

InnoCare Optoelectronics Corporation

**Financial Statements for the
Years Ended December 31, 2024 and 2023 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
InnoCare Optoelectronics Corporation

Opinion

We have audited the accompanying financial statements of InnoCare Optoelectronics Corporation (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the financial statements for the year ended December 31, 2024 is stated as follows:

Cutoff of Operating Revenue Recognition

The Company is mainly engaged in the manufacturing and sale of X-ray flat panel detectors. On the basis of the shipping terms agreed between customers and the Company, the Company recognizes operating revenue when satisfying the performance obligation by transferring control of a promised good or service to the customer. The operating revenue might not be recorded in the correct accounting period due to various shipping terms. Therefore, the cutoff of operating revenue recognition was considered a key audit matter. The main audit procedure we performed in response to the key audit matter described above included understanding and testing the design and implementation as well as the operating effectiveness of the internal controls relevant to the cutoff of operating revenue recognition, sampling from a specific period of journals of sales close to the balance sheet date, examining the delivery notices and external shipping documents, and confirmed operating revenue was recognized in the appropriate period.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2024 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

March 5, 2025

Notice to Readers

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

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

INNOCARE OPTOELECTRONICS CORPORATION

BALANCE SHEETS

DECEMBER 31, 2024 AND 2023

(In Thousands of New Taiwan Dollars)

ASSETS	2024		2023	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 403,225	18	\$ 342,838	17
Financial assets at fair value through profit or loss (Note 7)	19,600	1	-	-
Accounts receivable (Notes 9 and 20)	139,456	6	61,135	3
Accounts receivable from related parties (Notes 20 and 28)	519,560	24	490,058	24
Other receivables (Note 9)	8,223	-	16,349	1
Other receivables from related parties (Note 28)	10,606	1	18,970	1
Inventories (Note 10)	480,620	22	543,722	26
Other current assets	12,210	1	7,822	-
Total current assets	<u>1,593,500</u>	<u>73</u>	<u>1,480,894</u>	<u>72</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 8)	-	-	34,000	2
Investments accounted for using the equity method (Note 11)	305,326	14	277,628	13
Property, plant and equipment (Notes 12 and 28)	174,648	8	192,206	9
Right-of-use assets (Notes 13 and 28)	69,982	3	18,724	1
Intangible assets (Note 28)	11,755	1	13,843	1
Deferred tax assets (Note 22)	25,375	1	25,468	1
Prepayments for equipment (Note 12)	7,225	-	18,049	1
Other non-current assets (Note 28)	2,394	-	2,115	-
Total non-current assets	<u>596,705</u>	<u>27</u>	<u>582,033</u>	<u>28</u>
TOTAL	<u>\$ 2,190,205</u>	<u>100</u>	<u>\$ 2,062,927</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	\$ 100,000	5	\$ 170,000	8
Contract liabilities (Note 20)	5,540	-	2,859	-
Accounts payable (Note 15)	137,696	6	131,838	6
Accounts payable to related parties (Note 28)	236,374	11	217,040	10
Other payables (Notes 12 and 16)	165,063	7	158,589	8
Other payable to related parties (Note 28)	21,838	1	21,559	1
Current tax liabilities (Note 22)	18,484	1	19,140	1
Provision (Note 17)	7,174	-	16,812	1
Lease liabilities (Notes 13 and 28)	12,667	1	14,135	1
Other current liabilities (Note 16)	26,129	1	14,404	1
Total current liabilities	<u>730,965</u>	<u>33</u>	<u>766,376</u>	<u>37</u>
NON-CURRENT LIABILITIES				
Lease liabilities (Notes 13 and 28)	57,928	3	4,960	-
Net defined benefit liabilities (Note 18)	524	-	491	-
Guarantee deposits received	17,561	1	6,351	1
Total non-current liabilities	<u>76,013</u>	<u>4</u>	<u>11,802</u>	<u>1</u>
Total liabilities	<u>806,978</u>	<u>37</u>	<u>778,178</u>	<u>38</u>
EQUITY (Notes 19, 22 and 24)				
Common stock	415,025	19	402,285	19
Capital collected in advance	21	-	104	-
Capital surplus	455,024	21	448,127	22
Retained earnings				
Legal reserve	65,954	3	54,451	2
Special reserve	25,616	1	14,339	1
Unappropriated earnings	476,577	22	391,059	19
Total retained earnings	<u>568,147</u>	<u>26</u>	<u>459,849</u>	<u>22</u>
Other equity	(54,990)	(3)	(25,616)	(1)
Total equity	<u>1,383,227</u>	<u>63</u>	<u>1,284,749</u>	<u>62</u>
TOTAL	<u>\$ 2,190,205</u>	<u>100</u>	<u>\$ 2,062,927</u>	<u>100</u>

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

INNOCARE OPTOELECTRONICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 28)	\$ 1,800,945	100	\$ 1,648,608	100
OPERATING COSTS (Notes 10, 21 and 28)	<u>1,389,940</u>	<u>77</u>	<u>1,281,674</u>	<u>78</u>
GROSS PROFIT	411,005	23	366,934	22
UNREALIZED GAIN ON SALES	(13,187)	(1)	(11,229)	(1)
REALIZED GAIN ON SALES	<u>11,229</u>	<u>1</u>	<u>5,710</u>	<u>1</u>
NET GROSS PROFIT	<u>409,047</u>	<u>23</u>	<u>361,415</u>	<u>22</u>
OPERATING EXPENSES (Notes 21 and 28)				
Selling and marketing expenses	46,218	3	50,192	3
General and administrative expenses	99,421	5	98,695	6
Research and development expenses	<u>270,873</u>	<u>15</u>	<u>222,506</u>	<u>14</u>
Total operating expenses	<u>416,512</u>	<u>23</u>	<u>371,393</u>	<u>23</u>
OPERATING INCOME	<u>(7,465)</u>	<u>-</u>	<u>(9,978)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 21, 25 and 28)				
Interest income	9,109	-	19,922	1
Other income	124,534	7	77,280	5
Other gains and losses	29,147	2	(5,910)	-
Financial cost	(2,879)	-	(7,276)	(1)
Share of profit of subsidiaries accounted for using the equity method	<u>25,030</u>	<u>1</u>	<u>46,420</u>	<u>3</u>
Total non-operating income and expenses	<u>184,941</u>	<u>10</u>	<u>130,436</u>	<u>8</u>
INCOME BEFORE INCOME TAX	177,476	10	120,458	7
INCOME TAX EXPENSE (Note 21)	<u>24,537</u>	<u>1</u>	<u>3,800</u>	<u>-</u>
NET INCOME	<u>152,939</u>	<u>9</u>	<u>116,658</u>	<u>7</u>

(Continued)

INNOCARE OPTOELECTRONICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 18 and 22)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 171	-	\$ (309)	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	(34,000)	(2)	(2,000)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(34)	-	62	-
	<u>(33,863)</u>	<u>(2)</u>	<u>(2,247)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	4,626	-	(9,277)	(1)
Other comprehensive income (loss), net of income tax	<u>(29,237)</u>	<u>(2)</u>	<u>(11,524)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 123,702</u>	<u>7</u>	<u>\$ 105,134</u>	<u>6</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 3.75</u>		<u>\$ 3.00</u>	
Diluted	<u>\$ 3.64</u>		<u>\$ 2.84</u>	

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

(Concluded)

