

DIVA Laboratories, Ltd. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates for the year ended December 31, 2023.

Very truly yours,

DIVA LABORATORIES, LTD.

By:

February 29, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Diva Laboratories, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Diva Laboratories, Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2023 is described as follows:

Occurrence and Existence of Operating Revenue

In 2023, the Group's consolidated operating revenue decreased by 6% compared with the previous year. During 2023, there were positive growth rates in operating revenue from some customers. Since there is an inherent risk in revenue recognition, we identified the occurrence and existence of operating revenue of the aforementioned customers in 2023 as the key audit matter.

We performed the following audit procedures in respect of the above mentioned key audit matters:

1. We obtained an understanding of the design of the internal controls and operating procedures regarding the sales transaction cycle, and checked the operating effectiveness of those internal control operations.
2. We selected appropriate samples from the sales transactions and inspected the transactions of operating revenue to confirm their existence.

Other Matter

We have also audited the parent company only financial statements of Diva Laboratories, Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Shu-Chuan Yeh and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 29, 2024

Notice to Readers

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

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

DIVA LABORATORIES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 536,925	43	\$ 346,366	28
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	4,368	-	7	-
Notes receivable, net (Notes 4, 9 and 23)	-	-	410	-
Accounts receivable, net (Notes 4, 9 and 23)	202,613	16	242,529	19
Accounts receivables from related parties (Notes 23 and 29)	512	-	38,954	3
Other receivables (Note 9)	6,982	1	12,465	1
Other receivables from related parties (Note 29)	2,857	-	4,668	-
Current tax assets (Notes 4 and 25)	238	-	2,413	-
Inventories (Notes 4 and 10)	196,205	16	319,300	26
Prepayments (Note 29)	4,860	1	8,421	1
Other current assets (Note 17)	845	-	853	-
Total current assets	<u>956,405</u>	<u>77</u>	<u>976,386</u>	<u>78</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	4,611	-	3,020	-
Investments accounted for using the equity method (Notes 4 and 12)	-	-	3,303	-
Property, plant and equipment (Notes 4, 13 and 31)	223,956	18	225,291	18
Right-of-use assets (Notes 4 and 14)	7,502	1	278	-
Goodwill (Notes 4 and 15)	-	-	-	-
Intangible assets (Notes 4 and 16)	743	-	1,312	-
Deferred tax assets (Notes 4 and 25)	47,326	4	38,272	3
Other non-current assets (Notes 17 and 30)	3,190	-	3,936	1
Total non-current assets	<u>287,328</u>	<u>23</u>	<u>275,412</u>	<u>22</u>
TOTAL	<u>\$ 1,243,733</u>	<u>100</u>	<u>\$ 1,251,798</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	\$ -	-	\$ 748	-
Contract liabilities (Notes 4, 23 and 29)	9,107	1	8,813	1
Accounts payables (Note 18)	60,802	5	84,919	7
Accounts payables to related parties (Note 29)	263	-	234	-
Other payables (Note 19)	79,294	6	88,259	7
Other payables to related parties (Note 29)	10,196	1	8,485	1
Current tax liabilities (Notes 4 and 25)	22,024	2	24,348	2
Provisions - current (Notes 4 and 20)	8,403	-	6,912	-
Lease liabilities - current (Notes 4 and 14)	2,532	-	130	-
Other current liabilities (Note 19)	10,688	1	11,743	1
Total current liabilities	<u>203,309</u>	<u>16</u>	<u>234,591</u>	<u>19</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 25)	874	-	-	-
Lease liabilities - non-current (Notes 4 and 14)	4,973	1	153	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	185	-	872	-
Credit balance of investments accounted for using the equity method (Notes 4 and 12)	1,590	-	-	-
Total non-current liabilities	<u>7,622</u>	<u>1</u>	<u>1,025</u>	<u>-</u>
Total liabilities	<u>210,931</u>	<u>17</u>	<u>235,616</u>	<u>19</u>
EQUITY (Note 22)				
Ordinary shares	600,906	48	617,591	49
Capital surplus	393,583	32	399,999	32
Retained earnings				
Legal reserve	17,925	2	12,853	1
Special reserve	9,257	1	10,000	1
Unappropriated earnings	64,835	5	84,909	7
Total retained earnings	92,017	8	107,762	9
Other equity	(7,717)	(1)	(9,257)	(1)
Treasury shares	(45,987)	(4)	(99,913)	(8)
Total equity	<u>1,032,802</u>	<u>83</u>	<u>1,016,182</u>	<u>81</u>
TOTAL	<u>\$ 1,243,733</u>	<u>100</u>	<u>\$ 1,251,798</u>	<u>100</u>

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

DIVA LABORATORIES, LTD. AND SUBSIDIARIES

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

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23, 29 and 34)	\$ 893,844	100	\$ 949,204	100
OPERATING COSTS (Notes 10, 16, 24 and 29)	<u>643,071</u>	<u>72</u>	<u>683,073</u>	<u>72</u>
GROSS PROFIT	250,773	28	266,131	28
UNREALIZED GAIN ON TRANSACTIONS	-	-	(459)	-
REALIZED GAIN ON TRANSACTIONS	<u>2,169</u>	<u>-</u>	<u>-</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>252,942</u>	<u>28</u>	<u>265,672</u>	<u>28</u>
OPERATING EXPENSES (Notes 9, 14, 16, 21 and 24)				
Selling expenses	36,927	4	48,785	5
General and administrative expenses	48,084	5	48,913	5
Research and development expenses	69,158	8	82,619	9
Expected credit loss	<u>6,621</u>	<u>1</u>	<u>525</u>	<u>-</u>
Total operating expenses	<u>160,790</u>	<u>18</u>	<u>180,842</u>	<u>19</u>
PROFIT FROM OPERATIONS	<u>92,152</u>	<u>10</u>	<u>84,830</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 24)	4,374	1	761	-
Other income (Notes 24 and 29)	6,656	1	8,389	1
Finance cost (Notes 14 and 24)	(329)	-	(201)	-
Share of profit or loss of associates	(7,156)	(1)	(1,025)	-
(Loss) gain on disposal of property, plant and equipment, net	(66)	-	928	-
Net gain on financial assets at fair value through profit or loss (Notes 4 and 7)	9,207	1	5,371	-
Other expense	-	-	-	-
Foreign exchange gain (loss), net (Notes 4, 24 and 32)	1,163	-	28,702	3
Net gain (loss) on financial liability at fair value through profit or loss (Notes 4 and 7)	(18,232)	(2)	(30,837)	(3)
Impairment loss (Notes 12, 15, 16 and 24)	<u>-</u>	<u>-</u>	<u>(29,275)</u>	<u>(3)</u>
Total non-operating income and expenses	<u>(4,383)</u>	<u>-</u>	<u>(17,187)</u>	<u>(2)</u>

(Continued)

DIVA LABORATORIES, LTD. AND SUBSIDIARIES

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

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

	2023		2022	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 87,769	10	\$ 67,643	7
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(14,152)</u>	<u>(2)</u>	<u>(17,982)</u>	<u>(2)</u>
NET INCOME	<u>73,617</u>	<u>8</u>	<u>49,661</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 8, 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	131	-	1,063	-
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	1,591	-	(1,276)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(51)</u>	<u>-</u>	<u>2,019</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>1,671</u>	<u>-</u>	<u>1,806</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 75,288</u>	<u>8</u>	<u>\$ 51,467</u>	<u>5</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 73,617</u>	<u>8</u>	<u>\$ 49,661</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 75,288</u>	<u>8</u>	<u>\$ 51,467</u>	<u>5</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS: Note 26)				
Basic	<u>\$ 1.25</u>		<u>\$ 0.85</u>	
Diluted	<u>\$ 1.25</u>		<u>\$ 0.84</u>	

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

(Concluded)

DIVA LABORATORIES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company										Other Equity (Notes 8 and 22)			Total Equity
	Ordinary Shares (Note 22)		Capital Surplus (Note 22)				Retained Earnings (Notes 22 and 25)			Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares (Note 22)		
	Number of Shares (In Thousand)	Amounts	Issuance of Shares	Employee Share Options	Share Options	Other	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2022	61,759	\$ 617,591	\$ 371,852	\$ 6,767	\$ 9,654	\$ 11,726	\$ 10,848	\$ 2,737	\$ 65,160	\$ (2,296)	\$ (7,704)	\$ (99,913)	\$ 986,422	
Appropriation of 2021 earnings														
Legal reserve	-	-	-	-	-	-	2,005	-	(2,005)	-	-	-	-	
Special reserve	-	-	-	-	-	-	-	7,263	(7,263)	-	-	-	-	
Cash dividends - NT\$0.37 per share	-	-	-	-	-	-	-	-	(21,707)	-	-	-	(21,707)	
Total	-	-	-	-	-	-	2,005	7,263	(30,975)	-	-	-	(21,707)	
Net income for the year ended December 31, 2022	-	-	-	-	-	-	-	-	49,661	-	-	-	49,661	
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	-	-	1,063	2,019	(1,276)	-	1,806	
BALANCE AT DECEMBER 31, 2022	61,759	617,591	371,852	6,767	9,654	11,726	12,853	10,000	84,909	(277)	(8,980)	(99,913)	1,016,182	
Appropriation of 2022 earnings														
Legal reserve	-	-	-	-	-	-	5,072	-	(5,072)	-	-	-	-	
Special reserve	-	-	-	-	-	-	-	(743)	743	-	-	-	-	
Cash dividends - NT\$1.00 per share	-	-	-	-	-	-	-	-	(58,668)	-	-	-	(58,668)	
Total	-	-	-	-	-	-	5,072	(743)	(62,997)	-	-	-	(58,668)	
Cancellation of treasury shares	(1,668)	(16,685)	(6,416)	-	-	-	-	-	(30,825)	-	-	53,926	-	
Net income for the year ended December 31, 2023	-	-	-	-	-	-	-	-	73,617	-	-	-	73,617	
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	-	-	131	(51)	1,591	-	1,671	
BALANCE AT DECEMBER 31, 2023	60,091	\$ 600,906	\$ 365,436	\$ 6,767	\$ 9,654	\$ 11,726	\$ 17,925	\$ 9,257	\$ 64,835	\$ (328)	\$ (7,389)	\$ (45,987)	\$ 1,032,802	

