Stock Code:1788

# Hi-Clearance Inc. and Subsidiaries

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

**Representation Letter**

The entities that are required to be included in the combined financial statements of Hi-Clearance Inc. and Subsidiaries as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Hi-Clearance Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name： Hi-Clearance Inc.
Chairman：Lee Chung-Liang
Date：February 22, 2024

## Independent Auditors' Report

Board of Directors of Hi-Clearance Inc. herein declares:

**Opinions**

The 2023 and 2022 consolidated balance sheet of Hi-Clearance Inc. and subsidiaries (hereinafter referred to as 'Hi-Clearance Group'), as well as the comprehensive income statement, consolidated statement of changes in equity, consolidated statement of cash flows, Consolidated Financial Statements, and notes to the Consolidated Financial Statements for the period from January 1 to December 31 of the years 2023 and 2022 (including the aggregation of significant accounting policies), have been audited by our CPAs.

In our opinion, the Consolidated Financial Statements mentioned above have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), law and regulation reviews and their announcements recognized and announced by the Financial Supervisory Commission in all material aspects, and are considered to have reasonably expressed the consolidated financial conditions of Hi-Clearance Group as of December 31, 2023 and 2022, as well as the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2023 and 2022.

**Basis for Opinions**

The audit was conducted in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Hi-Clearance Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China ("The Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of Hi-Clearance Group for the year 2023. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. Critical matters that should be communicated in the audit report are as follows:

I. Revenue recognition

For the accounting policies related to revenue recognition, please refer to Note IV (XV) of the Consolidated Financial Statements. For details of revenue, please refer to Note 6 (XXI).

Explanation of key audit matters:

The Hi-Clearance Group is primarily involved in the purchase and sale of medical equipment and pharmaceuticals, as well as offering healthcare management consulting services. Revenue recognition is one of the critical assessment matters that performed in the audit of the financial report of Hi-Clearance Group, and it is expected to be a matter of concern to users or recipients of the report.

Audit procedures:

The CPAs perform the following key audit procedures regarding the aforementioned matters:

- Evaluate whether the revenue recognition policy of the Hi-Clearance Group is in accordance with relevant regulations.
- Assess the efficacy of the design and implementation of the internal control system for sales revenue.
- Conduct comparative analysis on the top ten sales customers to evaluate if there are any significant anomalies compared to the same period of the previous year.
- Reconcile certificates in the period before and after the selected balance sheet date, in order to record the appropriate cut-off date for evaluating sales revenue, etc.

**Other Matters**

We have also audited the Parent Company Only Financial Report of Hi-Clearance Inc. for the years 2023 and 2022, on which we have issued an unqualified opinion.

**Responsibilities of management and those charged with governance for the Consolidated Financial Statements**

To ensure that the Consolidated Financial Statements do not contain material misstatements caused by fraud or errors, management is responsible for preparing prudent Consolidated Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the IFRS, IAS, law and regulation reviews and their announcements recognized and announced by the Financial Supervisory Commission, and for preparing and maintaining necessary internal control procedures pertaining to the Consolidated Financial Statements.

In preparing the Consolidated Financial Statements, management is responsible for assessing Hi-Clearance Group’s ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate Hi-Clearance Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing Hi-Clearance Group’s financial reporting process.

**Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit opinion. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of Hi-Clearance Group.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Hi-Clearance Group's ability to operate as a going concern. If material uncertainty is found, CPAs are required to draw attention in the audit report to related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify the audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Hi-Clearance Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly presents relevant transactions and items.
6. Sufficient and appropriate audit evidence about the financial information of the Group's constituent entities shall be obtained in order to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the audit and for expressing an opinion on the Parent Company Only Financial Statements of Aurora Corporation.

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

Those charged with governance are also provided with a statement that complies with relevant ethical requirements regarding independence, and the CPAs communicate with the governance unit all relationships and other matters that may affect their independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine the key audit matters of Hi-Clearance Group's Consolidated Financial Statements for the year 2023. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Taiwan
Lin, Heng-Shen
CPA:
YU, HI-LONG
Securities authorities approval document no.: Tai-Cai-Zheng-6 No.0930105495
Tai-Cai-Zheng-6 No.0920122026

February 22, 2024

## Hi-Clearance Inc. and Subsidiaries

## Consolidated Balance Sheets

## December 31, 2023 and December 31, 2022

Unit: NT$ thousand

| Code | Assets | 12.31.2023 Amount | % | 12.31.2022 Amount | % |
|---|---|---|---|---|---|
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (Note 6 (I)) | $ 401,137 | 9 | 324,220 | 7 |
| 1110 | Financial assets at fair value through profit or loss - current (Note 6 (II)) | 51,966 | 1 | 50,745 | 1 |
| 1150 | Net amount of notes receivable (Note 6 (IV), (XXI) and Note 8) | 229,978 | 5 | 212,852 | 5 |
| 1170 | Net amount of accounts receivable (Note 6 (IV), (XXI)) | 919,622 | 20 | 870,839 | 19 |
| 1180 | Net amount of accounts receivable - related parties (Notes 6 (IV), (XXI) and Note 7) | 85,080 | 2 | 114,506 | 3 |
| 1197 | Net amount of financial leases receivable (Note 6 (IV), (XXI)) | 39,337 | 1 | 43,031 | 1 |
| 1200 | Other receivables | 1,341 | - | 6,125 | - |
| 1300 | Inventory (Note 5 (V)) | 645,457 | 14 | 744,231 | 17 |
| 1410 | Prepayments | 69,183 | 1 | 61,754 | 1 |
| 1476 | Other financial assets - current (Note 8) | 58,895 | 1 | 42,265 | 1 |
| 1479 | Other current assets - others | 7,892 | - | 4,536 | - |
| | **Total current assets** | 2,509,888 | 54 | 2,475,104 | 55 |
| | **Non-current assets:** | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current (Note 6 (III)) | 268 | - | 268 | - |
| 1550 | Investments accounted for using the equity method (Note 6 (VI)) | 116,390 | 3 | 110,722 | 3 |
| 1600 | Property, plant, and equipment (Note 6 (VII) and 8) | 1,061,550 | 23 | 1,050,565 | 23 |
| 1755 | Right-of-use assets (Note 6 (VIII)) | 519,455 | 11 | 506,749 | 11 |
| 1760 | Investment property (Note 6 (IX)) | 26,101 | 1 | 26,110 | 1 |
| 1780 | Intangible Assets (Note 6 (X)) | 188,979 | 4 | 178,752 | 4 |
| 1840 | Deferred tax assets (Note 6 (XVII)) | 4,917 | - | 14,699 | - |
| 1930 | Long-term notes receivable (Note 6 (IV), (XXI) and Note 8) | 7,168 | - | 6,167 | - |
| 194D | Net amount of long-term financial leases receivable (Note 6 (IV), (XX)) | 96,086 | 2 | 79,816 | 2 |
| 1990 | Other non-current assets - others | 87,083 | 2 | 59,727 | 1 |
| | **Total non-current assets** | 2,107,997 | 46 | 2,033,575 | 45 |
| | **Total assets** | $ 4,617,885 | 100 | 4,508,679 | 100 |