INNOCARE OPTOELECTRONICS CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	Capital			Retained Earnings			Other Equity		Total Equity
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2023	\$ 357,815	\$ 50	\$ 77,070	\$ 34,823	\$ 17,647	\$ 343,556	\$ (14,339)	\$ -	\$ 816,622
Appropriation of the 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
Appropriation of the 2023 earnings									
Legal reserve	-	-	-	11,503	-	(11,503)	-	-	-
Special reserve	-	-	-	-	11,277	(11,277)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(44,294)	-	-	(44,294)
Net income for the year ended December 31, 2024	-	-	-	-	-	152,939	-	-	152,939
Other comprehensive income for the year ended December 31, 2024	-	-	-	-	-	137	4,626	(34,000)	(29,237)
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	-	153,076	4,626	(34,000)	123,702
Employee share options	12,740	(83)	5,460	-	-	-	-	-	18,117
Share-based payments	-	-	1,437	-	-	(484)	-	-	953
BALANCE AT DECEMBER 31, 2024	\$ 415,025	\$ 21	\$ 455,024	\$ 65,954	\$ 25,616	\$ 476,577	\$ (18,990)	\$ (36,000)	\$ 1,383,227

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

INNOCARE OPTOELECTRONICS CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 177,476	\$ 120,458
Adjustments for:		
Depreciation	72,211	73,451
Amortization	4,008	2,759
Finance costs	2,879	7,276
Interest income	(9,109)	(19,922)
Share-based payments	953	21,563
Share of profits of subsidiaries accounted for using the equity method	(25,030)	(46,420)
Write-down of inventories	10,178	26,956
Unrealized gain on sales	13,187	11,229
Realized gain on sales	(11,229)	(5,710)
Gain on disposal of property, plant and equipment	(67)	-
Unrealized (gain) loss on foreign exchange	(17,580)	10,467
Net changes in operating assets and liabilities		
Accounts receivable	(74,266)	(1,120)
Accounts receivable from related parties	(2,512)	(132,095)
Other receivables	8,778	(11,801)
Other receivables from related parties	8,918	156
Inventories	52,924	(121,326)
Other current assets	(3,899)	(7,348)
Contract liabilities	2,681	2,859
Accounts payable	3,151	59,865
Accounts payable to related parties	7,795	24,488
Other payables	17,146	(39,131)
Other payables to related parties	169	2,003
Provisions	(9,638)	414
Other current liabilities	11,725	6,859
Net defined benefit liabilities	204	42
Cash generated from (used in) operating activities	241,053	(14,028)
Income tax paid	(25,134)	(23,226)
Net cash generated from (used in) operating activities	<u>215,919</u>	<u>(37,254)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of financial assets at fair value through other comprehensive income	-	(36,000)
Purchase of financial assets at fair value through profit or loss	(19,600)	-
Payments for property, plant, equipment	(89,056)	(51,577)
Proceeds from disposal of property, plant and equipment	47,670	-
Payments for intangible assets	(1,920)	(14,813)
Increase in other non-current assets	(279)	-
Decrease in other non-current assets	-	987
Interest received	8,902	19,482

(Continued)

INNOCARE OPTOELECTRONICS CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
Net cash generated from (used in) investing activities	<u>(54,283)</u>	<u>(81,921)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	100,000	-
Decrease in short-term borrowings	(170,000)	(255,000)
Increase (decrease) in guarantee deposits received	10,643	(2,836)
Repayment of the principal portion of lease liabilities	(12,946)	(13,745)
Cash dividends paid	(44,294)	(51,204)
Proceeds from issuance of ordinary shares	-	379,635
Exercise of employee share options	18,117	12,335
Interest paid	<u>(2,769)</u>	<u>(7,144)</u>
Net cash (used in) generated from financing activities	<u>(101,249)</u>	<u>62,041</u>
NET INCREASE (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	60,387	(57,134)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>342,838</u>	<u>399,972</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 403,225</u>	<u>\$ 342,838</u>

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

(Concluded)

INNOCARE OPTOELECTRONICS CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

1. GENERAL INFORMATION

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

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

The financial statements are presented in the Company’s functional currency, the New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 5, 2025.

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 2025

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 1)
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” - the amendments to the application guidance of classification of financial assets	January 1, 2026 (Note 2)

Note 1: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. It is permitted to apply these amendments for an earlier period beginning on January 1, 2025. An entity shall apply the amendments retrospectively but is not required to restate prior periods. The effect of initially applying the amendments shall be recognized as an adjustment to the opening balance at the date of initial application. An entity may restate prior periods if, and only if, it is possible to do so without the use of hindsight.

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments" - the amendments to the application guidance of derecognition of financial liabilities	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"	January 1, 2026
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 17 and IFRS 9 - Comparative Information"	January 1, 2023
IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027
IFRS 19 "Subsidiaries without Public Accountability: Disclosures"	January 1, 2027

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

IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will supersede IAS 1 "Presentation of Financial Statements". The main changes comprise:

- 1) Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.
- 2) The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- 3) Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as "other" only if it cannot find a more informative label.

- 4) Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management's view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the other impacts of the above amended standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period.
- 3) Liabilities for which the Company does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

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

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

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

e. Inventories

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

f. Investment in subsidiaries

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

A subsidiary is an entity that is controlled by the Company.

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

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

g. Property, plant and equipment

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at 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 Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

b) Impairment of financial assets

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

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

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

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

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset has reached beyond the expiration date of contract unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

3) Financial liabilities

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

k. Provisions

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

Warranties

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

l. Revenue recognition

1) Revenue from sale of goods

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

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

2) Revenue from rendering of services

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

m. Leasing

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

The Company as lessee

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

Right-of-use assets are initially measured at cost and which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

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

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

n. Borrowing costs

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

o. Government grants

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Share-based payment arrangements

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

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

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

Employee share options granted to the employees of its parent company

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

Employee share options granted from the parent company to the employees

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

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

r. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Demand deposits	\$ 220,440	\$ 189,313
Cash equivalents		
Time deposits	<u>182,785</u>	<u>153,525</u>
	<u>\$ 403,225</u>	<u>\$ 342,838</u>

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

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Time deposits	1.70%-4.63%	5.57%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Financial assets -current</u>		
Financial assets mandatorily classified as at FVTPL		
Hybrid financial assets		
Convertible bonds	<u>\$ 19,600</u>	<u>\$ -</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Non-current</u>		
Domestic investments		
Unlisted shares	<u>\$ -</u>	<u>\$ 34,000</u>

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

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 139,456	\$ 61,135
Less: Allowance impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 139,456</u>	<u>\$ 61,135</u>
<u>Other receivables</u>		
VAT refundable	\$ 6,132	\$ 6,322
Subsidize of research and development	1,487	9,302
Others	<u>604</u>	<u>725</u>
	<u>\$ 8,223</u>	<u>\$ 16,349</u>

Accounts receivable

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

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

The aging of accounts receivable are as follows:

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Not past due	\$ 135,189	\$ 53,990
1-90 days past due	<u>4,267</u>	<u>7,145</u>
	<u>\$ 139,456</u>	<u>\$ 61,135</u>

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

10. INVENTORIES

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Finished goods	\$ 116,462	\$ 145,663
Work in progress	248,635	280,618
Raw materials	<u>115,523</u>	<u>117,441</u>
	<u>\$ 480,620</u>	<u>\$ 543,722</u>