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

DIVA LABORATORIES, LTD. AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 87,769	\$ 67,643
Adjustments for:		
Depreciation expense	8,295	7,300
Amortization expense	769	2,795
Expected credit loss recognized	6,621	525
Loss on financial assets at fair value through profit or loss, net	9,025	25,466
Finance cost	329	201
Interest income	(4,374)	(761)
Share of profit or loss of associates	7,156	1,025
Loss (gain) on disposal of property, plant and equipment, net	66	(928)
Impairment loss	-	29,275
Write-down of inventories	33,841	5,006
Realized (loss) gain on transactions with associates	(2,169)	459
Net changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	4,846	5,607
Notes receivable	410	(410)
Accounts receivable	40,553	(107,692)
Account receivable from related parties	29,589	16,121
Other receivables	7,134	(2,013)
Other receivables from related parties	1,811	(2,514)
Inventories	89,179	28,012
Prepayments	3,556	3,144
Other current assets	8	6,065
Financial liabilities at fair value through profit or loss	(18,980)	(30,220)
Contract liabilities	294	2,609
Accounts payable	(24,117)	(16,608)
Accounts payable to related parties	29	(2,114)
Other payables	(7,839)	27,495
Other payables to related parties	1,711	7,178
Provisions	1,491	484
Other current liabilities	(1,055)	4,044
Net defined benefit liabilities	(523)	(492)
Cash generated from operations	275,425	76,702
Income tax paid	(22,512)	(3,515)
Net cash generated from operating activities	<u>252,913</u>	<u>73,187</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(117)	(7,052)
Proceeds from sale of financial assets at amortized cost	117	7,770
Proceeds from sale of financial assets at fair value through profit or loss	-	-
Payments for property, plant and equipment	(7,486)	(10,344)

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DIVA LABORATORIES, LTD. AND SUBSIDIARIES

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

	2023	2022
Proceeds from disposal of property, plant and equipment	\$ -	\$ 5,410
Increase in refundable deposits	-	(464)
Decrease in refundable deposits	225	-
Payments for intangible assets	(200)	(1,073)
Interest received	<u>4,257</u>	<u>707</u>
Net cash used in investing activities	<u>(3,204)</u>	<u>(5,046)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	240,000	175,000
Repayments of short-term borrowings	(240,000)	(175,000)
Repayment of the principal portion of lease liabilities	(130)	(128)
Dividends paid	(58,668)	(21,707)
Interest paid	<u>(329)</u>	<u>(201)</u>
Net cash used in financing activities	<u>(59,127)</u>	<u>(22,036)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(23)</u>	<u>986</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	190,559	47,091
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>346,366</u>	<u>299,275</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 536,925</u>	<u>\$ 346,366</u>

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

(Concluded)

DIVA LABORATORIES, LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

DIVA Laboratories, Ltd. (the “Company”) was incorporated in the Republic of China (ROC) on April 11, 1995 after approval was obtained from the Ministry of Economic Affairs. The Company is mainly engaged in the sale, manufacturing and development of medical equipment and computer related devices.

The Company has obtained approval for public offering by the Financial Supervisory Commission on August 18, 2010. The Company’s shares were listed and have been trading on the Emerging Stock Board (ESB) of the Taipei Exchange (TPEX) since October 11, 2010 and its shares have been trading on the Taipei Exchange since May 23, 2013.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on February 29, 2024.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (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 the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies and financial performance.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Group’s consolidated financial position and financial performance.

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs, 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 the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 11, Tables 3 and 4 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

f. Foreign currencies

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

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

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates in other countries that use currencies different from the currency of the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest that includes a foreign operation of which the retained interest becomes a financial asset, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

Inventories consist of raw materials, work in progress and finished goods and are stated at the lower of cost or net realizable value. 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 the weighted-average cost.

h. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associates are recognized in the consolidated financial statements only to the extent of interests in the associates that are not related to the Group.

i. Property, plant and equipment

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

Except for freehold land which is not depreciated, 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 method are reviewed at the end of each reporting period, with the effect of any changes in estimate 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.

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. 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 life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

l. Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

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

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 asset or cash-generating unit 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 for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at fair value through other comprehensive income (“FVTOCI”).

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in other profit or loss. Fair value is determined in the manner described in Note 28: Financial Instruments.

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, including cash and cash equivalents, trade receivable at amortized cost, account receivable - related parties, other receivable, other receivable - related parties and refundable deposit are measured at amortized cost, which equals the gross carrying amount determined using 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 such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets.

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses ("ECLs") on financial assets at amortized cost (including accounts receivables) on each reporting date.

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. 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 purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt or equity instruments issued by a group entity 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 a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses/any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

n. Provisions

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

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

o. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Sales revenue comes from sales of medical and industrial monitors, and are recognized as revenue when the goods are delivered to the customer and the customer has full discretion over the price to sell the goods, right to use the goods, and bears the risks of obsolescence. Accounts receivable are recognized concurrently. The transaction price received under the conditions of a contract is recognized as a contract liability until the goods have been delivered to the customer.

Revenue from merchandise sales comes from sales of medical and industrial displays. Since the customer has the right to set the price and use of the product at the time of shipment or arrival of the display, and has the primary responsibility for resale of the product, and bears the risk of obsolescence of the product, the Group recognizes revenue and accounts receivable at that time. Advance payments received for the sale of goods are recognized as contractual liabilities before the shipment of products or before they arrive.

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

p. Leases

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

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by 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 (the initial measurement of lease liabilities). 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 consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments (fixed 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 lessee's incremental borrowing rate will be used.

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 future lease payments resulting from a change in a lease term, the Group remeasures the lease liability with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of a right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 pandemic to change the lease payments originally due by June 30, 2022, with no substantive changes to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

q. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

r. 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 an expense when employees have rendered service 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, past service cost, as well as gains and losses on settlements) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs/or when the settlement occurs. Remeasurement (including actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets excluding interest) is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

s. Taxation

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

1) Current tax

Income tax payable is based on taxable profit 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 as income tax 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 carry forward and unused tax credits for investments to the extent that it is probable that taxable profits 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, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits 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 profits will be available to allow all or part of the asset 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax

Current and deferred tax 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 and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When developing material accounting estimates, the Group considers the possible impact of fluctuations in market interest rates and foreign exchange markets on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Based on the assessment of the Group's management, the accounting policies, estimates, and assumptions adopted by the Group have not been subject to material accounting judgements, estimates and assumptions uncertainty.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2023	2022
Cash on hand and petty cash	\$ 225	\$ 117
Bank demand deposits	146,700	127,817
Cash equivalents		
Time deposits with original maturities of 3 months or less	<u>390,000</u>	<u>218,432</u>
	<u>\$ 536,925</u>	<u>\$ 346,366</u>

The interest rates for bank deposits and cash equivalents as of the balance sheet date were as follows:

	<u>December 31</u>	
	2023	2022
Bank deposits and cash equivalents	0.001%-3.80%	0.001%-2.88%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2023	2022
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	\$ -	\$ -
Derivative instruments (not under hedge accounting)		
Foreign exchange forward contracts	<u>4,368</u>	<u>7</u>
	<u>\$ 4,368</u>	<u>\$ 7</u>
<u>Financial liabilities - current</u>		
Held for trading		
Derivative instruments (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 748</u>

The amount of the fair value changes of financial assets designated as at FVTPL for the years ended December 31, 2023 and 2022 included the gain on the fair value of financial asset of \$9,207 thousand and \$5,371 thousand, respectively, and the amount of the fair value changes of financial liabilities designated as at FVTPL for the years ended December 31, 2023 and 2022 included the loss on the fair value of financial instruments of \$(18,232) thousand and \$(30,837) thousand, respectively.

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

December 31, 2023

	Currency	Maturity Date	Contract Amount (In Thousands)
Sell	USD/NTD	2024.01.08-2024.01.26	USD7,100/NTD221,930

December 31, 2022

	Currency	Maturity Date	Contract Amount (In Thousands)
Sell	USD/NTD	2023.01.03-2023.01.30	USD8,420/NTD257,632

The Group entered into foreign exchange forward contracts to hedge against the exchange risks on foreign currency assets and liabilities. Since these contracts did not meet the criteria for hedge accounting, the Group did not apply hedge accounting treatment for these foreign exchange forward contracts.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2023	2022
<u>Non-current</u>		
Investments in equity instruments		
Unlisted shares	\$ <u>4,611</u>	\$ <u>3,020</u>

The ordinary shares of Insight Genomics Inc. and Renown Information Technology Corp. are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments 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.

The unrealized gain or (loss) on the change of financial assets at FVTOCI was \$1,591 thousand and \$(1,276) thousand for the years ended December 31, 2023 and 2022, respectively.

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31</u>	
	2023	2022
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>-</u>	\$ <u>410</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 203,443	\$ 244,061
Less: Allowance for impairment loss	<u>(830)</u>	<u>(1,532)</u>
	<u>\$ 202,613</u>	<u>\$ 242,529</u>
<u>Other receivables</u>		
Gross carrying amount	\$ 6,982	\$ 14,583
Less: Allowance for impairment loss	<u>-</u>	<u>(2,118)</u>
	<u>\$ 6,982</u>	<u>\$ 12,465</u>

a. Accounts receivable

The average credit period of receivables are 30 days from the end of the month to 160 days. No interest is charged on trade receivables.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default records of the customer, the customer's current financial position and economic condition of the industry in which the customer operates. As there are different loss patterns for various customer segments, the Group uses different provision matrixes based on historical experience, the customer's individual current financial position and the competitive advantages and prospects of the industry in which the customer operates.