| Code | Liabilities and equity | 12.31.2023 Amount | % | 12.31.2022 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2100 | Short-term loans (Note 6 (XI) and 8) | $ 91,565 | 2 | 495,332 | 11 |
| 2120 | Financial liabilities at fair value through profit or loss - current (Note 6 (II)) | 240 | - | 36 | - |
| 2130 | Contract liabilities - current (Note 6 (XXI)) | 13,920 | - | 11,798 | - |
| 2150 | Notes payable | 7,521 | - | 7,625 | - |
| 2170 | Accounts payable | 681,169 | 15 | 699,788 | 16 |
| 2180 | Accounts payable - related parties (Note 7) | 2,282 | - | 1,312 | - |
| 2200 | Other payables – others | 184,597 | 4 | 193,635 | 5 |
| 2220 | Other payables - related parties (Note 7) | 14,665 | - | 21,912 | - |
| 2230 | Current income tax liabilities | 29,218 | 1 | 52,678 | 1 |
| 2280 | Lease liabilities - current (Note 6 (XIV)) | 71,364 | 2 | 66,434 | 2 |
| 2300 | Other current liabilities - others | 26,516 | 1 | 16,043 | - |
| | **Total current liabilities** | 1,123,057 | 25 | 1,566,593 | 35 |
| | **Non-current liabilities:** | | | | |
| 2527 | Contract liabilities - non-current (Note 6 (XXI)) | 18,713 | - | 14,441 | - |
| 2540 | Long-term loans (Note II) | 12,357 | - | 12,552 | - |
| 2570 | Deferred income tax liabilities (Note 6 (XVII)) | 8,372 | - | 8,079 | - |
| 2580 | Lease liabilities - non-current (Note 6 (XIV)) | 469,455 | 10 | 460,156 | 11 |
| 2600 | Other non-current liabilities | 2,063 | - | 7,330 | - |
| | **Total non-current liabilities** | 510,960 | 10 | 502,558 | 11 |
| | **Total liabilities** | 1,634,017 | 35 | 2,069,151 | 46 |
| | **Equity (Note 6 (XIII), (XVIII)):** | | | | |
| 3110 | Capital stock | 445,210 | 10 | 405,210 | 9 |
| 3200 | Capital surplus | 1,601,988 | 35 | 1,130,866 | 25 |
| 3300 | Retained earnings | 943,984 | 20 | 908,228 | 20 |
| 3400 | Other equity | (7,314) | - | (4,776) | - |
| | **Total equity** | 2,983,868 | 65 | 2,439,528 | 54 |
| | **Total liabilities and equity** | $ 4,617,885 | 100 | 4,508,679 | 100 |

**(Please refer to the notes of the Consolidated Financial Statements)**

**Chairman: Lee Chung-Liang** **Executive: Chen Kuo-Shih** **Chief Accountant: Chang Yaw-Yuan**

## Hi-Clearance Inc. and Subsidiaries

## Consolidated Statements of Comprehensive Income

## January 1 to December 31, 2023

**Unit: NT$ thousand**

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| | | **Amount** | **%** | **Amount** | **%** |
| 4000 | **Operating revenue (Note 6 (XIV), (XXI) and Note 7)** | $ 3,895,778 | 100 | 4,689,687 | 100 |
| 5000 | **Operating costs (Note 6 (V), (XVI), Note 7, and Note 12)** | 2,879,984 | 74 | 3,644,347 | 78 |
| | **Gross profit** | 1,015,794 | 26 | 1,045,340 | 22 |
| | **Operating costs (Note 6 (IV), (XVI), Note 7, and Note 12)** | | | | |
| 6100 | Selling and marketing expenses | 341,812 | 9 | 327,184 | 7 |
| 6200 | General and administrative expenses | 258,742 | 7 | 256,188 | 5 |
| 6450 | Expected credit loss | 8,696 | - | 5,208 | - |
| | **Total operating expenses** | 609,250 | 16 | 588,580 | 12 |
| | **Net operating income** | 406,544 | 10 | 456,760 | 10 |
| | **Non-operating income and expenses:** | | | | |
| 7100 | Interest income (Note 6 (XXIII)) | 11,555 | - | 9,593 | - |
| 7010 | Other income (Note 6 (XXIII) and Note 7) | 8,617 | - | 6,718 | - |
| 7020 | Other gains and losses (Note 6 (XXIII)) | 9,403 | - | (16,962) | - |
| 7050 | Finance costs (Note 6 (XIII), (XIV) and (XXIII)) | (12,440) | - | (12,769) | - |
| 7060 | Share of profit or loss of affiliates and joint ventures accounted for using the equity method (Note 6 (VI)) | 10,626 | - | 8,781 | - |
| | **Total non-operating income and expenses** | 27,761 | - | (4,639) | - |
| 7900 | **Income before tax** | 434,305 | 10 | 452,121 | 10 |
| 7950 | **Deduction: Income tax expenses (Note 6 (XVII))** | 86,321 | 1 | 85,693 | 2 |
| | **Net income for the period** | 347,984 | 9 | 366,428 | 8 |
| 8300 | **Other comprehensive income:** | | | | |
| 8310 | **Components that will not be reclassified to profit or loss** | | | | |
| 8311 | Gains (losses) on re-measurements of defined benefit plans (Note 6 (XVI)) | (581) | - | 8,566 | - |
| 8316 | Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income | (669) | - | (1,101) | - |
| | **Total components not reclassified to profit or loss** | (1,250) | - | 7,465 | - |
| 8360 | **Components that may be reclassified to profit or loss** | | | | |
| 8361 | Exchange differences on translation of financial statements of foreign operations | (1,869) | - | 794 | - |
| | **Total components that may be reclassified to profit or loss** | (1,869) | - | 794 | - |
| 8300 | **Other comprehensive income (net after tax)** | (3,119) | - | 8,259 | - |
| | **Total comprehensive income for the period** | **$ 344,865** | **9** | **374,687** | **8** |
| | **Earnings per share(NT$)** (Note 6 (XX)) | | | | |
| 9750 | **Basic earnings per share (NT$)** | **$ 8.01** | | **9.06** | |
| 9850 | **Diluted earnings per share (NT$)** | **$ 7.98** | | **9.03** | |

