>357,815</u>	<u>20</u>
Capital collected in advance	<u>104</u>	-	<u>50</u>	-
Capital surplus	<u>448,127</u>	<u>22</u>	<u>77,070</u>	<u>4</u>
Retained earnings				
Legal reserve	54,451	2	34,823	2
Special reserve	14,339	1	17,647	1
Unappropriated earnings	<u>391,059</u>	<u>19</u>	<u>343,556</u>	<u>19</u>
Total retained earnings	<u>459,849</u>	<u>22</u>	<u>396,026</u>	<u>22</u>
Other equity	<u>(25,616)</u>	<u>(1)</u>	<u>(14,339)</u>	<u>(1)</u>
Total equity	<u>1,284,749</u>	<u>62</u>	<u>816,622</u>	<u>45</u>
TOTAL	<u>\$ 2,062,927</u>	<u>100</u>	<u>\$ 1,805,397</u>	<u>100</u>

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

INNOCARE OPTOELECTRONICS CORPORATION

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 19 and 27)	\$ 1,648,608	100	\$ 1,658,714	100
OPERATING COSTS (Notes 9, 20 and 27)	<u>1,281,674</u>	<u>78</u>	<u>1,219,070</u>	<u>73</u>
GROSS PROFIT	366,934	22	439,644	27
UNREALIZED GAIN ON SALES	(11,229)	(1)	(5,710)	-
REALIZED GAIN ON SALES	<u>5,710</u>	<u>1</u>	<u>8,020</u>	<u>-</u>
NET GROSS PROFIT	<u>361,415</u>	<u>22</u>	<u>441,954</u>	<u>27</u>
OPERATING EXPENSES (Notes 20 and 27)				
Selling and marketing expenses	50,192	3	46,321	3
General and administrative expenses	98,695	6	106,647	6
Research and development expenses	<u>222,506</u>	<u>14</u>	<u>240,092</u>	<u>15</u>
Total operating expenses	<u>371,393</u>	<u>23</u>	<u>393,060</u>	<u>24</u>
OPERATING INCOME	<u>(9,978)</u>	<u>(1)</u>	<u>48,894</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Notes 20, 24 and 27)				
Interest income	19,922	1	4,086	-
Other income	77,280	5	112,992	7
Other gains and losses	(5,910)	-	33,713	2
Financial cost	(7,276)	(1)	(5,255)	-
Share of profit of subsidiaries accounted for using the equity method	<u>46,420</u>	<u>3</u>	<u>34,442</u>	<u>2</u>
Total non-operating income and expenses	<u>130,436</u>	<u>8</u>	<u>179,978</u>	<u>11</u>
INCOME BEFORE INCOME TAX	120,458	7	228,872	14
INCOME TAX EXPENSE (Note 21)	<u>3,800</u>	<u>-</u>	<u>30,155</u>	<u>2</u>
NET INCOME	<u>116,658</u>	<u>7</u>	<u>198,717</u>	<u>12</u>

(Continued)

INNOCARE OPTOELECTRONICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 17 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (309)	-	\$ -	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	(2,000)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>62</u>	-	<u>-</u>	-
	<u>(2,247)</u>	-	<u>-</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(9,277)</u>	<u>(1)</u>	<u>3,308</u>	-
Other comprehensive income (loss), net of income tax	<u>(11,524)</u>	<u>(1)</u>	<u>3,308</u>	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 105,134</u>	<u>6</u>	<u>\$ 202,025</u>	<u>12</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 3.00</u>		<u>\$ 5.62</u>	
Diluted	<u>\$ 2.84</u>		<u>\$ 5.22</u>	

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

(Concluded)

INNOCARE OPTOELECTRONICS CORPORATION

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

	Capital			Retained Earnings			Other Equity			Total Equity
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2022	\$ 349,845	\$ -	\$ 66,257	\$ 17,527	\$ -	\$ 220,700	\$ (17,647)	\$ -	\$ 636,682	
Appropriation of the 2021 earnings	-	-	-	-	-	(17,296)	-	-	-	
Legal reserve	-	-	-	17,296	-	(17,647)	-	-	-	
Special reserve	-	-	-	-	17,647	(38,483)	-	-	(38,483)	
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	
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	
Appropriation of the 2022 earnings	-	-	-	-	-	(19,628)	-	-	-	
Legal reserve	-	-	-	19,628	-	(51,204)	-	-	(51,204)	
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	-	(3,308)	3,308	-	-	-	
Net income for the year ended December 31, 2023	-	-	-	-	-	116,658	-	-	116,658	
Other comprehensive loss for the year ended December 31, 2023	-	-	-	-	-	(247)	(9,277)	(2,000)	(11,524)	
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	116,411	(9,277)	(2,000)	105,134	
Employee share options	8,470	54	3,811	-	-	-	-	-	12,335	
Share-based payments	-	-	22,947	-	-	(1,384)	-	-	21,563	
Issuance of ordinary shares for cash	36,000	-	344,299	-	-	-	-	-	380,299	
BALANCE AT DECEMBER 31, 2023	\$ 402,285	\$ 104	\$ 448,127	\$ 54,451	\$ 14,339	\$ 391,059	\$ (23,616)	\$ (2,000)	\$ 1,284,749	

