

ONYX Healthcare Inc. and Subsidiaries
Consolidated Financial Statements and Independent Auditor's
Report
For 2023 and 2022
(Stock code: 6569)

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For the convenience of readers and for information purpose only, the independent auditors' review report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language independent auditors' review report and financial statements shall prevail.

ONYX Healthcare Inc. and Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report for 2023 and 2022

Table of Contents

Item	Page
1. Cover page	1
2. Table of contents	2 ~ 3
3. Declaration	4
4. Independent Auditor's Report	5 ~ 11
5. Consolidated Balance Sheet	12 ~ 13
6. Consolidated Statement of Comprehensive Income	14 ~ 15
7. Consolidated Statement of Changes in Equity	16
8. Consolidated Cash Flow Statement	17 ~ 18
9. Notes to Consolidated Financial Statements	19 ~ 82
(1) Company history	19
(2) Financial statement approval date and procedures	19
(3) Application of new and amended standards and interpretations	19 ~ 20
(4) Summary of significant accounting policies	20 ~ 32
(5) Major sources of uncertainty for significant accounting judgments, estimates and assumptions	32
(6) Notes to major accounts	33 ~ 60
(7) Related party transactions	60 ~ 65
(8) Pledged assets	65
(9) Major contingent liabilities and unrecognized contractual commitments	65
(10) Losses from major disasters	66
(11) Major post-balance sheet events	66

Item	Page
(12) Others	66 ~ 78
(13) Other disclosures	78 ~ 79
(14) Segment information	79 ~ 82

ONYX Healthcare Inc.

Declaration concerning consolidated financial statements of affiliated enterprises

Affiliated enterprises subject to the preparation of consolidated financial statements of affiliated enterprises under "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were identical to the affiliated companies subject to the preparation of consolidated financial statements under International Financial Reporting Standards No. 10 (IFRS 10) for the 2023 financial year (from January 1 to December 31, 2023). All mandatory disclosures of the consolidated financial statements of affiliated enterprises have been disclosed in the consolidated financial statements. Therefore, no separate consolidated financial statements of affiliated enterprises were prepared.

This declaration is solemnly made by

Company name: Onyx Healthcare Inc.

Person-in-charge: Chuang, Yung-Shun

February 27, 2024

Independent Auditor's Report

(113)-Cai-Shen-Bao-Zi No. 23003066

To stakeholders of ONYX Healthcare Inc.:

Audit opinion

We have audited the accompanying consolidated balance sheet of ONYX Healthcare Inc. and subsidiaries (referred to as "ONYX Group" below) as at December 31, 2023 and 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated cash flow statement from January 1 to December 31, 2023 and 2022, and notes to consolidated financial statements (including a summary of significant accounting policies).

In our opinion, based on our audit results and the audit results of other auditors (please refer to the Other Issues paragraph), all material disclosures of the consolidated financial statements mentioned above were prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the version of International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved by the Financial Supervisory Commission, and presented a fair view of the consolidated financial position of ONYX Group as of December 31, 2023 and 2022, and consolidated business performance and cash flow for the periods January 1 to December 31, 2023 and 2022.

Basis of audit opinion

We have conducted our audits in accordance with "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the auditing standards of the Republic of China. Our responsibilities as an auditor under the abovementioned standards are further explained in the "Consolidated financial statement auditing responsibilities" paragraph below. All relevant personnel of the accounting firm have followed CPA code of ethics of the Republic of China and maintained independence from ONYX Group, and fulfilled other responsibilities under the code of ethics. We believe that the evidence obtained from audit and reports made by other auditors provide an adequate and appropriate basis for our opinion.

Key audit issues

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2023 consolidated financial statements of ONYX Group. These issues have already been addressed when we audited and formed our opinions on the consolidated financial statements. Therefore we do not provide opinions separately for individual issues.

Key audit issues concerning the 2023 consolidated financial statements of ONYX Group are as follows:

Existence of sales revenue

Description

Please refer to Note 4(28) for accounting policy on revenue recognition. For a detailed description of revenue accounts, please refer to Note 6(21) of the consolidated financial statements.

Onyx Healthcare Group's main business is the design, manufacturing and sales of medical computers and peripheral equipment. Because product project orders are easily affected by the customer's product project cycle, it is necessary to strive to develop new markets and undertake new project orders. Therefore, the operating revenue of each period may be subject to change in market trend. With reference to industry reports and peer information, the overall market trend has declined for the current period, while the operating revenue of some products is growing and the impact on the amount is significant. Therefore, we have listed the existence of the above-mentioned sales revenue as one of the most important audit matters for the current year.

Audit procedures

The following audit procedures were taken in relation to the audit issue described above:

1. Assessment and testing of internal control processes on sales transactions to determine whether transactions were carried out according to the group's internal control system during the reporting period and to confirm the accuracy of the Group's product classification.
2. Obtain and verify the above-mentioned operating revenue, transaction and related documents on a sample basis, and confirm that the customer has acquired the control of the product and assumed the product risk before recognizing the revenue.

Accounting estimates for inventory valuation

Description

For accounting policies on inventory valuation, please refer to Note 4(14) of the consolidated financial statements; for major accounting estimates, assumptions, and uncertainties on inventory valuation, please refer to Note 5(2) of the consolidated financial statements; for detailed inventory accounts, please refer to Note 6(5) of the consolidated financial statements.

ONYX Group is mainly involved in the design, manufacturing, and sale of medical computers. Due to the long useful life of medical computers, ONYX Group is required to maintain inventory of certain products and peripherals for longer periods of time in order to meet customers' needs for long-term supply and maintenance. Any change in customers' purchase order or under-performance of the market would cause fluctuation in product pricing or slow down the rate at which inventory is sold, therefore increasing risk of loss on devaluation or obsolescence. ONYX Group accounts for normal inventory at the lower of cost and net realizable value; inventory that exceeds certain duration of time or has been individually identified as obsolete will have loss provisions made on an item-by-item basis according to the devaluation loss provisioning policy.

ONYX Healthcare makes timely adjustments to inventory levels in response to changes in market demand and the Company's development strategies. The Company carries a wide variety of medical computers, which also makes up a substantial portion of the Company's product portfolio and a high amount of inventory. Furthermore, evaluation of net realizable value on obsolete inventory often involves subjective judgments, making the estimated amount prone to uncertainties, and was one of the key areas we had to verify as part of our audit. For this reason, we have identified the estimation of inventory valuation losses as one of the key audit issues for this year.

Audit procedures

The following audit procedures were taken in relation to the audit issue described above:

1. Evaluating the policy adopted by ONYX Group to make provisions for inventory devaluation losses, based on our understanding of the group's operations and industry nature.
2. Examining details of individual inventory items that the management had considered to be obsolete, and verifying against supporting documents.
3. Testing the market prices based upon which net realizable values of individual inventory items were established, and making random checks to ensure that net realizable values were correctly calculated.

Other issues - audits by other auditors

Amongst the equity-accounted business investments presented in the consolidated financial statements of ONYX Group, some of which had financial statements audited by other CPAs that we did not take part of. Therefore, opinions made in the consolidated financial statements mentioned above in regards to such businesses were based on audited reports of other CPAs. As at December 31, 2023 and 2022, balances of the abovementioned equity-accounted investments totaled NT\$629,526 thousand and NT\$606,637 thousand, respectively, both representing 31% of consolidated total assets. For the periods from January 1 to December 31, 2023 and 2022, comprehensive income recognized from the abovementioned companies totaled NT\$71,691 thousand and NT\$74,696 thousand, representing 28% and 34% of consolidated comprehensive income, respectively.

Other issues - standalone financial statements

ONYX Healthcare Inc. has prepared standalone financial statements for 2023 and 2022, to which we have issued an independent auditor's report with unqualified opinion and made additional disclosures in the Other issues paragraph.

Responsibilities of the management and governing body to the consolidated financial statements

Responsibilities of the management were to prepare and ensure fair presentation of consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the version of International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved by the Financial Supervisory Commission, and to exercise proper internal control practices that are relevant to the preparation of consolidated financial statements so that the consolidated financial statements are free of material misstatements, whether due to fraud or error.

The management's responsibilities when preparing financial statements also involved: assessing the ability of ONYX Group to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate or cease business operations, or is compelled to do so with no alternative solution.

The governing body of ONYX Group (including the Audit Committee) is responsible for supervising the financial reporting process.

Auditor's responsibilities in the audit of consolidated financial statements

The purposes of our audit were to obtain reasonable assurance of whether the consolidated financial statements were prone to material misstatements, whether caused by fraud or error, and to issue a report of our audit opinions. Reasonable assurance provides a high degree of certainty. However, audit tasks conducted in accordance with auditing principles of the Republic of China do not necessarily guarantee detection of all material misstatements within the consolidated financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the consolidated financial statement user.

When conducting audits in accordance with audit principles Republic of China, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinion on the effectiveness of internal control system of ONYX Group.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of ONYX Group to operate as a going concern, based on the audit evidence obtained. We are bound to remind consolidated financial statement users and make related disclosures if material uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or circumstances may still render ONYX Group no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure, and contents of the consolidated financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the consolidated financial statements.

6. Obtaining sufficient and appropriate audit evidence on financial information of individual entities within the group, and expressing opinions on consolidated financial statements. Our responsibilities as auditor are to instruct, supervise and execute audits and form audit opinions on the group.

We have communicated with the governing body about the scope, timing, and significant findings (including significant defects identified in the internal control) of our audit.

We have also provided the governing body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics of the Republic of China, and communicated with the governing body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governance body regarding the 2023 consolidated financial statements of ONYX Group. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decided not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

PwC Taiwan

CPA

Chang, Shu-Chiung

Lin, Chun-Yao

Former Financial Supervisory Commission, Executive Yuan
Approval reference: Jin-Guan-Zheng-Shen-Zi No. 0990042602
(Formerly known as) Securities and Futures Commission,
Ministry of Finance
Approval reference: (85)-Tai-Cai-Zheng-(VI) No. 68702

February 27, 2024

ONYX Healthcare Inc. and Subsidiaries
Consolidated balance sheet
As at December 31, 2023 and 2022

Unit: NT\$ thousand

Assets	Note	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 366,767	18	\$ 328,886	17
1110	Financial assets at fair value through profit or loss - current	6(2)	11,389	1	7,211	-
1136	Financial assets at amortized cost - current	6(3) and 8	31,626	2	-	-
1150	Net notes receivable	6(4)	3	-	-	-
1170	Net accounts receivable	6(4)	191,375	9	264,279	14
1180	Accounts receivable - related parties, net	7	748	-	1,046	-
1200	Other receivables		2,144	-	4,120	-
1220	Current income tax asset		695	-	1,030	-
130X	Inventory	6(5)	245,689	12	311,527	16
1410	Prepayments		18,294	1	19,230	1
1470	Other current assets	8	2,235	-	1,699	-
11XX	Total current assets		<u>870,965</u>	<u>43</u>	<u>939,028</u>	<u>48</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	34,637	2	26,956	1
1517	Financial assets at fair value through other comprehensive income - non-current	6(6)	68,756	3	27,536	2
1550	Equity-accounted investments	6(7)	664,211	32	606,637	31
1600	Property, plant and equipment	6(8), 7 and 8	349,380	17	296,155	15
1755	Right-of-use assets	6(9)	34,331	2	36,421	2
1780	Intangible assets		3,517	-	5,593	-
1840	Deferred income tax assets	6(26)	20,244	1	25,015	1
1900	Other non-current assets	8	2,167	-	3,567	-
15XX	Total non-current assets		<u>1,177,243</u>	<u>57</u>	<u>1,027,880</u>	<u>52</u>
1XXX	Total assets		<u>\$ 2,048,208</u>	<u>100</u>	<u>\$ 1,966,908</u>	<u>100</u>
Current liabilities						
2100	Short-term loans	6(12)	\$ 27,000	1	\$ -	-
2130	Contractual liabilities - current	6(21)	61,847	3	64,733	3
2170	Accounts payable		67,160	3	83,348	4
2180	Accounts payable - related parties	7	1,395	-	23,009	1
2200	Other payables	6(13) and 7	79,704	4	74,270	4
2230	Current income tax liabilities		43,380	2	46,954	3
2250	Liability reserves - current	6(16)	7,585	1	7,367	-
2280	Lease liabilities - current		2,842	-	5,746	-
2320	Long-term liabilities due within 1 year or 1 business cycle	6(14)	10,476	1	10,376	1
2399	Other current liabilities - others		3,762	-	3,084	-
21XX	Total current liabilities		<u>305,151</u>	<u>15</u>	<u>318,887</u>	<u>16</u>

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ONYX Healthcare Inc. and Subsidiaries
Consolidated balance sheet
As at December 31, 2023 and 2022

Unit: NT\$ thousand

Liabilities and equity		Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Non-current liabilities						
2527	Contractual liabilities - non-current	6(21)	53,301	3	67,860	4
2540	Long-term loans	6(14)	134,499	7	144,910	7
2550	Liability reserves - non-current	6(16)	2,364	-	2,327	-
2570	Deferred income tax liabilities	6(26)	423	-	-	-
2580	Lease liabilities - non-current		31,924	1	30,887	2
2645	Guarantee deposits received	7	-	-	1,148	-
25XX	Total non-current liabilities		<u>222,511</u>	<u>11</u>	<u>247,132</u>	<u>13</u>
2XXX	Total liabilities		<u>527,662</u>	<u>26</u>	<u>566,019</u>	<u>29</u>
Equity						
Equity attributable to parent company shareholders						
Share capital		6(18)				
3110	Common share capital		335,163	16	332,612	17
Capital reserves		6(17)(19)				
3200	Capital reserves		708,803	35	679,472	35
Retained earnings		6(20)				
3310	Legal reserves		151,706	7	131,410	7
3320	Special reserves		33,926	2	49,896	2
3350	Unappropriated earnings		312,163	15	232,379	12
Other equity items						
3400	Other equity items		(30,169)	(1)	(33,926)	(2)
31XX	Total equity attributable to parent company shareholders		<u>1,511,592</u>	<u>74</u>	<u>1,391,843</u>	<u>71</u>
36XX	Non-controlling equity	4(3)	<u>8,954</u>	<u>-</u>	<u>9,046</u>	<u>-</u>
3XXX	Total equity		<u>1,520,546</u>	<u>74</u>	<u>1,400,889</u>	<u>71</u>
Major post-balance sheet date events		11				
3X2X	Total liabilities and equity		<u>\$ 2,048,208</u>	<u>100</u>	<u>\$ 1,966,908</u>	<u>100</u>

The attached Notes to consolidated financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Chuang, Yung-Shun

Manager: Chuang, Fu-Chun

Head of Accounting: Yang, Hsiang-Chih

ONYX Healthcare Inc. and Subsidiaries
Consolidated statement of comprehensive income
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand
(except earnings per share, which are presented in NTD)

Item	Note	2023		2022	
		Amount	%	Amount	%
4000 Operating revenues	6(21) and 7	\$ 1,492,860	100	\$ 1,600,265	100
5000 Operating costs	6(5)(24)(25) and 7	(936,716)	(63)	(1,127,959)	(71)
5900 Gross profit		556,144	37	472,306	29
Operating expenses	6(24)(25) and 7				
6100 Selling expenses		(181,659)	(12)	(162,364)	(10)
6200 Administrative expenses		(77,324)	(5)	(79,228)	(5)
6300 R&D expenses		(79,362)	(6)	(86,671)	(5)
6450 Expected credit impairment loss/reversal gain	12(2)	323	-	1,349	-
6000 Total operating expenses		(338,022)	(23)	(326,914)	(20)
6900 Operating profit		218,122	14	145,392	9
Non-operating income and expenses					
7100 Interest income		2,985	-	981	-
7010 Other income	6(22) and 7	12,369	1	26,254	2
7020 Other gains and losses	6(23) and 7	12,336	1	10,028	-
7050 Financial costs		(3,684)	-	(3,557)	-
7060 Share of profits/losses on equity-accounted associated companies and joint ventures		62,872	4	62,936	4
7000 Total non-operating income and expenses		86,878	6	96,642	6
7900 Pre-tax profit		305,000	20	242,034	15
7950 Income tax expense	6(26)	(49,830)	(3)	(38,896)	(2)
8200 Current net income		\$ 255,170	17	\$ 203,138	13
Other comprehensive income (net)					
Items not reclassified into profit or loss					
8316 Unrealized gain/loss on valuation of equity instruments at fair value through other comprehensive income	6(6)	(\$ 5,394)	-	(\$ 4,845)	(1)
8320 Share of other comprehensive income from equity-accounted associated companies and joint ventures - not reclassified into profit or loss		3,853	-	11,164	1
8310 Items not reclassified into profit or loss - total		(1,541)	-	6,319	-

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ONYX Healthcare Inc. and Subsidiaries
Consolidated statement of comprehensive income
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand
(except earnings per share, which are presented in NTD)