**(Please refer to the notes of the Consolidated Financial Statements)**

**Chairman: Lee Chung-Liang** **Executive: Chen Kuo-Shih** **Chief Accountant: Chang Yaw-Yuan**

**Hi-Clearance Inc. and Subsidiaries**

**Consolidated Statements of Changes in Equity**

**January 1 to December 31, 2023**

**Unit: NT$ thousand**

| | | | Retained Earnings | | | | Other Equity Items | | |
|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock - Common Shares | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | Exchange differences on translation of financial statements of foreign operations | Others | Total Equity |
| **Balance as of January 1, 2022** | $ 400,232 | 1,091,203 | 329,317 | 4,934 | 483,731 | 817,982 | (5,570) | - | 2,303,847 |
| Appropriation and distribution of earnings: | | | | | | | | | |
| Legal reserve | - | - | 33,616 | - | (33,616) | - | - | - | - |
| Special reserve | - | - | - | 635 | (635) | - | - | - | - |
| Cash dividends of common stock | - | - | - | - | (283,647) | (283,647) | - | - | (283,647) |
| Modifications to other capital reserves | | | | | | | | | |
| Receipt of donation | - | 31 | - | - | - | - | - | - | 31 |
| Net income for the period | - | - | - | - | 366,428 | 366,428 | - | - | 366,428 |
| Other comprehensive income | - | - | - | - | 7,465 | 7,465 | 794 | - | 8,259 |
| Total comprehensive income for the period | - | - | - | - | 373,893 | 373,893 | 794 | - | 374,687 |
| Converging convertible bonds | 4,978 | 39,632 | - | - | - | - | - | - | 44,610 |
| Balance as of December 31, 2022 | 405,210 | 1,130,866 | 362,933 | 5,569 | 539,726 | 908,228 | (4,776) | - | 2,439,528 |
| Appropriation and distribution of earnings: | | | | | | | | | |
| Legal reserve | - | - | 37,389 | - | (37,389) | - | - | - | - |
| Cash dividends of common stock | - | - | - | - | (311,647) | (311,647) | - | - | (311,647) |
| Special reserve | - | - | - | (793) | 793 | - | - | - | - |
| Modifications to other capital reserves | | | | | | | | | |
| Receipt of donation | - | 28 | - | - | - | - | - | - | 28 |
| Net income for the period | - | - | - | - | 347,984 | 347,984 | - | - | 347,984 |
| Other comprehensive income | - | - | - | - | (581) | (581) | (1,869) | (669) | (3,119) |
| Total comprehensive income for the period | - | - | - | - | 347,403 | 347,403 | (1,869) | (669) | 344,865 |
| Cash capital increase | 40,000 | 458,750 | - | - | - | - | - | - | 498,750 |
| Share-based payment | - | 12,344 | - | - | - | - | - | - | 12,344 |
| **Balance as of December 31, 2023** | **$ 445,210** | **1,601,988** | **400,322** | **4,776** | **538,886** | **943,984** | **(6,645)** | **(669)** | **2,983,868** |

**(Please refer to the notes of the Consolidated Financial Statements)**

**Chairman: Lee Chung-Liang** **Executive: Chen Kuo-Shih** **Chief Accountant: Chang Yaw-Yuan**

**Hi-Clearance Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**

**January 1 to December 31, 2023**

**Unit: NT$ thousand**

| | 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| **Income before tax for the period** | $ 434,305 | 452,121 |
| **Adjustment items:** | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation expenses | 151,174 | 147,314 |
| Amortization expenses | 13,583 | 13,723 |
| Expected credit loss | 8,696 | 5,208 |
| Net loss (gain) on financial assets at fair value through profit or loss | (596) | 2,604 |
| Interest expenses | 12,440 | 12,769 |
| Interest income | (11,555) | (9,593) |
| Share-based remuneration cost | 12,344 | - |
| Share of profit (loss) of associates and joint ventures accounted for using the equity method | (10,626) | (8,781) |
| Loss (gain) on disposal of property, plant, and equipment | (608) | 9,275 |
| Gains on lease modifications | (44) | (2) |
| Derecognition of provisions | (402) | - |
| Total adjustments to reconcile profit (loss) | 174,406 | 172,517 |
| Changes in operating assets and liabilities: | | |
| Decrease in financial assets at fair value through profit or loss | 68 | 749 |
| Decrease (increase) in notes receivable | (19,116) | 5,243 |
| Increase (decrease) in accounts and financial leases receivable | (69,022) | (35,189) |
| Decrease (increase) in accounts receivable - related parties | 29,426 | (15,817) |
| Decrease in other receivables | 4,784 | 8,260 |
| Decrease (increase) in inventory | 57,470 | (75,508) |
| Increase in prepayments | (31,093) | (19,182) |
| Decrease (increase) in other current assets | (3,356) | 4,265 |
| Increase in other financial assets | (16,630) | (34,344) |
| Increase in operating assets | (1,544) | (717) |
| Total net changes in assets related to operating activities | (49,013) | (162,240) |
| Decrease in financial liabilities at fair value through profit or loss | (489) | (3,630) |
| Increase (decrease) in contractual liabilities | 6,394 | (298) |
| Decrease in notes payable | (104) | (6,383) |
| Increase (decrease) in accounts payable | (18,619) | 55,495 |
| Increase (decrease) in payables to related parties | 970 | (14,683) |
| Decrease in other payables | (11,391) | (1,132) |
| Increase (decrease) in other payables - related parties | (7,247) | 3,114 |
| Increase in other current liabilities | 10,473 | 4,825 |
| Decrease in net defined benefit liabilities | (5,606) | (7,348) |
| Total net changes in liabilities related to operating activities | (25,619) | 29,960 |
| Total net changes in assets and liabilities related to operating activities | (74,632) | (132,280) |
| Total adjustment items: | 99,774 | 40,237 |
| Cash inflows from operations | 534,079 | 492,358 |
| Interest received | 11,555 | 9,593 |
| Interest paid | (12,440) | (12,569) |
| Income tax paid | (99,706) | (86,218) |
| **Net cash flows generated from operating activities** | 433,488 | 403,164 |
| **Cash flows from investing activities:** | | |
| Acquisition of financial assets at fair value through other comprehensive income | - | (268) |
| Acquisition of property, plant, and equipment | (41,044) | (97,686) |
| Disposal of property, plant, and equipment | 2,917 | 4,202 |
| Increase in refundable deposits | (48,379) | (35,090) |
| Decrease in refundable deposits | 39,056 | 45,672 |
| Intangible asset acquisition | (2,381) | - |
| Increase in prepayments for equipment | (20,906) | (4,985) |
| Dividends received from affiliated companies | 4,289 | 5,549 |
| **Net cash flows used in investing activities** | (66,448) | (82,606) |
| **Cash flows from financing activities:** | | |
| Increase in short-term loans | 1,111,565 | 2,935,332 |
| Decrease in short-term loans | (1,515,332) | (2,933,702) |
| Corporate debt repayment | - | (700) |
| Proceeds from long-term loans | - | 12,552 |
| Increase in guarantee deposits received | 12,269 | 12,249 |
| Decrease in guarantee deposits received | (12,109) | (12,349) |
| Lease principal payment | (71,936) | (71,868) |
| Cash dividends paid | (311,647) | (283,647) |
| Cash capital increase | 498,750 | - |
| **Net cash flows used in financing activities** | (288,440) | (342,133) |
| **Effects of exchange rate changes on the balance of cash held in foreign currencies** | (1,683) | 785 |
| **Increase (decrease) in cash and cash equivalents during the period** | 76,917 | (20,790) |
| **Cash and cash equivalents at beginning of period** | 324,220 | 345,010 |
| **Cash and cash equivalents at end of period** | $ 401,137 | 324,220 |

**(Please refer to the notes of the Consolidated Financial Statements)**

**Chairman: Lee Chung-Liang** **Executive: Chen Kuo-Shih** **Chief Accountant: Chang Yaw-Yuan**

**Hi-Clearance Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**2023 & 2022**

**(Unless otherwise specified, all amounts are in NT$ thousand)**

## I. Company History

Hi-Clearance Inc. (hereinafter referred to as "the Company") was established on February 13, 1989, with the approval of the Ministry of Economic Affairs. The Company's registered address is 8F.-2, No. 2, Ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist., New Taipei City, Taiwan (R.O.C.) Primary business activities of the Company and its subsidiaries (the Consolidated Companies) involve trading medical equipment, biochemical reagents, and Western medicine, as well as providing medical management consulting services.

## II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The Consolidated Financial Statements have been approved for release by the Board of Directors on February 22, 2024.

## III. Application of New and Amended Standards and Interpretations

(I) Effect of adopting newly issued and revised criteria and interpretations approved by the Financial Supervisory Commission.

Since January 1, 2023, the Consolidated Companies have been implementing the newly revised International Financial Reporting Standards (IFRSs), which has not significantly impacted the Consolidated Financial Statements.