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

INNOCARE OPTOELECTRONICS CORPORATION

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 120,458	\$ 228,872
Adjustments for:		
Depreciation	73,451	63,167
Amortization	2,759	545
Finance costs	7,276	5,255
Interest income	(19,922)	(4,086)
Share-based payments	21,563	4,791
Share of profits of subsidiaries accounted for using the equity method	(46,420)	(34,442)
Write-down of inventories	26,956	23,405
Unrealized gain on sales	11,229	5,710
Realized gain on sales	(5,710)	(8,020)
Unrealized loss on foreign exchange	10,467	5,558
Net changes in operating assets and liabilities		
Accounts receivable	(1,120)	(31,656)
Accounts receivable from related parties	(132,095)	92,113
Other receivables	(11,801)	14,018
Other receivables from related parties	156	(752)
Inventories	(121,326)	(69,188)
Other current assets	(7,348)	358
Contract liabilities	2,859	(1,654)
Accounts payable	59,865	(33,112)
Accounts payable to related parties	24,488	(375,137)
Other payables	(39,131)	17,992
Other payables to related parties	2,003	(9,534)
Provisions	414	2,391
Other current liabilities	6,859	(13,318)
Net defined benefit liabilities	42	45
Cash used in operating activities	(14,028)	(116,679)
Income tax paid	(23,226)	(39,229)
Net cash used in operating activities	<u>(37,254)</u>	<u>(155,908)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(36,000)	-
Proceeds from sale of financial assets at amortized cost	-	34,810
Payments for property, plant, equipment	(51,577)	(61,773)
Payments for intangible assets	(14,813)	(811)
Increase in other non-current assets	-	(465)
Decrease in other non-current assets	987	-
Interest received	19,482	4,086
Net cash used in investing activities	<u>(81,921)</u>	<u>(24,153)</u>

(Continued)

INNOCARE OPTOELECTRONICS CORPORATION

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

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ -	\$ 425,000
Decrease in short-term borrowings	(255,000)	-
Increase in guarantee deposits received	-	6,566
Decrease in guarantee deposits received	(2,836)	-
Repayment of the principal portion of lease liabilities	(13,745)	(12,694)
Cash dividends paid	(51,204)	(38,483)
Proceeds from issuance of ordinary shares	379,635	-
Exercise of employee share options	12,335	11,607
Interest paid	<u>(7,144)</u>	<u>(5,255)</u>
Net cash generated from financing activities	<u>62,041</u>	<u>386,741</u>
NET (DECREASE) INCREASE IN CASH	(57,134)	206,680
CASH AT BEGINNING OF THE YEAR	<u>399,972</u>	<u>193,292</u>
CASH AT END OF THE YEAR	<u>\$ 342,838</u>	<u>\$ 399,972</u>

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

(Concluded)

INNOCARE OPTOELECTRONICS CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. GENERAL INFORMATION

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

The Company’s shares have been listed on the Taiwan Stock Exchange since March 27, 2023.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on February 20, 2024.

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

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

The initial application of IFRS Accounting Standards 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 IFRS Accounting Standards endorsed by the FSC for application starting from 2024

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

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

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

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

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

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

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

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

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

As of the date the financial statements were authorized for issue, the Company is continuously assessing the impact of the application of the above standards and interpretations on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

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

- b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that 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 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, which 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.

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

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 Company 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. Foreign currencies

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

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

For the purpose of presenting financial statements, the financial statements 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 dollars, 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.

e. 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.

f. Investment in subsidiaries

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

A subsidiary is an entity that is controlled by the Company.

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

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

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 value 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 value 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 Company 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 Company 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 the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to 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 amortized cost and investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

i. 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 and commercial paper 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.

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

The Company always recognizes lifetime Expected Credit Loss (ECL) for accounts receivable. For all other financial instruments, the Company 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 Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. For the financial instruments and contract assets, the Company 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 Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by Company):

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

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

2) Equity instruments

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

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

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 value by the management of the Company of the expenditures required to settle the Company's obligations.

l. Revenue recognition

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

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

The Company as lessee

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

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

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

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

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

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 Company 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 Company 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 Company's defined benefit plans.

q. Share-based payment arrangements

Equity-settled share-based payment arrangements and employee share options

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 Company'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 Company 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 value, with a corresponding adjustment to capital surplus - employee share options.

Employee share options granted to the employees of its parent company

The employee share options granted by the Company 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.

Employee share options granted from the parent company to the employees

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates value 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 Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 Company 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. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company'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.

When developing material accounting estimates, the estimates and underlying assumptions are reviewed on an ongoing basis.

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	
	2023	2022
Demand deposits	\$ 189,313	\$ 399,972
Cash equivalents		
Time deposits	<u>153,525</u>	<u>-</u>
	<u>\$ 342,838</u>	<u>\$ 399,972</u>

The interest rate of time deposits as of the balance sheet date was as follows:

	December 31	
	2023	2022
Time deposits	5.57%	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
<u>Non-current</u>		
Domestic investments		
Unlisted shares	<u>\$ 34,000</u>	<u>\$ -</u>

In May 2023, the Company's board of directors resolved to invest \$36,000 thousand in DEEP01 LIMITED.

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

8. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 61,135	\$ 61,672
Less: Allowance impairment loss	<u> -</u>	<u> -</u>
	<u>\$ 61,135</u>	<u>\$ 61,672</u>
<u>Other receivables</u>		
Subsidize of research and development	\$ 9,302	\$ 38
VAT refundable	6,322	4,404
Others	<u>725</u>	<u>95</u>
	<u>\$ 16,349</u>	<u>\$ 4,537</u>

Accounts receivable

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

The Company 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 Company 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:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Not past due	\$ 53,990	\$ 58,333
1-90 days past due	<u>7,145</u>	<u>3,339</u>
	<u>\$ 61,135</u>	<u>\$ 61,672</u>

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

9. INVENTORIES

	December 31	
	2023	2022
Finished goods	\$ 145,663	\$ 75,992
Work in progress	280,618	249,779
Raw materials	<u>117,441</u>	<u>123,581</u>
	<u>\$ 543,722</u>	<u>\$ 449,352</u>

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

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 1,254,718	\$ 1,195,665
Write-down of net realizable values of inventories	<u>26,956</u>	<u>23,405</u>
	<u>\$ 1,281,674</u>	<u>\$ 1,219,070</u>