The Group writes off a receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. e.g. when the debtor has been placed under liquidation. For receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix:

December 31, 2023

	Counterparties without Sign of Default					Counterparties with Sign of Default	Total
	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due		
Expected credit loss rate	0%	0%	0%	0%	100%	100%	
Gross carrying amount	\$ 190,953	\$ 11,397	\$ 263	\$ -	\$ -	\$ 830	\$ 203,443
Loss allowance (Lifetime ECLs)	-	-	-	-	-	(830)	(830)
Amortized cost	<u>\$ 190,953</u>	<u>\$ 11,397</u>	<u>\$ 263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,613</u>

December 31, 2022

	Counterparties without Sign of Default					Counterparties with Sign of Default	Total
	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due		
Expected credit loss rate	0%-0.94%	0%-1.59%	0%-44.76%	0%-68.15%	100%	100%	
Gross carrying amount	\$ 240,798	\$ 2,032	\$ -	\$ -	\$ 370	\$ 861	\$ 244,061
Loss allowance (Lifetime ECLs)	(274)	(27)	-	-	(370)	(861)	(1,532)
Amortized cost	<u>\$ 240,524</u>	<u>\$ 2,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,529</u>

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 1,532	\$ 3,081
Add: Net remeasurement of loss allowance	-	525
Less: Net remeasurement of loss allowance	(689)	-
Less: Reclassify to other receivable impairment loss	-	(2,162)
Foreign exchange gains and losses	<u>(13)</u>	<u>88</u>
Balance at December 31	<u>\$ 830</u>	<u>\$ 1,532</u>

b. Other receivable - other

In determining the recoverability of other receivables, the Group measures the allowance loss of other receivables according to the probability of collection of accounts, and after assessing the debtor's operating conditions and the possibility of recovery of accounts, the accounts that cannot be collected are included in the loss allowance.

The movements of the loss allowance of other receivables were as follows:

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 2,118	\$ -
Add: Reclassified from impairment loss of accounts receivable	-	2,162
Less: Net remeasurement of loss allowance	(1,543)	-
Less: Amounts written off	(585)	-
Foreign exchange gains and losses	<u>10</u>	<u>(44)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 2,118</u>

10. INVENTORIES

	December 31	
	2023	2022
Finished goods	\$ 67,852	76,821
Work in process	27,332	59,506
Raw materials	<u>101,021</u>	<u>182,973</u>
	<u>\$ 196,205</u>	<u>\$ 319,300</u>

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

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 607,515	\$ 671,442
Write-down of inventories	33,841	5,006
Others	<u>1,715</u>	<u>6,625</u>
	<u>\$ 643,071</u>	<u>\$ 683,073</u>

11. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership	
			December 31 2023	December 31 2022
DIVA Laboratories. Ltd.	DIVA Laboratories U.S., LLC.	Sales of monitor	100.00	100.00
	DIVA Laboratories GmbH	Sales of monitor	100.00	100.00
	Panoramic Imaging Solutions Inc. (Note)	Sales of monitor	100.00	100.00
Diva Capital Inc.	Diva Capital Inc.	Reinvestment	100.00	100.00
	Diva Holding Inc.	Reinvestment	100.00	100.00
Diva Holding Inc.	Suzhou Diva Lab. Inc.	Wholesale and import and export of medical equipment	100.00	100.00

Note: On March 2, 2023, the Company's board of directors resolved to dissolve and liquidate its subsidiary, Panoramic Imaging Solutions Inc., and as of February 29, 2024, the liquidation proceedings have not yet been completed.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associate(s)	December 31	
	2023	2022
Material associate		
The Linden Group Corp.	\$ -	\$ 3,303
Associate that is not individually material		
QUBYX Limited	-	-
	<u>\$ -</u>	<u>\$ 3,303</u>
Credit balance of long-term equity investment		
Investments in associates	<u>\$ (1,590)</u>	<u>\$ -</u>

a. Material associate

Name of Associates	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights	
			December 31 2023	December 31 2022
The Linden Group Corp.	Sales of monitor	U.S.	19%	19%

Refer to Table 3 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associate.

The Group owned less than 20% of The Linden Group Corp.'s shares, but the Group is still able to exercise significant influence over The Linden Group Corp. since the transaction amount between them is material to The Linden Group Corp.

The Linden Group Corp., accounted for using the equity method by the Group, used a discount rate of 12.11% and 12.35% in the second and fourth quarters in 2022 due to the expected decrease in overall future cash inflows resulting in a decrease in the recoverable amount of the investment. The Group assessed impairment losses of \$7,000 thousand and \$15,715 thousand on its investment in The Linden Group Corp. in the second and fourth quarters in 2022, respectively, and the cumulative impairment loss at December 31, 2023 was \$25,787 thousand.

b. Associate that is not individually material

On November 13, 2017, the board of directors of the Company approved the Company's investment of EUR500 thousand in QUBYX Limited within the limit authorized by the Chairman on August 25, 2017, and acquired 60% of the equity of QUBYX Limited, and QUBYX Limited held 100% of the equity of QUBYX LTD. Although the shareholding ratio of the Group in QUBYX Limited was 60%, because it could not obtain the necessary information to exercise its rights, the management of the Group in the fourth quarter of 2017 considered that it only had significant influence on the Company, and therefore it was listed as an associate of the Group.

QUBYX Limited has fully recorded impairment loss of \$17,815 thousand in 2017 due to the inability of the Group to obtain the necessary information to exercise its rights. Therefore, the management of the Group's management believes that the failure to obtain the financial reports of the above-mentioned investee companies has not yet had a material impact.

On March 11, 2019, the board of directors of the Company approved a supplementary agreement signed between the Company and the shareholder with 40% interest in QUBYX Limited, stipulating that the shareholder would transfer his interest in QUBYX Software Technologies Inc to a 100% owned subsidiary of QUBYX Limited without compensation, and completed the change registration on March 19, 2019.

Marc Leppla, the former principal of QUBYX Limited, has now filed a bankruptcy claim with the court for QUBYX Limited. The Group has received the bankruptcy liquidation notice documents on July 3, 2020. On November 2, 2023, the liquidation report has been obtained and the liquidation proceedings were completed.

In addition to the above effects, the calculation of the investments accounted for the equity method and the share of profit or loss and other comprehensive income of the investments were based on the associates' audited financial statements for the years ended December 31, 2023 and 2022.

13. PROPERTY, PLANT AND EQUIPMENT

<u>Cost</u>	<u>Freehold Land</u>	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Business Equipment</u>	<u>Mold Equipment</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2023	\$ 154,922	\$ 85,423	\$ -	\$ 30,356	\$ 56,481	\$ 18,919	\$ 346,101
Additions	-	-	2,120	1,929	2,850	-	6,899
Disposals	-	-	-	(798)	(2,140)	(59)	(2,997)
Effects of foreign currency exchange differences	-	-	-	(4)	-	2	(2)
Balance at December 31, 2023	<u>\$ 154,922</u>	<u>\$ 85,423</u>	<u>\$ 2,120</u>	<u>\$ 31,483</u>	<u>\$ 57,191</u>	<u>\$ 18,862</u>	<u>\$ 350,001</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ (28,663)	\$ -	\$ (23,678)	\$ (54,740)	\$ (13,729)	\$ (120,810)
Disposals	-	(2,373)	(265)	(1,861)	(1,343)	(2,325)	(8,167)
Depreciation expenses	-	-	-	732	2,140	59	2,931
Effects of foreign currency exchange differences	-	-	-	1	-	-	1
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ (31,036)</u>	<u>\$ (265)</u>	<u>\$ (24,806)</u>	<u>\$ (53,943)</u>	<u>\$ (15,995)</u>	<u>\$ (126,045)</u>
Carrying amount at December 31, 2023	<u>\$ 154,922</u>	<u>\$ 54,387</u>	<u>\$ 1,855</u>	<u>\$ 6,677</u>	<u>\$ 3,248</u>	<u>\$ 2,867</u>	<u>\$ 223,956</u>

(Continued)

	Freehold Land	Buildings	Transportation Equipment	Business Equipment	Mold Equipment	Others	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 154,922	\$ 85,423	\$ -	\$ 29,314	\$ 55,149	\$ 16,851	\$ 341,659
Additions	-	-	-	1,258	5,594	2,941	9,793
Disposals	-	-	-	(220)	(4,262)	(873)	(5,355)
Effects of foreign currency exchange differences	-	-	-	4	-	-	4
Balance at December 31, 2022	<u>\$ 154,922</u>	<u>\$ 85,423</u>	<u>\$ -</u>	<u>\$ 30,356</u>	<u>\$ 56,481</u>	<u>\$ 18,919</u>	<u>\$ 346,101</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ (26,289)	\$ -	\$ (22,035)	\$ (53,815)	\$ (12,371)	\$ (114,510)
Depreciation expenses	-	(2,374)	-	(1,641)	(925)	(2,231)	(7,171)
Disposals	-	-	-	-	-	873	873
Effects of foreign currency exchange differences	-	-	-	(2)	-	-	(2)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ (28,663)</u>	<u>\$ -</u>	<u>\$ (23,678)</u>	<u>\$ (54,740)</u>	<u>\$ (13,729)</u>	<u>\$ (120,810)</u>
Carrying amount at December 31, 2022	<u>\$ 154,922</u>	<u>\$ 56,760</u>	<u>\$ -</u>	<u>\$ 6,678</u>	<u>\$ 1,741</u>	<u>\$ 5,190</u>	<u>\$ 225,291</u>