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

Since May 23, 2023, the Consolidated Companies have been implementing the newly revised International Financial Reporting Standards (IFRSs), which has not significantly impacted the Consolidated Financial Statements.

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

(II) Impact of IFRSs not yet recognized by the FSC

The Consolidated Companies assessed that the application of the following newly revised IFRSs, effective January 1, 2023, would not have a material impact on the Consolidated Financial Statements.

- Amendments to IAS 1 "Classify Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liabilities in Sale and Leaseback Transactions"

(III) New and amended standards and interpretations not yet recognized by FSC

The Consolidated Companies do not expect the following new releases and amendments to standards, that have yet to be endorsed by the FSC, to have a material impact on the Consolidated Financial Statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17
- Amendments to IFRS 17 “Initial Application of IFRS17 and IFRS 9—Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

## IV. Summary of Significant Accounting Policies

Significant accounting policies adopted in the Consolidated Financial Statements: Unless stated otherwise, the following accounting policies have been applicable for all reporting periods of this Consolidated Financial Statements.

(I) Compliance declaration

The Consolidated Financial Statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “Regulations”) and the International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee, as endorsed by the Financial Supervisory Commission (hereinafter referred to as the “FSC-endorsed International Financial Reporting and Accounting Standards”).

(II) Preparation basis

1. Basis of measurement

The Consolidated Financial Statements were prepared based on historical cost, with the exception of the following significant balance sheet items:

(1) Financial assets that are measured at fair value through profit or loss;

(2) Financial assets that are measured at fair value through other comprehensive income;

(3) Net defined benefit assets that are calculated by deducting the present value of defined benefit obligations from the fair value of retirement fund assets.

2. Functional currency and presentation currency

The functional currency of each entity of the Consolidated Companies is the currency of the primary economic environment in which it operates. The Consolidated Financial Statements are presented in NT$, the Company’s functional currency. All financial information expressed in NT$ is denominated in units of NT$ thousand.

(III) Basis of consolidation

1. Preparation principles of the Consolidated Financial Statements

Subject of the Consolidated Financial Statements includes the Company and entities under its control (subsidiaries). The Company controls the investee entity when it is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

Once control over a subsidiary is acquired, its financial reports are included in the Consolidated Financial Statements until control is relinquished. Intercompany transactions, balances, and any unrealized gains and losses have been eliminated in full during the preparation of the Consolidated Financial Statements. The comprehensive income of subsidiaries are attributed to the Company's owners and non-controlling interests, respectively, even if the non-controlling interests become a deficit balance as a result.

The financial statements of subsidiaries have been appropriately restructured to conform to the accounting policies used by the Consolidated Companies.

Changes in the Consolidated Companies' ownership interest in subsidiaries that do not result in a loss of control over the subsidiaries are accounted for as equity transactions between owners. Adjustments of non-controlling interests and differences between the amount paid or received and fair value are directly recognized in equity and are attributed to the owners of the Company.

2. Subsidiaries included in the Consolidated Financial Statements

Subsidiaries included in the Consolidated Financial Statements:

| | | | Percentage of Shareholding | | |
|---|---|---|---|---|---|
| **Name of Investor** | **Name of Subsidiary** | **Nature of Business** | **12.31.2023** | **12.31.2022** | **Description** |
| The Company | Succeed Agents Limited (B.V.I.) (referred to as 'SA company') | Financial holding and investment | 100.00% | 100.00% | |
| The Company | Renalysis Medical Care Co., Ltd. | Medical management consulting services | 100.00% | 100.00% | |
| The Company | XinFu Healthcare Corp. | Medical management consulting services | 100.00% | 100.00% | |
| The Company | Sin Hwa Co., Ltd. | Medical equipment trade | 100.00% | 100.00% | |
| The Company | Sin Hwa Investment Co., Ltd. | Financial holding and investment | 100.00% | 100.00% | |
| The Company | HC Healthcare Co., Ltd. | Medical management consulting services | 100.00% | 100.00% | |
| SA company | PT Hiclearance Medical Indonesia (referred to as"HMI company") | Medical equipment trade | 100.00% | 100.00% | |
| SA company | Moral Well Co., Ltd., (referred to as "MW company") | Financial holding and investment | 100.00% | 100.00% | |
| MW company | Taicha Medical Corp. (Shanghai) | International trade and re-export trade | 100.00% | 100.00% | |

3. Subsidiaries not included in the Consolidated Financial Statements: None.

(IV) Foreign Currency

1. Foreign currency transactions

   Foreign currency transactions are translated into the functional currency at the rate of exchange on the transaction date. At the end of each subsequent reporting period (the reporting date), monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at that date. Foreign non-monetary items measured at fair value are converted into the functional currency using the exchange rate on the fair value measurement date, and non-monetary items measured at historical cost are converted using the exchange rate on the transaction date.

   Foreign exchange differences arising on translation are generally recognized in profit or loss, except for equity instruments at fair value through other comprehensive income, which are recognized in other comprehensive income.

2. Foreign operations

   Assets and liabilities of foreign operations, including goodwill and fair value adjustments generated at the time of acquisition, are translated into NT$ at the exchange rate on the reporting date. Income and expense items are translated into NT$ at the average exchange rate for the period, and any exchange differences are recognized as other comprehensive income.

   When the disposal of a foreign operation results in a loss of control, joint control or significant influence, the cumulative translation differences related to the foreign operation are reclassified in full to profit or loss. When disposing of a portion of an investment in a subsidiary that includes foreign operations, the related cumulative translation differences are proportionately reclassified to non-controlling interests. When disposing of a portion of an investment in an associate or joint venture that includes foreign operations, the related cumulative translation differences are reclassified to profit or loss in proportion to the disposal.

   Foreign currency translation gains or losses on monetary receivables or payables from foreign operations that have no settlement plans, and are unlikely to be settled in the foreseeable future, are recognized in other comprehensive income as part of the net investment in foreign operations.

(V) Standards for categorization of assets and liabilities classified as current and non-current

Assets that meet one of the following criteria are classified as current assets, and all other assets that are not current assets are classified as non-current assets.

1. The asset is expected to be realized in the normal operating cycle, or is intended to be sold or consumed;
2. The asset is held primarily for trading purposes;
3. The asset is expected to be realized within twelve months of the reporting period; or
4. The asset is cash or cash equivalents, unless there are other restrictions on the exchange or settlement of the asset at least twelve months after the reporting period.

Liabilities that meet one of the following criteria are classified as current liabilities, and all other liabilities that are not current liabilities are classified as non-current liabilities.

1. The liability is expected to be settled in the normal operating cycle;
2. The liability is held primarily for trading purposes;
3. The liability is expected to be settled within twelve months of the reporting period; or
4. The liability does not have an unconditional right to defer settlement for at least twelve months after the reporting period. The terms of a liability may be settled by issuing equity instruments at the option of the counterparties, which does not affect its classification.

(VI) Cash and cash equivalents

Cash comprises both cash on hand and demand deposits. Cash equivalents are short-term investments that can be easily converted into a fixed amount of cash with minimal risk of value fluctuation and high liquidity. Term deposits that meet the above criteria and are held to fulfill short-term cash obligations, rather than for investment or other purposes, shall be classified as cash equivalents.

(VII) Financial Instruments

Accounts receivable and debt securities issued are recognized upon incurrence. The Company recognizes all other financial assets and liabilities upon entering a financial instrument contract. Financial assets or financial liabilities that are measured at fair value through profit or loss are initially valued at fair value, which includes directly attributable transaction costs incurred during their acquisition or issuance.