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2023	2022
Investments in Subsidiaries		
InnoCare Optoelectronics Japan Co., Ltd.	\$ 126,134	\$ 99,823
Ningbo Innolux Electornics Ltd.	122,138	109,972
InnoCare Optoelectronics USA, INC.	25,925	33,491
InnoCare Optoelectronics Europe B.V.	<u>3,431</u>	<u>2,718</u>
	<u>\$ 277,628</u>	<u>\$ 246,004</u>
	Proportion of Ownership	
	December 31	
	2023	2022
InnoCare Optoelectronics Japan Co., Ltd.	100%	100%
Ningbo Innolux Electornics Co., Ltd.	100%	100%
InnoCare Optoelectronics USA, INC.	100%	100%
InnoCare Optoelectronics Europe B.V.	100%	100%

11. PROPERTY, PLANT AND EQUIPMENT

	Machinery Equipment	Other Equipment	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 226,913	\$ 102,885	\$ 329,798
Reclassification	<u>58,875</u>	<u>17,774</u>	<u>76,649</u>
Balance at December 31, 2023	<u>\$ 285,788</u>	<u>\$ 120,659</u>	<u>\$ 406,447</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ 86,035	\$ 68,499	\$ 154,534
Depreciation expense	<u>44,739</u>	<u>14,968</u>	<u>59,707</u>
Balance at December 31, 2023	<u>\$ 130,774</u>	<u>\$ 83,467</u>	<u>\$ 214,241</u>
Carrying amount at December 31, 2023	<u>\$ 155,014</u>	<u>\$ 37,192</u>	<u>\$ 192,206</u>

<u>Cost</u>			
Balance at January 1, 2022	\$ 175,553	\$ 94,015	\$ 269,568
Reclassification	<u>51,360</u>	<u>8,870</u>	<u>60,230</u>
Balance at December 31, 2022	<u>\$ 226,913</u>	<u>\$ 102,885</u>	<u>\$ 329,798</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ 52,503	\$ 51,724	\$ 104,227
Depreciation expense	<u>33,532</u>	<u>16,775</u>	<u>50,307</u>
Balance at December 31, 2022	<u>\$ 86,035</u>	<u>\$ 68,499</u>	<u>\$ 154,534</u>
Carrying amount at December 31, 2022	<u>\$ 140,878</u>	<u>\$ 34,386</u>	<u>\$ 175,264</u>

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

Machinery equipment	2-7 years
Other equipment	2-6 years

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

	<u>For the Year Ended December 31</u>	
	2023	2022
Prepayments of equipment	\$ 69,346	61,334
Payable for equipment (other payable)	<u>(17,769)</u>	<u>439</u>
	<u>\$ 51,577</u>	<u>\$ 61,773</u>

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2023	2022
<u>Carrying amount</u>		
Buildings	<u>\$ 18,724</u>	<u>\$ 30,262</u>
	<u>For the Year Ended December 31</u>	
	2023	2022
Additions to right-of-use assets	<u>\$ 2,206</u>	<u>\$ 5,162</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 13,744</u>	<u>\$ 12,860</u>

b. Lease liabilities

	<u>December 31</u>	
	2023	2022
<u>Carrying amount</u>		
Current	<u>\$ 14,135</u>	<u>\$ 13,463</u>
Non-current	<u>\$ 4,960</u>	<u>\$ 17,171</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	2023	2022
Buildings	1.7895%- 2.0335%	1.7895%

c. Other lease information

	<u>For the Year Ended December 31</u>	
	2023	2022
Expenses relating to short-term leases and low-value asset leases	<u>\$ 90</u>	<u>\$ 212</u>
Total cash outflow for leases	<u>\$ 14,301</u>	<u>\$ 13,555</u>

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

13. BORROWINGS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Unsecured borrowings</u>		
Bank loans	\$ <u>170,000</u>	\$ <u>425,000</u>

The range of interest rates of unsecured bank loans was from 1.78% to 1.80% and from 1.95 % to 2.07% as of December 31, 2023 and 2022, respectively.

14. ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Accounts payable</u>		
Accounts payable - operating	\$ <u>131,838</u>	\$ <u>73,581</u>

15. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Other payable		
Payable for salaries and bonus	\$ 82,385	\$ 118,278
Payable for equipment	30,009	12,240
Payable for bonus to employees and directors	8,512	16,173
Payable for labor and health insurance	6,157	6,603
Payable for professional fees	5,330	6,599
Other	<u>26,196</u>	<u>19,994</u>
	<u>\$ 158,589</u>	<u>\$ 179,887</u>
Other liabilities		
Refund liabilities	\$ 6,371	-
Deferred revenue	2,730	\$ 3,245
Other	<u>5,303</u>	<u>4,300</u>
	<u>\$ 14,404</u>	<u>\$ 7,545</u>

Deferred revenue was generated from government grants.

16. PROVISIONS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Warranties	<u>\$ 16,812</u>	<u>\$ 16,398</u>

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 Company'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.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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.

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 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 balance sheets in respect of the Company's defined benefit plan were as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Present value of defined benefit obligation	\$ 558	\$ 181
Fair value of plan assets	<u>(67)</u>	<u>(41)</u>
Net defined benefit liabilities	<u>\$ 491</u>	<u>\$ 140</u>

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, 2023	\$ 181	\$ (41)	\$ 140
Service cost			
Current service cost	63	-	63
Net Interest expense (revenue)	<u>5</u>	<u>(2)</u>	<u>3</u>
Recognized in profit or loss	<u>68</u>	<u>(2)</u>	<u>66</u>
Remeasurement			
Actuarial loss			
Changes in demographic assumptions	80	-	80
Changes in financial assumptions	107	-	107
Experience adjustments	<u>122</u>	<u>-</u>	<u>122</u>
Recognized in other comprehensive income	<u>309</u>	<u>-</u>	<u>309</u>
Contributions from the employer	<u>-</u>	<u>(24)</u>	<u>(24)</u>
Balance at December 31, 2023	<u>\$ 558</u>	<u>\$ (67)</u>	<u>\$ 491</u>
Balance at January 1, 2022	\$ 120	\$ (25)	\$ 95
Service cost			
Current service cost	<u>61</u>	<u>-</u>	<u>61</u>
Recognized in profit or loss	<u>61</u>	<u>-</u>	<u>61</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	(1)	-	(1)
Actuarial (gain) loss			
Changes in financial assumptions	(30)	-	(30)
Experience adjustments	<u>31</u>	<u>-</u>	<u>31</u>
Recognized in other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(16)</u>	<u>(16)</u>
Balance at December 31, 2022	<u>\$ 181</u>	<u>\$ (41)</u>	<u>\$ 140</u>