(Concluded)

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

Buildings	35 years
Transportation equipment	5 years
Business equipment	2-10 years
Mold equipment	2-3 years
Others	3-5 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amounts</u>		
Office equipment	\$ 150	\$ 278
Buildings	<u>7,352</u>	<u>-</u>
	<u>\$ 7,502</u>	<u>\$ 278</u>
<u>For the Year Ended December 31</u>		
	<u>2023</u>	<u>2022</u>
Addition to right-of-use assets	<u>\$ 7,352</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Office equipment	<u>\$ 128</u>	<u>\$ 129</u>

Except for the aforementioned addition and recognized depreciation, there was no material sublease agreement or impairment on the Group's right-of-use assets for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amounts</u>		
Current	\$ <u>2,532</u>	\$ <u>130</u>
Non-current	\$ <u>4,973</u>	\$ <u>153</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Office equipment	1.090%	1.090%
Buildings	2.023%	-

c. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	\$ <u>3,869</u>	\$ <u>5,985</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ <u>413</u>	\$ <u>571</u>
Total cash outflow for leases	\$ <u>(4,379)</u>	\$ <u>(5,971)</u>

The Group's leases of office, warehouse and parking lot qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

All lease commitments with lease terms commencing after the balance sheet dates are as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Lease commitments	\$ <u>7,712</u>	\$ <u>3,594</u>

15. GOODWILL

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Cost</u>		
Balance at January 1 and December 31	\$ <u>5,183</u>	\$ <u>5,183</u>
<u>Accumulated impairment losses</u>		
Balance at January 1	\$ 5,183	\$ -
Impairment losses recognized	_____ -	_____ 5,183
Balance at December 31	\$ <u>5,183</u>	\$ <u>5,183</u>
Carrying amount at December 31	\$ _____ -	\$ _____ -

The Group acquired Panoramic Imaging Solutions Inc. on January 1, 2015 and recognized goodwill of \$5,183 thousand relating to the department of medical and industrial monitors' expected benefit from developing the growth of high-end medical monitors. Due to poor economic conditions, the actual sales growth did not turn out as expected. The recoverable amount of Panoramic Imaging Solutions Inc. was lower than the related carrying amounts, which was determined based on a value in use calculation with an annual discount rate of 24.03%, and an impairment loss of \$4,500 thousand was recognized at the end of the second quarter in 2022.

Due to poor economic conditions, the Group's board of directors approved the liquidation of their subsidiary - Panoramic Imaging Solutions Inc on March 2, 2023. The recoverable amount is based on the liquidation value, along with the fair value of disposed assets after deducting the cost of disposal, which was measured by the Group. Therefore, an impairment loss on goodwill of \$683 thousand was recognized during the fourth quarter in 2022, and accumulated impairment loss of goodwill was \$5,183 thousand as of December 31, 2023.

16. INTANGIBLE ASSETS

	Patents	Computer Software Cost	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 9,872	\$ 36,746	\$ 46,618
Additions	-	200	200
Disposals	-	(5,003)	(5,003)
Balance at December 31, 2023	<u>\$ 9,872</u>	<u>\$ 31,943</u>	<u>\$ 41,815</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2023	\$ (9,872)	\$ (35,434)	\$ (45,306)
Amortization expenses	-	(769)	(769)
Disposals	-	5,003	5,003
Balance at December 31, 2023	<u>\$ (9,872)</u>	<u>\$ (31,200)</u>	<u>\$ (41,072)</u>
Carrying amount at December 31, 2023	<u>\$ -</u>	<u>\$ 743</u>	<u>\$ 743</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 9,872	\$ 35,758	\$ 45,630
Additions	-	1,073	1,073
Disposals	-	(85)	(85)
Balance at December 31, 2022	<u>\$ 9,872</u>	<u>\$ 36,746</u>	<u>\$ 46,618</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2022	\$ (7,433)	\$ (33,786)	\$ (41,219)
Amortization expenses	(1,062)	(1,733)	(2,795)
Disposals	-	85	85
Impairment losses recognized	(1,377)	-	(1,377)
Balance at December 31, 2022	<u>\$ (9,872)</u>	<u>\$ (35,434)</u>	<u>\$ (45,306)</u>
Carrying amount at December 31, 2022	<u>\$ -</u>	<u>\$ 1,312</u>	<u>\$ 1,312</u>

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Patents	10 years
Computer software cost	3-5 years

An analysis of amortization expenses by functions:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Operating costs	\$ 207	\$ 207
General and administrative expenses	433	1,744
Research and development expenses	<u>129</u>	<u>844</u>
	<u>\$ 769</u>	<u>\$ 2,795</u>

17. OTHER ASSETS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Temporary payments	\$ 10	\$ 19
Payment on behalf of others	<u>835</u>	<u>834</u>
	<u>\$ 845</u>	<u>\$ 853</u>
<u>Non-current</u>		
Prepayment for equipment	\$ 1,208	\$ 1,730
Refundable deposits	<u>1,982</u>	<u>2,206</u>
	<u>\$ 3,190</u>	<u>\$ 3,936</u>

18. ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Accounts payable</u>		
Operating	<u>\$ 60,802</u>	<u>\$ 84,919</u>

The average credit period on purchases of certain goods from abroad was 30-120 days from the end of the month.

19. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 28,842	\$ 27,484
Remuneration of employees and directors	7,286	5,634
Payables for processing fees	12,264	20,139
Payables for annual leave	5,600	6,056
Payables for professional service fees	4,148	4,652
Payables for shipping fees	2,837	1,099
Payables for equipment	-	1,109
Payables for others	<u>18,317</u>	<u>22,086</u>
	<u>\$ 79,294</u>	<u>\$ 88,259</u>
Other liabilities		
Temporary receipts	\$ 2,129	\$ 1,395
Receipts under custody	<u>8,559</u>	<u>10,348</u>
	<u>\$ 10,688</u>	<u>\$ 11,743</u>

20. PROVISIONS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Warranties	<u>\$ 8,403</u>	<u>\$ 6,912</u>
		Warranties
Balance at January 1, 2023		\$ 6,912
Additional provisions recognized		4,011
Amount used		<u>(2,520)</u>
Balance at December 31, 2023		<u>\$ 8,403</u>
Balance at January 1, 2022		\$ 6,428
Additional provisions recognized		4,258
Amount used		<u>(3,774)</u>
Balance at December 31, 2022		<u>\$ 6,912</u>

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

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group’s subsidiaries abroad are members of state-managed retirement benefit plans operated by the governments of their respective jurisdictions. The subsidiaries are required to contribute specific percentages of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% to 5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Group 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 Group 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 Group has no right to influence the investment policy and strategy.

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

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 15,691	\$ 16,482
Fair value of plan assets	<u>(15,506)</u>	<u>(15,610)</u>
Net defined benefit liability	<u>\$ 185</u>	<u>\$ 872</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2023	<u>\$ 16,482</u>	<u>\$ (15,610)</u>	<u>\$ 872</u>
Net interest expense (income)	<u>207</u>	<u>(200)</u>	<u>7</u>
Recognized in profit or loss	<u>207</u>	<u>(200)</u>	<u>7</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(125)	(125)
Actuarial loss - changes in financial assumptions	86	-	86
Actuarial gain - experience adjustments	<u>(125)</u>	<u>-</u>	<u>(125)</u>
Recognized in other comprehensive income	<u>(39)</u>	<u>(125)</u>	<u>(164)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Contributions from the employer	\$ <u>-</u>	\$ (530)	\$ (530)
Benefits paid	<u>(959)</u>	<u>959</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 15,691</u>	<u>\$ (15,506)</u>	<u>\$ 185</u>
Balance at January 1, 2022	<u>\$ 16,801</u>	<u>\$ (14,109)</u>	<u>\$ 2,692</u>
Net interest expense (income)	<u>109</u>	<u>(93)</u>	<u>16</u>
Recognized in profit or loss	<u>109</u>	<u>(93)</u>	<u>16</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,084)	(1,084)
Actuarial gain - changes in financial assumptions	(746)	-	(746)
Actuarial loss - experience adjustments	<u>502</u>	<u>-</u>	<u>502</u>
Recognized in other comprehensive income	<u>(244)</u>	<u>(1,084)</u>	<u>(1,328)</u>
Contributions from the employer	-	(508)	(508)
Benefits paid	<u>(184)</u>	<u>184</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 16,482</u>	<u>\$ (15,610)</u>	<u>\$ 872</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
General and administrative expenses	\$ <u>7</u>	\$ <u>16</u>

Through the defined benefit plans under the Labor Standards Act, the Group 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 salary 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 significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rates	1.20%	1.30%
Expected rates of salary increase	2.50%	2.50%

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

	December 31	
	2023	2022
Discount rates		
0.25% increase	<u>\$ (212)</u>	<u>\$ (279)</u>
0.25% decrease	<u>\$ 216</u>	<u>\$ 287</u>
Expected rates of salary increase		
1% increase	<u>\$ 883</u>	<u>\$ 1,220</u>
1% decrease	<u>\$ (829)</u>	<u>\$ (1,107)</u>

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

	December 31	
	2023	2022
Expected contributions to the plan for the next year	<u>\$ 478</u>	<u>\$ 547</u>
Average duration of the defined benefit obligation	7.3 years	9.5 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2023	2022
Shares authorized (in thousands of shares)	<u>100,000</u>	<u>100,000</u>
Shares authorized (in thousands of dollars)	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>60,091</u>	<u>61,759</u>
Shares issued and fully paid (in thousands of dollars)	<u>\$ 600,906</u>	<u>\$ 617,591</u>

The share issued had a par value of \$10 and the right of voting and receiving dividends.

The amount of shares reserved from shares for granting employee share options certificates, special shares with share options and corporate bonds with share options is 5000 thousand.