Item	Note	2023		2022	
		Amount	%	Amount	%
Items likely to be reclassified into profit or loss					
8361					
Financial statement translation differences arising from foreign operations		421	-	11,319	1
8370					
Share of other comprehensive income from equity-accounted associated companies and joint ventures - likely to be reclassified into profit or loss		116	-	596	-
8399	6(26)				
Income tax on items that are likely to be reclassified into profit or loss		(84)	-	(2,264)	-
8360					
Items likely to be reclassified into profit or loss - total		453	-	9,651	1
8300					
Other comprehensive income (net)		(\$ 1,088)	-	\$ 15,970	1
8500					
Total comprehensive income for the current period		\$ 254,082	17	\$ 219,108	14
Net income (loss) attributable to:					
8610					
Parent company shareholders		\$ 255,262	17	\$ 202,963	13
8620					
Non-controlling equity		(92)	-	175	-
Total		\$ 255,170	17	\$ 203,138	13
Comprehensive income attributable to:					
8710					
Parent company shareholders		\$ 254,174	17	\$ 218,933	14
8720					
Non-controlling equity		(92)	-	175	-
Total		\$ 254,082	17	\$ 219,108	14
EPS					
9750	6(27)				
Basic earnings per share			7.65		6.24
9850					
Diluted earnings per share			7.59		6.20

The attached Notes to consolidated financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Chuang, Yung-Shun

Manager: Chuang, Fu-Chun

Head of Accounting: Yang, Hsiang-Chih

ONYX Healthcare Inc. and Subsidiaries
Consolidated statement of changes in equity
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

	Note	Equity attributable to parent company shareholders							Total	Non-controlling equity	Total
		Retained earnings					Other equity items				
		Common share capital	Capital reserves	Legal reserves	Special reserves	Unappropriated earnings	Financial statement translation differences arising from foreign operations	Unrealized gains/losses on financial assets at fair value through other comprehensive income			
<u>2022</u>											
Balance as at January 1, 2022		\$ 302,612	\$ 462,673	\$ 118,655	\$ 44,993	\$ 146,858	(\$ 12,500)	(\$ 37,396)	\$ 1,025,895	\$ 8,871	\$ 1,034,766
Current net income		-	-	-	-	202,963	-	-	202,963	175	203,138
Other current comprehensive income		-	-	-	-	-	9,651	6,319	15,970	-	15,970
Total comprehensive income for the current period		-	-	-	-	202,963	9,651	6,319	218,933	175	219,108
Appropriation and distribution of 2021 earnings:	6(20)										
Provision for legal reserves		-	-	12,755	-	(12,755)	-	-	-	-	-
Provision for special reserves		-	-	-	4,903	(4,903)	-	-	-	-	-
Cash dividends		-	-	-	-	(99,784)	-	-	(99,784)	-	(99,784)
Cash issue	6(18)(19)	30,000	233,100	-	-	-	-	-	263,100	-	263,100
Cost of cash issue reserved for subscription by employees as remuneration	6(17)(19)	-	8,174	-	-	-	-	-	8,174	-	8,174
Distribution of cash from capital reserves	6(19)(20)	-	(33,261)	-	-	-	-	-	(33,261)	-	(33,261)
Share-based payment	6(17)(19)	-	8,786	-	-	-	-	-	8,786	-	8,786
Balance as at December 31, 2022		\$ 332,612	\$ 679,472	\$ 131,410	\$ 49,896	\$ 232,379	(\$ 2,849)	(\$ 31,077)	\$ 1,391,843	\$ 9,046	\$ 1,400,889
<u>2023</u>											
Balance as at January 1, 2023		\$ 332,612	\$ 679,472	\$ 131,410	\$ 49,896	\$ 232,379	(\$ 2,849)	(\$ 31,077)	\$ 1,391,843	\$ 9,046	\$ 1,400,889
Current net income (loss)		-	-	-	-	255,262	-	-	255,262	(92)	255,170
Other current comprehensive income		-	-	-	-	-	453	(1,541)	(1,088)	-	(1,088)
Total comprehensive income for the current period		-	-	-	-	255,262	453	(1,541)	254,174	(92)	254,082
Appropriation and distribution of 2022 earnings:	6(20)										
Provision for legal reserves		-	-	20,296	-	(20,296)	-	-	-	-	-
Reversal for special reserve		-	-	-	(15,970)	15,970	-	-	-	-	-
Cash dividends		-	-	-	-	(166,307)	-	-	(166,307)	-	(166,307)
Share-based payment	6(17)(19)	-	3,590	-	-	-	-	-	3,590	-	3,590
Exercise of employee warrants	6(18)(19)	2,551	25,741	-	-	-	-	-	28,292	-	28,292
Reclassification of equity instruments at fair value through other comprehensive income	6(6)	-	-	-	-	(4,845)	-	4,845	-	-	-
Balance as at December 31, 2023		\$ 335,163	\$ 708,803	\$ 151,706	\$ 33,926	\$ 312,163	(\$ 2,396)	(\$ 27,773)	\$ 1,511,592	\$ 8,954	\$ 1,520,546

The attached Notes to consolidated financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Chuang, Yung-Shun

Manager: Chuang, Fu-Chun

Head of Accounting: Yang, Hsiang-Chih

ONYX Healthcare Inc. and Subsidiaries
Consolidated cash flow statement
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

	Note	January 1 to December 31, 2023	January 1 to December 31, 2022
<u>Cash flow from operating activities</u>			
Pre-tax profit for the current period		\$ 305,000	\$ 242,034
Adjustments			
Income, expenses, and losses			
Depreciation	6(8)(9) (24)	21,619	23,109
Depreciation of investment properties (presented as other gains and losses)	6(12) (23)	-	1,627
Amortization	6(24)	2,476	2,095
Expected credit impairment loss/reversal gain	12(2)	(323)	(1,349)
Gain (loss) on financial assets at fair value through profit or loss	6(2)(23)	(11,859)	12,468
Interest expenses		3,684	3,557
Interest income		(2,985)	(981)
Dividend income	6(22)	(408)	(3,709)
Share-based payment - remuneration	6(17)	3,590	16,960
Share of profit from equity-accounted associated companies		(62,872)	(62,936)
Gain on disposal of property, plant, and equipment	6(23)	-	(250)
Gain on lease amendment	6(9)(23)	(5)	(91)
Gain on elimination of overdue contract liabilities	6(22)	-	(3,986)
Change in assets/liabilities related to operating activities			
Net change in assets related to operating activities			
Financial assets at fair value through profit or loss		-	(19)
Notes receivable		(3)	-
Accounts receivable		73,435	(60,049)
Accounts receivable - related parties		299	1,627
Other receivables		1,976	444
Inventory		65,838	(40,308)
Prepayments		936	(2,744)
Other current assets		(536)	(88)
Net change in liabilities related to operating activities			
Contractual liabilities		(17,445)	18,596
Accounts payable		(16,188)	(8,509)
Accounts payable - related parties		(21,614)	(9,664)
Other payables		5,297	1,139
Other payables - related parties		(834)	1,125
Liability reserves		255	1,423
Other current liabilities		678	(2,722)
Cash inflow from operating activities		350,011	128,799
Interests received		2,985	981
Dividends received		49,208	48,845
Interests paid		(3,680)	(3,580)
Income tax refunded		-	5,906
Income tax paid		(48,031)	(19,160)
Net cash inflow from operating activities		<u>350,493</u>	<u>161,791</u>

(Continued next page)

ONYX Healthcare Inc. and Subsidiaries
Consolidated cash flow statement
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

	<u>Note</u>	<u>January 1 to December 31, 2023</u>	<u>January 1 to December 31, 2022</u>
<u>Cash flow from investing activities</u>			
Acquisition of financial assets at fair value through profit or loss		\$ -	(\$ 5,335)
Disposal of financial assets at fair value through profit or loss		-	5,250
Acquisition of financial assets at amortized cost		(31,626)	-
Acquisition of financial assets at fair value through other comprehensive income		(71,769)	-
Acquisition of equity-accounted investments		(14,380)	(15,802)
Acquisition of property, plant, and equipment	6(28)	(67,582)	(11,952)
Disposal of property, plant, and equipment		-	250
Acquisition of intangible assets		(400)	(3,099)
Decrease (increase) in guarantee deposits paid (presented as other non-current assets)		1,400	(344)
Net cash outflow from investing activities		<u>(184,357)</u>	<u>(31,032)</u>
<u>Cash flow from financing activities</u>			
Net increase (decrease) in short-term loans	6(29)	27,000	(105,000)
Repayment of long-term loan	6(29)	(10,311)	(10,501)
Repayment of lease principal	6(29)	(6,063)	(8,522)
Decrease in guarantee deposits received		(1,148)	-
Cash issue	6(18)	-	263,100
Cash dividends paid	6(20)	(166,307)	(99,784)
Exercise of employee warrants		28,292	-
Distribution of cash from capital reserves	6(20)	-	(33,261)
Net cash (outflow) inflow from financing activities		<u>(128,537)</u>	<u>6,032</u>
Exchange rate impact		282	9,202
Increase in cash and cash equivalents for the current period		37,881	145,993
Opening cash and cash equivalents balance	6(1)	328,886	182,893
Closing cash and cash equivalents balance	6(1)	<u>\$ 366,767</u>	<u>\$ 328,886</u>

The attached Notes to consolidated financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Chuang, Yung-Shun

Manager: Chuang, Fu-Chun

Head of Accounting: Yang, Hsiang-Chih

ONYX Healthcare Inc. and Subsidiaries
Notes to consolidated financial statements
2023 and 2022

Unit: NT\$ thousand
(unless specified otherwise)

I. Company history

ONYX Healthcare Inc. (the "Company") was incorporated on February 2, 2010 in the Republic of China. The Company and its subsidiaries (collectively referred to as "Group" below) are mainly involved in the design, manufacturing, and trading of medical computers and peripherals. AAEON Technology Inc. holds 48.50% equity ownership in the Company, whereas ASUSTeK Computer Inc. is the Group's ultimate parent.

II. Financial statement approval date and procedures

This consolidated financial report was passed during the board of directors meeting dated February 27, 2024.

III. Application of new standards, amendments and interpretations

(I) Impacts of adopting new and amended International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission (FSC)

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed and issued into effect by the FSC that are applicable in 2023:

<u>New/amended/modified standards and interpretations</u>	<u>Effective date of IASB announcement</u>
Amendments to IAS 1 regarding "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 regarding "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 regarding "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023
Amendments to IAS 12 regarding "International Tax Reform Pillar Two Model Rules"	May 23, 2023

After a thorough assessment, the Group expects no material financial or performance impact from the above standards and interpretations.

(II) Impacts of adopting new and amended IFRSs not yet approved by FSC

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2024:

<u>New/amended/modified standards and interpretations</u>	<u>Effective date of IASB announcement</u>
Amendments to IFRS 16 regarding "Lease liability in a sale and leaseback"	January 1, 2024
Amendments to IAS 1 regarding "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 regarding "Non-current Liabilities with Covenants "	January 1, 2024
Amendments to IAS 7 and IFRS 7 regarding "Supplier Finance Arrangements"	January 1, 2024

After a thorough assessment, the Group expects no material financial or performance impact from the above standards and interpretations.

(III) Impacts of IFRS changes announced by International Accounting Standards Board (IASB) but not yet approved by FSC

The following is a list of new/amended/modified IFRSs announced by IASB but not approved by FSC:

<u>New/amended/modified standards and interpretations</u>	<u>Effective date of IASB announcement</u>
Amendments to IFRS 10 and IAS 28 regarding "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Pending final decision from IASB
IFRS 17 - Insurance Contracts	January 1, 2023
Amendments to IFRS 17 - "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 - "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS No. 21 "Lack of Exchangeability"	January 1, 2025

After a thorough assessment, the Group expects no material financial or performance impact from the above standards and interpretations.

IV. Summary of significant accounting policies

Below is a summary of significant accounting policies used for the preparation of consolidated financial statements. Unless otherwise stated, the following policies were applied consistently in all reporting periods.

(I) Statement of compliance

This consolidated financial report has been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and FSC-approved IFRS, IAS and interpretations thereof (collectively referred to as IFRSs below).

(II) Basis of preparation

1. This consolidated financial report is prepared based on historical cost, except for items including financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
2. Preparation of IFRSs-compliant financial report involves some use of critical accounting estimates, and the management is required to exercise some judgment when applying the Group's accounting policies. Please refer to Note 5 for highly complex and significant assumptions and estimates in relation to the consolidated financial report.

(III) Basis of consolidation

1. Basis of preparation for consolidated financial report
 - (1) The Group includes all subsidiaries for the preparation of consolidated financial report. A subsidiary refers to an entity in which the Group exercises control. The Group is considered to exercise control if it is exposed or entitled to variable returns generated by the entity and has the power to influence such return. Subsidiaries are included in the consolidated financial report from the day the Group gains control and removed from the day control is lost.
 - (2) Any transactions, balances, and unrealized gains/losses between the same group Group companies have been eliminated. The subsidiaries have made the necessary adjustments to align their accounting policies with that of the Group.
 - (3) All compositions of profit and loss and other comprehensive income are attributable to parent company shareholders and non-controlling shareholders. At the same time, the total comprehensive income is also attributable to parent company shareholders and non-controlling shareholders, even if doing so would cause non-controlling shareholders to suffer losses.
 - (4) Transfers of equity ownership in a subsidiary with non-controlling shareholders that do not result in a loss of control are accounted as equity transactions and treated as transactions between business owners. The difference between the adjusted amount in non-controlling equity and the fair value of the consideration paid/received is directly recognized directly in equity.

(5) When the Group loses control in a subsidiary, remaining investments in the former subsidiary are remeasured at fair value and presented as the initial fair value of the reclassified financial asset or the cost of the reclassified associated company or joint venture. Differences between the fair value and the book value are recognized in current profit and loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for on the same basis as if the Group had directly disposed of the relevant assets or liabilities. In other words, if gains or losses previously recognized in other comprehensive income are to be reclassified into profit and loss upon disposal of relevant assets or liabilities, such gains or losses shall be reclassified from equity into profit and loss when the Group loses control in the subsidiary.

2. Subsidiaries included in the consolidated financial report:

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Business activities</u>	<u>Shareholding percentage</u>		<u>Description</u>
			<u>December 31, 2023</u>	<u>December 31, 2022</u>	
The Company	ONYX HEALTHCARE USA, Inc. (OHU)	Sale of medical computers and peripherals	100	100	
The Company	ONYX HEALTHCARE EUROPE B.V.(ONI)	Marketing support, maintenance, and sales of medical computers and peripherals	100	100	
The Company	Onyx Healthcare (Shanghai) Inc. (OCI)	Sale of medical computers and peripherals	100	100	
The Company	iHELPER Inc. (iHELPER)	Research, development, and sale of medical robots	46	46	Note

Note: The Company holds less than 50% aggregate ownership in the entity, but includes it in the preparation of consolidated financial report as the Company has control over the entity's financial, operational, and personnel decisions.

3. Subsidiaries not included in the consolidated financial report: None.

4. Methods for aligning subsidiaries' accounting periods: None.

5. Significant limitations: None.

6. Subsidiaries with non-controlling owners significant to the Group: The Group had non-controlling equity outstanding at \$8,953 and \$9,046 on December 31, 2023 and 2022, respectively. None of the non-controlling shareholders were significant to the Group.

(IV) Foreign currency conversion

All items listed in the financial report of every entity within the Group are measured using the currency of the main economic environment where the respective entity operates (i.e. the functional currency). This consolidated financial report is presented using the Company's functional currency - "NTD."

1. Foreign currency transaction and balance

- (1) Foreign currency transactions are converted into the functional currency using the spot exchange rate at the transaction date or measurement date. Differences arising from the conversion of such transactions are recognized in current profit and loss.
- (2) Balances of monetary assets and liabilities denominated in foreign currencies are converted using the spot exchange rate as at the balance sheet date. Differences arising from exchange rate fluctuation are recognized as current period gain or loss.
- (3) For non-monetary assets and liabilities denominated in foreign currencies, those that are carried at fair value through profit or loss will have balances converted using the spot exchange rate as at the balance sheet date, and any exchange differences arising from the adjustment will be recognized in current profit and loss; those that are carried at fair value through other comprehensive income will have balances converted using the spot exchange rate as at the balance sheet date, and any exchange differences arising from the adjustment will be recognized in other comprehensive income; those that are not carried at fair value will have balances converted using the historical exchange rate applicable at the time when the transaction was initiated.
- (4) All gains and losses on the exchange are presented as "Other gains and losses" in the statement of comprehensive income.

2. Currency conversion for foreign operations

For Group entities and associated companies that have a functional currency different from the presentation currency, performance results and financial position are converted into the presentation currency using the following methods:

- (1) Every asset and liability in the balance sheet is converted using the exchange rate as at the balance sheet date;
- (2) Every income, expense, and loss in the statement of comprehensive income is converted using the average exchange rate for the given period; and
- (3) All exchange differences are recognized in other comprehensive income.

(V) Classification of current and non-current assets and liabilities

1. Assets that satisfy any of the following criteria are classified as current assets:

- (1) Assets that are expected to be realized, or intended to be sold or consumed, over the normal operating cycle.
- (2) Held mainly for the purpose of trading.

- (3) Assets that are expected to be realized within 12 months after balance sheet date.
- (4) Cash or cash equivalents, except those that will be swapped or used to repay liabilities at least 12 months from the balance sheet date, and those with restricted uses.

The Group classifies all assets that do not satisfy the above criteria as non-current assets.

2. Liabilities that satisfy any of the following criteria are classified as current liabilities:
 - (1) Liabilities that are expected to be settled over the normal operating cycle.
 - (2) Held mainly for the purpose of trading.
 - (3) Liabilities that are due to be settled within 12 months after the balance sheet date.
 - (4) Liabilities with repayment terms that cannot be extended unconditionally for more than 12 months after the balance sheet date. Classification of liability is unaffected even if there are terms that give counterparties the option to be repaid in the form of equity instruments.