1. Financial assets

The Consolidated Companies apply consistent accounting treatment for the purchase and sale of financial assets that in line with customary transactions. For all purchases and sales of financial assets classified in the same manner, this treatment is based on either the transaction date or settlement date.

Financial assets at initial recognition are classified financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income, or financial assets at fair value through profit or loss. If there is a change in the operating model for managing financial assets, the Consolidated Companies shall reclassify all affected financial assets at the beginning of the next reporting period.

(1) Financial assets at amortized cost

Financial assets that meet the following criteria, and are not designated to be at fair value through profit or loss, are measured at amortized cost:

- The financial asset is held under a business model whose objective is to collect the contractual cash flows.
- The contractual terms of the financial asset generate cash flows on a specific date that are solely payments of principal and interest on the outstanding principal amount.

The subsequent measurement of these assets is determined by adjusting the original recognized amount for the accumulated amortization calculated using the effective interest method. Any impairment losses are also considered when measuring the amortized cost. Interest income, foreign currency exchange gains and losses, and impairment losses are recognized in profit or loss. Gains or losses are recognized in profit or loss when they are derecognized.

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

At the time of initial recognition, the Consolidated Companies have the irrevocable option to report any subsequent fair value changes of equity instruments classified as non-held-for-trading in other comprehensive income. The selection mentioned above is made on a tool-by-tool basis.

Investments in equity instruments are subsequently measured at fair value. Dividend income is recognized in the income statement, unless it clearly represents the recovery of a portion of the investment cost. The remaining net gain or loss is recognized in other comprehensive income, and is not reclassified to profit or loss.

The Consolidated Companies recognize dividend income from equity investments on the date they are entitled to receive dividends, which is typically the ex-dividend date.

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

Financial assets not classified as financial assets at amortized cost as described above, or at fair value through other comprehensive income, are measured at fair value through profit or loss, including derivative financial assets. At initial recognition, the Consolidated Companies may irrevocably designate financial assets that meet the criteria for measurement at amortized cost, or at fair value through other comprehensive income, as financial assets at fair value through profit or loss, in order to eliminate or materially reduce accounting misalignment.

These assets are then valued at fair value, and any net profit or loss (including dividend and interest income) is recorded in the income statement.

(4) Evaluate whether the contract cash flows are solely payments of principal and interest on the principal amount outstanding

For assessment purposes, principal is the fair value of the financial assets at the time of initial recognition, and interest is comprised of the following consideration: time value of money, credit risk associated with outstanding principal during a specific period, other fundamental loan risks, and cost and profit margins.

To assess whether contractual cash flows are solely payments of principal and interest on outstanding principal amounts, the Consolidated Companies consider the contractual terms of financial instruments, including assessing whether the financial asset contains contractual terms that could alter the timing or amount of contract cash flows, potentially leading to non-compliance with this condition. During the evaluation, the Consolidated Companies took into consideration the following factors:

- Any unforeseen circumstances that could alter the timing or amount of contractual cash flows;
- Terms that may adjust the coupon rate, including the characteristics of the variable interest rate;
- Prepayment and deferral features; and
- The Consolidated Companies' claims are limited to the terms of cash flows from specific assets (e.g., non-recourse features).

(5) Impairment of financial assets

The Consolidated Companies acknowledge the anticipated credit losses for financial assets that are valued at amortized cost. These assets include cash and cash equivalents, accounts receivable, other receivables, receivable financing lease payments, deposits used as collateral, and other financial assets.

Loss allowance for the following financial assets are measured based on expected credit losses over a twelve-month period, while the remaining assets are measured based on expected credit losses over their remaining lifetime.

- The credit risk of bank deposits (i.e., risk of default over the expected life of the financial instruments) has not increased significantly since initial recognition.

Allowance for losses on accounts receivable is measured by the amount of expected credit losses during the period.

The Consolidated Companies review the financial instruments' contractual terms to ensure cash flows are only principal and interest payments, and verify if any terms could alter these flows, affecting their compliance.

Expected credit loss during the holding period refers to the estimated loss that may occur due to potential defaults on financial instruments throughout the anticipated holding period.

Twelve-month expected credit losses are expected credit losses arising from probable defaults on financial instruments within twelve months of the reporting date (or earlier, if the expected duration of the financial instrument is shorter than twelve months).

The maximum period for measuring expected credit losses is the longest contractual period during which the Consolidated Companies are exposed to credit risk.

Expected credit loss refers to the weighted estimate of credit loss over the expected life of financial instruments. Credit losses are determined by the present value of expected cash flow discrepancies, which is the variance between contractual and anticipated cash receipts. Expected credit losses are discounted at the effective interest rate of the financial assets.

Loss allowance on financial assets measured at amortized cost is deducted from the carrying amount of the asset.

When the Consolidated Companies anticipate that they will not recover financial assets in full or in part, the carrying value of those assets are directly reduced. The Consolidated Companies conduct a detailed analysis of the timing and amount of write-offs by taking into consideration their expected recoverability. The Consolidated Companies do not anticipate a material reversal of the amounts written-off. However, financial assets that have been written off remain enforceable to comply with the Consolidated Companies' procedures for recovering overdue amounts.

(6) Derecognition of financial assets

The Consolidated Companies derecognize financial assets when the contractual rights to the cash flow from the said financial assets are terminated, or when the Consolidated Companies have transferred almost all the risks and rewards of ownership of the financial assets to other enterprises, or when risks and rewards of ownership are neither transferred nor retained, and the Consolidated Companies also do not retain control of the financial assets.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

The Consolidated Companies classifies their debt and equity instruments as either financial liabilities or equity, depending on the nature of the contractual agreements and the definition of financial liabilities and equity instruments.

(2) Equity transaction

Equity instruments are contracts that acknowledge the remaining equity of the Consolidated Companies once all liabilities have been deducted from its assets. The Consolidated Companies recognize the equity instruments at the amount obtained after deducting the direct issuance costs.

(3) Compound financial instruments

Compound financial instruments issued by the Consolidated Companies are convertible bonds (denominated in NT$) that holders have the option to convert into capital stock, and the number of shares issued does not vary with changes in fair value.

Liabilities of compound financial instruments are initially recognized at the fair value of similar liabilities excluding equity conversion rights. The initial recognition amount of equity components is calculated by subtracting the fair value of liability components from that of the overall compound financial instruments. Directly attributable transaction costs are allocated to components of liabilities and equity in proportion to the carrying amounts of the original liabilities and equity.

Following initial recognition, liability components of compound financial instruments are measured at amortized cost using the effective interest method. Equity components of compound financial instruments should not be revalued after initial recognition.

Interest related to financial liabilities is recognized in profit or loss. Upon conversion, financial liabilities are reclassified as equity, and no gains or losses shall be recognized.

(4) Financial liabilities

Financial liabilities are classified as either at amortized cost or at fair value through profit or loss. Financial liabilities that are held for trading, derivatives, or designated at initial recognition are classified as being measured at fair value through profit or loss. Financial liabilities that are measured at fair value through profit or loss are recognized at their fair value. Any associated net income and losses, including interest expenses, are also recognized in the income statement.

Other financial liabilities are subsequently assessed at amortized cost using the effective interest method. Interest expense and exchange gains and losses are recognized in profit or loss. Any gain or loss derecognized is also recognized in profit or loss.