There were still 20,856 thousand privately placed common shares of the Company on December 31, 2023 and 2022. The rights and obligations of the shares issued by private placement will be the same as the issued and outstanding common shares of the Company. However, according to the Securities and Exchange Act, unless certain circumstances are met, the privately placed shares shall not be transferred freely until three years after the delivery of privately placed shares.

b. Capital surplus

- 1) Depending on the source, capital surplus arising from shares issued in excess of par value and donated assets (including share premiums from the issuance of ordinary shares and the conversion of bonds payable) may be used to offset a deficit; in addition, when the Company has no deficit, this capital surplus may be distributed as cash dividends, or may be transferred to share capital once a year within a certain percentage of the Company's capital surplus.
- 2) Capital surplus arising from investments accounted for using the equity method, employee stock options and stock options shall not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation (the "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 capital reserve 10% of the remaining profit, until the accumulated legal capital reserve equals the Company's paid-in share capital, setting aside or reversing a 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 in the shareholders' meeting for the 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 24-g.

The Company's Articles also stipulate that the dividends for shareholders shall be distributed annually at not less than 10% of the distributable surplus, but no distribution may be made if the accumulated distributable surplus is less than 10% of the paid-in share capital. Dividends may be distributed in the form of both cash dividends and share dividends; however, cash dividends are limited to 30% of the total dividends distributed.

The shareholders of the Company held their regular meeting on June 13, 2022 and in that meeting, resolved the amendments to the Articles. If the proposal for profit distribution is in cash, the amendments explicitly stipulate that the board of directors is authorized to resolve the distribution and a report of such distribution should be submitted in the shareholders' meeting.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. 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.

When a special reserve is appropriated for cumulative net debit balance reserves from the prior period, the sum of net profit for the current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient.

The appropriations of earnings for 2022 and 2021, which were approved in the shareholders' meetings on June 14, 2023 and June 13, 2022, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2022	2021
Legal reserve	<u>\$ 5,072</u>	<u>\$ 2,005</u>
(Reversal of) special reserve	<u>\$ (743)</u>	<u>\$ 7,263</u>
Cash dividends	<u>\$ 58,668</u>	<u>\$ 21,707</u>
Cash dividends per share (NT\$)	<u>\$ 1.00</u>	<u>\$ 0.37</u>

The appropriations of earnings for 2023, which were proposed by the Company's board of directors on February 29, 2024, were as follows:

	For the Year Ended December 31, 2023
Legal reserve	<u>\$ 4,292</u>
Reversal of special reserve	<u>\$ (1,540)</u>
Cash dividends	<u>\$ 62,083</u>
Cash dividends per share (NT\$)	<u>\$ 1.05820484</u>

In addition to the proposed cash dividend of NT\$1.05820484 per share from unappropriated earnings, the board of directors also proposed to further distribute cash in the amount of NT\$0.19179516 per share from capital surplus of NT\$11,252 thousand, The Company is expected to distribute NT\$1.25 in total for the year ended December 31, 2024.

The above appropriation for cash dividends has been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on May 31, 2024.

d. Special reserve

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 10,000	\$ 2,737
Appropriations in respect of		
Debits to other equity items	-	7,263
Reversal of special reserve		
Reversal of the debits to other equity items	<u>(743)</u>	<u>-</u>
Balance at December 31	<u>\$ 9,257</u>	<u>\$ 10,000</u>

e. Other equity items

1) Exchange differences on translation of foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ (277)	\$ (2,296)
Exchange differences on the translation of the net assets of foreign operations	<u>(51)</u>	<u>2,019</u>
Balance at December 31	<u>\$ (328)</u>	<u>\$ (277)</u>

2) Unrealized valuation loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ (8,980)	\$ (7,704)
Recognized for the year		
Unrealized gain or loss		
Equity investments (Note 8)	<u>1,591</u>	<u>(1,276)</u>
Balance at December 31	<u>\$ (7,389)</u>	<u>\$ (8,980)</u>

f. Treasury shares (in thousands)

	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2023	3,091
Decrease during the year	<u>(1,668)</u>
Number of shares at December 31, 2023	<u>1,423</u>
Number of shares at January 1, December 31, 2022	<u>3,091</u>

The Company's board of directors resolved to repurchase shares from the centralized market on October 31, 2018 to transfer them to employees. The buyback period was from November 1, 2018 to December 30, 2018. The Company repurchased a total of 2,000 thousand treasury shares (1,668 thousand shares after capital reduction) at a cost of \$61,301 thousand.

The Company's board of directors resolved to repurchase shares from the centralized market on March 20, 2020 to transfer them to employees. The buyback period was from March 23, 2020 to May 21, 2020. The Company repurchased a total of 1,705 thousand treasury shares (1,423 thousand shares after capital reduction) at a cost of \$43,973 thousand.

The Company's shareholders resolved in their meeting on May 28, 2020 to implement a cash capital reduction, and the benchmark date for capital reduction was set as August 24, 2020 with the authorization of the chairman. The Company's treasury shares were reduced by 614 thousand shares in accordance with the capital reduction ratio.

On November 2, 2023, the board of directors resolved to cancel 1,668 thousand shares of treasury stock, and the base date of capital reduction was December 27, 2023, and the registration of change was completed on January 16, 2024.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

23. REVENUE

	<u>For the Year Ended December 31</u>	
	2023	2022
Revenue from contracts with customers		
Revenue from the sale of goods	<u>\$ 893,844</u>	<u>\$ 949,204</u>

a. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable (Note 9)	<u>\$ -</u>	<u>\$ 410</u>	<u>\$ -</u>
Accounts receivable (Note 9)	<u>\$ 202,613</u>	<u>\$ 242,529</u>	<u>\$ 135,296</u>
Accounts receivable from related parties (Note 29)	<u>\$ 512</u>	<u>\$ 38,954</u>	<u>\$ 55,075</u>
Contract liabilities			
Sale of goods	<u>\$ 9,107</u>	<u>\$ 8,813</u>	<u>\$ 6,204</u>

Revenue in the current year that was recognized from the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods was summarized as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
From contract liabilities at the start of the year		
Sale of goods	<u>\$ 2,064</u>	<u>\$ 227</u>

b. Disaggregation of contract revenue

	<u>For the Year Ended December 31</u>	
	2023	2022
<u>Revenue recognized</u>		
At the shipping point	\$ 679,884	\$ 736,064
At the point of arrival	<u>213,960</u>	<u>213,140</u>
	<u>\$ 893,844</u>	<u>\$ 949,204</u>

24. NET PROFIT

Net profit for this year:

- a. Interest income

	For the Year Ended December 31	
	2023	2022
Interest income	\$ <u>4,374</u>	\$ <u>761</u>

- b. Other income

	For the Year Ended December 31	
	2023	2022
Service revenue	\$ -	\$ 789
Others (Note 29)	<u>6,656</u>	<u>7,600</u>
	\$ <u>6,656</u>	\$ <u>8,389</u>

- c. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 326	\$ 197
Interest on lease liabilities	<u>3</u>	<u>4</u>
	\$ <u>329</u>	\$ <u>201</u>

- d. Impairment losses recognized

	For the Year Ended December 31	
	2023	2022
Investments accounted for using the equity method (Note 12)	\$ -	\$ 22,715
Goodwill (Note 15)	-	5,183
Patent (Note 16)	<u>-</u>	<u>1,377</u>
	\$ <u>-</u>	\$ <u>29,275</u>

- e. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
An analysis of depreciation by function		
Operating costs	\$ 5,372	\$ 4,680
Operating expenses	<u>2,923</u>	<u>2,620</u>
	\$ <u>8,295</u>	\$ <u>7,300</u>

(Continued)

	<u>For the Year Ended December 31</u>	
	2023	2022
An analysis of amortization by function		
Operating costs	\$ 207	\$ 207
Operating expenses	<u>562</u>	<u>2,588</u>
	<u>\$ 769</u>	<u>\$ 2,795</u>
		(Concluded)

f. Employee benefits expenses

	<u>For the Year Ended December 31</u>	
	2023	2022
Short-term benefits	\$ 170,921	\$ 177,460
Post-employment benefits		
Defined contribution plan	6,111	6,429
Defined benefit plans (see Note 21)	<u>7</u>	<u>16</u>
Total employee benefits expense	<u>\$ 177,039</u>	<u>\$ 183,905</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 60,167	\$ 64,893
Operating expenses	<u>116,872</u>	<u>119,012</u>
	<u>\$ 177,039</u>	<u>\$ 183,905</u>

g. Compensation of employees and remuneration of directors

The shareholders of the Company held their regular meeting on June 13, 2022 and in that meeting, resolved the amendments to the Articles. The Company should accrue 5% to 20% of net profit as compensation of employees and no higher than 1% as remuneration of directors.

According to the Company's Articles before the amendment, the Company accrues compensation of employees and remuneration of directors at rates of no less than 5% and no higher than 2%, respectively, of net profit before income tax.

The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022, which were approved by the Company's board of directors on February 29, 2024 and March 2, 2023, respectively, are as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	2023	2022
Compensation of employees	7.00%	7.00%
Remuneration of directors	0.75%	0.75%

Amount

	<u>For the Year Ended December 31</u>	
	2023	2022
Compensation of employees (cash)	\$ <u>6,581</u>	\$ <u>5,089</u>
Remuneration of directors (cash)	\$ <u>705</u>	\$ <u>545</u>

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2022 and 2021.