The Group classifies all liabilities that do not satisfy the above criteria as non-current liabilities.

(VI) Cash equivalents

Cash equivalent refers to short-term and highly liquid investments that are readily convertible into known amounts of cash and are prone to an insignificant risk of changes in value. Time deposits that meet the abovementioned definitions and are held for a tenor of less than three months from initiation to meet short-term cash commitments are stated as cash equivalents.

(VII) Financial assets at fair value through profit or loss

1. Refers to financial assets that are not carried at cost after amortization or at fair value through other comprehensive income.
2. The Group adopts trade day accounting to account for financial assets at fair value through profit or loss that conform with normal trade terms.
3. These items are recognized at fair value at initiation with transaction costs recognized through profit and loss and subsequently assessed at fair value with gains or losses recognized through profit and loss.
4. Dividend income is recognized in the consolidated statement of comprehensive income when the entitlement to receive dividend has been established when economic benefits relating to dividends are very likely to be realized. The amount in dividend can be measured reliably.

(VIII) Financial assets at fair value through other comprehensive income

1. Refers to equity instruments not held for trading for which an irrevocable choice was made at initiation to account for subsequent fair value changes through other comprehensive income.
2. The Group adopts trade day accounting to account for financial assets at fair value through other comprehensive income that conforms with normal trade terms.

3. These assets are recognized at fair value at initiation inclusive of transaction cost, and are subsequently measured at fair value:

A. Changes in the fair value of equity instruments are recognized through other comprehensive income. When the asset is removed from the balance sheet, all cumulative gains/losses previously recognized through other comprehensive income cannot be reclassified to profit and loss and are transferred to retained earnings instead. Dividend income is recognized in the consolidated statement of comprehensive income when the entitlement to receive dividend has been established when economic benefits relating to dividends are very likely to be realized. The amount in dividend can be measured reliably.

(IX) Financial assets carried at cost after amortization

1. Refers to those who meet the following conditions at the same time:

(1) The financial asset is held under the business model for the purpose of collecting contractual cash flow.

(2) The cash flow generated on a specific date due to the contract terms of the financial asset is solely for use on paying the interest of the principal and the outstanding principal.

2. The Company's time deposits that do not meet the cash equivalents are held for a short period of time, so the impact of discounting is not significant, and they are measured at the investment amount.

(X) Accounts and notes receivable

1. Refers to accounts that the Company may collect unconditionally as consideration for the transfer of merchandise or rendering of service, according to the terms of the respective contracts.

2. Short-term accounts and notes receivable that bear no interest are subsequently measured at the original invoice amount as the effect of discounting is insignificant.

(XI) Impairment of financial assets

Accounts receivable with significant financing components are evaluated on every balance sheet date by taking into account all reasonable and verifiable information (including prospective information). Assets that exhibit no significant increase in credit risk after initial recognition have loss reserves measured based on 12-month expected credit loss; those that exhibit a significant increase in credit risk after initial recognition have loss reserves measured based on expected credit loss over the remaining duration. Accounts receivable that do not contain significant financing components have loss reserves measured based on expected credit loss over the remaining duration.

(XII) Removal of financial assets

Financial assets are removed from the balance sheet when entitlement to contractual cash inflow has ended.

(XIII) Lease transaction as a lessor - operating lease

Income from the operating lease net of any incentive granted to the lessee is amortized on a straight-line basis over the lease duration and recognized in current profit or loss.

(XIV) Inventory

Inventory is stated at the lower of cost or net realizable value. The amount in cost is determined using the weighted average method. The cost of finished goods and work-in-progress includes raw material, direct labor, other direct costs, and production-related overheads (allocated based on normal production capacity), but excludes the cost of borrowing. The lower of cost or net realizable value is compared on an item-by-item basis. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs to be incurred for completion and estimated costs necessary to complete the sale.

(XV) Equity-accounted investments - associated companies

1. Associated company refers to an entity in which the Group exercises significant influence but no control, which generally means 20% direct or indirect voting interest or above. The Group accounts for associated companies using the equity method. Value at initial acquisition is accounted for at cost.
2. Share of profits/losses from associated company after the acquisition is recognized in current profit and loss; share of other comprehensive income after the acquisition is recognized in other comprehensive income. If the Group's share of losses in an associated company equals to or exceeds its equity interest in the associated company (including any other unsecured receivables), the Group will not recognize the extra losses unless the Group has a legal obligation or constructive obligation to pay, or has paid, liabilities on behalf of the associated company.
3. If an associated company undergoes a change of equity that has no impact on profit and loss, other comprehensive income, and shareholding percentage, the Group will recognize the change of ownership proportionally in "Capital reserve."
4. Unrealized gains arising from transactions between the Group and an associated company are eliminated proportionally based on ownership percentage. Unrealized losses are also eliminated unless there is evidence to suggest impairment in the transferred assets. All associated companies have made the necessary adjustments to align their accounting policies with that of the Group.

5. If the Group disposes of an associated company in a manner that causes it to lose significant influence, all amounts previously recognized in other comprehensive income in relation to the associated company are accounted on the same basis as if the Group had directly disposed of the relevant assets or liabilities. In other words, if gains or losses previously recognized in other comprehensive income are to be reclassified into profit and loss upon disposal of relevant assets or liabilities, such gains or losses shall be reclassified into profit and loss when the Group loses significant influence in the associated company. If the Company still retains significant influence in the associated company, the above amounts previously recognized in other comprehensive income are reclassified proportionally in the manner mentioned above.

(XVI)Property, plant and equipment

1. All property, plant and equipment are recorded at cost.
2. Subsequent costs incurred are added to book value or recognized as separate assets only when future economic benefits associated with the costs are likely to be realized by the Group. Such costs can be reliably measured. Book values of replaced components are removed from the balance sheet. All other maintenance expenses are recognized in current profit and loss when incurred.
3. Property, plant and equipment are subsequently measured at cost (except for land, which is not depreciated) and are depreciated on a straight-line basis over their estimated useful lives. Significant compositions of property, plant, and equipment are depreciated separately.
4. The Group reviews the residual value, useful life, and depreciation method of all assets at the end of each financial year. If the residual value or useful life differs from the previous estimate, or if there is any material change to how an asset's future economic benefit is realized, the difference would be treated as a change in accounting estimate according to IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" from the day the change occurs. The useful lives of various asset categories are explained in Note 6(8).

(XVII)Lease transaction as a lessee - right-of-use assets/lease liabilities

1. The Group recognizes a right-of-use asset and a lease liability on the day the lease asset becomes available for use. For short-term lease and lease of low-value asset, lease payments are expensed using the straight-line method over the lease tenor.
2. Lease liability is recognized on the lease start date as the present value of outstanding lease payments discounted at the Group's incremental borrowing rate. Lease payments are made in fixed amounts and presented net of any lease incentives collectible.

Leases are subsequently measured at cost after amortization using the interest approach with interest expenses provided over the lease tenor. Lease liabilities will be re-evaluated for any change in lease tenor or lease payment that is not caused by modification of contract terms. In which case, the amount in remeasurement will be adjusted to right-of-use assets.

3. Right-of-use assets are recognized at cost on the lease start date. The cost includes:

- (1) Initial measured amount in lease liability; and
- (2) Any direct cost incurred at initiation.

Right-of-use assets are subsequently measured using the cost approach with depreciation expenses provided over the useful life or lease tenor, whichever expires the earlier. When lease liability is re-assessed, the right-of-use asset is adjusted for any remeasurement made to lease liability.

4. If there is any contract amendment that reduces the scope of the lease, the lessor will reduce the book value of the right-of-use asset accordingly to reflect partial or total termination of the lease arrangement. Any difference between right-of-use asset and remeasured lease liability is recognized through profit or loss.

(XVIII) Intangible assets

Intangible asset mainly comprises the cost of computer software, which is amortized using the straight-line method over 3 years.

(XIX) Impairment of non-financial assets

For assets that show signs of impairment on the balance sheet date, the Group first estimates the recoverable amount in such assets. It recognizes impairment losses if the recoverable amount is lower than the book value. The recoverable amount refers to the higher of an asset's fair value net of disposal cost or its utilization value. Impairment losses previously recognized can be reversed if asset impairment no longer exists or has been reduced. However, the reversal of impairment loss shall not increase the asset's book value above the amount in book value after depreciation/amortization if the impairment loss had not occurred in the first place.

(XX) Loans

Refers to long-term and short-term funding borrowed from banks. Loans are recognized at fair value less transaction costs at initiation. Any subsequent differences between proceeds net of transaction cost and the redemption value are recognized as interest expenses in profit or loss using the effective interest rate method over the loan duration.

(XXI)Accounts payable

1. Refers to liabilities arising from purchases of raw material, merchandise, or service on credit and accounts payable on operating and non-operating activities.
2. Short-term accounts payable that bear no interest are subsequently measured at the original invoice amount as the effect of discounting is insignificant.

(XXII)Removal of financial liabilities

Financial liabilities are removed from the balance sheet upon fulfillment, cancellation, or expiry of contractual obligation.

(XXIII)Liability reserves

Liability reserves (warranty) are obligations that the Company is legally liable or deemed liable to fulfill due to a past event. The Company is very likely to incur an outflow of economic benefit or resource to settle such an obligation. Liability reserves are recognized when the amount in obligation can be estimated reliably. Liability reserves represent the Company's best estimate of the present value of all future obligations that the Company is liable to settle as at the balance sheet date. The discount rate used is a pre-tax discount rate reflecting the market's current perception of the time value of currency and risks associated with the specific liability. The amount in discount is amortized and recognized as an interest expense. No liability reserve is made on future operating losses.

(XXIV)Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured as non-discounted amounts expected to be paid in the future and are recognized as expenses when relevant service is rendered.

2. Pension - Defined contribution plan

For a defined contribution plan, the contributions payable to the pension fund are recognized as pension costs in the year that occurred on an accrual basis. Prepaid contributions that are refundable in cash or can be offset against future payments are recognized as assets.

3. Employees' and directors' remuneration

Employees' and directors' remuneration are recognized as expense and liability when the entity becomes legally obligated or is deemed obligated to pay, and the amount can be reasonably estimated. Any differences between the amount estimated and the amount resolved/paid are treated as a change of accounting estimate.

(XXV)Share-based payment

In a share-based payment arrangement, the value of employees' services is measured based on the fair value of the equity instrument granted on the grant date. This payment is recognized as remuneration in the period vested, with corresponding adjustments made to equity. The fair value of the equity instrument should reflect the market price and the effects of both vesting and non-vesting conditions. The cost of remuneration to be recognized will be adjusted as service conditions and non-market value vesting conditions are met. The quantity of shares paid on the vesting date will determine the final amount to be recognized in the financial report.

(XXVI)Income tax

1. Income tax expenses include current and deferred income tax. Income taxes are recognized in profit and loss, except for certain items that must be recognized in other comprehensive income or presented directly as equity items.
2. The Group calculates current income tax based on the statutory tax rate applicable at countries of operation and generates taxable income as at the balance sheet date. The management regularly assesses income tax filing in accordance with applicable income tax laws and estimates income tax liabilities for the estimated amount in tax payable to the authority. Unappropriated earnings are subject to additional income tax according to the Income Tax Act. This additional tax is recognized in the year after earning is generated, when the earnings appropriation proposal is passed in a shareholder meeting and the amount in earnings retained can be ascertained.
3. Deferred income tax is accounted for using the balance sheet method and recognized on taxable temporary differences that arise between the taxable basis and book value of assets and liabilities shown in the consolidated balance sheet. No deferred income tax is recognized upon initial recognition of an asset or liability (except in the case of business combination) if it affects neither accounting profit nor taxable income (tax loss) at the time of the transaction and does not generate an equivalent taxable and deductible temporary difference. Temporary differences arising from investment in subsidiaries and associated companies are not recognized as income tax asset/liability if the Group is able to control the timing at which temporary difference is reversed and that the temporary difference is unlikely to be reversed in the foreseeable future. Deferred income taxes are calculated using the tax rate (and tax law) applicable on the day deferred income tax assets/liabilities are expected to be realized/settled, based on prevailing laws as at the balance sheet date.

4. Deferred income tax assets are recognized to the extent that temporary differences are likely to be used to offset future taxable income. Unrecognized and recognized deferred income tax assets are re-assessed on each balance sheet date.

(XXVII)Dividend distribution

Dividends to the Company's shareholders are recognized in the financial report at the time the resolution is passed in a shareholder meeting. Cash dividends pending payment are recognized as liability, whereas stock dividends pending distribution are presented as pending stock dividends and reclassified into common share capital on the issuance baseline date.

(XXVIII)Revenue recognition

1. Sales of goods

- (1) The Group manufactures and sells medical computers and peripherals. Sales revenues are recognized when control of the product is transferred to the customer; or in other words, when product is delivered to the customer and the Group has no outstanding obligation that would otherwise affect the customer from accepting the product. Product transfer is deemed to have completed when the product is shipped to the designated location and the customer accepts the product according to the terms of the sales contract, or if there is objective evidence to prove that acceptance has been made, and thereby transferring all risks associated with obsolescence and loss to the customer.
- (2) The Group offers a standard warranty on the products sold and is obligated to repair defective products. Liability reserves are made to account for this obligation at the time of sale.
- (3) Accounts receivable are recognized when products are delivered to the customer because this is the point of time when the Group gains unconditional rights to contractual proceeds and is entitled to collect consideration from customers simply through the passage of time.

2. Warranty income

Warranty income in advance that the Group receives for the sale of warranty extension is reclassified into income based on the remaining service duration.

(XXIX)Government subsidies

Government subsidies are recognized at fair value when the Company has reasonable assurance towards fulfilling the government's subsidy criteria and receiving the subsidy. For government subsidies aimed to reimburse expenses incurred, the Group will recognize government subsidies through current profit and loss in a systematic manner when relevant expenses are incurred.

(XXX)Operating segments

The Group's segment information is prepared according to what the decision makers rely on for internal management. The decision maker is responsible for allocating resources to the various segments and evaluating performance, and the board of directors has been identified as the Group's decision maker.

V. Major sources of uncertainty for significant accounting judgments, estimates and assumptions

The management had exercised judgment to determine the accounting policies to adopt when the consolidated financial report was prepared and made accounting estimates and assumptions based on prevailing circumstances and reasonable expectations toward future events as at the balance sheet date. The significant accounting estimates and assumptions made can differ from the actual result, which the management will continually evaluate and adjust based on historical experience and other factors. These estimates and assumptions may result in major adjustments to the book value of assets and liabilities in the next financial year. Uncertainties associated with significant accounting judgments, estimates, and assumptions are explained below:

(I) Significant judgments adopted for accounting policies

None.

(II) Significant accounting estimates and assumptions

Valuation of inventory

Due to the fact that inventory is presented at the lower of cost or net realizable value, the Group is required to exercise judgment and make estimates in order to determine the net realizable value of inventory as at the balance sheet date. Inventory as at the balance sheet may be susceptible to normal wear, obsolescence, or loss of market value due to rapidly changing technologies. The Group estimates the above losses and reduces inventory cost down to the net realizable value. This inventory valuation is made by estimating product demand within a specific period of time in the future, which may give rise to significant changes.

Book value of the Group's inventory as at December 31, 2023 totaled \$245,689.

VI. Notes to major accounts

(I)Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Petty cash	\$ 426	\$ 320
Check and current deposit	350,989	297,856
Time deposit	<u>15,352</u>	<u>30,710</u>
	<u>\$ 366,767</u>	<u>\$ 328,886</u>

1. All financial institutions that the Group deals with are of strong credit background. The Group also diversifies credit risk by dealing with multiple financial institutions at the same time and therefore is unlikely to suffer from the default of a financial institution.
2. Cash and cash equivalents that have been placed as collateral for forward exchange contracts and short-term loans are presented as financial assets at amortized cost. Please see Notes 6(3) and 8 for details.

(II)Financial assets at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current portion:		
Financial assets mandatory to be carried at fair value through profit or loss		
TWSE/TPEX listed shares	\$ 10,208	\$ 10,208
Valuation adjustment	<u>1,181</u>	<u>(2,997)</u>
	<u>\$ 11,389</u>	<u>\$ 7,211</u>
Non-current portion:		
Financial assets mandatory to be carried at fair value through profit or loss		
Not listed on TWSE/TPEX or the Emerging Stock Market board	\$ 30,000	\$ 30,000
Valuation adjustment	<u>4,637</u>	<u>(3,044)</u>
	<u>\$ 34,637</u>	<u>\$ 26,956</u>

1. Details of gains (losses) on financial assets at fair value through profit or loss:

	<u>2023</u>	<u>2022</u>
Financial assets mandatory to be carried at fair value through profit or loss		
Equity instrument	\$ 11,859	(\$ 12,698)
Debt instrument	<u>-</u>	<u>249</u>
Derivatives	<u>-</u>	<u>(19)</u>
	<u>\$ 11,859</u>	<u>(\$ 12,468)</u>

2. None of the Group's financial assets at fair value through profit or loss was placed as collateral.

3. For information relating to the credit risk of financial assets carried at fair value through profit or loss, please refer to Note 12(2).

(III)Financial assets carried at cost after amortization

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current portion:		
Restricted time deposit	<u>\$ 31,626</u>	<u>\$ -</u>

1. Without considering the collateral or other credit enhancements held, financial assets measured at amortized cost that best represent the Group held on December 31, 2023 and 2022, the highest credit risk exposure amount was \$31,626 and \$0, respectively.