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

	For the Year Ended December 31	
	2024	2023
Cost of inventories sold	\$ 1,379,762	\$ 1,254,718
Write-down of net realizable values of inventories	<u>10,178</u>	<u>26,956</u>
	<u>\$ 1,389,940</u>	<u>\$ 1,281,674</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries	December 31	
	2024	2023
InnoCare Optoelectronics Japan Co., Ltd.	\$ 139,065	\$ 126,134
Ningbo Innolux Electronics Ltd.	126,981	122,138
InnoCare Optoelectronics USA, INC.	35,335	25,925
InnoCare Optoelectronics Europe B.V.	<u>3,945</u>	<u>3,431</u>
	<u>\$ 305,326</u>	<u>\$ 277,628</u>

	Proportion of Ownership	
	December 31	
	2024	2023
InnoCare Optoelectronics Japan Co., Ltd.	100%	100%
Ningbo Innolux Electronics Co., Ltd.	100%	100%
InnoCare Optoelectronics USA, INC.	100%	100%
InnoCare Optoelectronics Europe B.V.	100%	100%

12. PROPERTY, PLANT AND EQUIPMENT

	Machinery Equipment	Other Equipment	Total
<u>Cost</u>			
Balance at January 1, 2024	\$ 285,788	\$ 120,659	\$ 406,447
Reclassification	70,481	18,587	89,068
Disposals	<u>(118,747)</u>	<u>(2,734)</u>	<u>(121,481)</u>
Balance at December 31, 2024	<u>\$ 237,522</u>	<u>\$ 136,512</u>	<u>\$ 374,034</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2024	\$ 130,774	\$ 83,467	\$ 214,241
Depreciation expense	41,939	17,084	59,023
Disposals	<u>(71,166)</u>	<u>(2,712)</u>	<u>(73,878)</u>
Balance at December 31, 2024	<u>\$ 101,547</u>	<u>\$ 97,839</u>	<u>\$ 199,386</u>
Carrying amount at December 31, 2024	<u>\$ 135,975</u>	<u>\$ 38,673</u>	<u>\$ 174,648</u>

(Continued)

	Machinery Equipment	Other Equipment	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 226,913	\$ 102,885	\$ 329,798
Reclassification	<u>58,875</u>	<u>17,774</u>	<u>76,649</u>
Balance at December 31, 2023	<u>\$ 285,788</u>	<u>\$ 120,659</u>	<u>\$ 406,447</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ 86,035	\$ 68,499	\$ 154,534
Depreciation expense	<u>44,739</u>	<u>14,968</u>	<u>59,707</u>
Balance at December 31, 2023	<u>\$ 130,774</u>	<u>\$ 83,467</u>	<u>\$ 214,241</u>
Carrying amount at December 31, 2023	<u>\$ 155,014</u>	<u>\$ 37,192</u>	<u>\$ 192,206</u> (Concluded)

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

Machinery equipment	2-7 years
Other equipment	2-6 years

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

	<u>For the Year Ended December 31</u>	
	2024	2023
Prepayments of equipment	\$ 78,244	\$ 69,346
Payable for equipment (other payable)	<u>10,812</u>	<u>(17,769)</u>
	<u>\$ 89,056</u>	<u>\$ 51,577</u>

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2024	2023
<u>Carrying amount</u>		
Buildings	<u>\$ 69,982</u>	<u>\$ 18,724</u>
<u>For the Year Ended December 31</u>		
	2024	2023
Additions to right-of-use assets	<u>\$ 64,446</u>	<u>\$ 2,206</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 13,188</u>	<u>\$ 13,744</u>

b. Lease liabilities

	<u>December 31</u>	
	2024	2023
<u>Carrying amount</u>		
Current	<u>\$ 12,667</u>	<u>\$ 14,135</u>
Non-current	<u>\$ 57,928</u>	<u>\$ 4,960</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	2024	2023
Buildings	1.7895%- 2.6320%	1.7895%- 2.0335%

c. Other lease information

	<u>For the Year Ended December 31</u>	
	2024	2023
Expenses relating to short-term leases and low-value asset leases	<u>\$ 190</u>	<u>\$ 90</u>
Total cash outflow for leases	<u>\$ 14,554</u>	<u>\$ 14,301</u>

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

14. BORROWINGS

	<u>December 31</u>	
	2024	2023
<u>Unsecured borrowings</u>		
Bank loans	<u>\$ 100,000</u>	<u>\$ 170,000</u>

The range of interest rates of unsecured bank loans was from 1.886% and from 1.780% to 1.800% as of December 31, 2024 and 2023, respectively.

15. ACCOUNTS PAYABLE

	<u>December 31</u>	
	2024	2023
<u>Accounts payable</u>		
Accounts payable - operating	<u>\$ 137,696</u>	<u>\$ 131,838</u>

16. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Current</u>		
Other payable		
Payable for salaries and bonus	\$ 79,136	\$ 82,385
Payable for equipment	19,197	30,009
Payable for bonus to employees and directors	12,541	8,512
Bonus payable for unused paid leave	8,102	3,631
Payable for labor and health insurance	5,897	6,157
Payable for professional fees	4,145	5,330
Other	<u>36,045</u>	<u>22,565</u>
	<u>\$ 165,063</u>	<u>\$ 158,589</u>
Other liabilities		
Refund liabilities	\$ 20,148	\$ 6,371
Deferred revenue	1,856	2,730
Other	<u>4,125</u>	<u>5,303</u>
	<u>\$ 26,129</u>	<u>\$ 14,404</u>

Deferred revenue was generated from government grants.

17. PROVISIONS

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Warranties	<u>\$ 7,174</u>	<u>\$ 16,812</u>

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

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.

b. Defined benefit plans

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

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

	December 31	
	2024	2023
Present value of defined benefit obligation	\$ 626	\$ 558
Fair value of plan assets	<u>(102)</u>	<u>(67)</u>
Net defined benefit liabilities	<u>\$ 524</u>	<u>\$ 491</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2024	\$ <u>558</u>	\$ <u>(67)</u>	\$ <u>491</u>
Service cost			
Current service cost	226	-	226
Interest expense (income)	<u>8</u>	<u>(1)</u>	<u>7</u>
Recognized in profit or loss	<u>234</u>	<u>(1)</u>	<u>233</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(5)	(5)
Actuarial loss			
Changes in demographic assumptions	-	-	-
Changes in financial assumptions	(47)	-	(47)
Experience adjustments	<u>(119)</u>	<u>-</u>	<u>(119)</u>
Recognized in other comprehensive income	<u>(166)</u>	<u>(5)</u>	<u>(171)</u>
Contributions from the employer	<u>-</u>	<u>(29)</u>	<u>(29)</u>
Balance at December 31, 2024	<u>\$ 626</u>	<u>\$ (102)</u>	<u>\$ 524</u>
Balance at January 1, 2023	\$ <u>181</u>	\$ <u>(41)</u>	\$ <u>140</u>
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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
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> (Concluded)

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2024	2023
Discount rate	1.750%	1.500%
Expected rate of salary increase	3.500%	3.500%

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

	December 31	
	2024	2023
Discount rate		
0.25% increase	<u>\$ (44)</u>	<u>\$ (42)</u>
0.25% decrease	<u>\$ 47</u>	<u>\$ 45</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 46</u>	<u>\$ 44</u>
0.25% decrease	<u>\$ (43)</u>	<u>\$ (41)</u>

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

	December 31	
	2024	2023
The expected contributions to the plan for the next year	<u>\$ 30</u>	<u>\$ 29</u>
The average duration of the defined benefit obligation	27.5 years	30.2 years