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

h. Gains or losses on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	2023	2022
Foreign exchange gains	\$ 80,870	\$ 96,089
Foreign exchange losses	<u>(79,707)</u>	<u>(67,387)</u>
Net gains	\$ <u>1,163</u>	\$ <u>28,702</u>

25. INCOME TAXES

a. The major components of income tax expense recognized in profit or loss are as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Current tax		
In respect of the current year	\$ 26,351	\$ 22,117
Adjustments for prior years	(5,912)	(1,659)
Others	<u>1,926</u>	<u>-</u>
	<u>22,365</u>	<u>20,458</u>
Deferred tax		
In respect of the current year	<u>(8,213)</u>	<u>(2,476)</u>
Income tax expense recognized in profit or loss	\$ <u>14,152</u>	\$ <u>17,982</u>

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

	For the Year Ended December 31	
	2023	2022
Income before income tax	\$ <u>87,769</u>	\$ <u>67,643</u>
Income tax expense calculated at the statutory rate	\$ 17,836	\$ 13,944
Nondeductible expenses in determining taxable income	302	1,104
Unrecognized deductible temporary differences	-	4,543
Adjustments for prior years' tax	(5,912)	(1,659)
Others	<u>1,926</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 14,152</u>	<u>\$ 17,982</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
Income tax recognized in other comprehensive income	<u>\$ 33</u>	<u>\$ 265</u>

c. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax assets		
Tax refund receivable	<u>\$ 238</u>	<u>\$ 2,413</u>
Current tax liabilities		
Income tax payable	<u>\$ 22,024</u>	<u>\$ 24,348</u>

d. Deferred tax assets and liabilities

For the year ended December 31, 2023

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
FVTPL financial liabilities	\$ 148	\$ (148)	\$ -	\$ -
Allowance to reduce inventory to market	10,012	6,771	-	16,783
Allowance for expected credit impairment loss	-	1,358	-	1,358
Payables for annual leave	1,211	(91)	-	1,120
Defined benefit obligations	2,447	(104)	(33)	2,310
Share of profit or loss of subsidiary, associates and joint ventures recognized using the equity method	18,390	682	-	19,072
Unrealized loss of subsidiary and associates	800	(434)	-	366
Provisions	1,382	299	-	1,681
Unrealized foreign exchange loss	<u>3,882</u>	<u>754</u>	<u>-</u>	<u>4,636</u>
	<u>\$ 38,272</u>	<u>\$ 9,087</u>	<u>\$ (33)</u>	<u>\$ 47,326</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
FVTPL financial assets	\$ -	\$ 874	\$ -	\$ 874

For the year ended December 31, 2022

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
FVTPL financial liabilities	\$ -	\$ 148	\$ -	\$ 148
Allowance to reduce inventory to market	7,812	2,200	-	10,012
Payables for annual leave	1,088	123	-	1,211
Defined benefit obligations	2,811	(99)	(265)	2,447
Share of profit or loss of subsidiary, associates and joint ventures recognized using the equity method	17,598	792	-	18,390
Unrealized loss of subsidiary and associates	853	(53)	-	800
Provisions	1,286	96	-	1,382
Unrealized foreign exchange loss	4,635	(753)	-	3,882
	<u>\$ 36,083</u>	<u>\$ 2,454</u>	<u>\$ (265)</u>	<u>\$ 38,272</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
FVTPL financial assets	\$ 22	\$ (22)	\$ -	\$ -

- e. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2023	2022
Deductible temporary differences		
Impairment loss on investment accounted for using the equity method	<u>\$ 25,787</u>	<u>\$ 25,787</u>

- f. Income tax assessments

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

26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2023	2022
Basic earnings per share	<u>\$ 1.25</u>	<u>\$ 0.85</u>
Diluted earnings per share	<u>\$ 1.25</u>	<u>\$ 0.84</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net income for the year

	For the Year Ended December 31	
	2023	2022
Net income used in the computation of basic earnings per share and diluted earnings per share	<u>\$ 73,617</u>	<u>\$ 49,661</u>

Weighted average number of ordinary shares outstanding

	Unit: In Thousand Shares	
	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares in the computation of basic earnings per share	58,668	58,668
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>235</u>	<u>158</u>
Weighted average number of ordinary shares in the computation of diluted earnings per share	<u>58,903</u>	<u>58,826</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as 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.

27. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt (cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, and other equity).

The Group is not subject to any externally imposed capital requirements.

The capital structure of the Group consists of debt and equity of the Group (comprising issued capital, capital surplus, retained earnings and other equity).

Key management personnel of the Group review the capital structure annually. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

28. FINANCIAL INSTRUMENTS

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

The Group's management considers that the carrying amounts of those financial assets and financial liabilities that are not measured at fair value recognized in the consolidated financial statements approximate their fair values.

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

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL - current</u>				
Unlisted shares	\$ -	\$ -	\$ -	\$ -
Derivative financial assets	-	4,368	-	4,368
	<u>\$ -</u>	<u>\$ 4,368</u>	<u>\$ -</u>	<u>\$ 4,368</u>
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
Unlisted shares	\$ -	\$ -	\$ 4,611	\$ 4,611

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL - current</u>				
Unlisted shares	\$ -	\$ -	\$ -	\$ -
Derivative financial assets	<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>
	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 7</u>
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
Unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,020</u>	<u>\$ 3,020</u>
<u>Financial liabilities at FVTPL - current</u>				
Derivative financial assets	<u>\$ -</u>	<u>\$ 748</u>	<u>\$ -</u>	<u>\$ 748</u>

The Group subsequently measured financial assets at fair value at Level 3, and recognized other comprehensive gains or (losses) of \$1,591 thousand and \$(1,276) thousand in 2023 and 2022, respectively.

There were no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022.

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

For the year ended December 31, 2023

Financial Assets	Financial Assets at FVTPL Equity Instruments	Financial Assets at FVTOCI Equity Instruments	Total
Balance at January 1	\$ -	\$ 3,020	\$ 3,020
Recognized in other comprehensive income or loss (unrealized profit or loss of financial assets at FVTOCI)	<u>-</u>	<u>1,591</u>	<u>1,591</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 4,611</u>	<u>\$ 4,611</u>

For the year ended December 31, 2022

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Equity Instruments	Equity Instruments	
Balance at January 1	\$ -	\$ 4,296	\$ 4,296
Recognized in other comprehensive income or loss (unrealized profit or loss of financial assets at FVTOCI)	-	(1,276)	(1,276)
Balance at December 31	<u>\$ -</u>	<u>\$ 3,020</u>	<u>\$ 3,020</u>

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

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

The domestic unlisted shares held by the Group and there was no market value for reference; therefore the valuation method was adopted.

c. Categories of financial instruments

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 4,368	\$ 7
Financial assets at amortized cost (1)	751,871	647,598
Financial assets at FVTOCI		
Equity instruments	4,611	3,020
<u>Financial liabilities</u>		
FVTPL		
Held for trading	-	748
Amortized cost (2)	150,555	181,897

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, accounts receivable from related parties, other receivables, other receivables from related parties, and refundable deposits.

2) The balances included financial liabilities at amortized cost, which comprise accounts payable, accounts payable to related parties, other payables, and other payables to related parties.

d. Financial risk management objectives and policies

The Group's major financial instruments include debt investments, accounts receivable, and accounts payable. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including foreign exchange forward contracts to hedge the exchange rate risk arising on the export.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Group has foreign currency denominated sales and purchases, which expose the Group foreign currency risk. Approximately 97% of the Group's sales is denominated in currencies other than the functional currency of the entity in the Group making the sale, whilst almost 61% of costs is denominated in currencies other than the functional currency of the entity in the Group. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 32.

Sensitivity analysis

The Group is mainly exposed to the U.S. dollars.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. 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 foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates a increase in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

For the Year Ended December 31

	2023	2022
Profit or loss*	\$ 2,429	\$ 2,719

* The result was mainly attributable to the exposure on outstanding receivables and payables in U.S. dollars that were not hedged at the end of the year.

The Group's decrease in sensitivity to U.S. dollars during the year was mainly due to a decrease in net assets denominated in U.S. dollars.

b) Interest rate risk

The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring the most cost-effective hedging strategies are applied.

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

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 390,000	\$ 218,432
Financial liabilities	7,505	283
Cash flow interest rate risk		
Financial assets	146,700	127,817

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 1% basis point increase or decrease is 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 1% basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$1,467 thousand and \$1,278 thousand, respectively, which was mainly a result of the increase in bank deposits.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the following:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The policy adopted by the Group is to deal only with reputable parties and, where necessary, obtain sufficient collateral to mitigate the risk of financial loss arising from default. The Group will only deal with companies with a rating equivalent to the investment grade or above. This information is provided by independent rating agencies; If such information is not available, the Group will use other publicly available financial information and each other's transaction records to rate their major customers. The Group continuously monitors the exposure and the credit ratings of its counterparties, and distributes the total transaction amount to customers with sound credit ratings.

The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group's management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Group had available unutilized short-term bank loan facilities set out in (3) below.

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

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Lease liabilities	\$ 222	\$ 443	\$ 1,995	\$ 5,078	\$ 7,738

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5+ Years
Lease liabilities	\$ 2,660	\$ 5,078	\$ -

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Lease liabilities	\$ 11	\$ 22	\$ 99	\$ 154	\$ 286

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5+ Years
Lease liabilities	<u>\$ 132</u>	<u>\$ 154</u>	<u>\$ -</u>

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the year.

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Net settled</u>					
Foreign exchange forward contracts	<u>\$ 748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748</u>

c) Financing facilities

	December 31	
	2023	2022
Unsecured bank loan facilities:		
Amount used	\$ -	\$ -
Amount unused	<u>764,250</u>	<u>744,190</u>
	<u>\$ 764,250</u>	<u>\$ 744,190</u>

29. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is Data Image Corporation, which held 33.76% of the ordinary shares of the Company at December 31, 2023 and 2022. The Company's ultimate parent and ultimate controlling party is Qisda Corporation.