2. Please refer to Note 8 for the financial assets measured at amortized cost that are provided as collateral.

3. Please refer to Note 12(2) for the credit risk information of financial assets measured at amortized cost. The counterparties of the Group's investment in certificates of deposit are financial institutions with good credit quality, and the possibility of default is expected to be very low.

(IV)Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	<u>\$ 3</u>	<u>\$ -</u>
Accounts receivable	\$ 206,286	\$ 279,721
Less: loss provisions	<u>(14,911)</u>	<u>(15,442)</u>
	<u>\$ 191,375</u>	<u>\$ 264,279</u>

1. Notes and accounts receivable (including related parties) aging analysis:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Current	\$ 141,612	\$ 3	\$ 174,573
Overdue within 30 days	39,255	-	87,762
Overdue 31 - 60 days	12,344	-	5,071
Overdue more than 121 days	13,823	-	13,361
	<u>\$ 207,034</u>	<u>\$ 3</u>	<u>\$ 280,767</u>

The above aging analysis has been prepared based on the number of days overdue.

- Balances of accounts and notes receivable (including related parties) as at December 31, 2023 and 2022, had arisen entirely from contractual arrangements with customers. Balances of contractual proceeds receivable from customers (including related parties) and loss provisions as at January 1, 2022 were \$222,344 and \$16,828, respectively.
- In the absence of collaterals and other credit enhancements, maximum credit risk exposure associated with the Group's notes receivable as at December 31, 2023 and 2022, amounted to \$3 and \$0, respectively; maximum credit risk exposure associated with the Group's accounts receivable (including related parties) as at December 31, 2023 and 2022, amounted to \$192,123 and \$265,325, respectively.
- The Group held no collateral on accounts and notes receivable (including related parties).
- For credit risk information on notes and accounts receivable (including related parties), please refer to Note 12(2).

(V) Inventory

	<u>December 31, 2023</u>		
	<u>Cost</u>	<u>Allowance for obsolescence and devaluation loss</u>	<u>Book value</u>
Raw materials	\$ 142,640	(\$ 8,442)	\$ 134,198
Work-in-progress	13,180	(35)	13,145
Semi-finished goods	73,902	(7,399)	66,503
Finished goods	<u>53,377</u>	<u>(21,534)</u>	<u>31,843</u>
	<u>\$ 283,099</u>	<u>(\$ 37,410)</u>	<u>\$ 245,689</u>

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for obsolescence and devaluation loss</u>	<u>Book value</u>
Raw materials	\$ 164,564	(\$ 24,527)	\$ 140,037
Work-in-progress	61,993	(6,468)	55,525
Semi-finished goods	64,331	(7,206)	57,125
Finished goods	<u>70,513</u>	<u>(11,673)</u>	<u>58,840</u>
	<u>\$ 361,401</u>	<u>(\$ 49,874)</u>	<u>\$ 311,527</u>

Cost of inventory recognized as expenses or losses in the current period:

	<u>2023</u>	<u>2022</u>
Cost of inventory sold	\$ 926,987	\$ 1,062,082
Service and warranty cost	11,194	15,062
Other operating costs (Note)	(5,355)	17,847
Obsolescence and devaluation loss	4,104	20,626
Inventory loss (profit)	(356)	1,107
Impairment loss	<u>142</u>	<u>11,235</u>
	<u>\$ 936,716</u>	<u>\$ 1,127,959</u>

Note: Raw materials previously placed at an OEM plant were lost during return shipment and the loss was recognized as other operating costs in September 2022. In May 2023, the Group received \$5,355 in compensations and presented the amount as a contra item to other operating costs.

(VI) Financial assets at fair value through other comprehensive income

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current portion:		
Equity instrument		
TWSE/TPEX listed shares	\$ 71,769	\$ -
Not listed on TWSE/TPEX or the Emerging Stock Market board	<u>39,334</u>	<u>69,334</u>
	111,103	69,334
Valuation adjustment	<u>(42,347)</u>	<u>(41,798)</u>
	<u>\$ 68,756</u>	<u>\$ 27,536</u>

1. The Group chooses to classify the equity instrument investment, which is a strategic investment, as financial assets measured at fair value through other comprehensive gain or loss. The fair value of the investments on December 31, 2023 and 2022 was \$68,756 and \$27,536, respectively.
2. Details of gains or losses on financial assets at fair value through other comprehensive income:

	<u>2023</u>	<u>2022</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value changes recognized through other comprehensive income	<u>(\$ 5,394)</u>	<u>(\$ 4,845)</u>
Cumulative losses reclassified into retained earnings	<u>(\$ 4,845)</u>	<u>\$ -</u>

3. None of the Group's financial assets at fair value through other comprehensive income was placed as collateral.
4. For information relating to the credit risk of financial assets carried at fair value through other comprehensive income, please refer to Note 12(2).

(VII) Equity-accounted investments

<u>Name of associated company</u>	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Shareholding %</u>	<u>Amount presented</u>	<u>Shareholdin g %</u>	<u>Amount presented</u>
Winmate (Note 1)	13.08%	\$ 629,526	13.99%	\$ 606,637
ProtectLife (Note 2)	11.27%	<u>34,685</u>	-	<u>-</u>
		<u>\$ 664,211</u>		<u>\$ 606,637</u>

Note 1: Although the Group held less than 20% of voting shares in Winmate, it did undertake directorship in Winmate and therefore accounted for the entity using the equity method for exercising significant influence.

Note 2: The Group previously held a 6.3% equity interest in ProtectLife, and after subscribing to cash issue on February 9, 2023, shareholding percentage increased to 11.54%. Although shareholding percentage is below 20%, the shares held by the Company and another related party - Fu Li Investment Co., Ltd. (in which the Company shares a common chairperson) aggregate to 20%, and considering that the Company's chairperson serves as a director of ProtectLife, the Company is deemed to exercise significant influence. For this reason, the investment has been accounted for using the equity method since February 9, 2023. In addition, the Group participated in its cash capital increase on July 21, 2023, and the shareholding was 11.27% after the capital increase.

1. Summary financial information of significant associated companies:

Balance sheet

	<u>Winmate</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current assets	\$ 2,294,504	\$ 2,417,479
Non-current assets	1,586,066	1,347,730
Current liabilities	(795,394)	(1,210,738)
Non-current liabilities	(19,152)	(15,176)
Total net assets	<u>\$ 3,066,024</u>	<u>\$ 2,539,295</u>
As a percentage of net assets across associated companies	\$ 401,036	\$ 355,247
Goodwill	<u>228,358</u>	<u>251,390</u>
Book value of associated company	<u>\$ 629,394</u>	<u>\$ 606,637</u>

Statement of comprehensive income

	<u>Winmate</u>	
	<u>2023</u>	<u>2022</u>
Income	\$ 2,598,533	\$ 2,659,296
Current net income	\$ 505,952	\$ 452,429
Other comprehensive income (net, after-tax)	<u>27,340</u>	<u>81,155</u>
Total comprehensive income for the current period	<u>\$ 533,292</u>	<u>\$ 533,584</u>
Dividends received from associated companies	<u>\$ 48,800</u>	<u>\$ 45,136</u>

2. The following is a summary of book values and business performance of the Group's non-material associated companies:

Book value of the Group's non-material associated companies as at December 31, 2023 totaled \$34,685.

	<u>2023</u>	<u>2022</u>
Current net loss	(\$ <u>47,750</u>)	\$ <u>-</u>

3. Fair value of material associated companies that are openly quoted:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Winmate	\$ <u>1,254,890</u>	\$ <u>850,252</u>

(VIII) Property, plant and equipment

	<u>2023</u>							<u>Construction in progress and equipment pending inspection</u>	<u>Total</u>
	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Lease improvements</u>	<u>Other equipment</u>			
January 1									
Cost	\$ 229,660	\$ 48,798	\$ 17,200	\$ 11,463	\$ 20,697	\$ 84,201	\$ 1,727	\$ 413,746	
Accumulated depreciation	<u>-</u>	<u>(2,440)</u>	<u>(15,392)</u>	<u>(9,262)</u>	<u>(19,473)</u>	<u>(71,024)</u>	<u>-</u>	<u>(117,591)</u>	
	<u>\$ 229,660</u>	<u>\$ 46,358</u>	<u>\$ 1,808</u>	<u>\$ 2,201</u>	<u>\$ 1,224</u>	<u>\$ 13,177</u>	<u>\$ 1,727</u>	<u>\$ 296,155</u>	
January 1	\$ 229,660	\$ 46,358	\$ 1,808	\$ 2,201	\$ 1,224	\$ 13,177	\$ 1,727	\$ 296,155	
Addition	37,523	13,462	192	340	1,363	3,167	12,502	68,549	
Transfer	-	9,435	-	-	-	4,451	(13,886)	-	
Depreciation	-	(3,248)	(1,311)	(827)	(1,698)	(8,247)	-	(15,331)	
Net exchange difference	<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>7</u>	
December 31	<u>\$ 267,183</u>	<u>\$ 66,007</u>	<u>\$ 689</u>	<u>\$ 1,725</u>	<u>\$ 889</u>	<u>\$ 12,544</u>	<u>\$ 343</u>	<u>\$ 349,380</u>	
December 31									
Cost	\$ 267,183	\$ 71,695	\$ 16,774	\$ 11,779	\$ 22,060	\$ 91,764	\$ 343	\$ 481,598	
Accumulated depreciation	<u>-</u>	<u>(5,688)</u>	<u>(16,085)</u>	<u>(10,054)</u>	<u>(21,171)</u>	<u>(79,220)</u>	<u>-</u>	<u>(132,218)</u>	
	<u>\$ 267,183</u>	<u>\$ 66,007</u>	<u>\$ 689</u>	<u>\$ 1,725</u>	<u>\$ 889</u>	<u>\$ 12,544</u>	<u>\$ 343</u>	<u>\$ 349,380</u>	

	<u>2022</u>							
	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Lease improvements</u>	<u>Other equipment</u>	<u>Construction in progress and equipment pending inspection</u>	<u>Total</u>
January 1								
Cost	\$ -	\$ -	\$ 17,980	\$ 9,547	\$ 20,697	\$ 78,525	\$ -	\$ 126,749
Accumulated depreciation	-	-	(14,281)	(7,946)	(15,012)	(65,189)	-	(102,428)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,699</u>	<u>\$ 1,601</u>	<u>\$ 5,685</u>	<u>\$ 13,336</u>	<u>\$ -</u>	<u>\$ 24,321</u>
January 1	\$ -	\$ -	\$ 3,699	\$ 1,601	\$ 5,685	\$ 13,336	\$ -	24,321
Addition	-	-	-	1,231	-	2,663	6,332	10,226
Transfer	-	-	-	135	-	4,470	(4,605)	-
Reclassification	229,660	46,358	-	-	-	-	-	276,018
Depreciation	-	-	(1,891)	(852)	(4,461)	(7,312)	-	(14,516)
Net exchange difference	-	-	-	86	-	20	-	106
December 31	<u>\$ 229,660</u>	<u>\$ 46,358</u>	<u>\$ 1,808</u>	<u>\$ 2,201</u>	<u>\$ 1,224</u>	<u>\$ 13,177</u>	<u>\$ 1,727</u>	<u>\$ 296,155</u>
December 31								
Cost	\$ 229,660	\$ 48,798	\$ 17,200	\$ 11,463	\$ 20,697	\$ 84,201	\$ 1,727	\$ 413,746
Accumulated depreciation	-	(2,440)	(15,392)	(9,262)	(19,473)	(71,024)	-	(117,591)
	<u>\$ 229,660</u>	<u>\$ 46,358</u>	<u>\$ 1,808</u>	<u>\$ 2,201</u>	<u>\$ 1,224</u>	<u>\$ 13,177</u>	<u>\$ 1,727</u>	<u>\$ 296,155</u>

Major components of property, plant, and equipment held by the Group, and useful lives:

<u>Item</u>	<u>Major component</u>	<u>Useful life</u>
Buildings	Building, parking lot, renovation etc.	5-30 years
Machinery	Oscilloscope, suspensory burn-in equipment, and automated streamline workstation	3 years
Office equipment	Server and host	3 years
Lease improvements	Plant expansion and revovation works	2 years
Other equipment	Front and back cover mold, repair mold, and sizing mold	2-5 years

1. All property, plant, and equipment mentioned above are self-occupied.
2. No borrowing cost was capitalized into the Group's property, plant, and equipment.
3. See Note 8 for details of Property, plant and equipment pledged as collateral by the Group.

(IX) Leases - as a lessee

1. The Group leases buildings, transport equipment, and office equipment; the duration of the lease agreements usually ranges from 1 to 20 years. Lease contracts were individually negotiated and drafted with different terms and conditions with no additional restriction, except that the leased assets cannot be placed as collateral.
2. Lease tenors for buildings and transport equipment do not exceed 12 months, whereas leases for office equipment are treated as low-value leases.
3. Book value of right-of-use assets and recognized amounts of depreciation expense are presented below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Book value</u>	<u>Book value</u>
Buildings	\$ 30,975	\$ 33,782
Transport equipment	2,112	967
Office equipment	1,244	1,672
	<u>\$ 34,331</u>	<u>\$ 36,421</u>

	<u>2023</u>	<u>2022</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Buildings	\$ 5,027	\$ 7,405
Transport equipment	833	760
Office equipment	428	428
	<u>\$ 6,288</u>	<u>\$ 8,593</u>

4. Amounts of right-of-use assets added in 2023 and 2022 were \$4,431 and \$3,911, respectively.

5. Income and expenses relating to lease agreements are presented below:

<u>Current income/expense accounts affected</u>	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	\$ 733	\$ 807
Expenses on short-term lease agreements	11,556	12,295
Lease expense of low-value leases	106	59
Income from sub-leasing of right-of-use assets	1,053	-
Gain on lease amendment	(5)	(91)

6. Amounts of cash outflow incurred on leases totaled \$18,458 in 2023 and \$21,683 in 2022.

(X)Leases - as a lessor

1. The Group leases out its land and buildings. The current lease tenure is from September 2021 to August 2024. However, part of the lease was prematurely terminated on December 31, 2022. Lease contracts were individually negotiated and drafted with different terms and conditions. To ensure that lease assets are used for the purpose described, lessees are generally prohibited from sub-leasing, lending, or transferring all or part of the leased asset, or in any other way allowing others to make use of the leased asset. Lessees are also prohibited from transferring leases to others.
2. The Group recognized rental income of \$1,053 and \$6,906 for the years ended 2023 and 2022, respectively, based on operating lease agreements, of which no variable lease payments were made.
3. See Note 7 for details on the lease of assets to related parties.

(XI) Investment property

		<u>2022</u>	
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
January 1			
Cost	\$ 229,660	\$ 48,798	\$ 278,458
Accumulated depreciation	<u>-</u>	<u>(813)</u>	<u>(813)</u>
	<u>\$ 229,660</u>	<u>\$ 47,985</u>	<u>\$ 277,645</u>
January 1	\$ 229,660	\$ 47,985	\$ 277,645
Reclassification	(229,660)	(46,358)	(276,018)
Depreciation	<u>-</u>	<u>(1,627)</u>	<u>(1,627)</u>
December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31			
Cost	\$ -	\$ -	\$ -
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

1. The Group signed a contract to purchase real estate property located in Xindian District for a price of \$280,077 (tax-inclusive) in March 2021, and the ownership transfer was completed in May 2021. This real estate was originally planned for self-use, but concerns were raised on the inconvenience of relocation, construction and certification of customer plants during the COVID-19 pandemic. After taking into account the above concerns, a decision was made to postpone plant relocation and lease the plant to a related party in September 2021. For this reason, the asset was reclassified into an investment property. The lease of this property was terminated in December 2022 and was therefore reclassified to property, plant and equipment.
2. Rent income and direct expenses associated with investment property:

	<u>2022</u>
Rent income from investment property	<u>\$ 6,906</u>
Direct expenses incurred in relation to current rent income generated from investment property	<u>\$ 1,627</u>

(XII) Short-term loans

<u>Nature of loan</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	<u>\$ 27,000</u>	0.50%	Time deposit

1. None as at December 31, 2022.

2. Interest expense recognized in profit or loss was \$142 and \$364 for 2023 and 2022, respectively.

(XIII) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salary and bonus payable	\$ 36,402	\$ 33,420
Employee and director remuneration payable	26,580	26,752
Equipment purchase payable	967	-
Other payables	<u>15,755</u>	<u>14,098</u>
	<u>\$ 79,704</u>	<u>\$ 74,270</u>

(XIV) Long-term loans

<u>Nature of loan</u>	<u>Loan tenor and repayment method</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Long-term bank borrowings				
Secured borrowings	From May 28, 2021 to May 28, 2036; principal and interest repayable on a monthly basis	1.85%	Land and buildings	\$ 144,975
Less: current portion of long-term loan				<u>(10,476)</u>
				<u>\$ 134,499</u>
<u>Nature of loan</u>	<u>Loan tenor and repayment method</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings				
Secured borrowings	From May 28, 2021 to May 28, 2036; principal and interest repayable on a monthly basis	1.73%	Land and buildings	\$ 155,286
Less: current portion of long-term loan				<u>(10,376)</u>
				<u>\$ 144,910</u>

(XV)Pension

1. The Company and domestic subsidiaries have implemented defined contribution policies in accordance with the "Labor Pension Act" that apply to all employees of local nationality. For employees who are subject to the pension scheme introduced under the "Labor Pension Act," the Company and domestic subsidiaries contribute an amount equal to 6% of employees' monthly salary to their individual accounts held with the Bureau of Labor Insurance on a monthly basis. Upon retirement, employees are paid the balance of their pension account plus cumulative gains either in monthly installments or in one lump sum.
2. OHU currently implements a company-funded personal pension program. Every employee who voluntarily participates in the program may have pension contributions shared between OHU and the employee. OHU makes contributions at 3% of gross salary, up to the amount in employee's self contribution.
3. OCI is required under the retirement insurance system of The People's Republic of China to pay monthly retirement premiums at a certain percentage of gross salary for local employees. Employees' pension funds are collectively managed by the local government. OCI has no further obligations other than making monthly contributions.
4. ONI makes pension contributions according to local regulations.
5. Total pension costs recognized under the above policies amounted to \$6,616 in 2023 and \$6,550 in 2022.