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	
	2023	2022
Discount rate	1.500%	2.250%
Expected rate of salary increase	3.500%	3.500%

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

	December 31	
	2023	2022
Discount rate		
0.25% increase	<u>\$ (42)</u>	<u>\$ (14)</u>
0.25% decrease	<u>\$ 45</u>	<u>\$ 15</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 44</u>	<u>\$ 15</u>
0.25% decrease	<u>\$ (41)</u>	<u>\$ (14)</u>

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

	December 31	
	2023	2022
The expected contributions to the plan for the next year	<u>\$ 29</u>	<u>\$ 16</u>
The average duration of the defined benefit obligation	30.2 years	33.2 years

18. EQUITY

a. Common stock

	December 31	
	2023	2022
Number of authorized shares (in thousands)	<u>50,000</u>	<u>50,000</u>
Amount of authorized shares	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Number of issued and fully paid shares (in thousands)	<u>40,229</u>	<u>35,782</u>
Amount of issued shares	<u>\$ 402,285</u>	<u>\$ 357,815</u>

With the application of an initial public offering (IPO) on the Taiwan Stock Exchange (TWSE), on December 28, 2022, the Company's board of directors resolved to issue 3,600 thousand common stock with a par value of \$10. On January 11, 2023, the above transaction was approved by the TWSE, and the subscription base date was determined by the board of directors to be March 23, 2023.

The abovementioned new shares included public subscriptions, employee subscriptions and auctions of 612 thousand shares, 540 thousand shares and 2,448 thousand shares, respectively. The public subscription and employee subscription were issued at a premium of \$70 per share. The auction was issued at a premium to the average weighted average price of \$123.49 per share. The net capital addition was \$379,635 thousand after collecting the share proceeds and deducting relevant commission expenses on March 23, 2023.

The change in the Company's share capital in 2023 was mainly due to the exercise of employee share options of 851 thousand common stock, and consideration of \$12,355 thousand was received. The change in the Company's share capital in 2022 was mainly due to the exercise of employee share options of 800 thousand common stock, and consideration of \$11,607 thousand was received.

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

b. Capital collected in advance

	<u>December 31</u>	
	2023	2022
Capital collected in advance	<u>\$ 104</u>	<u>\$ 50</u>

c. Capital surplus

	<u>December 31</u>	
	2023	2022
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital*</u>		
Issuance of common stock	\$ 403,783	\$ 52,869
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	9,309	9,309
<u>May not be used for any purpose</u>		
Employee share options	<u>35,035</u>	<u>14,892</u>
	<u>\$ 448,127</u>	<u>\$ 77,070</u>

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

d. Retained earnings and dividend policy

Under the dividend policy in the Company's Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing 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 20-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 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 2022 and 2021, which were approved by the shareholders in their meetings on May 24, 2023 and 2022, were as follows:

	Appropriation and Earnings	
	For the Year Ended December 31	
	2022	2021
Legal reserve	<u>\$ 19,628</u>	<u>\$ 17,296</u>
(Reversal of) special reserve	<u>\$ (3,308)</u>	<u>\$ 17,647</u>
Cash dividends	<u>\$ 51,204</u>	<u>\$ 38,483</u>
Cash dividends per share (NT\$)	<u>\$ 1.3</u>	<u>\$ 1.1</u>

e. Special reserve

	For the Year Ended December 31	
	2023	2022
Beginning balance	\$ 17,647	\$ -
Appropriation in respect of:		
Debits to other equity items	-	17,647
Reversals:		
Debits to other equity items	<u>(3,308)</u>	<u>-</u>
Ending balance	<u>\$ 14,339</u>	<u>\$ 17,647</u>

19. REVENUE

a. Disaggregation of revenue from contracts with customers

	For the Year Ended December 31	
	2023	2022
Revenue from X-Ray flat panel detector device	\$ 1,147,156	\$ 1,302,577
Revenue from X-Ray flat panel detector module	477,317	328,639
Others	<u>24,135</u>	<u>27,498</u>
	<u>\$ 1,648,608</u>	<u>\$ 1,658,714</u>

b. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (including those from related parties)	<u>\$ 551,193</u>	<u>\$ 433,527</u>	<u>\$ 497,572</u>
Contract liabilities	<u>\$ 2,859</u>	<u>\$ -</u>	<u>\$ 1,648</u>

20. NET PROFIT FOR THE YEAR

a. Other income

	For the Year Ended December 31	
	2023	2022
Development subsidy	\$ 66,851	\$ 90,685
Government grants (Note 24)	6,184	18,165
Others	<u>4,245</u>	<u>4,142</u>
	<u>\$ 77,280</u>	<u>\$ 112,992</u>

b. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Net foreign exchange gains	\$ 5,542	\$ 36,644
Others	<u>(11,452)</u>	<u>(2,931)</u>
	<u>\$ (5,910)</u>	<u>\$ 33,713</u>

c. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 6,810	\$ 4,606
Interest on lease liabilities	<u>466</u>	<u>649</u>
	<u>\$ 7,276</u>	<u>\$ 5,255</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 59,707	\$ 50,307
Right-of-use assets	13,744	12,860
Other intangible assets	<u>2,759</u>	<u>545</u>
	<u>\$ 76,210</u>	<u>\$ 63,712</u>
 An analysis of depreciation by function		
Operating costs	\$ 53,711	\$ 44,087
Operating expenses	<u>19,740</u>	<u>19,080</u>
	<u>\$ 73,451</u>	<u>\$ 63,167</u>
 An analysis of amortization by function		
Operating costs	\$ 8	\$ 8
Operating expenses	<u>2,751</u>	<u>537</u>
	<u>\$ 2,759</u>	<u>\$ 545</u>