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

a. Related parties and their relationship with the Group

<u>Related Party</u>	<u>Relationship with the Group</u>
Qisda Corporation	Ultimate parent
Data Image Corporation	The Company's parent
DFI Inc.	Sister company of the parent company
BenQ Materials Corp.	Sister company of the parent company
Benq Asia Pacific Corp.	Sister company of the parent company
BenQ Technology (Shanghai) Co., Ltd.	Sister company of the parent company
Qisda Optronics (Suzhou) Co., Ltd.	Sister company of the parent company
Concord Medical Co., Ltd.	Sister company of the parent company
Metaguru Corporation	Sister company of the parent company
BenQ AB DentCare Corporation	Sister company of the parent company
BenQ Medical Technology Corp.	Sister company of the parent company
AUO Display Plus Corporation	Subsidiaries of entity with significant influence on the ultimate parent company
Unictron Technologies Corporation	The associate of the Company's ultimate parent company
Everlasting Digital ESG Co., Ltd	The associate of the Company's ultimate parent company
Data Image (Suzhou) Corporation	Sister company
The Linden Group Corp.	Associate
QUBYX Software Technologies Inc	Associate

b. Operating revenue

Line Items	Related Party Category	For the Year Ended December 31	
		2023	2022
Sales	Ultimate parent entity	\$ 26	\$ -
	Parent entity	798	824
	Sister companies of the parent company	-	76
	Subsidiaries of entity with significant influence on the ultimate parent company	427	-
	Associate		
	The Linden Group Corp.	<u>13,426</u>	<u>73,645</u>
		<u>\$ 14,677</u>	<u>\$ 74,545</u>

The transaction prices with related parties are determined based on the terms agreed upon by the two parties, and if there are no other similar transactions for comparison due to special specifications or based on the overall strategic consideration of the Group for a specific market, the transaction prices are determined based on the sales price and credit terms agreed upon by both parties.

c. Purchases

Related Party Category	For the Year Ended December 31	
	2023	2022
Ultimate parent entity	\$ 58	\$ 25
Parent entity	11	-
Sister companies of the parent company	3,988	4,856
The associate of the Company's ultimate parent company	40	-
Associates	<u>155</u>	<u>559</u>
	<u>\$ 4,252</u>	<u>\$ 5,440</u>

The transaction prices and credit terms of the purchase of goods by related parties shall be determined based on the purchase price and credit terms agreed upon by both parties due to special specifications and with no other similar transactions for comparison.

d. Contract liabilities

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Associates		
The Linden Group Corp.	<u>\$ 2,184</u>	<u>\$ -</u>

e. Receivables from related parties (excluding loans to related parties)

Line Items	Related Party Category/Name	December 31	
		2023	2022
Accounts receivables from related parties	Ultimate parent entity	\$ 13	\$ -
	Parent entity	499	126
	Associate		
	The Linden Group Corp.	<u>8,853</u>	<u>38,828</u>
		9,365	38,954
	Less: Allowance for impairment loss	<u>(8,853)</u>	<u>-</u>
		<u>\$ 512</u>	<u>\$ 38,954</u>
Other receivables from related parties	Sister companies of the parent company	\$ 2,857	\$ 3,863
	Associate		
	The Linden Group Corp.	<u>-</u>	<u>805</u>
		<u>\$ 2,857</u>	<u>\$ 4,668</u>

The payment term of the ultimate parent entity's accounts receivable is the invoice date addition 45 days from the end of the month, the payment term of the parent company's accounts receivable is 60 days from the end of the month, the payment term of the sister company of the parent company's accounts receivable is 105 days from the end of the month, the payment term of the associates' accounts receivable is 150 days.

The outstanding trade receivables from related parties are unsecured.

f. Payables to related parties (excluding borrowing from related parties)

Line Items	Related Party Category/Name	December 31	
		2023	2022
Payables to related parties	Parent entity	\$ 231	\$ -
	The associate of the Company's ultimate parent company	32	-
	Associate		
	The Linden Group Corp.	<u>-</u>	<u>234</u>
		<u>\$ 263</u>	<u>\$ 234</u>
Other payables to related parties	Ultimate parent entity	\$ 7,153	\$ 596
	Parent entity	1,156	2,131
	Sister company of the parent company	1,867	5,007
	Associates		
	The Linden Group Corp.	<u>20</u>	<u>751</u>
		<u>\$ 10,196</u>	<u>\$ 8,485</u>

The payment terms for the ultimate parent company, parent entity, sister companies of the parent company and the associate of the company's ultimate parent company are all 60 days from the end of the month.

The payment terms for the associates are 150 days from the end of the month.

The outstanding trade payables to related parties are unsecured.

g. Prepayments

Related Party Category	December 31	
	2023	2022
Sister company of the parent company	\$ 177	\$ 177
Associates	<u>242</u>	<u>202</u>
	<u>\$ 419</u>	<u>\$ 379</u>

The prepayment to the sister company of the parent company is for software and other services, the prepayment to the associates is for services such as inspection and testing.

h. Other income

Line Items	Related Party Category/Name	December 31	
		2023	2022
Other income	Parent entity	\$ 56	\$ -
	Sister company of the parent company	76	-
	Associates		
	The Linden Group Corp.	99	54
	QUBYX Software Technologies Inc	<u>-</u>	<u>217</u>
		<u>\$ 231</u>	<u>\$ 271</u>

Compensation income received from the parent company; testing service income received from sister company of the parent company, collecting certification service income from associates.

i. Lease arrangements

Related Party Category	For the Year Ended December 31	
	2023	2022
<u>Lease expense</u>		
Sister company	<u>\$ 168</u>	<u>\$ 14</u>

The Group leased an office from its sister company. The lease term of the contract was one year and fixed lease payments are paid monthly.

Future lease payables related to short-term leases are as follows:

Related Party Category	For the Year Ended December 31	
	2023	2022
Sister company	<u>\$ 152</u>	<u>\$ 152</u>

j. Other transactions with related parties

Line Items	Related Party Category	For the Year Ended December 31	
		2023	2022
Operating cost	Ultimate parent entity	\$ 4,512	\$ 42
	Sister company of the parent company	97	98
	Associates	<u>1,304</u>	<u>22</u>
		<u>\$ 5,913</u>	<u>\$ 162</u>
Operating cost - outsourcing fee	Ultimate parent entity	\$ 1,258	\$ 549
	Parent entity	<u>7,068</u>	<u>3,435</u>
		<u>\$ 8,326</u>	<u>\$ 3,984</u>

(Continued)

Line Items	Related Party Category	For the Year Ended December 31	
		2023	2022
Operating expense	Ultimate parent entity	\$ 319	\$ 118
	Parent entity	2	-
	Sister company of the parent company	433	556
	The associate of the Company's ultimate parent company	4	-
	Associates	<u>369</u>	<u>505</u>
		<u>\$ 1,127</u>	<u>\$ 1,179</u>

(Concluded)

The ultimate parent company and associates provided inspection, testing and maintenance services to the Group.

The sister company of the parent company and the associate of the company's ultimate parent company mainly provided miscellaneous purchases, consulting, training and software services to the Group.

k. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 20,383	\$ 17,452
Termination benefits	<u>324</u>	<u>270</u>
	<u>\$ 20,707</u>	<u>\$ 17,722</u>

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

30. ASSETS PLEDGED AS COLLATERAL

The following assets of the Company are pledged as collaterals for customs clearance:

	December 31	
	2023	2022
Refundable deposits	<u>\$ 613</u>	<u>\$ 500</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2023 and 2022 were as follows:

Unrecognized commitments were as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Acquisition of property, plant and equipment	<u>\$ 302</u>	<u>\$ 2,630</u>

32. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,180	30.75	\$ 282,278
<u>Financial liabilities</u>			
Monetary items			
USD	1,279	30.75	39,330

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,627	30.73	\$ 326,557
<u>Financial liabilities</u>			
Monetary items			
USD	1,777	30.73	54,608

For the years ended December 31, 2023, realized and unrealized foreign exchange gains (losses) were net exchange gains of \$24,349 thousand and exchange losses of \$(23,186) thousand. For the years ended December 31, 2022, realized and unrealized foreign exchange gains (losses) were net exchange gains of \$48,422 thousand and exchange losses of \$(19,720) thousand.

33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 9) Trading in derivative instruments (Note 7)
- 10) Intercompany relationships and significant intercompany transactions (Table 2)

b. Information on investees (Table 3)

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 year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 4)
- 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: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - 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 year and the purposes
 - e) The highest balance, the ending 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 year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 5)

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The medical monitors (direct sales) segment includes a number of direct sales operations in various cities within China and Taiwan, each of which is considered a separate operating segment by the chief operating decision maker (CODM). For the purposes of financial statement presentation, these individual operating segments have been aggregated into a single operating segment, taking into account the following factors:

- The nature of the products and production processes are similar.
- The methods used to distribute the products to the customers are the same.

a. Consolidated revenues and results

The following was an analysis of the Group's revenue and results from operations by reportable segments:

For the years ended December 31, 2023

	Business Department Taiwan	Business Department Overseas	Total
Revenue from external customers	\$ 874,545	\$ 19,299	\$ 893,844
Inter-segment revenue	<u>14,578</u>	<u>3,275</u>	<u>17,853</u>
Segment revenue	889,123	22,574	911,697
Eliminations	<u>(14,578)</u>	<u>(3,275)</u>	<u>(17,853)</u>
Consolidated revenue	<u>\$ 874,545</u>	<u>\$ 19,299</u>	<u>893,844</u>
Segment income	<u>\$ 104,569</u>	<u>\$ (11,712)</u>	92,857
Interest income			4,374
Other income			6,656
Other gains or losses			(7,928)
Compensation of directors			(705)
Finance cost			(329)
The profit or loss of associate recognized under equity method			<u>(7,156)</u>
Profit before tax			<u>\$ 87,769</u>

For the years ended December 31, 2022

	Business Department Taiwan	Business Department Overseas	Total
Revenue from external customers	\$ 923,139	\$ 26,065	\$ 949,204
Inter-segment revenue	<u>68,365</u>	<u>-</u>	<u>68,365</u>
Segment revenue	991,504	26,065	1,017,569
Eliminations	<u>(68,365)</u>	<u>-</u>	<u>(68,365)</u>
Consolidated revenue	<u>\$ 923,139</u>	<u>\$ 26,065</u>	<u>949,204</u>
Segment income	<u>\$ 103,883</u>	<u>\$ (17,842)</u>	86,401
Interest income			761
Other income			8,389
Impairment loss			(29,275)
Other gains or losses			4,164
Compensation of directors			(545)
Finance cost			(201)
General management costs and expenses			(1,026)
The profit or loss of associate recognized under equity method			<u>(1,025)</u>
Profit before tax			<u>\$ 67,643</u>

Inter-segment revenue was accounted for according to market prices.