(XVI)Liability reserves

	<u>2023</u>	<u>2022</u>
	<u>Warranty</u>	<u>Warranty</u>
January 1	\$ 9,694	\$ 8,271
Increase of liability reserves in the current period	7,613	7,690
Liability reserves used and reversed in the current period	(7,358)	(6,267)
December 31	<u>\$ 9,949</u>	<u>\$ 9,694</u>

Analysis of liability reserves:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	<u>\$ 7,585</u>	<u>\$ 7,367</u>
Non-current	<u>\$ 2,364</u>	<u>\$ 2,327</u>

Warranty reserves are related to the sale of medical computers; the amount in which is estimated based on historical warranty information of the product concerned.

(XVII) Share-based payment

1. The Group had the following share-based payment arrangements in 2023 and 2022:

<u>Type of agreement</u>	<u>Grant date</u>	<u>Quantity granted (thousand shares)</u>	<u>Contract duration</u>	<u>Vesting condition</u>
Employee warrant program	August 6, 2020	1,000	5 years	2-4 years of service
Cash issue retain for subscription by employees	January 25, 2022	418	Not applicable	Immediately vested

The above share-based payment arrangement is settled with equity.

2. Details of the above share-based payment arrangements:

	<u>2023</u>		<u>2022</u>	
	<u>Quantity of warrants (thousand shares)</u>	<u>Weighted average exercise price (NTD)</u>	<u>Quantity of warrants (thousand shares)</u>	<u>Weighted average exercise price (NTD)</u>
Opening balance (January 1) of outstanding warrants	872	\$ 114.70	1,000	\$ 121.50
Adjustment of warrants	52	-	-	-
Warrants exercised in the current period	(255)	111.00	-	-
Warrants voided in the current period	(44)	-	(128)	-
Closing balance (December 31) of outstanding warrants	<u>625</u>	110.50	<u>872</u>	114.70
Closing balance (December 31) of exercisable warrants	<u>405</u>		<u>436</u>	

3. Maturity date and exercise price of warrants outstanding as at the balance sheet date:

<u>Type of agreement</u>	<u>Issuance date</u>	<u>Maturity date</u>	<u>December 31, 2023</u>	
			<u>Shares (thousand shares)</u>	<u>Exercise price (NTD)</u>
Employee warrant program	August 6, 2020	August 6, 2025	625	\$ 110.50

<u>Type of agreement</u>	<u>Issuance date</u>	<u>Maturity date</u>	<u>December 31, 2022</u>	
			<u>Shares (thousand shares)</u>	<u>Exercise price (NTD)</u>
Employee warrant program	August 6, 2020	August 6, 2025	872	\$ 114.70

4. The Group uses the Black-Scholes options pricing model to estimate the fair value of warrants allocated for share-based payment and the fair value of cash issues retained for subscription by employees. Information on relevant parameters are presented below:

Type of agreement	Grant date	Share price	Exercise price (NTD)	Expected volatility	Expected duration	Risk-free rate	Fair value per unit (NTD)
Employee warrant program	August 6, 2020	\$139.50	\$139.50	32.26%	3.88 years	0.29%	\$ 35.39
Cash issue retain for subscription by employees	January 25, 2022	107.50	88.00	18.32%	0.16 years	0.34%	19.5567

5. Expenses incurred on share-based payments are as follows:

	<u>2023</u>	<u>2022</u>
Employee warrants	\$ 3,590	\$ 8,786
Cash issue retain for subscription by employees	-	8,174
	<u>\$ 3,590</u>	<u>\$ 16,960</u>

(XVIII) Share capital

1. The Company had \$500,000 of authorized capital (including 6,000 thousand shares reserved for issuance of employee warrant) as per Articles of Incorporation and \$335,163 of paid-up capital issued in 33,516 thousand shares at a face value of NT\$10 per share as at December 31, 2023. Proceeds from issued shares have been fully collected.

Reconciliation between the opening and closing number of outstanding common shares (in thousand shares) in 2023 and 2022 is explained below:

	<u>2023</u>	<u>2022</u>
January 1	33,261	30,261
Exercise of employee warrants	255	-
Cash issue	-	3,000
December 31	<u>33,516</u>	<u>33,261</u>

2. The board of directors passed a resolution on August 7, 2019 to issue employee warrants and later resolved on December 23, 2019 to amend the issuance policy. A total of 1,000 units of the warrant were issued, and each warrant is vested with the right to subscribe 1,000 shares. 1,000 thousand new common shares will have to be issued when the warrants are exercised. The subscription price per share will be determined according to policy. The warrants mentioned above were issued on August 6, 2020; please see Note 6(17) for details.
3. The board of directors passed a resolution to issue 3,000 thousand common shares for cash during the meeting held on December 17, 2021. The cash issue was effected after it was reported to the competent securities authority. The aforementioned capital increase was issued at a price of NT\$88 per share and the change of registration was completed on April 14, 2022.

(XIX)Capital reserves

Pursuant to The Company Act, the amount in premiums received on shares issued above the face value plus any capital reserves arising from gifts received may be used to reimburse previous losses. If the Company has not accumulated losses, this amount may be distributed to shareholders in cash or new shares based on shareholders' exiting ownership percentage. Furthermore, according to the Securities and Exchange Act, the amount in capital reserves capitalized into share capital is capped at 10% of paid-up capital per year. The Company may not utilize capital reserves to offset losses when there is still a positive balance in the earning reserves.

	<u>2023</u>			
	<u>Share premium</u>	<u>Employee warrants</u>	<u>Others</u>	<u>Total</u>
January 1	\$ 654,359	\$ 24,885	\$ 228	\$ 679,472
Exercise of employee warrants	34,765	(9,024)	-	25,741
Employee warrants	-	3,590	-	3,590
December 31	<u>\$ 689,124</u>	<u>\$ 19,451</u>	<u>\$ 228</u>	<u>\$ 708,803</u>

	<u>2022</u>			
	<u>Share premium</u>	<u>Employee warrants</u>	<u>Others</u>	<u>Total</u>
January 1	\$ 446,346	\$ 16,327	\$ -	\$ 462,673
Cash issue	233,100	-	-	233,100
Cash issue retain for subscription by employees	8,174	-	-	8,174
Distribution of cash from capital reserves	(33,261)	-	-	(33,261)
Employee warrants	-	8,786	-	8,786
Lapsed share option	-	(228)	228	-
December 31	<u>\$ 654,359</u>	<u>\$ 24,885</u>	<u>\$ 228</u>	<u>\$ 679,472</u>

(XX)Retained earnings

1. According to the Articles of Incorporation, annual net income concluded by the Company is the first subject to reimbursement of previous losses (including adjustment to unappropriated earnings) followed by a 10% provision for legal reserve. However, no further provision is needed when the legal reserve has accumulated to an amount equal to the Company's paid-up capital. Any surpluses remaining shall be subject to provision or reversal of special reserve as laws or the authority may require. The residual balance can then be added to unappropriated earnings (including adjustment to unappropriated earnings) carried from previous years and distributed as dividends to shareholders, subject to the board of directors' proposal and shareholder meeting resolution. The amount in dividends paid to shareholders must not be less than 5% of total distributable earnings. Cash dividends must not be less than 10% of the sum of cash and stock dividends for the current year. However, cash dividends amounting to less than NT\$0.1 per share are to be paid in stock dividends instead.
The Company adopts a residual dividend policy that takes into consideration current and future investment prospects, capital requirements, local and foreign competition, capital budget, shareholders' interest, balanced dividend, long-term financial plans and related factors.
2. The legal reserve may not be used for purposes other than reimbursing previous losses or distributing proportionally back to existing shareholders in the form of cash or new shares. Only the amount in reserve that exceeds paid-up capital by 25% may be distributed in cash or new shares.
3. When distributing earnings, the Company is bound by laws to make provision for special reserves equal to the debit balance of other equity items as at the current balance sheet date before proceeding. If the debit balance of other equity items is reversed on a later date, the amount reversed can be added to available earnings for distribution.

4. Appropriation of 2022 and 2021 earnings were resolved in shareholder meetings dated May 26, 2023 and May 31, 2022, respectively. Details are as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>Dividends per share (NTD)</u>	<u>Amount</u>	<u>Dividends per share (NTD)</u>
Provision for legal reserves	\$ 20,296		\$ 12,755	
(Reversal of)	(15,970)		4,903	
provision for special reserves				
Cash dividends	166,307	\$ 5.0	99,784	\$ 3.0

A resolution was passed during the shareholder meeting held on May 31, 2022 to issue additional common shares at a premium above face value against the capitalization of \$33,261 in capital reserves. This is equivalent to NT\$1 of stock dividend per share.

As explained above, the appropriation of 2022 and 2021 earnings were indifferent from the proposals raised by the board of directors.

5. Appropriation of 2023 earnings has been proposed and passed by the board of directors during the meeting held on February 27, 2024; details are as follows:

	<u>2023</u>	
	<u>Amount</u>	<u>Dividends per share (NTD)</u>
Provision for legal reserves	\$ 25,042	
Reversal for special reserve	(3,757)	
Cash dividends	167,582	\$ 5.0
Stock dividends	50,274	1.5

As of February 27, 2024, it has not been resolved by the shareholders' meeting.

(XXI) Operating revenues

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	<u>\$ 1,492,860</u>	<u>\$ 1,600,265</u>

1. Breakdown of revenue from contracts with customers

The Group recognizes income when merchandise is transferred or when service is rendered, which may take place progressively over time or occur at a specific time. Income can be distinguished by main product lines and geographic areas as follows:

2023	Medical computers			Services and warranty			Total
	Taiwan	USA	Others	Taiwan	USA	Others	
Revenue from contracts with external customers	<u>\$922,777</u>	<u>\$510,029</u>	<u>\$ 38,287</u>	<u>\$ 16,763</u>	<u>\$ 4,999</u>	<u>\$ 5</u>	<u>\$1,492,860</u>
Timing of revenue recognition							
Revenues recognized at a specific time	\$922,777	\$510,029	\$ 38,287	\$ -	\$ -	\$ -	\$1,471,093
Revenues recognized progressively over time	-	-	-	16,763	4,999	5	21,767
	<u>\$922,777</u>	<u>\$510,029</u>	<u>\$ 38,287</u>	<u>\$ 16,763</u>	<u>\$ 4,999</u>	<u>\$ 5</u>	<u>\$1,492,860</u>

2022	Medical computers			Services and warranty			Total
	Taiwan	USA	Others	Taiwan	USA	Others	
Revenue from contracts with external customers	<u>\$868,479</u>	<u>\$650,258</u>	<u>\$ 39,980</u>	<u>\$ 33,002</u>	<u>\$ 8,464</u>	<u>\$ 82</u>	<u>\$ 1,600,265</u>
Timing of revenue recognition							
Revenues recognized at a specific time	\$868,479	\$650,258	\$ 39,980	\$ -	\$ -	\$ -	\$ 1,558,717
Revenues recognized progressively over time	-	-	-	33,002	8,464	82	41,548
	<u>\$868,479</u>	<u>\$650,258</u>	<u>\$ 39,980</u>	<u>\$ 33,002</u>	<u>\$ 8,464</u>	<u>\$ 82</u>	<u>\$ 1,600,265</u>

2. Contractual liabilities

(1) Contractual liabilities associated with revenue from contracts with customers are as follows:

	December 31, 2023	December 31, 2022	January 1, 2022
Contractual liabilities - current:			
Service and sales contract	\$ 55,234	\$ 55,834	\$ 64,568
Warranty contract	<u>6,613</u>	<u>8,899</u>	<u>11,187</u>
	<u>61,847</u>	<u>64,733</u>	<u>75,755</u>
Contractual liabilities - non-current:			
Service and sales contract	44,848	54,939	26,024
Warranty contract	<u>8,453</u>	<u>12,921</u>	<u>16,114</u>
	<u>53,301</u>	<u>67,860</u>	<u>42,138</u>
	<u>\$ 115,148</u>	<u>\$ 132,593</u>	<u>\$ 117,893</u>

(2) Amount in opening contractual liabilities recognized as current income

	<u>2023</u>		<u>2022</u>
Amount in opening contractual liabilities recognized as current income			
Service and sales contract	\$ 46,908	\$	55,940
Warranty contract	8,899		11,187
	<u>\$ 55,807</u>	<u>\$</u>	<u>67,127</u>

(3) Long-term contracts not yet fulfilled

The Group had long-term contracts with customers that were unfulfilled (or not fully fulfilled) as at December 31, 2023 and 2022, which had allocated prices of \$115,148 and \$132,593, respectively. The management expects to recognize \$61,847 and \$64,733 of revenues from allocated prices of unfulfilled performance obligations as at December 31, 2023 and 2022, in the following year. In contrast, the remaining contract prices are expected to be recognized as income over 2 to 6 years. The above amounts do not include constraining estimates of variable consideration.

(XXII)Other income

	<u>2023</u>		<u>2022</u>
Rental income	\$ 1,053	\$	6,906
Dividend income	408		3,709
Gain on elimination of overdue contract liabilities	-		3,986
Other income	10,908		11,653
	<u>\$ 12,369</u>	<u>\$</u>	<u>26,254</u>

(XXIII)Other gains and losses

	<u>2023</u>		<u>2022</u>
Gain (loss) on financial assets at fair value through profit or loss	\$ 11,859	(\$	12,468)
Government grant income	9,620		4,487
Gain (loss) on exchange	(7,418)		19,295
Gain on lease amendment	5		91
Depreciation of investment property	-	(	1,627)
Gain on disposal of property, plant, and equipment	-		250
Other losses	(1,730)		-
	<u>\$ 12,336</u>	\$	<u>10,028</u>

(XXIV)Additional information on the nature of costs and expenses

	<u>2023</u>		<u>2022</u>
Employee benefit expenses	\$ 264,587	\$	276,481
Depreciation on property, plant, and equipment	15,331		14,516
Depreciation on right-of-use assets	6,288		8,593
Amortization	2,476		2,095
	<u>\$ 288,682</u>	\$	<u>301,685</u>

(XXV)Employee benefit expenses

	<u>2023</u>		<u>2022</u>
Salary expenses	\$ 241,538	\$	251,348
Labor/health insurance premium	12,735		15,941
Pension expense	6,616		6,550
Other personnel expenses	3,698		2,642
	<u>\$ 264,587</u>	\$	<u>276,481</u>

1. According to the Articles of Incorporation, any profits remaining after reimbursing cumulative losses in a given year shall be subject to employee remuneration of no less than 5% and director remuneration of no higher than 3%.
2. The Company had estimated employee remuneration at \$22,500 and \$18,000, and director remuneration at \$2,400 and \$2,400, for 2023 and 2022, respectively. All above amounts were presented as salary expenses for the respective years.

Amounts for 2023 were estimated based on the current year's profits and the percentages outlined in the Articles of Incorporation. The board of directors has resolved to pay \$22,500 and \$2,400, respectively, in cash.

The board of directors had resolved to pay 2022 employee remuneration and director remuneration at \$18,000 and \$2,400, respectively; both figures were consistent with the amounts previously recognized in the 2022 financial report and were to be paid in cash. Payment had been completed as at February 27, 2024.

Details of employees' and directors' remuneration passed by the Company's board of directors can be found on the Market Observation Post System.

(XXVI) Income tax

1. Income tax expenses

(1) Composition of income tax expense:

	<u>2023</u>		<u>2022</u>
Current income tax:			
Income tax on current profit	\$ 44,663	\$	47,088
Additional tax on unappropriated earnings	-		505
Underestimation of income tax expenses in previous years	<u>57</u>		<u>866</u>
Total current income tax	44,720		48,459
Deferred income tax:			
Occurrence and reversal of temporary difference	<u>5,110</u>	(	<u>9,563</u>)
Income tax expense	<u>\$ 49,830</u>	\$	<u>38,896</u>

(2) Income tax on other comprehensive income:

	<u>2023</u>		<u>2022</u>
Translation differences from foreign operations	<u>\$ 84</u>	\$	<u>2,264</u>

2. Relationship between income tax expense and accounting profit

	<u>2023</u>		<u>2022</u>
Income tax derived by applying the statutory tax rate to pre-tax income (Note)	\$ 66,577	\$	48,393
Income tax to be adjusted in accordance with the tax law	(16,804)	(	10,868)
Underestimation of income tax expenses in previous years	57		866
Additional tax on unappropriated earnings	<u>-</u>		<u>505</u>
Income tax expense	<u>\$ 49,830</u>	<u>\$</u>	<u>38,896</u>

Note: Calculated based on applicable tax rates of the respective countries.