(5) Derecognition of financial liabilities

The Consolidated Companies derecognize financial liabilities when contractual obligations have been executed, canceled or expired. When the terms of a financial liability are modified and the cash flows of the modified liability are materially different, the original financial liability is derecognized and a new financial liability is recognized at fair value based on the modified terms.

When a financial liability is derecognized, the difference between its carrying amount and the total consideration payable (including any non-cash assets transferred or liabilities assumed), is recognized in profit or loss.

(6) Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and presented as net amounts on the balance sheet only when the Consolidated Companies have the legal right to offset and intend to settle the assets and liabilities simultaneously or through net settlement.

3. Derivative financial instruments and hedge accounting

The Consolidated Companies hold derivative financial instruments to hedge foreign currency and interest rate risks. Embedded derivatives are separated from the host contract when certain conditions are met and the host contract is not a financial asset.

Derivatives are initially recognized at fair value and are subsequently measured at fair value, with gains or losses arising from remeasurement recognized directly in profit or loss.

(VIII) Inventories

Inventory is valued based on the lowering of cost or net realizable value. Costs include acquisition and other costs necessary to make the item available for use at a specific location and in a specific condition, and are calculated using the weighted average method.

The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

(IX) Investments in associates

Affiliated companies are entities over which the Consolidated Companies exercise significant influence over the financial and operating policies, but over which do not have control or joint control.

The equity method is used to account for the consolidated interest in affiliates. According to the equity method, initial acquisition is recognized at cost, which includes transaction costs. Carrying amounts of investments in affiliated companies includes the goodwill recognized at the time of the initial investment, deducting any accumulated impairment losses.

The Consolidated Financial Statements recognize the profit and loss and other comprehensive income of each investment associate company by the Consolidated Companies, based on the equity ratio. This recognition is done from the date of significant influence until the date of loss of significant influence, after making adjustments that are consistent with the Consolidated Companies' accounting policies. When equity changes occur in an associate due to items of other comprehensive income that do not affect the Consolidated Companies' shareholding ratio, the Consolidated Companies recognize equity changes as capital surplus based on its shareholding ratio.

Unrealized gains and losses resulting from transactions between the Consolidated Companies and their associates are recognized in the financial statements only when the profits and losses are irrelevant to investor interests in the associates. If the Consolidated Companies' share of losses in associates equals or exceeds its equity in those enterprises, the Company no longer recognizes those losses, and instead recognizes only additional losses and related liabilities that fall within the scope of legal obligations, presumed obligations, or payments made on behalf of the investee.

(X) Investment property

Investment properties are properties that are held with the intention of generating rental income, capital appreciation, or both, rather than for regular business sales, production, provision of goods or services, or administrative management purposes. Investment properties are initially recorded at their cost, and subsequently valued at the amount of cost deducting accumulated depreciation and impairment. This depreciation method, durability, and residual value are determined based on the guidelines for properties, plants, and equipment.

The rental income generated from investment properties is classified as non-operating income and is recognized over the lease term using the straight-line method.

If the purpose of investment properties changes and reclassification of real estate, factories, and equipment is necessary, the carrying amount at the time of the change in purpose should be reclassified.

(XI) Property, Plant, and Equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost (including capitalized borrowing costs) and subtracting accumulated depreciation and any accumulated impairment.

When significant components of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses on the disposal of property, plant and equipment are recognized in profit or loss.

2. Subsequent costs

Subsequent expenditures are capitalized only when it is probable that future economic benefits will flow to the Consolidated Companies.

3. Depreciation

Depreciation is calculated by subtracting the residual value from the asset cost, and is and is recognized in profit or loss on a straight-line basis over the estimated useful life of each component.

Land does not depreciate.

Estimated durability for the current period and the comparative period:

(1) Building and construction: 10-56 years

(2) Transportation equipment: 5-8 Years

(3) Office equipment: 3-15 Years

(4) Rental assets: 3-10 Years

The Consolidated Companies review the depreciation method, durability and residual values at each reporting date and makes adjustments when necessary.

4. Reclassification of investment properties

If a property previously used for personal purposes is converted into an investment property, it is reclassified as an investment property with the carrying amount determined at the time of conversion.

(XII) Leasing

Upon establishment, the Consolidated Companies evaluate whether a contract is or contains a lease by determining whether the contract involves the transferring of control of the identified asset for a specified period in exchange for consideration.

1. Lessee

The Consolidated Companies recognize the right-of-use assets and lease liabilities on the lease commencement date. The right-of-use assets are initially measured at cost, which includes the initial measurement amount of the lease liabilities. Any lease payments made before or on the lease commencement date are adjusted, along with any directly attributable costs incurred and the estimated costs of dismantling, removing the underlying assets, and restoring the location or the underlying assets. Any lease incentives received are deducted.

Right-of-use assets shall subsequently be depreciated on a straight-line basis from lease commencement date to the end of the useful life of the rights of use, or end of the lease term. Furthermore, the Consolidated Companies regularly assess right-of-use assets for impairment, address any losses, and adjust these assets with lease liability remeasurements as needed.

Lease liabilities are measured initially at the present value of outstanding lease payments as of the lease commencement date. The lease discount rate is the implied interest rate if ascertainable; otherwise, incremental borrowing rate is used. In general, the Consolidated Companies use the incremental borrowing rate as the discount rate.

Lease liabilities include fixed payments, including in-substance fixed payments.

Interest on lease liabilities is recognized using the effective interest method and is remeasured under the following circumstances:

(1) Changes in the index or rate used to determine lease payments resulting in changes in future lease payments;

(2) Changes in the expected payment amount of residual value guarantee;

(3) The assessment of the lease term is affected by changes in the estimate of whether to exercise the option to extend or terminate the lease;

(4) Modification of the leasing object, scope, or other terms.

If there are changes in the indices or rates used to determine lease payments, changes in the residual value guarantees, or evaluations of purchase, extension, or termination options, the carrying amount of the right-of-use assets is adjusted accordingly when the lease liabilities are remeasured. Any remaining remeasurement amount is then recorded in the income statement when the carrying amount of the right-of-use assets reaches zero.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is decreased to reflect partial or full termination of the lease. The difference between this adjusted carrying amount and the remeasured lease liability is recognized in profit or loss.

Right-of-use assets and lease liabilities that do not meet the definition of investment property are presented as separate line items on the balance sheet.

The Consolidated Companies have elected not to recognize right-of-use assets and lease liabilities for short-term leases such as office spaces, warehouses, computer information equipment, and leases of low-value subject assets; instead, the related lease payments are recognized as expenses on a straight-line basis over the lease term.

2. Lessor

For transactions in which the Consolidated Companies are the lessor, the lease contract is classified at the inception date based on whether or not most of the risks and rewards incidental to ownership of the subject asset is transferred; if so, the lease contract is classified as a finance lease; if not, it is classified as an operating lease. In the assessment, the Consolidated Companies consider specific indicators, including whether the lease term covers a significant portion of the economic life of the subject asset.

When the Consolidated Companies are also the sublease lessor, it accounts for the head lease and the sublease as distinct transactions. Subleases are classified by referencing the right-of-use assets arising from the head lease. If the head lease is a short-term lease and meets the criteria for recognition exemption, the sublease transaction shall be categorized as an operating lease.

If the agreement contains lease and non-lease components, the Consolidated Companies shall allocate consideration in the contract according to IFRS 15.