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates, interest income, gains or losses on disposal of property, plant and equipment, exchange gains or (losses), valuation gains on financial instruments, finance costs, impairment loss and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Total segment assets and liabilities

	December 31	
	2023	2022
<u>Segment assets</u>		
Business department - Taiwan	\$ 1,183,305	\$ 1,188,707
Business department - Overseas	12,864	19,103
Unamortized assets	<u>47,564</u>	<u>43,988</u>
Consolidated total assets	<u>\$ 1,243,733</u>	<u>\$ 1,251,798</u>
<u>Segment liabilities</u>		
Business department - Taiwan	\$ (182,217)	\$ (210,650)
Business department - Overseas	(4,226)	(618)
Unamortized assets	<u>(24,488)</u>	<u>(24,348)</u>
Consolidated total liabilities	<u>\$ (210,931)</u>	<u>\$ (235,616)</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- 1) All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, and current and deferred tax assets. Goodwill was allocated to the reportable segments. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and
 - 2) All liabilities were allocated to reportable segments other than Credit balance of investments accounted for using the equity method, current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.
- c. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	<u>For the Year Ended December 31</u>	
	2023	2022
Medical monitors	\$ 510,613	\$ 656,445
Medical parts	173,571	75,701
Industrial monitors	95,094	100,202
Industrial parts	76,632	65,042
Parts	<u>37,934</u>	<u>51,814</u>
	<u>\$ 893,844</u>	<u>\$ 949,204</u>

- d. Major customers

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

	<u>For the Year Ended December 31</u>	
	2023	2022
C Company	\$ 131,306	\$ 117,969
A Company	<u>122,842</u>	<u>111,150</u>
	<u>\$ 254,148</u>	<u>\$ 229,119</u>

DIVA LABORATORIES, LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
DIVA Laboratories, Ltd.	<u>Stocks</u> Insight Genomics Inc.	-	Financial assets at fair value through other comprehensive income - non-current	600,000	\$ 2,778	6.4 (Note 2)	\$ 2,778	
	Renown Information Technology Corp.	-	Financial assets at fair value through other comprehensive income - non-current	240,000	1,833	4.8	1,833	
	Pharmally International Holding Company Ltd.	-	Financial assets at fair value through profit or loss - current	150,000	-		(Note 1)	

Note 1: Pharmally International Holding Company Ltd. was delisted on April 1, 2021. Since the fair value of the marketable securities may be extremely low and a reasonable valuation price cannot be obtained, it has been fully recognized as a valuation loss.

Note 2: Insight Genomics Inc. subsequently handled a cash capital increase, and the Company's shareholding ratio was reduced to 6.4% due to the Company's failure to subscribe according to the original shareholding ratio.

DIVA LABORATORIES, LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

No.	Investee Company (Note 1)	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 3)	Payment Terms	% of Total Sales or Assets (Note 3)
0	DIVA Laboratories, Ltd.	DIVA Laboratories U.S., LLC	1	Operating expenses	\$ 16,779	Note 4	2
				Other payables to related parties	(15,301)	Net 75 days	1
		Suzhou Diva Lab. Inc.	1	Sales revenue	(14,812)	Note 4	2
1	DIVA Laboratories U.S., LLC	DIVA Laboratories, Ltd.	2	Other revenue	(16,779)	Note 4	2
				Other receivables from related parties	15,301	Net 75 days	1
2	Suzhou Diva Lab. Inc.	DIVA Laboratories, Ltd.	2	Purchase	14,812	Note 4	2

Note 1: The No. column is denoted as follows:

- a. Parent is numbered 0.
- b. Subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationships:

- 1. Parent to subsidiary.
- 2. Subsidiary to parent.
- 3. Between subsidiaries.

Note 3: At the time of preparation of the consolidated financial statements, it was fully written off.

Note 4: The trading price is comparable to the general trade.

Note 5: The disclosure standard is that the amount of major transactions between the Corp. reaches more than 1% of the consolidated revenue or total assets.

DIVA LABORATORIES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	Ratio (%)	Carrying Amount			
DIVA Laboratories, Ltd	DIVA Laboratories GmbH	Germany	Sales of monitor	\$ 25,092 (EUR 664 thousand)	\$ 25,092 (EUR 664 thousand)	-	100	\$ 1,179	\$ (220) (EUR (7) thousand)	\$ (220) (EUR (7) thousand)	Note 8
	DIVA Laboratories U.S., LLC	U.S.	Sales of monitor	35,858 (US\$ 1,150 thousand)	35,858 (US\$ 1,150 thousand)	-	100	14,498	2,709 (US\$ 88 thousand)	2,709 (US\$ 88 thousand)	Note 8
	PANORAMIC IMAGING SOLUTIONS INC.	Taiwan	Sales of monitor	24,600	24,600	2,500,000	100	24,156	(1,510)	(1,510)	Notes 1, 6 and 8
	Diva Capital Inc.	Samoa	Reinvestment	52,908 (US\$ 1,745 thousand)	52,908 (US\$ 1,745 thousand)	-	100	9,635	1,259 (US\$ 42 thousand)	1,253 (US\$ 42 thousand)	Notes 2 and 8
	QUBYX Limited	U.K.	Sales and software design	-	17,815 (EUR 500 thousand)	-	-	-	-	-	Note 4
	The Linden Group Corp.	U.S.	Sales of monitor	30,015 (US\$ 1,000 thousand)	30,015 (US\$ 1,000 thousand)	-	19	(1,590)	(37,661) (US\$ (1,209) thousand)	(7,156) (US\$ (230) thousand)	Notes 3 and 5
Diva Capital Inc.	Diva Holding Inc.	Samoa	Reinvestment	52,598 (US\$ 1,735 thousand)	52,598 (US\$ 1,735 thousand)	-	100	9,630	1,259 (US\$ 42 thousand)	Note 7	Note 8
Diva Holding Inc.	Suzhou Diva Lab. Inc.	China	Medical equipments wholesale, import and export business	52,643 (US\$ 1,725 thousand)	52,643 (US\$ 1,725 thousand)	-	100	9,602	1,259 (RMB 280 thousand)	Note 7	Note 8
QUBYX Limited	QUBYX LTD.	France	Sales and software design	-	38 (GBP 1 thousand)	-	-	-	-	-	Note 4
	QUBYX Software Technologies Inc	U.S.	Sales and software design	-	-	-	-	-	-	-	Note 4

Note 1: The carrying amount is \$85 thousand less the unrealized benefits of downstream transactions.

Note 2: The carrying amount is \$13 thousand less the unrealized benefits of downstream transactions.

Note 3: The carrying amount is \$1,732 thousand less the unrealized benefits of downstream transactions.

Note 4: On November 2, 2023, the Company completed the liquidation process of QUBYX Limited.

Note 5: The Company recognized the cumulative impairment loss on investments accounted for using the equity method in The Linden Group Corp, which was \$25,787 thousand.

Note 6: The Company recognized the cumulative the impairment loss on goodwill of \$5,183 thousand and the loss of patent rights of \$1,377 thousand to Panoramic Imaging Solutions Inc.

Note 7: The profit and loss of the investee company has been included in its investor company. To avoid confusion, it will not be expressed separately.

Note 8: The profit and loss of reinvested inter-company investments, investment accounted for using the equity method and the net assets of the investee company have been fully written off when preparing the consolidated financial statements.

DIVA LABORATORIES, LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023**
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Loss of the Investee	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outward	Inward							
Suzhou Diva Lab. Inc.	Medical equipments wholesale, import and export business	\$ 52,643 (US\$ 1,725 thousand)	Diva Capital Inc., a 100% owned third region subsidiary, reinvested in a third region company Diva Holding Inc., and reinvested in a mainland China company	\$ 52,643 (US\$ 1,725 thousand)	\$ -	\$ -	\$ 52,643 (US\$ 1,725 thousand)	\$ 1,259 (RMB 280 thousand)	100	\$ 1,253 (RMB 280 thousand)	\$ 9,602 (RMB 2,214 thousand)	\$ -	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 1)
\$52,643	US\$2,000 thousand (Note 2)	\$1,032,802 × 60% = \$619,681

Note 1: It is calculated according to the limit of consolidated net value according to the provisions of the letter No. 09704604680 of Investment Commission, MOEA.

Note 2: As of December 31, 2023 the Company has remitted an accumulative investment amount of US\$1,725 thousand from Taiwan and an unexecuted investment amount of US\$275 thousand.

Note 3: The gain or loss on inter-company investments, the long-term equity investment of the investment company and the net equity value of the investee company have been fully written off at the time of preparing the consolidated financial statements.

DIVA LABORATORIES, LTD. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Data Image Corporation	20,856,000	33.76
Yongchun Investment Co., Ltd.	4,256,502	6.89
Luxon Capital Corp.	3,639,101	5.89

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 held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current year. 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 preparation basis.

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 Securities 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.