

**InnoCare Optoelectronics Corporation and  
Subsidiaries**

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

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

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

Very truly yours,

INNOCARE OPTOELECTRONICS CORPORATION

By:

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JAMES YANG  
Chairman

February 20, 2024

## **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	%
<b>CURRENT ASSETS</b>				
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)	21,722	1	15,879	1
Total current assets	<u>1,955,637</u>	<u>86</u>	<u>1,730,167</u>	<u>87</u>
<b>NON-CURRENT ASSETS</b>				
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)	4,740	-	5,899	-
Total non-current assets	<u>312,823</u>	<u>14</u>	<u>269,774</u>	<u>13</u>
<b>TOTAL</b>	<u>\$ 2,268,460</u>	<u>100</u>	<u>\$ 1,999,941</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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)	15,709	1	10,884	-
Total current liabilities	<u>893,450</u>	<u>39</u>	<u>1,091,160</u>	<u>54</u>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities (Notes 13 and 28)	4,960	-	19,027	1
Net defined benefit liabilities (Note 18)	491	-	140	-
Guarantee deposits received	84,810	4	72,992	4
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>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 19, 22 and 24)</b>				
Common stock	402,285	18	357,815	18
Capital collected in advance	104	-	50	-
Capital surplus	448,127	20	77,070	4
Retained earnings				
Legal reserve	54,451	2	34,823	2
Special reserve	14,339	1	17,647	1
Unappropriated earnings	391,059	17	343,556	17
Total retained earnings	459,849	20	396,026	20
Other equity	(25,616)	(1)	(14,339)	(1)
Total equity	<u>1,284,749</u>	<u>57</u>	<u>816,622</u>	<u>41</u>
<b>TOTAL</b>	<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	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 105,134</u>	<u>6</u>	<u>\$ 202,025</u>	<u>11</u>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
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>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
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>
<b>EARNINGS PER SHARE (Note 23)</b>				
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									
Legal reserve	-	-	-	17,296	-	(17,296)	-	-	-
Special reserve	-	-	-	-	17,647	(17,647)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(38,483)	-	-	(38,483)
Net income for the year ended December 31, 2022	-	-	-	-	-	198,717	-	-	198,717
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	3,308	-	3,308
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	198,717	3,308	-	202,025
Employee share options	7,970	50	3,587	-	-	-	-	-	11,607
Share-based payments	-	-	7,226	-	-	(2,435)	-	-	4,791
BALANCE AT DECEMBER 31, 2022	357,815	50	77,070	34,823	17,647	343,556	(14,339)	-	816,622
Appropriation of 2022 earnings									
Legal reserve	-	-	-	19,628	-	(19,628)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(51,204)	-	-	(51,204)
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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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)

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# 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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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)

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### 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

<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 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:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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

		<b>Proportion of Ownership</b>	
		<b>December 31</b>	
<b>Investee</b>	<b>Nature of Activities</b>	<b>2023</b>	<b>2022</b>
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

	<b>Machinery Equipment</b>	<b>Other Equipment</b>	<b>Total</b>
<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:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Buildings	1.7895%- 2.0335%	1.7895%- 1.8291%

c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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>	
	<b>2023</b>	<b>2022</b>
<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>	
	<b>2023</b>	<b>2022</b>
<u>Accounts payable</u>		
Accounts payable - operating	<u>\$ 249,833</u>	<u>\$ 178,430</u>

#### 16. OTHER LIABILITIES

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
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:

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
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.

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
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

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

	<b>Appropriation and Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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

	<b>For the Year Ended December 31, 2023</b>		
	<b>Cost of Sales</b>	<b>Operating Expense</b>	<b>Total</b>
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>

	<b>For the Year Ended December 31, 2022</b>		
	<b>Cost of Sales</b>	<b>Operating Expense</b>	<b>Total</b>
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

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

Amount

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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

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

### c. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<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

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Recognized Directly in Equity</b>	<b>Reclassified from Equity to Profit or Loss</b>	<b>Closing Balance</b>
<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

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<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**

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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**

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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**

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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:

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
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:

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

	<b>July 2020</b>
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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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

<b>Financial Assets</b>	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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

<b>Financial Instrument</b>	<b>Valuation Technique and Inputs</b>
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

<b>Financial Instrument</b>	<b>Valuation Technique and Inputs</b>
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

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

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

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
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.

	<b>1-3 Months</b>	<b>3 Months - 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>
<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

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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)

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
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

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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

Related Party Category	For the Year Ended December 31	
	2023	2022

Interest expense

Parent entity	\$ 466	\$ 649
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i. Disposal of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	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	Purchase Price	
	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
	\$ 34,236	\$ 34,634

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

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (NT\$)</b>
<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>

Financial liabilities

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

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (NT\$)</b>
<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>

Financial liabilities

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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:

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

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>% of Sales</b>	<b>Amount</b>	<b>% of Sales</b>
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	Fair Value	
InnoCare Optoelectronics Corporation	<u>Shares</u> DEEP01 LIMITED	None	Financial assets at fair value through other comprehensive income	\$ 200,323	\$ 34,000	6.12	\$ 34,000	
Ningbo Innolux Electronics Ltd.	<u>Insurance financial instruments</u> 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 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
			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)	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.	Subsidiary	\$ 343,920	4.84	\$ 96,876	Subsequent collection	\$ 225,865	\$ -	Note
	InnoCare Optoelectronics USA, Inc.	Subsidiary	103,787	3.45	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			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Subsidiary	Accounts receivable	\$ 343,920	Net 60 days from the end of the month	17
			Subsidiary	Operating revenue	720,069	Internal transfer pricing	39
		InnoCare Optoelectronics USA, INC.	Subsidiary	Accounts receivable	103,787	Net 60 days from the end of the month	5
			Subsidiary	Operating revenue	294,863	Internal transfer pricing	16
Ningbo Innolux Electronics Ltd.	Subsidiary	Accounts receivable	40,821	Net 60 days from the end of the month	2		
		Operating revenue	184,628	Internal transfer pricing	10		
1	InnoCare Optoelectronics Japan Co., Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Accounts receivable	31,467	Net 60 days from the end of the month	2
				Operating revenue	153,343	Internal transfer pricing	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		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2023	December 31, 2022	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Japan	Distribution company	\$ 87,149	\$ 87,149	30,010	100	\$ 126,134	\$ 33,580	\$ 33,580	Subsidiary
	InnoCare Optoelectronics USA, INC.	U.S.A.	Distribution company	27,963	27,963	900,000	100	25,925	(2,057)	(2,057)	Subsidiary
	InnoCare Optoelectronics Europe B.V.	Netherlands	After-sales service company	1,662	1,662	500	100	3,431	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.