3. Deferred income tax assets and liabilities arising from temporary differences are presented below:

	<u>January 1</u>	<u>Recognized through profit and loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Temporary difference:				
- Deferred income tax assets:				
Warranty reserves	\$ 1,939	\$ 51	\$ -	\$ 1,990
loss on foreign investments	3,127	(3,127)	-	-
Allowance for inventory devaluation	11,978	(4,380)	-	7,598
Unrealized gross profit	4,150	(5)	-	4,145
Unrealized loss on exchange	259	1,172	-	1,431
Bad debt	1,042	55	-	1,097
Translation differences from foreign operations	634	-	(84)	550
Others	<u>1,886</u>	<u>1,547</u>	<u>-</u>	<u>3,433</u>
	25,015	(4,687)	(84)	20,244
- Deferred income tax liabilities:				
Gain on foreign investments	<u>-</u>	<u>(423)</u>	<u>-</u>	<u>(423)</u>
	<u>\$ 25,015</u>	<u>(\$ 5,110)</u>	<u>(\$ 84)</u>	<u>\$ 19,821</u>

	<u>2022</u>			
	<u>January 1</u>	<u>Recognized through profit and loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Temporary difference:				
- Deferred income tax assets:				
Warranty reserves	\$ 1,654	\$ 285	\$ -	\$ 1,939
loss on foreign investments	-	3,127	-	3,127
Allowance for inventory devaluation	8,647	3,331	-	11,978
Unrealized gross profit	2,803	1,347	-	4,150
Unrealized loss on exchange	306	(47)	-	259
Bad debt	1,003	39	-	1,042
Translation differences from foreign operations	2,898	-	(2,264)	634
Others	<u>1,683</u>	<u>203</u>	<u>-</u>	<u>1,886</u>
	18,994	8,285	(2,264)	25,015
- Deferred income tax liabilities:				
Gain on foreign investments	<u>(1,278)</u>	<u>1,278</u>	<u>-</u>	<u>-</u>
	<u>\$ 17,716</u>	<u>\$ 9,563</u>	<u>(\$ 2,264)</u>	<u>\$ 25,015</u>

4. OCI, one of the consolidated entities, is incorporated in the People's Republic of China as a production-oriented foreign enterprise and is governed by the Enterprise Income Tax Law of the People's Republic of China.
5. Profit-seeking enterprise business income tax returns of the Company and iHELPER have been certified by the tax authority up to 2021.

(XXVII)EPS

	<u>2023</u>		
	Amount after tax	Weighted average outstanding shares (thousand shares)	EPS (NTD)
<u>Basic earnings per share</u>			
Current net income attributable to common shareholders of parent company	\$ 255,262	33,351	\$ 7.65
<u>Diluted earnings per share</u>			
Current net income attributable to common shareholders of parent company	\$ 255,262	33,351	
Dilutive effect of potential common shares			
Employee warrants	-	154	
Employee remuneration	-	144	
Current net income attributable to common shareholders of parent company plus the effect of potential common shares	\$ 255,262	33,649	\$ 7.59

	<u>2022</u>		
	Amount after tax	Weighted average outstanding shares (thousand shares)	EPS (NTD)
<u>Basic earnings per share</u>			
Current net income attributable to common shareholders of parent company	\$ 202,963	32,522	\$ 6.24
<u>Diluted earnings per share</u>			
Current net income attributable to common shareholders of parent company	\$ 202,963	32,522	
Dilutive effect of potential common shares			
Employee remuneration	-	200	
Current net income attributable to common shareholders of parent company plus the effect of potential common shares	\$ 202,963	32,722	\$ 6.20

Employee warrants issued by the Company had an anti-dilutive effect in 2022, and were therefore excluded from the calculation of earnings per share.

(XXVIII)Supplementary cash flow information

1. Investing activities involving partial cash outlay:

	<u>2023</u>		<u>2022</u>
Purchase of property, plant, and equipment	\$ 68,549	\$	10,226
Plus: equipment proceeds payable at the beginning of the period	-		1,726
Less: Equipment proceeds payable at the end of the period	(967)		-
Cash paid during the current period	<u>\$ 67,582</u>	<u>\$</u>	<u>11,952</u>

2. Investment activities without cash flow effects:

	<u>2023</u>		<u>2022</u>
Reclassification of investment property to property, plant and equipment	<u>\$ -</u>	<u>\$</u>	<u>276,018</u>

(XXIX)Change of liabilities relating to financing activities

	<u>2023</u>			
	<u>Short-term loans</u>	<u>Long-term loans</u>	<u>Lease liabilities</u>	<u>Total</u>
January 1	\$ -	\$ 155,286	\$ 36,633	\$ 191,919
Net increase in short-term loans	27,000	-	-	27,000
Repayment of long-term loan	-	(10,311)	-	(10,311)
Repayment of lease principal	-	-	(6,063)	(6,063)
Effects of exchange rate change	-	-	80	80
Other changes without cash effect	-	-	4,116	4,116
December 31	<u>\$ 27,000</u>	<u>\$ 144,975</u>	<u>\$ 34,766</u>	<u>\$ 206,741</u>

	<u>2022</u>			
	<u>Short-term loans</u>	<u>Long-term loans</u>	<u>Lease liabilities</u>	<u>Total</u>
January 1	\$ 105,000	\$ 165,787	\$ 44,764	\$ 315,551
Decrease in short-term loan	(105,000)	-	-	(105,000)
Repayment of long-term loan	-	(10,501)	-	(10,501)
Repayment of lease principal	-	-	(8,522)	(8,522)
Effects of exchange rate change	-	-	445	445
Other changes without cash effect	-	-	(54)	(54)
December 31	<u>\$ -</u>	<u>\$ 155,286</u>	<u>\$ 36,633</u>	<u>\$ 191,919</u>

VII. Related party transactions

(I)Parent company and ultimate controller

The Company (incorporated in the Republic of China) has 48.50% of its shares controlled by AAEON Technology Inc. AAEON Technology Inc. is the parent company, whereas ASUSTeK Computer Inc. is the ultimate controller of the Company.

(II)Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
ASUSTeK Computer Inc.	The Company's ultimate parent company
AAEON Technology Inc.	The Company's parent company
AAEON Technology (Su Zhou) Inc.	Affiliated subsidiary - with common ultimate parent
AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Affiliated subsidiary - with common ultimate parent
AAEON ELECTRONICS,INC.	Affiliated subsidiary - with common ultimate parent
Jetway Information Co., Ltd.	Affiliated subsidiary - with common ultimate parent
Winmate Inc.	Associated company - investee accounted by the Company using the equity method
ProtectLife International Biomedical Inc.	Associated company - investee accounted by the Company using the equity method
IBASE Technology Inc.	Other related party - investee accounted by the Company's parent using the equity method
IBASE (Shanghai) Technology Inc.	Other related party - subsidiary of an investee accounted by the Company's parent using the equity method

<u>Name of related party</u>	<u>Relationship with the Group</u>
WT Microelectronics Co., Ltd.	Other related party - investee accounted by the Company's affiliated subsidiary using the equity method
NuVision Technology, Inc.	Other related party - subsidiary of an investee accounted by the Company's affiliated subsidiary using the equity method
Morrihan International Corp.	Other related party - subsidiary of an investee accounted by the Company's affiliated subsidiary using the equity method
Maxtek Technology Co., Ltd.	Other related party - subsidiary of an investee accounted by the Company's affiliated subsidiary using the equity method
Fu Li Investment Co., Ltd.	Other related party - the Company's Chairman concurrently serves as chairman in the entity
Everfocus Electronics Corporation	Other related party - the Company's Chairman concurrently serves as chairman in the entity
EverFocus Electronics Corp. (USA)	Other related party - the Company's Chairman concurrently serves as chairman in the entity's parent
AtechOEM Inc.	Other related party - the Company's Chairman concurrently serves as director in the entity
MACHVISION Inc Co., LTD	Other related party - the Company's Chairman concurrently serves as director in the entity
AAEON Foundation	Other related party - the Company's Chairman concurrently serves as chairman in the foundation
Kinpo Electronics Inc.	Other related party - iHELPER's chairman serves as director for the entity
Spark Technologies Inc.	Other related party - the Company's Chairman is the spouse to the chairman of the entity
LYDS Technologies Inc.	Other related party - the Company's Chairman is the spouse to the chairman of the entity
Chuang, Yung-Shun	Executive management - the Company's Chairman

(III) Major transactions with related parties

1. Operating revenues

	<u>2023</u>	<u>2022</u>
Sales of goods:		
Parent company	\$ 240	\$ 7,838
Affiliated subsidiary of the same group	1,737	8,227
Associated company	141	27
Other related parties	<u>4,323</u>	<u>5,412</u>
	<u>\$ 6,441</u>	<u>\$ 21,504</u>

Selling prices of transactions with related parties were determined between the Group and the related counterparties, and there were no transactions of similar nature available for comparison. Other sales transactions were handled according to normal trade terms (at market price). Sales proceeds were collectible 30-90 days after shipment or 30-90 days after the current month-end.

2. Purchases

	<u>2023</u>		<u>2022</u>
Purchase of merchandise:			
Ultimate parent company	\$ -	\$	7
Parent company, AAEON Technology Inc.	93,603		193,771
Affiliated subsidiary of the same group	205		193
Associated company	8,658		8,442
Other related parties	16,580		18,386
	<u>\$ 119,046</u>	\$	<u>220,799</u>

The abovementioned purchases were handled according to normal trade terms (at market price). Payments were made 30 days after delivery or 30-60 days after month-end.

3. Operating costs and expenses

	<u>2023</u>		<u>2022</u>
Parent company	\$ 4,527	\$	5,275
Affiliated subsidiary of the same group	5,216		4,764
Associated company	391		191
Other related parties	4,147		8,625
	<u>\$ 14,281</u>	\$	<u>18,855</u>

The above operating costs and expenses mainly represent service charges, rental expenses, and donations.

4. Other operating costs

	<u>2023</u>		<u>2022</u>
Parent company	(\$ 5,355)	\$	-

Other operating costs mentioned above mainly comprise compensation payments received from the parent company. Please see Note 6(5) for details.

5. Other income

	<u>2023</u>	<u>2022</u>
Other related parties		
EverFocus Electronics Corp.(USA)	\$ <u> -</u>	\$ <u> 6,259</u>

Other income presented above mainly comprises income from administrative and support services.

6. Rental income (presented as other income)

	<u>2023</u>	<u>2022</u>
Parent company, AAEON Technology Inc.	\$ <u> 477</u>	\$ <u> 6,906</u>
Other related parties		
LYDS Technologies Inc.	<u> 576</u>	<u> -</u>
	<u>\$ <u> 1,053</u></u>	<u>\$ <u> 6,906</u></u>

Rent between the Group and related parties is negotiated after taking into consideration the market rate of nearby areas. Rent payments are collected on a monthly basis.

7. Related party receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
Parent company	\$ <u> 9</u>	\$ <u> 182</u>
Affiliated subsidiary of the same group	<u> 108</u>	<u> 726</u>
Associated company	<u> -</u>	<u> -</u>
Other related parties	<u> 631</u>	<u> 138</u>
	<u>\$ <u> 748</u></u>	<u>\$ <u> 1,046</u></u>

8. Related party payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable:		
Parent company, AAEON Technology Inc.	\$ 312	\$ 20,887
Associated company	-	5
Other related parties	<u>1,083</u>	<u>2,117</u>
	<u>\$ 1,395</u>	<u>\$ 23,009</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other payables:		
Parent company	\$ 224	\$ 59
Associated company	-	4
Other related parties	<u>-</u>	<u>1,218</u>
	<u>\$ 224</u>	<u>\$ 1,281</u>

9. Leases - as a lessee

The Group leased office premises from one of its affiliated subsidiaries; the initial lease tenor was from January 2021 to December 2022 and was terminated early in June 2022. Amounts paid in relation to the above totaled \$1,766 for the period 2022.

10. Property transaction

Acquisition of property, plant, and equipment

	<u>2023</u>	<u>2022</u>
Parent company	<u>\$ 2,639</u>	<u>\$ -</u>

Disposal of property, plant, and equipment

	<u>2023</u>	<u>2022</u>
	<u>Disposal</u>	<u>Disposal</u>
	<u>proceeds</u>	<u>proceeds</u>
	<u>Gain (loss) on</u>	<u>Gain (loss) on</u>
	<u>disposal</u>	<u>disposal</u>
Parent company		
AAEON Technology Inc.	<u>\$ -</u>	<u>\$ 263</u>
	<u>\$ -</u>	<u>\$ 250</u>

11. Guarantee deposits received

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Parent company, AAEON Technology Inc.	\$ <u> -</u>	\$ <u> 1,148</u>

Represents rental deposit.

(IV) Compensation for key management

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 32,036	\$ 49,366
Retirement benefits	437	679
Share-based payment	<u>1,482</u>	<u>5,944</u>
	<u>\$ 33,955</u>	<u>\$ 55,989</u>

VIII. Pledged assets

The Group had placed the following assets as collaterals:

<u>Assets</u>	<u>Book value</u>		<u>Purpose of security</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Time deposits (statement of financial assets at amortized cost - current)	<u>\$ 31,626</u>	<u>\$ -</u>	Guarantee of short-term borrowings and forward exchange contract
Time deposit (presented as other current assets)	<u>\$ -</u>	<u>\$ 921</u>	Security for forward exchange contract
Guarantee deposits paid (presented as other current and non assets)	<u>\$ 2,167</u>	<u>\$ 3,567</u>	Rental deposit for office and warehouse space, and deposit for special projects
Land (listed under property, plant and equipment)	<u>\$ 229,660</u>	<u>\$ 229,660</u>	Long-term loans
Buildings (listed under property, plant and equipment)	<u>\$ 44,731</u>	<u>\$ 46,358</u>	Long-term loans

IX. Major contingent liabilities and unrecognized contractual commitments

(1) Contingencies

None.

(2) Commitments

None.

X. Losses from major disasters

None.

XI. Major post-balance sheet date events

Appropriation of 2023 earnings has been proposed and passed by the board of directors during the meeting held on February 27, 2024; please see Note 6(20) for details.

XII. Others

(I)Capital management

Objectives of the Group's capital management efforts are to ensure continuity of business activities and maintain the optimal capital structure that minimizes funding costs while maximizing returns for shareholders. To maintain or adjust the capital structure, the Group may revise the amount in dividends paid to shareholders, refund capital back to shareholders, issue new shares, or reduce debts by making more effective use of working capital.

(II) Financial instruments

1. Types of financial instrument

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatory to be carried at fair value through profit or loss	\$ 46,026	\$ 34,167
Financial assets at fair value through other comprehensive income		
Voluntarily designated as an investment in an equity instrument	\$ 68,756	\$ 27,536
Financial assets carried at cost after amortization		
Cash and cash equivalents	\$ 366,767	\$ 328,886
Financial assets carried at cost after amortization	31,626	-
Notes receivable	3	-
Accounts receivable	191,375	264,279
Accounts receivable - related parties	748	1,046
Other receivables	2,145	4,120
Other financial assets (presented as other current assets)	-	921
Guarantee deposits paid (presented as other non-current assets)	2,167	3,567
	<u>\$ 594,831</u>	<u>\$ 602,819</u>
<u>Financial liabilities</u>		
Financial liabilities carried at cost after amortization		
Short-term loans	\$ 27,000	\$ -
Accounts payable	67,160	83,348
Accounts payable - related parties	1,395	23,009
Other payables (including related parties)	79,704	74,270
Long-term loans (including those due within one year)	144,975	155,286
Guarantee deposits received	-	1,148
	<u>\$ 320,234</u>	<u>\$ 337,061</u>
Lease liabilities	<u>\$ 34,766</u>	<u>\$ 36,633</u>

2. Risk management policy

- (1) The Group's day-to-day operations are susceptible to multiple forms of financial risk, including market risks (exchange rate risk, interest rate risk, and price risk), credit risks, and liquidity risks.
- (2) Risk management is performed by the Group's Treasury Department according to board-approved policies. The Treasury Department is responsible for identifying, assessing, and mitigating financial risks, and it achieves this by working closely with other departments within the Group. The board of directors has implemented written principles on risk management practices and outlined policies for specific matters such as exchange rate risk, interest rate risk, credit risk, use of derivative/non-derivative instruments, and investment of residual liquid capital.