e. Employee benefits expense

	For the Year Ended December 31, 2023		
	Operating Costs	Operating Expenses	Total
Post-employment benefits			
Defined contribution plan	\$ 6,293	\$ 8,612	\$ 14,905
Defined benefit plans (Note 17)	<u>23</u>	<u>43</u>	<u>66</u>
	<u>6,316</u>	<u>8,655</u>	<u>14,971</u>
Share-based payments			
Equity-settled (Note 23)	<u>5,070</u>	<u>16,493</u>	<u>21,563</u>
Other employee benefits			
Salary expense	143,129	185,798	328,927
Labor and health insurance	13,322	14,964	28,286
Others	<u>6,600</u>	<u>9,692</u>	<u>16,292</u>
	<u>163,051</u>	<u>210,454</u>	<u>373,505</u>
	<u>\$ 174,437</u>	<u>\$ 235,602</u>	<u>\$ 410,039</u>

	For the Year Ended December 31, 2022		
	Operating Costs	Operating Expenses	Total
Post-employment benefits			
Defined contribution plan	\$ 6,062	\$ 7,914	\$ 13,976
Defined benefit plans (Note 17)	<u>-</u>	<u>61</u>	<u>61</u>
	<u>6,062</u>	<u>7,975</u>	<u>14,037</u>
Share-based payments			
Equity-settled (Note 23)	<u>1,291</u>	<u>3,500</u>	<u>4,791</u>
Other employee benefits			
Salary expense	171,613	216,271	387,884
Labor and health insurance	13,952	15,209	29,161
Others	<u>6,732</u>	<u>9,186</u>	<u>15,918</u>
	<u>192,297</u>	<u>240,666</u>	<u>432,963</u>
	<u>\$ 199,650</u>	<u>\$ 252,141</u>	<u>\$ 451,791</u>

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, 2023 and 2022, which were approved by the Company's board of directors on February 20, 2024 and February 9, 2023, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2023	2022
Compensation of employees	6.5%	6.5%
Remuneration of directors	0.1%	0.1%

Amount

	For the Year Ended December 31	
	2023	2022
Compensation of employees	<u>\$ 8,383</u>	<u>\$ 15,928</u>
Remuneration of directors	<u>\$ 129</u>	<u>\$ 245</u>

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

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, 2022 and 2021.

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

21. 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	
	2023	2022
Current tax		
In respect of the current year	\$ 24,084	\$ 47,181
Income tax on unappropriated earnings	3,861	4,759
Adjustments for prior year	<u>(14,869)</u>	<u>(13,490)</u>
	13,076	38,450
Deferred tax		
In respect of the current year	<u>(9,276)</u>	<u>(8,295)</u>
Income tax expense recognized in profit or loss	<u>\$ 3,800</u>	<u>\$ 30,155</u>

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

	For the Year Ended December 31	
	2023	2022
Income before income tax	<u>\$ 120,458</u>	<u>\$ 228,872</u>
Income tax expense calculated at the statutory rate	\$ 24,092	\$ 45,774
Tax-exempt income	(9,284)	(6,888)
Income tax on unappropriated earnings	3,861	4,759
Adjustments for prior years' tax	<u>(14,869)</u>	<u>(13,490)</u>
Income tax expense recognized in profit or loss	<u>\$ 3,800</u>	<u>\$ 30,155</u>

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2023	2023
Current tax		
Transaction costs attributed to the issuance of shares	<u>\$ 664</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	<u>\$ (62)</u>	<u>\$ -</u>

d. Current tax liabilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Current tax liabilities		
Income tax payable	<u>\$ 19,140</u>	<u>\$ 29,290</u>

e. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Reclassified from Equity to Profit or Loss	Closing Balance
<u>Deferred tax assets</u>						
Temporary difference						
Inventory write-downs	\$ 7,937	\$ 5,391	\$ -	\$ -	\$ -	\$ 13,328
Unrealized provisions	3,280	1,357	-	-	-	4,637
Unrealized exchange losses	2,999	2,160	-	-	-	5,159
Others	<u>1,250</u>	<u>1,032</u>	<u>62</u>	<u>664</u>	<u>(664)</u>	<u>2,344</u>
	<u>\$ 15,466</u>	<u>\$ 9,940</u>	<u>\$ 62</u>	<u>\$ 664</u>	<u>\$ (664)</u>	<u>\$ 25,468</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
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	<u>1,782</u>	<u>(532)</u>	<u>1,250</u>
	<u>\$ 7,840</u>	<u>\$ 7,626</u>	<u>\$ 15,466</u>
<u>Deferred tax liabilities</u>			
Temporary difference			
Unrealized exchange gains	<u>\$ 669</u>	<u>\$ (669)</u>	<u>\$ -</u>

f. Income tax assessments

The income tax returns of the Company through 2021 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Basic earnings per share	<u>\$ 3.00</u>	<u>\$ 5.62</u>
Diluted earnings per share	<u>\$ 2.84</u>	<u>\$ 5.22</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Net income for the period attributable to owners of the Company	<u>\$ 116,658</u>	<u>\$ 198,717</u>

Weighted Average Number of Ordinary Shares Outstanding

Unit: In Thousand Shares

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Weighted average number of common stock used in the computation of basic earnings per share	38,946	35,374
Effect of potentially dilutive common stock		
Employee share options	1,909	2,502
Compensation of employees	<u>175</u>	<u>197</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>41,030</u>	<u>38,073</u>

The Company may settle the 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 is dilutive. Such dilutive effect of the potential shares is 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.

23. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee Share Options Plan for Cash Capital Increase

On December 28, 2022, the Company's board of directors resolved to issue 3,600 thousand common stock. In accordance with the Company Act, the Company reserved 540 thousand shares of the total number of new shares for employee subscription. The Company recognized a compensation cost of \$16,038 thousand during 2023.

The employee share options plan for cash capital increase in 2023 is priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

Grant-date share price	\$99.69
Exercise price	\$70.00
Expected volatility	33.09%
Expected life (in years)	5 days
Risk-free interest rate	0.98%

b. Employee Share Options Plan for Cash Capital Increase

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			
	2023		2022	
	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	2,614	\$ 14.50	3,414	\$ 14.50
Options exercised	<u>(851)</u>	14.50	<u>(800)</u>	14.50
Balance at December 31	<u>1,763</u>	14.50	<u>2,614</u>	14.50
Options exercisable, end of the year	<u>397</u>	14.50	<u>224</u>	14.50
Weighted-average fair value of options granted (\$)	<u>\$ 7.65</u>		<u>\$ 7.65</u>	

Information on outstanding options was as follows:

	December 31	
	2023	2022
Range of exercise price (\$)	\$ 14.50	\$ 14.50
Weighted-average remaining contractual life (in years)	2.52	3.52

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 \$2,721 thousand and \$4,791 thousand for the years ended December 31, 2023 and 2022, respectively.

- c. The Company's parent repurchased treasury stock and transferred it to the Company's employees

The Company's parent repurchased treasury stock on October 26, 2023 as the grant date. The Company's parent granted employees who meet certain conditions 530 thousand shares, with a fair value of \$5.29, an exercise price of \$6.51, and a price of \$11.8. According to the model, the Company recognized compensation costs (included in salary expenses) and capital surpluses of \$2,804 thousand, respectively.

24. GOVERNMENT GRANTS

The Company obtained government subsidies for the various programs and recognized other income of \$6,184 thousand and \$18,165 thousand for the years ended December 31, 2023 and 2022, respectively.

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company 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 Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital.

26. FINANCIAL INSTRUMENTS

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

The Company's management believes that the carrying amount of financial assets and financial liabilities recognized in the 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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Unlisted shares	\$ _____-	\$ _____-	\$ 34,000	\$ 34,000

There were no transfers between Levels 1 and 2 in the current and prior years.

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

Financial Assets	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ -	\$ -
Additions	36,000	-
Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI)	<u>(2,000)</u>	<u>-</u>
Balance, end of the year	<u>\$ 34,000</u>	<u>\$ -</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Unlisted shares - domestic	The market approach is used for evaluation determined with reference to the share prices of listed companies with similar businesses as the Company to show the overall value of the investment target. Significant unobservable inputs are discounted by considering market liquidity.

c. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Amortized cost		
Cash and cash equivalents	\$ 342,838	\$ 399,972
Accounts receivable	61,135	61,672
Accounts receivable from related parties	490,058	371,855
Other receivables	10,027	133
Other receivables from related parties	18,970	20,008
Refundable deposits (included in other non-current assets)	2,115	3,102
Financial assets at FVTOCI	34,000	-
<u>Financial liabilities</u>		
Amortized cost		
Short-term borrowings	170,000	425,000
Accounts payable	131,838	73,581
Accounts payable from related parties	217,040	197,252
Other payables	64,061	45,436
Other payables from related parties	21,559	19,625
Guarantee deposits	6,351	9,423

d. Financial risk management objectives and policies

The Company's major financial instruments include equity instruments, accounts receivable, accounts payable, short-term borrowings 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 Company'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 Company has foreign currency-denominated sales and purchases, which expose the Company to foreign currency risk.

Holding foreign currency-denominated assets and liabilities exposes the Company 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 Company's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period were detailed in Note 29.

Sensitivity analysis

The Company was mainly exposed to the USD and JPY

The following table details the Company'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 their adjusted 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 that 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.

	<u>For the Year Ended December 31</u>	
	2023	2022
1% change in profit or loss		
USD	<u>\$ 5,744</u>	<u>\$ 5,808</u>
JPY	<u>\$ (414)</u>	<u>\$ (141)</u>

b) Interest rate risk

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Fair value interest rate risk		
Financial assets	<u>\$ 153,525</u>	<u>\$ -</u>
Financial liabilities	<u>\$ 89,095</u>	<u>\$ 30,634</u>
Cash flow interest rate risk		
Financial assets	<u>\$ 189,313</u>	<u>\$ 399,972</u>
Financial liabilities	<u>\$ 100,000</u>	<u>\$ 425,000</u>

Sensitivity analysis

The sensitivity analysis below was determined based on the Company'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 Company's pre-tax profit for the years ended December 31, 2023 and 2022 would increased/decreased by \$223 thousand and decreased/increased by \$63 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 Company. At the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation, 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, 2023 and 2022, the customers whose single customer accounts for more than 10% of the total accounts receivable (excluded accounts receivable from related parties) are as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Customer AW	\$ 38,166	\$ 37,047
Customer AM	-	11,148

The Company 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, does not expect any material credit risk.

3) Liquidity risk

The Company 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 Company'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 Company can be required to pay. The table included both interest and principal cash flows.

The non-interest-bearing financial liabilities of the Company's current liabilities are due within one year and are not required to be paid off immediately. 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
<u>December 31, 2023</u>				
Variable interest instruments	\$ 100,000	\$ -	\$ -	\$ -
Fixed interest rate liabilities	70,000	-	-	-
Lease liabilities	<u>3,591</u>	<u>10,774</u>	<u>5,023</u>	<u>-</u>
	<u>\$ 173,591</u>	<u>\$ 10,774</u>	<u>\$ 5,023</u>	<u>\$ -</u>
<u>December 31, 2022</u>				
Variable interest instruments	\$ 425,000	\$ -	\$ -	\$ -
Lease liabilities	<u>3,475</u>	<u>10,426</u>	<u>17,376</u>	<u>-</u>
	<u>\$ 428,475</u>	<u>\$ 10,426</u>	<u>\$ 17,376</u>	<u>\$ -</u>

27. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is Innolux Corporation, which held 50.20% and 57.29% of the common stock of the Company as of December 31, 2023 and 2022, respectively.