Assets held under finance leases are expressed as finance lease receivables at the amount of net investment in the lease. Initial direct costs incurred in negotiating and arranging operating leases are included in net investment in leases. Net investment in leases is recognized as interest income over the lease term in a manner that reflects a constant rate of return. For operating leases, the Consolidated Companies recognize lease payments received on a straight-line basis as rental income over the lease term.

(XIII) Intangible assets

1. Recognition and measurement

Goodwill from the acquisition of subsidiary companies is determined by deducting accumulated impairment from costs.

Intangible assets with limited durability, including distributorships, are measured at their net amount, which is cost minus the accumulated amortization and impairment.

2. Subsequent expenses

Subsequent expenditures are capitalized only when they increase the future economic benefits of the specific asset involved. All additional expenses are recorded in the income statement at the time they are incurred.

3. Amortization

Except goodwill, amortization is calculated by subtracting the residual value from the asset cost, and is recognized as profit or loss over the estimated useful life of an intangible asset using the straight-line method when the asset is ready for use.

Estimated durability for the current period and the comparative period:

| | |
|---|---|
| (1) Distribution rights | 1-2 year (s) |
| (2) Proxy | 5years |

The Consolidated Companies review the amortization method of intangible assets, durability and residual values at each reporting date and makes adjustments when necessary.

(XIV) Impairment of Non-financial Assets

The Company assesses daily, during each reporting period, whether there are any indicators that suggest the carrying amount of non-financial assets (excluding inventory, deferred income tax assets, and assets generated by employee benefits) may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Goodwill undergoes annual impairment testing.

For the purpose of impairment testing, a group of assets, for which cash inflows are largely independent of other individual assets or groups of assets, is the smallest identifiable asset group. Goodwill resulting from mergers is allocated to cash-generating units, or groups of cash-generating units, that are expected to benefit from the mergers.

The recoverable amount is the higher of the fair value of an individual asset or cash-generating unit, minus cost of disposal and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Impairment losses are recognized when the recoverable amount of individual assets or cash-generating units is lower than the carrying amount.

Impairment losses are immediately recognized in the income statement. After the carrying amount of amortized goodwill of a cash-generating unit is reduced, the carrying amounts of other assets within the unit shall be proportionally reduced.

Impairment losses on goodwill shall not be reversed. Impairment losses are recognized immediately in the income statement. If impairment losses of the asset were not recognized in previous years, any reversal of non-financial assets is limited within the carrying amount range (minus depreciation or amortization).

(XV) Revenue Recognition

1. Revenue from contracts with customers

Revenue is calculated based on the consideration expected to be received as a result of the transfer of goods or services. Revenue of the Consolidated Companies is recognized when control over goods or services is transferred to the customer and the performance obligation has been satisfied. The Consolidated Companies' primary revenue sources:

(1) Sale of goods

The Consolidated Companies sell medical equipment and western medications to medical institutions or distributors. Revenue is recognized when control over goods is transferred. Product control transfers to the customer once they receive it and assume full control of its distribution and pricing, and there are no outstanding obligations that would affect their acceptance of the product. Delivery occurs when the goods are transported to a specified location, at which point the risks of obsolescence and loss are transferred to the customer, and the customer has accepted the goods in accordance with the sales contract, rendering the acceptance conditions ineffective, or the Consolidated Companies have objective evidence that all acceptance conditions have been satisfied.

To certain customers who purchase medical equipment, the Consolidated Companies not only provide guarantees that meet the agreed specifications but also offers extended warranties ranging from one to five years. These contracts consist of two performance obligations, and the transaction price is allocated to each obligation based on their standalone selling prices. At the beginning of the contract, management estimate the individual selling price by selling the product separately to similar customers under similar circumstances and extending the warranty, using observable prices as a basis. The Consolidated Companies recognize revenue from service-type warranties on a straight-line basis over the warranty period. Payment will be collected at the same time as the medical equipment.

The Consolidated Companies recognize accounts receivable upon the delivery of goods, as they have an unconditional right to receive consideration at that time.

(2) Product maintenance, repair, and management consulting services

The Consolidated Companies offers maintenance for medical facility products and management consulting services, and recognizes the corresponding revenue in the reporting period for services provided. Revenue from fixed-price contracts is recognized at reporting date on the basis of the proportion of actual services rendered to total services, which is determined by the percentage of completed work to total expected work.

If changes occur, estimates for revenue, costs, and completion level will be revised accordingly. Any increase or decrease arising from the period during which management becomes aware of the changes and makes adjustments will be reflected in profit and loss.

Customers under a fixed price contract are obligated to make payments of a predetermined amount according to the agreed schedule. Contract assets are recognized when the services rendered exceed the payment, and contract liabilities are recognized when the payment exceeds the services rendered.

(3) Financial components

For certain contracts, the period between the transfer of goods or services under contract and payment for those goods or services does not exceed one year, and the Company does not account for the time value of money in the transaction price. For other contracts, the Consolidated Companies adjust the transaction price to account for the time value of money, reflecting the implicit significant financial benefit provided to customers.

(XVI) Employee benefit

1. Defined contribution plans

Obligations to a defined contribution plan are recognized as expenses during the period in which the employees render services.

2. Defined benefit plans

For each individual defined benefit plan, the Consolidated Companies calculate net obligation by discounting the present value of future benefit amounts earned by employees during the current or prior periods, and deducting any fair value of plan assets.

Benefit obligations are annually calculated by qualified actuaries using the projected unit benefit method. If the calculation results are advantageous to the Consolidated Companies, the recognition of assets is restricted to the present value of any economic benefits that can be obtained through a refund or a reduction in future contributions to the plan. When calculating the present value of economic benefits, minimum funding requirements should be taken into account.

The net remeasurement amount of defined benefit liabilities, which includes actuarial gains and losses, plan asset returns (excluding interest), and any changes in the asset ceiling (excluding interest), is promptly recognized in other comprehensive income and accumulated in retained earnings. The Consolidated Companies calculates the net interest expense (income) of the net defined benefit liability (asset) using the net defined benefit liability (asset) and discount rate determined at the start of the annual reporting period. Net interest expense and other expenses for defined benefit plans are recognized in profit or loss.

When a plan is amended or curtailed, the resulting changes in benefits related to past service costs or reduction gains or losses are recognized immediately in profit or loss. The Consolidated Companies recognize gains or losses of a defined benefit plan settlement when the settlement occurs.

3. Short-term employee benefits

Short-term employee benefit obligations are recognized as expenses during the period in which the employees render services. If the Consolidated Companies have a present legal or constructive obligation to pay as a result of past services rendered by employees, and the obligation can be estimated reliably, the amount is recognized as a liability.

(XVII) Share-based Payment

Equity-settled share-based payment transactions are measured at the fair value of the equity instruments at the grant date, and expenses are recognized over the vesting period with a corresponding increase in equity. Recognized expenses are adjusted for the expected number of rewards to meet service conditions and non-market vesting conditions; the final amount recognized is based on the number of rewards that meet service conditions and non-market vesting conditions on the vesting date.

Non-vesting conditions relating to share-based rewards are reflected in the measurement of fair value on the grant date, and no verifiable adjustments are required for differences between expected and actual results.

(XVIII) Income Tax

Income tax comprises both current and deferred income tax. Current and deferred income taxes are recognized in profit or loss, except for those related to business mergers or items recognized directly in equity or other comprehensive income.

Current income taxes include estimated income tax payables or receivables calculated using the current year’s taxable income (loss) and any adjustments to income tax payables or receivables of the previous year. Amounts are based on best estimates of the amounts expected to be paid or received, measured by the statutory tax rate or tax rate under substantive legislation at the reporting date.