3. Characteristics and level of significant financial risks

(1) Market risk

Exchange rate risk

- A. The Group is a multinational organization, and transactions undertaken by the Company and subsidiaries in currencies other than the functional currency would give rise to exchange rate risks. USD accounts for the highest exposure of exchange rate risk. Exchange rate risks arise from future commercial transactions and recognized amounts of assets and liabilities.
- B. The management has implemented policies to guide Group affiliates in managing exchange rate risks associated with their functional currencies. All entities are required to hedge exchange rate risks through the Group's Treasury Department. Exchange rate risks are measured by the value of USD transactions that are highly likely to occur. Instruments such as forward exchange are used to mitigate the effect of exchange rate volatility on expected sales revenues.
- C. Some of the Group's business activities involve non-functional currencies (the Company and some of its subsidiaries use NTD as the functional currency, while some overseas subsidiaries use USD as the functional currency) and are therefore susceptible to exchange rate fluctuations. Information on foreign currency-denominated assets and liabilities susceptible to significant exchange rate fluctuation is presented below:

				<u>December 31, 2023</u>		
				<u>Foreign currency</u>	<u>Exchange rate</u>	Book value
				<u>(thousand dollars)</u>		<u>(NTD)</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	9,981		30.71	\$	306,460
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD		1,112		30.71		34,158

				<u>December 31, 2022</u>		
				<u>Foreign currency</u>	<u>Exchange rate</u>	Book value
				<u>(thousand dollars)</u>		<u>(NTD)</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	8,473		30.71	\$	256,275
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD		1,392		30.71		42,748

- D. Total (loss) gain on exchange (realized and unrealized) recognized by the Group for monetary items susceptible to significant exchange rate fluctuation in 2023 and 2022 amounted to (\$7,418) and \$19,295, respectively.
- E. The following is an analysis of risk exposures to various foreign currencies and impacts of significant exchange rate fluctuations:

				<u>2023</u>		
				<u>Sensitivity analysis</u>		
				<u>Variation</u>	<u>Effect on profit</u>	<u>Effect on other</u>
					<u>and loss</u>	<u>comprehensive income</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$	3,065	\$		-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%		342			-

(Foreign currency: functional currency)	<u>Variation</u>	<u>2022</u>	
		<u>Sensitivity analysis</u>	
		<u>Effect on profit and loss</u>	<u>Effect on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,563	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 427	-

Price risk

- A. Equity instruments held by the Group exposed to price risks have been presented as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. For better management of price risks on equity instruments, the Group has implemented concentration limits and diversified its investment portfolio accordingly.
- B. The Group mainly invests in equity instruments issued by local companies. Prices of these equity instruments are affected by the uncertainty associated with the future value of the underlying investment. A 1% rise/fall in the price of equity instruments would increase/decrease gain or loss on equity instruments at fair value through profit or loss, and hence net income, by \$460 and \$342 in 2023 and 2022, respectively, assuming that all other factors remain unchanged. For equity investments that are carried at fair value through other comprehensive income, the above changes would increase/decrease gain or loss on investment by \$688 and \$275, respectively.

Cash flow and fair value risk of interest rate

- A. The Group's exposure to interest rate risk arises mainly from short-term and long-term loans borrowed at floating interest rates, which gives rise to the risk of cash flow change due to interest rates. This risk is partially offset by cash and cash equivalents held at a floating interest rate. The Group's floating rate borrowings in 2023 and 2022 were denominated in NTD.
- B. If interest rates on NTD borrowings had increased or decreased by 1%, with all other factors remaining constant, net income would have decreased or increased by \$1,376 and \$1,242 in 2023 and 2022, respectively. This is mainly due to the change in interest expense as a result of variable-rate borrowings.

(2) Credit risk

- A. Credit risk refers to the possibility of losses suffered by the Group due to its customers or financial instrument counterparties becoming unable to fulfill contractual obligations. These risk events mostly involve the counterparties being unable to settle and pay accounts receivable according to the prescribed terms.
- B. The Group has developed credit risk management practices from a group perspective. According to the Group's internal credit policy, all operating entities are required to perform credit risk management and analysis on every new customer before establishing payment and delivery terms. The Company adopts an internal risk management system that assesses credit quality by considering customers' financial position, previous conduct, and other relevant factors. The board of directors sets individual counterparty risk limits based on internal or external assessments. Uses of credit limit are monitored on a regular basis.
- C. The Group adopts the assumptions stated in IFRS 9 and treats a contract to be in default if payment is overdue for more than 120 days.
- D. The Group has adopted the following assumptions mentioned in IFRS 9 to provide the basis for identifying any significant increase in the credit risk of a financial instrument held on hand after initial recognition:
A financial asset is considered to have exhibited a significant increase in credit risk after initial recognition when contractual payment (according to the terms of the underlying contract) becomes past due for more than 30 days.
- E. The Group distinguishes notes and accounts receivable (including related parties) by customers' characteristics, and adopts a simplified approach along with the use of provision matrix and loss given default to estimate expected credit loss.
- F. Financial assets that are rationally deemed unrecoverable after exhausting collection efforts are charged off. In which case, however, the Group will continue taking legal actions to secure debt entitlement. The Group had no charged-off debt with ongoing collection activities as at December 31, 2023 and 2022.
- G. (1) Customers of good credit background and insured accounts receivable are subject to loss given a default of 0.2%. As at December 31, 2023 and 2022, the Company had outstanding accounts receivable of \$169,182 and \$219,755 and had made bad debt provisions of \$337 and \$439, respectively.
- (2) The Group takes into account multiple considerations, including the Monitoring Indicator published by National Development Council, future prospects, historical and current information etc. to determine loss given default, which is used for estimating loss provisions on notes and accounts receivable from customers under normal credit conditions. Provision matrix as at December 31, 2023 and 2022, is as follows:

	<u>Current</u>	<u>Overdue within 30 days</u>	<u>Overdue 31 - 60 days</u>	<u>Overdue 61 - 90 days</u>	<u>Overdue 91 - 120 days</u>	<u>Overdue more than 121 days</u>	<u>Total</u>
<u>December 31, 2023</u>							
Expected loss given default	0.00~1.58%	8.42%	15.63%	45.15%	50.00%	100%	
Total book value	<u>\$ 17,806</u>	<u>\$ 6,221</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,823</u>	<u>\$ 37,855</u>
Loss provision	<u>\$ 280</u>	<u>\$ 471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,823</u>	<u>\$ 14,574</u>
	<u>Current</u>	<u>Overdue within 30 days</u>	<u>Overdue 31 - 60 days</u>	<u>Overdue 61 - 90 days</u>	<u>Overdue 91 - 120 days</u>	<u>Overdue more than 121 days</u>	<u>Total</u>
<u>December 31, 2022</u>							
Expected loss given default	0.00~1.30%	7.71%	14.48%	44.38%	50.00%	100%	
Total book value	<u>\$ 31,975</u>	<u>\$ 12,799</u>	<u>\$ 3,061</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,177</u>	<u>\$ 61,012</u>
Loss provision	<u>\$ 403</u>	<u>\$ 980</u>	<u>\$ 443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,177</u>	<u>\$ 15,003</u>

H. Below are changes in loss provision on notes and accounts receivable (including related parties), determined using the simplified approach:

	<u>2023</u>	<u>2022</u>
January 1	\$ 15,442	\$ 16,828
Reversal of impairment loss (	323)	(1,349)
Amount unrecoverable and charged off	-	(332)
Exchange rate impact	<u>(208)</u>	<u>295</u>
December 31	<u>\$ 14,911</u>	<u>\$ 15,442</u>

Of loss reversals in 2023 and 2022, the reversal of impairment losses on receivables arising from customer contracts was \$323 and \$1,349, respectively.

(3) Liquidity risk

- A. Cash flow projections are made by individual operating entities within the Group, and consolidated by the Group Treasury Department. The Group Treasury Department is responsible for monitoring and predicting liquidity and capital requirements within the Group and ensuring that adequate capital has been sourced to support operational requirements.
- B. As at December 31, 2023 and 2022, the Group had undrawn credit limits of \$232,000 and \$194,000, respectively.
- C. Non-derivative financial liabilities are presented in the chart below. The Group analyzes them based on their remaining timespan from the balance sheet date until contract maturity. The amount of contractual cash flow shown in the table below are not discounted.

December 31, 2023

Non-derivative financial

<u>liabilities</u>	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>5 years and above</u>
Short-term loans (including estimated interest)	\$ 27,074	\$ -	\$ -	\$ -
Accounts payable	67,160	-	-	-
Accounts payable - related parties	1,395	-	-	-
Other payables (including related parties)	79,704	-	-	-
Long-term borrowings (including current portion maturing in one year and estimated interest)	13,076	13,076	39,229	97,010
Lease liabilities	3,493	3,225	7,471	26,086

December 31, 2022

Non-derivative financial

<u>liabilities</u>	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>5 years and above</u>
Accounts payable	\$ 83,348	\$ -	\$ -	\$ -
Accounts payable - related parties	23,009	-	-	-
Other payables (including related parties)	74,270	-	-	-
Long-term borrowings (including current portion maturing in one year and estimated interest)	12,973	12,973	38,920	109,193
Lease liabilities	6,385	2,720	6,872	26,324

D. The Group does not expect cash flows in the maturity analysis to occur at an earlier time or in amounts that differ significantly.

(III) Fair value information

1. Valuation techniques and inputs used for measuring fair value of financial and non-financial instruments are defined below:

Level 1 input: Quotations that can be obtained from an active market (unadjusted) on the measurement date for asset or liability of equivalent nature. An active market is one where assets or liabilities are transacted in sufficient frequency and quantity and where price information is provided on an ongoing basis. The fair value of investments in listed shares is determined using this input.

Level 2 input: Inputs can be observed directly or indirectly on an asset or liability, except for quotations covered in level 1 input.

Level 3 input: Inputs that cannot be observed for an asset or liability. Investments in equity instruments without an active market are valued using this input.

2. Financial instruments not measured at fair value

Accounts including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable (including related parties), other receivables, other financial assets (presented as other current assets), guarantee deposits paid (presented as other non-current assets), short-term loans, accounts payable (including related parties), other payables (including related parties), lease liabilities, long-term loans (including current portion due in one year), and guarantee deposits received have book value that closely resembles their fair value.

3. Information on financial and non-financial instruments measured at fair value, classified by asset nature, characteristics, risks, and levels of fair value input:

(1) Group assets by nature:

December 31, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 11,389	\$ -	\$ 34,637	\$ 46,026
Financial assets at fair value through other comprehensive income				
Equity securities	<u>68,756</u>	<u>-</u>	<u>-</u>	<u>68,756</u>
	<u>\$ 80,145</u>	<u>\$ -</u>	<u>\$ 34,637</u>	<u>\$ 114,782</u>
December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 7,211	\$ -	\$ 26,956	\$ 34,167
Financial assets at fair value through other comprehensive income				
Equity securities	<u>-</u>	<u>-</u>	<u>27,536</u>	<u>27,536</u>
	<u>\$ 7,211</u>	<u>\$ -</u>	<u>\$ 54,492</u>	<u>\$ 61,703</u>

(2) Methods and assumptions used for measuring fair value:

A. Instruments using market quotation as fair value input (i.e. level 1), distinguished by characteristics:

	<u>TWSE/TPEX listed shares</u>
Market quotation	Closing price

B. Except for financial instruments traded in active markets, as described above, fair values of all other financial instruments were obtained either by applying valuation techniques or by referring to counterparties' quotations.

C. For the valuation of non-standardized financial instruments of low complexity, the Group adopts valuation techniques that are commonly used among market participants. Valuation models for this type of financial instrument often use observable market information as the parameter.

D. Derivatives are valued using valuation models that are commonly accepted among market users, such as the discounted cash flow approach. Forward exchange contracts are usually valued using the prevailing forward exchange rate.

E. Results generated from the valuation model are approximations of the estimate. The valuation technique may not reflect all relevant factors associated with the holding of financial and non-financial instruments. For this reason, estimates generated from the valuation model are adjusted using additional parameters, such as modeling risks or liquidity risks. Judging by the Group's fair value assessment modeling policies and control procedures, the management is confident that they ensure a fair presentation for the fair values of financial and non-financial instruments shown on the balance sheet. All valuation adjustments made were appropriate and necessary. All price information and parameters used in the valuation process have been thoroughly assessed and adjusted appropriately according to the prevailing market conditions.

4. There had been no transfer between level 1 and level 2 input in 2023 or 2022.

5. Changes of level 3 input in 2023 and 2022 are explained below:

	<u>2023</u>	<u>2022</u>
	<u>Equity instrument</u>	<u>Equity instrument</u>
January 1	\$ 54,492	\$ 68,787
Recognized through profit and loss (Note 1)	7,681	(9,450)
Recognized in other comprehensive income (Note 2)	(2,381)	(4,845)
Outward transfer of level 3 input	<u>(25,155)</u>	<u>-</u>
December 31	<u>\$ 34,637</u>	<u>\$ 54,492</u>

Note 1: Presented as other gains and losses.

Note 2: Presented as unrealized gain/loss on valuation of equity instruments at fair value through other comprehensive income

6. The outward transfer of level 3 input that occurred in 2023 was due to the reclassification of ProtectLife shares, which used to be measured using level 3 input. Please see Note 6(7) for detailed description. There was no inward or outward transfer of level 3 input 2022.

7. The Treasury Department is responsible for validating the fair value of assets that require the use of level 3 fair value input. The department relies on independent sources of information to ensure that the valuation results closely resemble the market condition; it verifies that information is obtained from independent, reliable, and consistent sources; and makes necessary fair value adjustments to ensure that valuation results are reasonable.

Furthermore, the Treasury Department has financial instrument fair value evaluation policies and procedures in place and adopts practices to ensure compliance with International Financial Reporting Standards.

8. Quantitative information and sensitivity of significant and unobservable inputs used for level 3 fair value measurement are explained below:

	<u>Fair value as of</u> <u>December 31,</u> <u>2023</u>	<u>Valuation</u> <u>technique</u>	<u>Significant</u> <u>and</u> <u>unobservable</u> <u>input</u>	<u>Range</u> <u>(weighted</u> <u>average)</u>	<u>Relationship</u> <u>between input</u> <u>and fair value</u>
Equity instrument:					
Shares of joint venture companies	\$ 34,637	Net asset value approach	Not applicable	Not applicable	Not applicable
	<u>Fair value as of</u> <u>December 31,</u> <u>2022</u>	<u>Valuation</u> <u>technique</u>	<u>Significant</u> <u>and</u> <u>unobservable</u> <u>input</u>	<u>Range</u> <u>(weighted</u> <u>average)</u>	<u>Relationship</u> <u>between input</u> <u>and fair value</u>
Equity instrument:					
Non-listed shares	\$ 27,536	Discounted cash flow method	Note 1	Not applicable	Note 2
Shares of joint venture companies	26,956	Net asset value approach	Not applicable	Not applicable	Not applicable

Note 1: Long-term revenue growth rate, the weighted average cost of capital, long-term pre-tax operating profit, discount for lack of marketability, discount for minority interest.

Note 2: The higher the weighted average cost of capital, discount for lack of marketability, and discount for minority interest, the lower the fair value; the higher the long-term revenue growth rate and long-term pre-tax operating profit, the higher the fair value.

9. The Group exercises a high level of discretion and evaluation in the selection of valuation models and parameters. However, the uses of different valuation models or parameters may produce different valuation results. For financial assets classified as level 3 input, impacts on other comprehensive income in the event of a change in valuation parameter are explained below:

		<u>December 31, 2022</u>		
		<u>Recognized in other comprehensive income</u>		
	<u>Input</u>	<u>Variation</u>	<u>Favorable variation</u>	<u>Adverse variation</u>
Financial assets				
Equity instrument	Weighted average funding cost	±0.5%	\$ 1,350	(\$ 1,250)

XIII. Other disclosures

(I) Information related to significant transactions

Significant transactions undertaken by the Group in 2023, as defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers, are explained below; transactions with subsidiaries have been eliminated while preparing the consolidated financial report and are disclosed below solely for reference.

1. Loans to external parties: None.
2. Endorsement/guarantee to external parties: None.
3. End-of-period holding position of marketable securities (excluding investment in subsidiaries, associated companies, and joint ventures): Please refer to Attachment 1.
4. Cumulative purchase or sale of the same marketable securities amounting to NT\$300 million or more than 20% of the paid-up capital: Please refer to Table 2.
5. Acquisition of real estate amounting to NT\$300 million or more than 20% of paid-up capital: None.
6. Disposal of real estate amounting to NT\$300 million or more than 20% of paid-up capital: None.
7. Sales and purchases with related parties amounting to NT\$100 million or more than 20% of paid-up capital: Please refer to Attachment 3.
8. Related party accounts receivable amounting to NT\$100 million or more than 20% of paid-up capital: None.
9. Derivative transactions: None.
10. Major business dealings between the parent company and subsidiaries and transactions between subsidiaries: Please see Attachment 4.

(II)Information on business investments

Names, locations, and information on investees (excluding Mainland investees): Please see Attachment 5.

(III)Information relating to investments in the Mainland

1. Profile: Please see Attachment 6.
2. Significant transactions with Mainland investees, whether directly invested or indirectly invested through a third location: None.

(IV)Information on major shareholders

Information on major shareholders: Please see Attachment 7.

XIV. Segment information

(I)General information

The Group prepares regional information for its decision makers; regional information is sorted by the locations at which sales orders are received and is currently divided between Taiwan and the USA. Since the two regions differ significantly in terms of sales network, products, and distribution model and operate independently with respect to financial management and performance evaluation, the Group has identified Taiwan and the USA as the reporting segments.

(II)Assessment of segment information

The Group assesses the performance of each segment based on operating revenues. All segments adopt consistent accounting policies, as described in Note 4 - Summary of significant accounting policies of the consolidated financial report. Sales between segments are conducted based on the fair trade principle. Revenues from external sources reported to main decision makers are measured in a manner consistent with revenues of the statement of comprehensive income.