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Innolux Corporation	The Company's parent
InnoCare Optoelectronics Japan Co., Ltd.	Subsidiary
InnoCare Optoelectronics USA, INC.	Subsidiary
Ningbo Innolux Electronics Ltd.	Subsidiary
InnoCare Optoelectronics Europe B.V.	Subsidiary
Foshan Innolux Optoelectronics 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
VISIONATICS INC.	Related party in substance

b. Operating revenue

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Parent entity	\$ 185	\$ 11,600
Subsidiaries		
InnoCare Optoelectronics Japan Co., Ltd.	720,069	676,264
InnoCare Optoelectronics USA, INC.	294,863	394,403
Ningbo Innolux Electronics Ltd.	184,628	227,435
Sister companies	-	6,457
Associate of parent company	6,756	11,024
Related party in substance	<u>3,092</u>	<u>19,981</u>
	<u>\$ 1,209,593</u>	<u>\$ 1,347,164</u>

c. Purchases of goods (including processing costs)

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Parent entity	\$ 414,997	\$ 481,403
Subsidiaries		
InnoCare Optoelectronics Japan Co., Ltd.	153,343	90,919
Ningbo Innolux Electronics Ltd.	985	7,105
Associate of parent company	49,381	12,877
Related party in substance	<u>43,637</u>	<u>64,180</u>
	<u>\$ 662,343</u>	<u>\$ 656,484</u>

d. Manufacturing and operating expenses

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Manufacturing expenses	Parent entity	\$ 48,007	\$ 47,277
	Subsidiaries	12,118	-
	Related party in substance	<u>33</u>	<u>-</u>
		<u>\$ 60,158</u>	<u>\$ 47,277</u>
Operating expenses	Parent entity	\$ 22,944	\$ 22,274
	Subsidiaries	14,189	13,958
	Related party in substance	<u>636</u>	<u>-</u>
		<u>\$ 37,769</u>	<u>\$ 36,232</u>

e. Other income

Related Party Category	For the Year Ended December 31	
	2023	2022
Associate of parent company	\$ -	107
Related party in substance	<u>26</u>	<u>356</u>
	<u>\$ 26</u>	<u>\$ 463</u>

f. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2023	2022
Accounts receivable	Parent entity	\$ -	\$ 5,093
	Subsidiaries		
	InnoCare Optoelectronics Japan Co., Ltd.	343,920	240,817
	InnoCare Optoelectronics USA, INC.	103,787	67,105
	Ningbo Innolux Electronics Ltd.	40,821	43,082
	Sister companies	-	6,421
	Associate of parent company	1,438	1,566
	Related party in substance	<u>92</u>	<u>7,771</u>
	<u>\$ 490,058</u>	<u>\$ 371,855</u>	
Other receivables	Parent entity	\$ 241	\$ 4,931
	Subsidiaries		
	InnoCare Optoelectronics USA, INC.	12,095	70
	InnoCare Optoelectronics Japan Co., Ltd.	6,634	14,994
	Associate of parent company	-	5
	Related party in substance	<u>-</u>	<u>8</u>
	<u>\$ 18,970</u>	<u>\$ 20,008</u>	

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

g. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2023	2022
Accounts payable	Parent entity	\$ 130,410	\$ 131,258
	Subsidiaries		
	InnoCare Optoelectronics Japan Co., Ltd.	31,467	24,685
	Ningbo Innolux Electronics Ltd.	-	3,015
	Associate of parent company		
	FI Medical Device Manufacturing Co., Ltd.	47,969	36,849
Related party in substance	<u>7,194</u>	<u>1,445</u>	
	<u>\$ 217,040</u>	<u>\$ 197,252</u>	
Other payables	Parent entity	\$ 17,634	\$ 17,491
	Subsidiaries	3,925	2,114
	Related party in substance	<u>-</u>	<u>20</u>
	<u>\$ 21,559</u>	<u>\$ 19,625</u>	

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

h. Lease arrangements

	Related Party Category	For the Year Ended December 31	
		2023	2022
<u>Acquisition of right-of-use assets</u>			
Parent entity		\$ 2,206	\$ 5,161

Line Item	Related Party Category	December 31	
		2023	2022
Lease liabilities (including current and non-current)	Parent entity	\$ 19,095	\$ 30,634
Refundable deposits (included in other non-current assets)	Parent entity	\$ 2,115	\$ 2,038

	Related Party Category	For the Year Ended December 31	
		2023	2022
<u>Interest expense</u>			
Parent entity		\$ 466	\$ 649

i. Acquisition of property, plant and equipment

	Related Party Category	Purchase Price	
		For the Year Ended December 31	
		2023	2022
Subsidiaries		\$ 4,691	\$ -

j. Acquisition of intangible assets

	Related Party Category	Purchase Price	
		For the Year Ended December 31	
		2023	2022
Related party in substance		\$ 9,524	\$ -

k. Remuneration of key management personnel

		For the Year Ended December 31	
		2023	2022
Short-term employee benefits		\$ 27,520	\$ 31,303
Post-employment benefits		756	746
Share-based payments		2,979	541
		\$ 31,255	\$ 32,590

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

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2023, the Company has commissioned the bank to issue letters of guarantee for the customs duty of \$5,600 thousand.