19. EQUITY

a. Common stock

	December 31	
	2024	2023
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>41,503</u>	<u>40,229</u>
Amount of issued shares	<u>\$ 415,025</u>	<u>\$ 402,285</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 exercise of employee share options of 1,269 thousand common stock, and consideration of \$18,117 thousand was received in 2024. 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 \$12,335 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

	December 31	
	2024	2023
Capital collected in advance	<u>\$ 21</u>	<u>\$ 104</u>

c. Capital surplus

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital*</u>		
Issuance of common stock	\$ 409,243	\$ 403,783
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>36,472</u>	<u>35,035</u>
	<u>\$ 455,024</u>	<u>\$ 448,127</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 2023 and 2022, which were approved by the shareholders in their meetings on May 24, 2024 and 2023, were as follows:

	<u>Appropriation and Earnings</u>	
	<u>For the Year Ended December 31</u>	
	2023	2022
Legal reserve	<u>\$ 11,503</u>	<u>\$ 19,628</u>
Appropriation in (reversal of) special reserve	<u>\$ 11,277</u>	<u>\$ (3,308)</u>
Cash dividends	<u>\$ 44,294</u>	<u>\$ 51,204</u>
Cash dividends per share (NT\$)	<u>\$ 1.1</u>	<u>\$ 1.3</u>

The appropriation of earnings for 2024, which were proposed by the Company's board of directors on March 5, 2025, were as follows

	<u>Appropriation and Earnings</u>
	<u>For the Year Ended</u>
	<u>December 31,</u>
	<u>2024</u>
Legal reserve	<u>\$ 15,259</u>
Special reserve	<u>\$ 29,374</u>
Cash dividends	<u>\$ 74,756</u>
Cash dividends per share (NT\$)	<u>\$ 1.8</u>

The appropriation of earnings for 2024 are subject to the resolution of the Company's shareholders' meeting on May 20, 2025.

e. Special reserve

	<u>For the Year Ended December 31</u>	
	2024	2023
Beginning balance	\$ 14,339	\$ 17,647
Appropriation in respect of:		
Debits to other equity items	11,277	-
Reversals:		
Debits to other equity items	<u>-</u>	<u>(3,308)</u>
Ending balance	<u>\$ 25,616</u>	<u>\$ 14,339</u>

20. REVENUE

- a. Disaggregation of revenue from contracts with customers

	For the Year Ended December 31	
	2024	2023
Revenue from X-Ray flat panel detector device	\$ 1,219,016	\$ 1,147,156
Revenue from X-Ray flat panel detector module	562,559	477,317
Others	<u>19,370</u>	<u>24,135</u>
	<u>\$ 1,800,945</u>	<u>\$ 1,648,608</u>

- b. Contract balances

	December 31, 2024	December 31, 2023	January 1, 2023
Accounts receivable (including those from related parties)	<u>\$ 659,016</u>	<u>\$ 551,193</u>	<u>\$ 433,527</u>
Contract liabilities	<u>\$ 5,540</u>	<u>\$ 2,859</u>	<u>\$ -</u>

21. NET PROFIT FOR THE YEAR

- a. Other income

	For the Year Ended December 31	
	2024	2023
Development subsidy	\$ 102,647	\$ 66,851
Government grants (Note 25)	14,724	6,184
Others	<u>7,163</u>	<u>4,245</u>
	<u>\$ 124,534</u>	<u>\$ 77,280</u>

- b. Other gains and losses

	For the Year Ended December 31	
	2024	2023
Net foreign exchange gains	\$ 29,370	\$ 5,542
Gains on disposal of property, plant and equipment	67	-
Others	<u>(290)</u>	<u>(11,452)</u>
	<u>\$ 29,147</u>	<u>\$ (5,910)</u>

c. Finance costs

	For the Year Ended December 31	
	2024	2023
Interest on bank loans	\$ 1,461	\$ 6,810
Interest on lease liabilities	<u>1,418</u>	<u>466</u>
	<u>\$ 2,879</u>	<u>\$ 7,276</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2024	2023
Property, plant and equipment	\$ 59,023	\$ 59,707
Right-of-use assets	13,188	13,744
Other intangible assets	<u>4,008</u>	<u>2,759</u>
	<u>\$ 76,219</u>	<u>\$ 76,210</u>
An analysis of depreciation by function		
Operating costs	\$ 46,977	\$ 53,711
Operating expenses	<u>25,234</u>	<u>19,740</u>
	<u>\$ 72,211</u>	<u>\$ 73,451</u>
An analysis of amortization by function		
Operating costs	\$ 8	\$ 8
Operating expenses	<u>4,000</u>	<u>2,751</u>
	<u>\$ 4,008</u>	<u>\$ 2,759</u>

e. Employee benefits expense

	For the Year Ended December 31, 2024		
	Operating Costs	Operating Expenses	Total
Post-employment benefits			
Defined contribution plan	\$ 6,466	\$ 8,861	\$ 15,327
Defined benefit plans (Note 18)	<u>95</u>	<u>138</u>	<u>233</u>
	<u>6,561</u>	<u>8,999</u>	<u>15,560</u>
Share-based payments			
Equity-settled (Note 24)	<u>257</u>	<u>696</u>	<u>953</u>
Other employee benefits			
Salary expense	147,990	198,242	346,232
Labor and health insurance	13,323	15,247	28,570
Others	<u>7,148</u>	<u>10,087</u>	<u>17,235</u>
	<u>168,461</u>	<u>223,576</u>	<u>392,037</u>
	<u>\$ 175,279</u>	<u>\$ 233,271</u>	<u>\$ 408,550</u>

	For the Year Ended December 31, 2023		
	Operating Costs	Operating Expenses	Total
Post-employment benefits			
Defined contribution plan	\$ 6,293	\$ 8,612	\$ 14,905
Defined benefit plans (Note 18)	<u>23</u>	<u>43</u>	<u>66</u>
	<u>6,316</u>	<u>8,655</u>	<u>14,971</u>
Share-based payments			
Equity-settled (Note 24)	<u>5,070</u>	<u>16,493</u>	<u>21,563</u>
Other employee benefits			
Salary expense	143,129	185,798	328,927
Labor and health insurance	13,322	14,964	28,286
Others	<u>6,600</u>	<u>9,692</u>	<u>16,292</u>
	<u>163,051</u>	<u>210,454</u>	<u>373,505</u>
	<u>\$ 174,437</u>	<u>\$ 235,602</u>	<u>\$ 410,039</u>

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, 2024 and 2023, which were approved by the Company's board of directors on March 5, 2025 and February 20, 2024, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2024	2023
Compensation of employees	6.5%	6.5%
Remuneration of directors	0.1%	0.1%

Amount

	For the Year Ended December 31	
	2024	2023
Compensation of employees	<u>\$ 12,351</u>	<u>\$ 8,383</u>
Remuneration of directors	<u>\$ 190</u>	<u>\$ 129</u>

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors and the amounts recognized in the financial statements for the years ended December 31, 2023 and 2022.