(III) Segment profit/loss

	<u>2023</u>			<u>Eliminated</u>	
	<u>Taiwan</u>	<u>USA</u>	<u>Others</u>	<u>upon</u>	<u>Consolidated</u>
				<u>consolidation</u>	
Income from customers other than the ultimate parent, parent, and consolidated subsidiaries	\$ 939,540	\$515,028	\$ 38,292	\$ -	\$1,492,860
	\$ -	\$ -	\$ -	\$ -	
Income from the ultimate parent, parent, and consolidated subsidiaries	<u>308,863</u>	<u>833</u>	<u>26,838</u>	<u>(336,534)</u>	<u>-</u>
	<u>\$1,248,403</u>	<u>\$515,861</u>	<u>\$ 65,130</u>	<u>(\$336,534)</u>	<u>\$1,492,860</u>
Segment profit/loss	<u>\$ 211,011</u>	<u>\$ 7,491</u>	<u>(\$ 380)</u>	<u>\$ -</u>	<u>\$ 218,122</u>
Segment profit/loss includes:					
Depreciation and amortization	<u>\$ 20,949</u>	<u>\$ 411</u>	<u>\$ 2,735</u>	<u>\$ -</u>	<u>\$ 24,095</u>
	<u>2022</u>			<u>Eliminated</u>	
	<u>Taiwan</u>	<u>USA</u>	<u>Others</u>	<u>upon</u>	<u>Consolidated</u>
				<u>consolidation</u>	
Income from customers other than the ultimate parent, parent, and consolidated subsidiaries	\$ 901,481	\$658,722	\$ 40,062	\$ -	\$1,600,265
	<u>430,130</u>	<u>6,256</u>	<u>25,026</u>	<u>(461,412)</u>	<u>-</u>
Income from the ultimate parent, parent, and consolidated subsidiaries	<u>\$1,331,611</u>	<u>\$664,978</u>	<u>\$ 65,088</u>	<u>(\$461,412)</u>	<u>\$1,600,265</u>
Segment profit/loss	<u>\$ 179,180</u>	<u>(\$ 31,045)</u>	<u>(\$ 2,743)</u>	<u>\$ -</u>	<u>\$ 145,392</u>
Segment profit/loss includes:					
Depreciation and amortization	<u>\$ 22,280</u>	<u>\$ 2,136</u>	<u>\$ 2,415</u>	<u>\$ -</u>	<u>\$ 26,831</u>

Note: Information on segment assets and liabilities was not provided to key decision makers of the Group, and therefore were not disclosed.

(IV) Reconciliation of segment profit/loss

Sales of merchandise (product) and rendering of service between segments are conducted based on the fair trade principle. Revenues from external sources and financial information reported to main decision makers are measured in a manner that is consistent with the revenues and financial information presented in the statement of comprehensive income. Reconciliation between segment profit/loss and pre-tax profit from continuing operations for the current period:

Net income from reporting segments	\$	<u>2023</u>	218,502	\$	<u>2022</u>	148,135
Net loss from other reporting segments	(		<u>380)</u>	(		<u>2,743)</u>
Total across segments	\$		218,122	\$		145,392
Gain (loss) on financial assets at fair value through profit or loss			11,859	(		12,468)
Other gains and losses			78,703			112,667
Financial costs	(		<u>3,684)</u>	(		<u>3,557)</u>
Pre-tax profit from continuing operations	\$		<u>305,000</u>	\$		<u>242,034</u>

(V) Product and service category

The Group is involved in designing, manufacturing, trading, and maintaining medical computers and peripherals; refer to Note 6(21) for financial information by product type and service type.

(VI) Regional disclosure

The following are the Group's regional disclosures for 2023 and 2022:

	<u>Income</u>	<u>2023</u>	<u>Non-current assets</u>	<u>Income</u>	<u>2022</u>	<u>Non-current assets</u>		
Taiwan	\$	939,540	\$	383,727	\$	901,481	\$	333,783
USA		515,028		1,103		658,722		1,308
Others		<u>38,292</u>		<u>2,398</u>		<u>40,062</u>		<u>3,078</u>
	\$	<u>1,492,860</u>	\$	<u>387,228</u>	\$	<u>1,600,265</u>	\$	<u>338,169</u>

Non-current assets refer to non-current items excluding financial instruments, deferred income tax assets, and guarantee deposits paid (presented as other non-current assets).

(VII) Information on key customers

Customers with sales values representing more than 10% of consolidated operating revenues in 2023 and 2022:

	<u>2023</u>		<u>2022</u>
Customer A	\$ 211,827	\$	172,922
Customer B	153,338		94,393

ONYX Healthcare Inc. and Subsidiaries
End-of-period marketable securities holding position (excluding investment in subsidiaries, associated companies and joint ventures)
December 31, 2023

Attachment 1

Unit: NT\$ thousand
(unless specified otherwise)

<u>Company name</u>	<u>Type of security</u>	<u>Name of security</u> (Note 1)	<u>Relationship with the securities issuer</u> (Note 2)	<u>Account category</u>	<u>Shares</u>	<u>End-of-period</u>		<u>Fair value</u>	<u>Remarks</u> (Note 4)
						<u>Book value</u> (Note 3)	<u>Shareholdings</u> percentage		
ONYX Healthcare Inc.	Shares	MACHVISION Inc Co., LTD	Other related party - the Company's Chairman concurrently serves as director in the entity	Financial assets at fair value through profit or loss - current	18,716	\$ 4,089	0.03%	\$ 4,089	None
ONYX Healthcare Inc.	Shares	Top Union Electronics Corp.	None	Financial assets at fair value through profit or loss - current	223,918	7,300	0.16%	7,300	None
ONYX Healthcare Inc.	Shares	Taiwan Star Venture Capital Investment Co., Ltd.	None	Financial assets at fair value through profit or loss - non-current	3,000,000	34,637	13.04%	34,637	None
ONYX Healthcare Inc.	Shares	MELTEN CONNECTED HEALTHCARE INC.	None	Financial assets at fair value through other comprehensive income - non-current	4,193,548	-	6.61%	-	None
ONYX Healthcare Inc.	Shares	Top Union Electronics Corp.	None	Financial assets at fair value through other comprehensive income - non-current	2,109,082	68,756	1.53%	68,756	None

Note 1: Securities mentioned in the financial statements shall refer to shares, bonds, beneficiary certificates, and any securities derived from the above, as specified in IFRS 9 "Financial Instruments."

Note 2: Not required if the securities issuer is a non-related party.

Note 3: For items that are measured at fair value, the amount in fair value after adjustment and net of cumulative impairment is shown in the book value column; for items that are not measured at fair value, the amount in original acquisition cost or cost after amortization net of cumulative impairment is shown in the book value column.

Note 4: All securities that have been placed as collateral, borrowed against, or are subject to restrictions under agreed terms shall have details such as the quantity pledged, the amount charged, and restrictions explained in the remarks column.

ONYX Healthcare Inc. and Subsidiaries
Cumulative purchase or sale of the same marketable securities amounting to NT\$300 million or more than 20% of the paid-up capital
January 1 to December 31, 2023

Attachment 2

Unit: NT\$ thousand
(unless specified otherwise)

Company name	Type of security	Name of security		Counterparty (Note 2)	Relationship (Note 2)	Beginning of period		Buy (Note 3)			Sell (Note 3)			End-of-period			
		(Note 1)	Account category			Shares	Amount	Shares	Amount	(Note 5)	Shares	Selling price	Book cost	Disposal gain or loss	(Note 5)	Shares	Amount
ONYX Healthcare Inc.	Shares		Financial assets at fair value through other comprehensive income - non-current			-	\$ -	2,109,082	\$ 71,769	1	-	\$ -	\$ -	\$ -	-	2,109,082	\$ 68,756
		Top Union Electronics Corp.							(3,013)	2							

Note 1: Securities mentioned in the financial statements shall refer to shares, bonds, beneficiary certificates, and any securities derived from the above.

Note 2: If the securities are accounted for under the equity method, these two columns are required to be fill in, and the remainder can be left blank.

Note 3: The cumulative amount of purchases and sales should be calculated separately based on the market price to determine whether it reaches NT\$300 million or 20% of the paid-in capital.

Note 4: Paid-up capital refers to that of the Parent company. If the issuer has issued shares without a face value or at face values other than NT\$10 per share, the 20% requirement on paid-up capital shall be calculated instead at 10% of equity attributable to parent company shareholders, as shown on the balance sheet.

Note 5: 1. The purchase or capital increase/sale or capital decrease/liquidation in the current period; 2. The valuation adjustment in the current period.

ONYX Healthcare Inc. and Subsidiaries
Sales and purchases with related parties amounting to NT\$100 million or more than 20% of paid-up capital
January 1 to December 31, 2023

Attachment 3

Unit: NT\$ thousand
(unless specified otherwise)

Name of buyer (seller)	Name of counterparty	Relationship	Purchase (sale)	Amount	Distinctive terms of trade and reasons (Note 1)			Notes and accounts receivable (payable)		Remarks (Note 2)
					As a percentage to total purchases (sales)	Loan tenor	Unit price	Loan tenor	Balance		As a percentage of total notes and accounts receivable (payable)
ONYX Healthcare Inc.	ONYX HEALTHCARE USA, INC.	Subsidiary	(Sale)	(\$ 279,658)	(22.40%)	90 days after month-end	\$ -	-	\$ 44,742	25.71% None

Note 1: Where the terms of related party transactions differ from ordinary transactions, the discrepancy and causes of discrepancy shall be explained in the unit price and loan tenor columns.

Note 2: In the case of advanced receipt (prepayment), explain in the remarks column the reason, terms & conditions, amount, and deviation from general transaction terms.

Note 3: Paid-up capital refers to that of the Parent company. If the issuer has issued shares without a face value or at face values other than NT\$10 per share, the 20% requirement on paid-up capital shall be calculated instead at 10% of equity attributable to parent company shareholders, as shown on the balance sheet.

Note 4: Disclose the revenue side; no disclosure is needed on the opposing side of the same transaction.

ONYX Healthcare Inc. and Subsidiaries
Major business dealings between the parent company and subsidiaries and transactions between subsidiaries
January 1 to December 31, 2023

Attachment 4

Unit: NT\$ thousand
(unless specified otherwise)

<u>Serial No.</u> (Note 1)	<u>Name of transacting party</u>	<u>Counterparty</u>	<u>Relationship with the transacting party</u> (Note 2)	<u>Account</u>	<u>Transaction summary</u>		<u>As a percentage of consolidated revenues or total assets</u> (Note 3)
					<u>Amount</u>	<u>Transaction terms</u>	
0	ONYX Healthcare Inc.	ONYX HEALTHCARE USA, INC.	1	Sales	\$ 279,658	90 days after month-end	18.73%

Note 1: Business dealings between the parent company and subsidiaries are indicated in the serial number column. The numbering rule is explained below:

(1) 0 for the parent company.

(2) Each subsidiary is numbered in sequential order starting from 1.

Note 2: Related party transactions are distinguished into one of three categories, as shown below. Only the category is indicated (no duplicate disclosure is made on two counterparties of the same transaction; for example, in a parent-to-subsidiary transaction, no disclosure is made on the subsidiary's end if disclosure has already been made on the parent company's end; in a subsidiary-to-subsidiary transaction, no disclosure is made on one subsidiary's end if disclosure has already been made on the other subsidiary):

(1) Parent to subsidiary.

(2) Subsidiary to parent.

(3) Subsidiary to subsidiary.

Note 3: Calculation for business dealings as a percentage of total consolidated revenues or total assets is explained as follows: for balance sheet items, percentage of period-end balance is calculated relative to consolidated total assets or liabilities; for profit and loss items, percentage of end-of-period cumulative amount is calculated relative to consolidated total revenues.

Note 4: The Company determines key transactions presented in this chart based on principles of materiality.

Note 5: Individual transactions that amount to less than \$50,000 are not disclosed; disclose the asset or revenue side only. No further disclosure is needed on the opposing side of the same transaction.

ONYX Healthcare Inc. and Subsidiaries
Names, locations and information on investees (excluding Mainland investees)
January 1 to December 31, 2023

Attachment 5

Unit: NT\$ thousand
(unless specified otherwise)

Name of investor	Name of investee (Notes 1 and 2)	Location	Main business activities	Sum of initial investment		Period-end holding position			Current period profit/loss of the investee (Note 2(2))	Investment gains/losses recognized in the current period (Note 2(3))	Remarks
				End of current period	End of previous year	Shares	Percentage (%)	Book value			
ONYX Healthcare Inc.	ONYX HEALTHCARE USA, INC.	USA	Sale of medical computers and peripherals	\$ 61,410	\$ 61,420	200,000	100	\$ 95,024	\$ 18,402	\$ 18,402	None
ONYX Healthcare Inc.	ONYX HEALTHCARE EUROPE B.V.	The Netherlands	Marketing support, maintenance, and sales of medical computers and peripherals	3,398	3,272	100,000	100	16,373	1,779	1,779	None
ONYX Healthcare Inc.	iHELPER Inc.	Taiwan	Research, development, and sale of medical robots	16,560	16,560	1,656,000	46	7,626	(1,570)	(79)	None
ONYX Healthcare Inc.	Winmate Inc.	Taiwan	Tendering, quotation, and distribution of LCD equipment and modules	568,585	568,585	10,244,000	13	629,526	505,952	67,722	None
ONYX Healthcare Inc.	ProtectLife International Biomedical Inc.	Taiwan	Production and wholesaling of medical equipment, consumables, and related products	44,380	-	2,188,000	11	34,685	(47,750)	(4,850)	None

Note 1: If the public company has set up a foreign holding entity and prepared a consolidated financial report on the holding entity according to local regulations, information on foreign investees can be disclosed to the level of the foreign holding entity, and no further breakdown is needed.

Note 2: Companies that do not meet the condition described in Note 1 shall complete the form according to the following rules:

- (1) For columns including "Name of investor," "Location," "Main business activities," "Sum of initial investment," and "Period-end holding position," list down investees that are held by the Company first, followed by those held by directly controlled investees and indirectly controlled investees. Specify in the remarks column the relationship between each investee and the Company (such as a subsidiary or 2nd-tier subsidiary).
- (2) For "Current period profit/loss of the investee," specify the amount in profit or loss made by each investee in the current period.
- (3) For "Investment gains/losses recognized in the current period," specify only the amount in profit or loss that the Company has recognized from directly held subsidiaries and equity-accounted investees. No disclosure is needed on indirectly held investees. When disclosing "current gains/losses recognized on directly held subsidiaries," make sure that the gains/losses already include investment gains/losses that they are required to recognize on their investments.

Note 3: Amounts that are denominated in foreign currencies shall be converted into NTD using either the average exchange rate between January 1 to December 31, 2023 for profit or loss items or the exchange rate at the end of the reporting period for all other items.

ONYX Healthcare Inc. and Subsidiaries
Mainland investments - profile
January 1 to December 31, 2023

Attachment 6

Unit: NT\$ thousand
(unless specified otherwise)

Name of Mainland investee	Main business activities	Paid-up capital	Method of investment (Note 1)	Investment capital contributed or recovered during the current period			Closing cumulative balance of investment capital invested from Taiwan	Current period profit/loss of the investee	The Company's direct or indirect holding percentage (%)	Investment gains (losses) recognized in the current period (Note 2(2)B.)	Closing investment book value	Investment gains recovered to date	Remarks
				Opening cumulative balance of investment capital invested from Taiwan	Invested	Recovered							
Onyx Healthcare (Shanghai) Inc.	Sale of medical computers and peripherals	\$ 67,551	1	\$ 67,551	\$ -	\$ -	\$ 67,551	(\$ 2,428)	100(\$ 2,428)	\$ 3,330	\$ -	None	

Company name	Closing cumulative balance of investment capital transferred from Taiwan into Mainland China	Investment limit authorized by the Investment Commission, Ministry of Economic Affairs	Limits authorized by the Investment Commission, Ministry of Economic Affairs, for investing in Mainland China
ONYX Healthcare Inc.	\$ 67,551	\$ 67,551	\$ 912,327

Note 1: Method of investment is distinguished between the three categories below, and presented in category name only:

- (1) Direct investment into the Mainland
- (2) Indirect investment into the Mainland through a third location (please indicate the name of the investee at the third location)
- (3) Other methods

Note 2: With regards to investment gains/losses recognized in the current period:

- (1) Additional remarks are made for investments that are in the midst of preparation and have yet to produce gains or losses
- (2) Investment gains or losses are specified for having been recognized using one of the following three bases
 - A. Based on financial statements audited by the R.O.C. partner of an international CPA firm.
 - B. Based on audited financial statements of the parent company in Taiwan.
 - C. Others.

Note 3: Figures in this chart are presented in NTD.

Note 4: Amounts that are denominated in foreign currencies shall be converted into NTD using either the average exchange rate between January 1 to December 31, 2023 for profit or loss items or the exchange rate at the end of the reporting period for all other items.

ONYX Healthcare Inc. and Subsidiaries
Information on major shareholders
December 31, 2023

Attachment 7

<u>Name of major shareholder</u>	<u>Number of shares held</u>	<u>Shareholding percentage (%)</u>
AAEON Technology Inc.	16,257,179	48.50
Chuang, Yung-Shun	2,745,068	8.19
ASUSTeK Computer Inc.	1,694,112	5.05

Note 1: Information on major shareholders, as presented in this chart, was taken from records of Taiwan Depository & Clearing Corporation as at the final business day of the reported quarter; and included parties holding book-entry common and preferred shares (including treasury stock) for aggregate ownership of 5% and above.

Share capital reported in the Company's financial statements may differ from the number of shares delivered via book entry due to different basis of preparation/calculation.

Note 2: Shareholders who placed shares under the trust are disclosed in trustors' sub-accounts held with various trustees. According to Securities and Exchange Act, shareholders with more than 10% ownership interest are subject to insider equity reporting. Insider equity includes shares held in own name and any shares placed under a trust that the insider has control over. Please access Market Observation Post System for reports on insider equity.