29. 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, 2023

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (NT\$)
<u>Financial assets</u>			
Monetary items			
USD	\$ 28,261	30.705	\$ 867,754
JPY	99,331	0.2172	<u>21,575</u>
			<u>\$ 889,329</u>
Non-monetary items			
Investments accounted for using the equity method			
RMB	28,174	4.3352	\$ 122,138
JPY	580,726	0.2172	126,134
USD	1,210	30.705	25,925
EUR	101	33.98	<u>3,431</u>
			<u>\$ 277,628</u>
<u>Financial liabilities</u>			
Monetary items			
USD	9,554	30.705	\$ 293,356
JPY	289,804	0.2172	<u>62,945</u>
			<u>\$ 356,301</u>

December 31, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (NT\$)
<u>Financial assets</u>			
Monetary items			
USD	\$ 26,567	30.71	\$ 815,873
JPY	52,597	0.2324	<u>12,307</u>
			<u>\$ 828,180</u>
Non-monetary items			
Investments accounted for using the equity method			
RMB	24,943	4.4094	\$ 109,972
JPY	429,531	0.2324	99,823
USD	1,276	30.71	33,491
EUR	83	32.72	<u>2,718</u>
			<u>\$ 246,004</u>
<u>Financial liabilities</u>			
Monetary items			
USD	7,656	30.71	\$ 235,116
JPY	113,744	0.2324	<u>26,434</u>
			<u>\$ 261,550</u>

For the years ended December 31, 2023 and 2022, (realized and unrealized) net foreign exchange gains were \$5,542 thousand and \$36,644 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of functional currencies.

30. SEPARATELY DISCLOSED ITEMS

a. Information about 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
- b. Information on investees: Table 4 (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: Tables 5 (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 the 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: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and the percentage of ownership of each shareholder: Table 6 (attached)

INNOCARE OPTOELECTRONICS CORPORATION

**MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(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, 2023				Note
				Units	Carrying Amount	Percentage of Ownership	Fair Value	
InnoCare Optoelectronics Corporation	Shares DEEP01 LIMITED	None	Financial assets at fair value through other comprehensive income	200,323	\$ 34,000	6.12	\$ 34,000	
Ningbo Innolux Electronics Ltd.	Insurance financial instruments Chang Jiang Sheng Shin Ru Yi Serials A congregate group pension plan	None	Financial assets at fair value through profit or loss	103,625	476 (RMB 110 thousand)	None	476 (RMB 110 thousand)	Note

Note: RMB1=\$4,3352 as of December 31, 2023.

INNOCARE OPTOELECTRONICS CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023
(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	
InnoCare Optoelectronics Corporation	Innolux Corporation InnoCare Optoelectronics Japan Co., Ltd.	Parent entity Subsidiary	Purchase	\$ 414,997	42	Net 90 days from the end of the month	\$ -	-	\$ (130,410)	37
			Sale	720,069	44	Net 60 days from the end of the month	-	-	343,920	62
InnoCare Optoelectronics Japan Co., Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Purchase	720,069	82	Net 60 days from the end of the month	-	-	(343,920)	(77)
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	Subsidiary	Sale	294,863	18	Net 60 days from the end of the month	-	-	103,787	19
InnoCare Optoelectronics USA, INC.	InnoCare Optoelectronics Corporation	Parent entity	Purchase	294,863	100	Net 60 days from the end of the month	-	-	(103,787)	(100)
InnoCare Optoelectronics Corporation	Ningbo Innolux Electronics Ltd.	Subsidiary	Sale	184,628	11	Net 60 days from the end of the month	-	-	40,821	7
Ningbo Innolux Electronics Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Purchase	184,628	90	Net 60 days from the end of the month	-	-	(40,821)	(74)
InnoCare Optoelectronics Japan Co., Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Sale	153,343	9	Net 60 days from the end of the month	-	-	31,467	7
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Subsidiary	Purchase	153,343	15	Net 60 days from the end of the month	-	-	(31,467)	(9)

INNOCARE OPTOELECTRONICS CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2023
 (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. InnoCare Optoelectronics USA, INC.	Subsidiary Subsidiary	\$ 343,920 103,787	4.84 3.45	\$ 96,876 30,162	Subsequent collection Subsequent collection	\$ 225,865 74,074	\$ - -	

INNOCARE OPTOELECTRONICS CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2023	December 31, 2022	Balance as of December 31, 2023		Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
						Shares (In Thousands)	Carrying Value			
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Japan	Distribution company	\$ 87,149	\$ 87,149	30,010	\$ 126,134	\$ 33,580	\$ 33,580	Subsidiary
	InnoCare Optoelectronics USA, INC.	U.S.A.	Distribution company	27,963	27,963	900,000	25,925	(2,057)	(2,057)	Subsidiary
	InnoCare Optoelectronics Europe B. V.	Netherlands	After-sales service company	1,662	1,662	500	3,431	603	603	Subsidiary

Note: For information on investee companies in mainland China, refer to Table 5.

INNOCARE OPTOELECTRONICS CORPORATION

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (In Thousand)	Investee Company Current Net Income	Percentage of Ownership	Investment Income (Loss) Recognized (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023	Note
					Outflow	Inflow							
Ningbo Innolux Electronics Ltd.	Manufacturing and selling of medical equipment	\$ 66,632 (RMB 15,370 thousand)	Direct investing in mainland China	\$ 90,337 (US\$ 3,172 thousand)	\$ -	\$ -	\$ 90,337 (US\$ 3,172 thousand)	\$ 14,294	100	\$ 14,294	\$ 122,138	\$ -	

2. The limited amounts of the investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2023 (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)
\$97,396 (US\$3,172 thousand)	\$97,396 (US\$3,172 thousand)	\$770,849

Note 1: US\$1=\$30,705, RMB1=\$4,3352 as of December 31, 2023.

Note 2: The investees' financial statements which were used as the 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 Company's the higher net asset value or 60% of its consolidated net asset value.

INNOCARE OPTOELECTRONICS CORPORATION

**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Innolux Corporation	20,200,000	50.20
Yuanta Commercial Bank in Custody for InnoCare Optoelectronics Corporation Ownership Trust Property Account	2,802,650	6.96

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

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