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:

	<u>For the Year Ended December 31</u>	
	2024	2023
Current tax		
In respect of the current year	\$ 29,695	\$ 24,084
Income tax on unappropriated earnings	2,398	3,861
Adjustments for prior year	<u>(7,615)</u>	<u>(14,869)</u>
	24,478	13,076
Deferred tax		
In respect of the current year	794	(9,276)
Adjustments for prior years	<u>(735)</u>	<u>-</u>
	<u>59</u>	<u>(9,276)</u>
Income tax expense recognized in profit or loss	<u>\$ 24,537</u>	<u>\$ 3,800</u>

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

	<u>For the Year Ended December 31</u>	
	2024	2023
Income before income tax	<u>\$ 177,476</u>	<u>\$ 120,458</u>
Income tax expense calculated at the statutory rate	\$ 35,495	\$ 24,092
Tax-exempt income	(5,006)	(9,284)
Income tax on unappropriated earnings	2,398	3,861
Adjustments for prior years' tax	<u>(8,350)</u>	<u>(14,869)</u>
Income tax expense recognized in profit or loss	<u>\$ 24,537</u>	<u>\$ 3,800</u>

b. Income tax recognized directly in equity

	<u>For the Year Ended December 31</u>	
	2024	2023
Current tax		
Transaction costs attributed to the issuance of shares	<u>\$ -</u>	<u>\$ 664</u>

c. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2024	2023
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	<u>\$ 34</u>	<u>\$ (62)</u>

d. Current tax liabilities

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Current tax liabilities		
Income tax payable	<u>\$ 18,484</u>	<u>\$ 19,140</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, 2024

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Reclassified from Equity to Profit or Loss	Closing Balance
<u>Deferred tax assets</u>						
Temporary difference						
Inventory write-downs	\$ 13,328	\$ 2,036	\$ -	\$ -	\$ -	\$ 15,364
Unrealized provisions	4,637	793	-	-	-	5,430
Unrealized exchange losses	5,159	(4,940)	-	-	-	219
Others	<u>2,344</u>	<u>2,052</u>	<u>(34)</u>	<u>-</u>	<u>-</u>	<u>4,362</u>
	<u>\$ 25,468</u>	<u>\$ (59)</u>	<u>\$ (34)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,375</u>

For the year ended December 31, 2023

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

f. Income tax assessments

The income tax returns of the Company through 2022 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Basic earnings per share	<u>\$ 3.75</u>	<u>\$ 3.00</u>
Diluted earnings per share	<u>\$ 3.64</u>	<u>\$ 2.84</u>

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

Net Income for the Year

	For the Year Ended December 31	
	2024	2023
Net income for the period attributable to owners of the Company	<u>\$ 152,939</u>	<u>\$ 116,658</u>

Weighted Average Number of Ordinary Shares Outstanding

	Unit: In Thousand Shares	
	For the Year Ended December 31	
	2024	2023
Weighted average number of common stock used in the computation of basic earnings per share	40,794	38,946
Effect of potentially dilutive common stock		
Employee share options	966	1,909
Compensation of employees	<u>217</u>	<u>175</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>41,977</u>	<u>41,030</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 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. The exercise price was adjusted to \$14.28 due to the ratio of cash dividends to the current price per share exceeds 1.5% on June 18, 2024.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2024		2023	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	1,763	\$ 14.50	2,614	\$ 14.50
Options exercised	<u>(1,269)</u>	14.28	<u>(851)</u>	14.50
Balance at December 31	<u>494</u>	14.28	<u>1,763</u>	14.50
Options exercisable, end of the year	<u>494</u>	14.28	<u>397</u>	14.50
Weighted-average fair value of options granted (\$)	<u>\$ 7.65</u>		<u>\$ 7.65</u>	

Information on outstanding options was as follows:

	December 31	
	2024	2023
Range of exercise price (\$)	\$ 14.28	\$ 14.50
Weighted-average remaining contractual life (in years)	1.52	2.52

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

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

The compensation costs recognized were \$953 thousand and \$2,721 thousand for the years ended December 31, 2024 and 2023, 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 Company obtained government subsidies for the various programs and recognized other income of \$14,724 thousand and \$6,184 thousand for the years ended December 31, 2024 and 2023, respectively.

26. CAPITAL MANAGEMENT

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

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

27. FINANCIAL INSTRUMENTS

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

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

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

- 1) Fair value hierarchy

December 31, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Convertible bonds	\$ <u> -</u>	\$ <u> -</u>	\$ <u>19,600</u>	\$ <u>19,600</u>
Financial assets at FVTOCI				
Unlisted shares	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

December 31, 2023

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

There were no transfers between Levels 1 and 2 in 2024 and 2023.

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

	For the Year Ended December 31, 2024
<u>Financial assets at FVTPL</u>	
Balance, beginning of the year	\$ -
Additions	<u>19,600</u>
Balance, end of the year	<u>\$ 19,600</u>
<u>Financial assets at FVTOCI</u>	
Balance, beginning of the year	\$ 34,000
Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI)	<u>(34,000)</u>
Balance, end of the year	<u>\$ -</u>
	For the Year Ended December 31, 2023
<u>Financial assets at FVTOCI</u>	
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>
Balance, end of the year	<u>\$ 34,000</u>

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

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Unlisted shares - domestic	The market approach is used for evaluation determined with reference to the share prices of listed companies with similar businesses as the Company to show the overall value of the investment target. Significant unobservable inputs are discounted by considering market liquidity.
Convertible bonds	Based on the Black-Scholes Model, the income approach is used to estimate fair value. Significant unobservable inputs are return volatility

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Mandatorily at fair value through profit or Loss	\$ 19,600	\$ -
Financial assets at FVTOCI	-	34,000
Amortized cost		
Cash and cash equivalents	403,225	342,838
Accounts receivable	139,456	61,135
Accounts receivable from related parties	519,560	490,058
Other receivables	8,223	10,027
Other receivables from related parties	10,606	18,970
Refundable deposits (included in other non-current assets)	2,394	2,115
<u>Financial liabilities</u>		
Amortized cost		
Short-term borrowings	100,000	170,000
Accounts payable	137,696	131,838
Accounts payable from related parties	236,374	217,040
Other payables	73,386	64,061
Other payables from related parties	21,838	21,559
Guarantee deposits	17,561	6,351

d. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

The Company has foreign currency-denominated sales and purchases, which expose the Company to foreign currency risk.

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

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period were detailed in Note 30.

Sensitivity analysis

The Company was mainly exposed to the USD and JPY.

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

	<u>For the Year Ended December 31</u>	
	2024	2023
1% change in profit or loss		
USD	\$ <u>4,349</u>	\$ <u>5,744</u>
JPY	\$ <u>(404)</u>	\$ <u>(414)</u>

b) Interest rate risk

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

	<u>December 31</u>	
	2024	2023
Fair value interest rate risk		
Financial assets	\$ <u>182,785</u>	\$ <u>153,525</u>
Financial liabilities	\$ <u>70,595</u>	\$ <u>89,095</u>
Cash flow interest rate risk		
Financial assets	\$ <u>220,440</u>	\$ <u>189,313</u>
Financial liabilities	\$ <u>100,000</u>	\$ <u>100,000</u>

Sensitivity analysis

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

If interest rates had been 0.25% basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2024 and 2023 would increased/decreased by \$301 thousand and increased/decreased by \$223 thousand, respectively.

2) Credit risk

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

As of December 31, 2024 and 2023, the customers whose single customer accounts for more than 10% of the total accounts receivable (excluded accounts receivable from related parties) are as follows:

	December 31	
	2024	2023
Customer AZ	\$ 33,592	\$ -
Customer AM	21,350	-
Customer AW	20,399	38,166
Customer AX	17,676	-
Customer A01	17,151	-

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

3) Liquidity risk

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

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

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

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

	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2024</u>				
Variable interest instruments	\$ 100,000	\$ -	\$ -	\$ -
Lease liabilities	<u>3,591</u>	<u>10,774</u>	<u>56,688</u>	<u>4,634</u>
	<u>\$ 103,591</u>	<u>\$ 10,774</u>	<u>\$ 56,688</u>	<u>\$ 4,634</u>
<u>December 31, 2023</u>				
Variable interest instruments	\$ 100,000	\$ -	\$ -	\$ -
Fixed interest rate liabilities	70,000	-	-	-
Lease liabilities	<u>3,591</u>	<u>10,774</u>	<u>5,023</u>	<u>-</u>
	<u>\$ 173,591</u>	<u>\$ 10,774</u>	<u>\$ 5,023</u>	<u>\$ -</u>

28. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is Innolux Corporation, which held 48.67% and 50.20% of the common stock of the Company as of December 31, 2024 and 2023, respectively.

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Innolux Corporation	The Company's parent
InnoCare Optoelectronics Japan Co., Ltd.	Subsidiary
InnoCare Optoelectronics USA, INC.	Subsidiary
Ningbo Innolux Electronics Ltd.	Subsidiary
InnoCare Optoelectronics Europe B.V.	Subsidiary
CarUX Technology Pte. Ltd.	Sister company
Foshan Innolux Optoelectronics Ltd.	Sister company
FI Medical Device Manufacturing Co., Ltd.	Associate of parent company
KA Imaging Inc.	Related party in substance
Fortunebay Technology Pte Ltd.	Related party in substance
JUSDA INTERNATIONAL LIMITED	Related party in substance
VISIONATICS INC.	Related party in substance (Note)

Note: Since June 2024, Sister company Yuan Chi Investment Co., Ltd. has no longer served as a director of VISIONATICS INC. Consequently, transactions between the Group and VISIONATICS INC. are no longer considered unrelated party transactions.

b. Operating revenue

Related Party Category/Name	For the Year Ended December 31	
	2024	2023
Parent entity	\$ 7,083	\$ 185
Subsidiaries		
InnoCare Optoelectronics Japan Co., Ltd.	788,018	720,069
InnoCare Optoelectronics USA, INC.	324,554	294,863
Ningbo Innolux Electronics Ltd.	142,657	184,628
Associate of parent company	5,052	6,756
Related party in substance	<u>3,155</u>	<u>3,092</u>
	<u>\$ 1,270,519</u>	<u>\$ 1,209,593</u>

c. Purchases of goods (including processing costs)

Related Party Category/Name	For the Year Ended December 31	
	2024	2023
Parent entity	\$ 402,011	\$ 414,997
Sister company	14,914	-
Subsidiaries		
InnoCare Optoelectronics Japan Co., Ltd.	128,863	153,343
Ningbo Innolux Electronics Ltd.	5,721	985

(Continued)

Related Party Category/Name	For the Year Ended December 31	
	2024	2023
Associate of parent company	\$ 10,019	\$ 49,381
Related party in substance	<u>58,853</u>	<u>43,637</u>
	<u>\$ 620,381</u>	<u>\$ 662,343</u>

(Concluded)

d. Manufacturing and operating expenses

Line Item	Related Party Category	For the Year Ended December 31	
		2024	2023
Manufacturing expenses	Parent entity	\$ 41,959	\$ 48,007
	Subsidiaries	6,592	12,118
	Related party in substance	<u>-</u>	<u>33</u>
		<u>\$ 48,551</u>	<u>\$ 60,158</u>
Operating expenses	Parent entity	\$ 23,259	\$ 22,944
	Subsidiaries	12,130	14,189
	Sister company	52	-
	Associate of parent company	139	-
	Related party in substance	<u>-</u>	<u>636</u>
		<u>\$ 35,580</u>	<u>\$ 37,769</u>

e. Other income

Related Party Category	For the Year Ended December 31	
	2024	2023
Related party in substance	<u>\$ -</u>	<u>\$ 26</u>

f. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2024	2023
Accounts receivable	Subsidiaries		
	InnoCare Optoelectronics Japan Co., Ltd.	\$ 381,414	\$ 343,920
	InnoCare Optoelectronics USA, INC.	99,962	103,787
	Ningbo Innolux Electronics Ltd.	36,231	40,821
	Associate of parent company	1,582	1,438
Related party in substance	<u>371</u>	<u>92</u>	
		<u>\$ 519,560</u>	<u>\$ 490,058</u>

(Continued)

Line Item	Related Party Category/Name	December 31	
		2024	2023
Other receivables	Parent entity	\$ 34	\$ 241
	Subsidiaries		
	InnoCare Optoelectronics USA, INC.	123	12,095
	InnoCare Optoelectronics Japan Co., Ltd.	<u>10,449</u>	<u>6,634</u>
		<u>\$ 10,606</u>	<u>\$ 18,970</u>
			(Concluded)

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

g. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2024	2023
Accounts payable	Parent entity	\$ 148,420	\$ 130,410
	Subsidiaries		
	InnoCare Optoelectronics Japan Co., Ltd.	31,280	31,467
	Ningbo Innolux Electronics Ltd.	2,883	-
	Associate of parent company		
	FI Medical Device Manufacturing Co., Ltd.	46,304	47,969
	Related party in substance	<u>7,487</u>	<u>7,194</u>
		<u>\$ 236,374</u>	<u>\$ 217,040</u>
Other payables	Parent entity	\$ 17,292	\$ 17,634
	Subsidiaries	4,399	3,925
	Associate of parent company	147	-
	Related party in substance	<u>-</u>	<u>-</u>
		<u>\$ 21,838</u>	<u>\$ 21,559</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	
	2024	2023
<u>Acquisition of right-of-use assets</u>		
Parent entity	<u>\$ 69,982</u>	<u>\$ 2,206</u>

Line Item	Related Party Category	December 31	
		2024	2023
Lease liabilities (including current and non-current)	Parent entity	\$ 70,595	\$ 19,095
Refundable deposits (included in other non-current assets)	Parent entity	\$ 2,394	\$ 2,115

Related Party Category	For the Year Ended December 31	
	2024	2023
<u>Interest expense</u>		
Parent entity	\$ 1,419	\$ 466

i. Acquisition of property, plant and equipment

Related Party Category	Purchase Price	
	For the Year Ended December 31	
	2024	2023
Parent entity	\$ 5,980	\$ -
Subsidiaries	-	4,691
	\$ 5,980	\$ 4,691

j. Disposal of property, plant and equipment

Related Party Category	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2024	2023	2024	2023
Parent entity	\$ 47,670	\$ -	\$ 67	\$ -

k. Acquisition of intangible assets

Related Party Category	Purchase Price	
	For the Year Ended December 31	
	2024	2023
Related party in substance	\$ -	\$ 9,524

l. Remuneration of key management personnel

	For the Year Ended December 31	
	2024	2023
Short-term employee benefits	\$ 46,192	\$ 27,520
Post-employment benefits	671	756
Share-based payments	61	2,979
	\$ 46,924	\$ 31,255

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, 2024, the Company has commissioned the bank to issue letters of guarantee for the customs duty of \$5,600 thousand, and the amount for the project was \$19,400 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, 2024

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (NT\$)
<u>Financial assets</u>			
Monetary items			
USD	\$ 24,003	32.785	\$ 786,938
JPY	16,745	0.2099	<u>3,515</u>
			<u>\$ 790,453</u>
Non-monetary items			
Investments accounted for using the equity method			
JPY	662,532	0.2099	\$ 139,065
RMB	27,842	4.5608	126,981
USD	1,480	32.785	35,335
EUR	116	34.140	<u>3,945</u>
			<u>\$ 305,326</u>
<u>Financial liabilities</u>			
Monetary items			
USD	10,737	32.785	\$ 352,013
JPY	209,097	0.2099	<u>43,889</u>
			<u>\$ 395,902</u>

December 31, 2023

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (NT\$)
<u>Financial assets</u>			
Monetary items			
USD	\$ 28,261	30.705	\$ 867,754
JPY	99,331	0.2172	<u>21,575</u>
			<u>\$ 889,329</u>
Non-monetary items			
Investments accounted for using the equity method			
JPY	580,726	0.2172	\$ 126,134
RMB	28,174	4.3352	122,138
USD	1,210	30.705	25,925
EUR	101	33.98	<u>3,431</u>
			<u>\$ 277,628</u>
<u>Financial liabilities</u>			
Monetary items			
USD	9,554	30.705	\$ 293,356
JPY	289,804	0.2172	<u>62,945</u>
			<u>\$ 356,301</u>

For the years ended December 31, 2024 and 2023, (realized and unrealized) net foreign exchange gains were \$29,370 thousand and \$5,542 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 about significant transactions

- 1) Financing provided to others: No
- 2) Endorsements/guarantees provided: No
- 3) Marketable securities held: Table 1 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: No
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: No
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: No

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
 - 9) Trading in derivative instruments: No
- b. Information on investees: Table 4 (attached)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 5 (attached)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: No
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest period balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information on major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and the percentage of ownership of each shareholder: Table 6 (attached)

INNOCARE OPTOELECTRONICS CORPORATION

**MARKETABLE SECURITIES HELD
DECEMBER 31, 2024
(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, 2024				Note
				Units	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	\$ -	6.12	\$ -	
	<u>Convertible bond</u> Leltek Inc.	None	Financial assets at fair value through profit or loss	-	19,600	-	19,600	
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	94,817	474 (RMB 104 thousand)	None	474 (RMB 104 thousand)	Note

Note: RMB1=\$4.5608 as of December 31, 2024.

INNOCARE OPTOELECTRONICS CORPORATION

**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, 2024
(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	Parent entity	Purchase	\$ 402,011	41	Net 90 days from the end of the month	\$ -	-	\$ (148,420)	40	
	InnoCare Optoelectronics Japan Co., Ltd.	Subsidiary	Sale	788,018	44	Net 60 days from the end of the month	-	-	381,414	58	
InnoCare Optoelectronics Japan Co., Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Purchase	788,018	87	Net 60 days from the end of the month	-	-	(381,414)	84	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	Subsidiary	Sale	324,554	18	Net 60 days from the end of the month	-	-	99,962	15	
InnoCare Optoelectronics USA, INC.	InnoCare Optoelectronics Corporation	Parent entity	Purchase	324,554	100	Net 60 days from the end of the month	-	-	(99,962)	100	
InnoCare Optoelectronics Corporation	Ningbo Innolux Electronics Ltd.	Subsidiary	Sale	142,657	8	Net 60 days from the end of the month	-	-	36,231	5	
Ningbo Innolux Electronics Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Purchase	142,657	88	Net 60 days from the end of the month	-	-	(36,231)	77	
InnoCare Optoelectronics Japan Co., Ltd.	InnoCare Optoelectronics Corporation	Parent entity	Sale	128,863	8	Net 60 days from the end of the month	-	-	31,280	7	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Subsidiary	Purchase	128,863	13	Net 60 days from the end of the month	-	-	(31,280)	8	

INNOCARE OPTOELECTRONICS CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2024

(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	\$ 381,414	4.15	\$ 130,145	Subsequent collection	\$ 254,581	\$ -	
	InnoCare Optoelectronics USA, INC.	Subsidiary	99,962	3.19	31,696	Subsequent collection	61,701	-	

INNOCARE OPTOELECTRONICS CORPORATION

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2024**

(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, 2024			Net Income (Losses) of the Investee for the Year	Equity in the Earnings (Losses) for the Year	Note
				December 31, 2024	December 31, 2023	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	\$ 139,065	\$ 17,351	\$ 17,351	Subsidiary
	InnoCare Optoelectronics USA, INC.	U.S.A.	Distribution company	27,963	27,963	900,000	100	35,335	8,670	8,670	Subsidiary
	InnoCare Optoelectronics Europe B.V.	Netherlands	After-sales service company	1,662	1,662	500	100	3,945	506	506	Subsidiary

Note: For information on investee companies in mainland China, refer to Table 5.

INNOCARE OPTOELECTRONICS CORPORATION

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2024
(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, 2024 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2024 (In Thousand)	Net Income (Loss) of the Investee Company for the Year	Percentage of Ownership	Investment Income (Loss) Recognized for the Year (Note 2)	Carrying Amount as of December 31, 2024	Accumulated Inward Remittance of Earnings as of December 31, 2024	Note
					Outflow	Inflow							
Ningbo Innolux Electronics Ltd.	Manufacturing and selling of medical equipment	\$ 70,099 (RMB 15,370 thousand)	Direct investing in mainland China	\$ 90,337 (US\$ 3,172 thousand)	\$ -	\$ -	\$ 90,337 (US\$ 3,172 thousand)	\$ (1,497)	100	\$ (1,497)	\$ 126,981	\$ -	

2. The limited amounts of the investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2024 (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)
\$103,994 (US\$3,172 thousand)	\$103,994 (US\$3,172 thousand)	\$829,936

Note 1: US\$1=\$32.785, RMB1=\$4.5608 as of December 31, 2024.

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

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

TABLE 6**INNOCARE OPTOELECTRONICS CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2024**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Innolux Corporation	20,200,000	48.67

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.

INNOCARE OPTOELECTRONICS CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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Statement of inventories	3
Statement of changes in investments accounted for using the equity method	4
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Major Accounting Items in Profit or Loss	
Statement of operating revenue	7
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INNOCARE OPTOELECTRONICS CORPORATION**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2024****(In Thousands of New Taiwan Dollars)**

Item	Period	Rate	Amount
Cash			
Demand deposits			\$ 132,997
Foreign currency deposits (Note 1)			<u>87,443</u>
			220,440
Cash equivalents			
Time deposits (Note 2)	2024.12.26-2025.02.06	1.70%-4.63%	<u>182,785</u>
			<u>\$ 403,225</u>

Note 1: There is including US\$2,568 thousand. The rate of exchange US\$1=\$32.785.
JPY15,445 thousand. The rate of exchange US\$1=\$0.2099.

Note 2: There is including US\$1,000 thousand. The rate of exchange US\$1=\$32.785.

INNOCARE OPTOELECTRONICS CORPORATION

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars)

Client Name (Note)	Amount
Customer AZ	\$ 33,592
Customer AM	21,350
Customer AW	20,399
Customer AX	17,676
Customer A01	17,151
Others (Note)	<u>29,288</u>
	139,456
Less: Allowance impairment loss	<u>-</u>
	<u>\$ 139,456</u>

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

INNOCARE OPTOELECTRONICS CORPORATION**STATEMENT OF INVENTORIES****DECEMBER 31, 2024****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value (Note 1)
Finished goods	\$ 116,462	\$ 154,276
Work in process	248,635	306,920
Raw materials	<u>115,523</u>	<u>116,199</u>
	<u>\$ 480,620</u>	<u>\$ 577,395</u>

Note 1: Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Note 2: The allowance for inventory valuation including finishing goods \$28,273 thousand, work in process \$27,263 thousand and raw materials \$21,282 thousand.

INNOCARE OPTOELECTRONICS CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars)

Name of Investee Company	Balance, January 1, 2024		Changes for the Year					Balance, December 31, 2024		
	Shares	Amount	Shares	Amount	Increase (Decrease) in Using the Equity Method	Exchange Differences on Translation of Foreign Operations	Other	Shares	%	Amount
Subsidiaries										
InnoCare Optoelectronics Japan Co., Ltd.	30,010	\$ 126,134	-	\$ -	\$ 17,351	\$ (4,420)	\$ -	30,010	100	\$139,065
Ningbo Innolux Electronics Ltd.	-	122,138	-	-	(1,497)	6,340	-	-	100	126,981
InnoCare Optoelectronics USA, INC. (Note)	900,000	25,925	-	-	8,670	2,698	(1,958)	900,000	100	35,335
InnoCare Optoelectronics Europe B.V.	500	3,431	-	-	506	8	-	500	100	3,945
		<u>\$ 277,628</u>		<u>\$ -</u>	<u>\$ 25,030</u>	<u>\$ 4,626</u>	<u>\$ (1,958)</u>			<u>\$ 305,326</u>

Note: Other represented realized gain on the transactions with subsidiaries \$11,229 thousand and unrealized gain on the transactions with subsidiaries \$13,187 thousand.

INNOCARE OPTOELECTRONICS CORPORATION

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars)

Name	Loan Period	Interest Rates (%)	Amount	Collateral or Warranty
Bank of Taiwan	2024.12.27-2025.01.08	1.886	<u>\$ 100,000</u>	None

INNOCARE OPTOELECTRONICS CORPORATION

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Company S3	\$ 25,995
Company JA	24,314
Company S1	17,497
Company S4	11,793
Company S10	10,819
Others (Note)	<u>47,278</u>
	<u>\$ 137,696</u>

Note: The amount of individual vendor does not exceed 5% of the account balance.

INNOCARE OPTOELECTRONICS CORPORATION

**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)**

Item	Quantity	Amount
Revenue from X-ray flat panel detector device	44,734	\$ 1,219,016
Revenue from X-ray flat panel detector module	8,184	562,559
Others	62,635	<u>19,370</u>
		<u>\$ 1,800,945</u>

INNOCARE OPTOELECTRONICS CORPORATION**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)**

Item	Amount
Balance at beginning of year	\$ 139,532
Add: Raw materials purchased	619,663
Less: Raw materials, end of year	(136,805)
Raw materials sold	(5,650)
Transferred to expenses	<u>(14,965)</u>
Raw materials used	601,775
Direct labor	85,963
Manufacturing expenses	<u>669,864</u>
Manufacturing costs	1,357,602
Add: Work in process, beginning of year	295,020
Less: Work in process, end of year	<u>(275,898)</u>
Cost of finished goods	1,376,724
Add: Finished goods, beginning of year	175,810
Finished goods purchased	6,654
Less: Finished goods, end of year	(144,735)
Transferred to expenses	<u>(40,341)</u>
	1,374,112
Raw materials sold	5,650
Write-down of inventories	<u>10,178</u>
Operating costs	<u><u>\$ 1,389,940</u></u>

INNOCARE OPTOELECTRONICS CORPORATION**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)**

Item	Selling and marketing Expenses	General and Administrative Expenses	Research and Development Expense	Total
Payroll	\$ 17,820	\$ 49,431	\$ 131,687	\$ 198,938
Professional service fees	12,499	12,267	1,741	26,507
Advertisement expenses	2,977	1,670	9	4,656
Sample expenses	1,159	-	-	1,159
Insurance expenses	3,116	5,014	10,539	18,669
Depreciation expenses	404	4,772	20,058	25,234
Consumables	-	-	24,852	24,852
Testing expense	-	16	13,808	13,824
Others (Note)	<u>8,243</u>	<u>26,251</u>	<u>68,179</u>	<u>102,673</u>
	<u>\$ 46,218</u>	<u>\$ 99,421</u>	<u>\$ 270,873</u>	<u>\$ 416,512</u>

Note: The amount of each item in others does not exceed 5% of the amount balance.

INNOCARE OPTOELECTRONICS CORPORATION

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024			2023		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expenses (Note)						
Salary expenses	\$ 148,247	\$ 198,938	\$ 347,185	\$ 148,199	\$ 202,291	\$ 350,490
Labor and health insurance	13,323	15,247	28,570	13,322	14,964	28,286
Pension	6,561	8,999	15,560	6,316	8,655	14,971
Remuneration to directors	-	2,840	2,840	-	2,919	2,919
Other employee benefits expense	7,148	7,247	14,395	6,600	6,773	13,373
	<u>\$ 175,279</u>	<u>\$ 233,271</u>	<u>\$ 408,550</u>	<u>\$ 174,437</u>	<u>\$ 235,602</u>	<u>\$ 410,039</u>
Depreciation	<u>\$ 46,977</u>	<u>\$ 25,234</u>	<u>\$ 72,211</u>	<u>\$ 53,711</u>	<u>\$ 19,740</u>	<u>\$ 73,451</u>
Amortization	<u>\$ 8</u>	<u>\$ 4,000</u>	<u>\$ 4,008</u>	<u>\$ 8</u>	<u>\$ 2,751</u>	<u>\$ 2,759</u>

Note

- 1: As of December 31, 2024 and 2023, the Corporation had 330 and 333 employees, respectively, with 7 non-employee directors in both years.
- 2: Additional information is disclosed as follows:
 - a. The average employee benefit expenses for the current year is \$1,256 thousand. The average employee benefit expenses for the previous year was \$1,249 thousand.
 - b. The average employee salary expenses for the current year is \$1,075 thousand. The average employee salary expenses for the previous year was \$1,075 thousand.
 - c. There was no crucial change in the average salaries and wages from prior year to the current year.
 - d. The Company did not have supervisors. Therefore, there were no compensation paid to supervisor.
 - e. The compensation and remuneration policies of the Company.

Director

The Company's remuneration of directors follows the "Remuneration Measures for Directors and Functional Committees" and is determined according to operational development and industry standards. If the Company makes annual profit, it shall be determined within the scope stipulated in the Company's Articles of Association and shall be submitted to the board of directors for resolution after being reviewed by the remuneration committee.

Managers

The remuneration committee comprehensively considers the Company's operating performance, non-financial contribution and performance, and the responsibilities and contributions of managers, and make decisions after considering market standards, and submit them to the board of directors for resolution.

Employees

The Company attaches great importance to the treatment and benefits of employees. Good salary and benefits can effectively recruit and retain talents and motivate employees' performance, which in turn affects the operational efficiency and cost of the organization. Therefore, it is committed to building a salary system that is internally reasonable and externally competitive. Based on the position, academic experience, professional years and work performance, and considering the comparison of external market salary survey results, the Company plans competitive salary, which is not subject to differences in gender, age, marriage, race, nationality, religion, political and other factors. The Company is committed to a high-quality working environment with comprehensive benefits. When the Company makes a profits in the year, the remuneration committee reviews the accrual amount of compensation of employees within the scope stipulated in the Company's Articles and then submit it to the board of directors for resolution.