Deferred income tax is recognized for temporary differences between the carrying amounts of assets and liabilities at the reporting date and their tax bases. Temporary differences arising from the following are not recognized as deferred tax income:

1. Assets or liabilities that are not recognized to be part of a merger and that, at the time of the transaction, (i) do not affect the accounting profit or taxable income (loss) and (ii) do not give rise to equivalent taxable and deductible temporary differences.
2. Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the Consolidated Companies are able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.
3. Taxable temporary differences arising from the initial recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses, unused income tax deductions carried forward, and deductible temporary differences, within the scope of future taxable income that is expected to be available for use. At each reporting date, the income tax benefit is adjusted by reducing it if it is unlikely to be realized, or past reduction is reversed it if it's likely to be adequate for tax purposes.

Deferred income taxes are measured at the tax rates expected to apply if temporary differences were reversed, using either statutory tax rates or substantive legislative tax rates in effect at the reporting date.

The Consolidated Companies will offset deferred income tax assets and deferred income tax liabilities only when the following conditions are met:

1. The Consolidated Companies have statutory enforcement authority to offset current income tax assets and current income tax liabilities; and
2. Deferred income tax assets and deferred income tax liabilities are associated with one of the following taxpayers who are subject to income tax imposed by the same tax authority:
   (1) The same taxpayer; or
   (2) Different taxable entities which intend to settle current income tax liabilities and assets on a net basis in each future period where significant deferred tax assets are expected to be recovered, and significant deferred tax liabilities are expected to be settled, or where the assets are realized and the liabilities are settled simultaneously.

(XIX) Earnings per share

The Consolidated Companies report both basic and diluted earnings per share of their common stockholders. Basic earnings per share of the Consolidated Companies is calculated by dividing net profit attributable to their common equity holders by weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting net profit attributable to the common equity holders of the Company and weighted average number of common shares outstanding, respectively, for potential dilution. Common shares with potential dilution of the Consolidated Companies include estimated employee remuneration and convertible bonds.

(XX) Segment Information

A business segment is a division of the Consolidated Companies that engages in operating activities that may generate revenues and incur expenses, including inter-company transactions with other segments of the Consolidated Companies. The operating results of all business segments are regularly reviewed by the consolidated company's chief operating decision-maker to inform decisions on resource allocation and to assess their performance. Every business segment has its own financial information.

## V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When preparing the Consolidated Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards approved by the FSC, management is required to exercise judgment, make estimates, and make assumptions affecting the reported amounts of accounting policies, assets, liabilities, income, and expenses. Actual results may differ from the estimates.

Management is continuously reviewing estimates and underlying assumptions, taking into account changes in accounting estimates both during the period of change and in future periods.

No significant judgments are involved in the accounting policies used in this Consolidated Financial Statements.

With regards to the uncertainty surrounding assumptions and estimates, there is no significant risk of substantial adjustments in the upcoming year.

## VI. Details of Significant Accounts

(I) Cash and cash equivalents

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Cash on hand | $ 481 | 434 |
| Demand deposits | 311,156 | 236,286 |
| Time deposits | 89,500 | 87,500 |
| Cash and cash equivalents in the consolidated statement of cash flows | **$ 401,137** | **324,220** |

For the disclosure of interest rate risk and sensitivity analysis of the Company's financial assets and liabilities, please refer to Note 6 (XXIV).

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

1. Details are as follows:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Financial assets mandatorily measured at fair value through profit or loss: | | |
| Beneficiary certificate - fund | $ 51,966 | 50,745 |

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Financial liabilities held for trading | | |
| Forward exchange contracts | $ 240 | 36 |

2. Non-hedging derivative instruments

Derivative financial instrument transactions are undertaken to mitigate the exchange rate risk associated with business activities. The following is a detailed list of derivative instruments classified as financial assets measured at fair value through profit or loss and financial liabilities held for trading, which were not accounted for as hedging instruments by the Company on December 31, Year 112 and Year 111 of the Republic of China:

| | 12.31.2023 | | |
|---|---|---|---|
| | Contract Amount | Currency | Maturity period |
| Derivative financial liabilities: | | | |
| Forward foreign exchange contracts | USD 610 | NT$ to US$ | 2024.01.08~2024.02.15 |

| | 12.31.2022 | | |
|---|---|---|---|
| | Contract Amount | Currency | Maturity period |
| Derivative financial liabilities: | | | |
| Forward foreign exchange contracts | USD 238 | NT$ to US$ | 2023.01.05~2023.01.06 |

3. As of December 31, 2023 and 2022, none of the Consolidated Companies' financial assets at fair value through profit or loss have been pledged as collaterals.

4. Sensitivity analysis: price risk of beneficiary certificates-fund

Effect on the consolidated income items if the price of equity securities had changed at the reporting date (the same basis was used for both analyses, and assuming that other variables would remain unchanged):

| Securities Price on Reporting Date | 2023 Other comprehensive income after tax | 2023 Profit/Loss After Tax | 2022 Other comprehensive income after tax | 2022 Profit/Loss After Tax |
|---|---|---|---|---|
| Increased by 1% | $ - | 520 | - | 507 |
| Decreased by 1% | $ - | (520) | - | (507) |

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

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Domestic unlisted (over-the-counter) stocks－Taiwan Depository & Clearing Corporation | $ 268 | 268 |

1. The Consolidated Companies hold these investments in equity instruments as long-term strategic investments and not for trading purposes, therefore, they have been designated to be at fair value through other comprehensive income.
2. In 2023 and 2022, the Consolidated Companies did not dispose of any strategic investments, and there were no transfers of accumulated gains and losses within the equity during that period.
3. The above financial assets have not been pledged as collateral.

(IV) Accounts Receivable, Notes Receivable, Receivable Financing Lease Payments, and Collections

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Notes receivable | $ 233,218 | 215,114 |
| Long-term notes receivable | 7,242 | 6,230 |
| Accounts receivable | 938,874 | 882,581 |
| Receivables from related parties | 85,080 | 114,506 |
| Finance lease receivables | 39,734 | 43,457 |
| Long-term finance lease receivables | 97,057 | 80,605 |
| Overdue receivables | 4,217 | 4,217 |
| Deduction: Loss allowance | (28,151) | (19,499) |
| Net amount | $ 1,377,271 | 1,327,211 |

For details regarding the Consolidated Companies' bills for collection deposited in banks in the amounts of NT$220,652 thousand and NT$205,627thousand, respectively, as collateral for 10-20% of the forward letters of credit as of December 31, 2023 and 2022, please refer to Note 8.

Lease benefit maturity analysis for undiscounted lease benefits received after the reporting date:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Under 1 year | $ 44,710 | 49,800 |
| 1-2 year(s) | 28,383 | 35,026 |
| 2-3 years | 19,196 | 19,974 |
| 3-4 years | 12,414 | 11,469 |
| 4-5 years | 9,598 | 5,947 |
| Over 5 years | 40,699 | 19,351 |
| Total lease investment | 155,000 | 141,567 |
| Unearned financing income | (18,209) | (17,505) |
| Present value of lease payments receivable | 136,791 | 124,062 |
| Deduction: Loss allowance | (1,368) | (1,215) |
| Net amount | **$ 135,423** | **122,847** |

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Overdue receivables | $ 4,217 | 4,217 |
| Deduction: Loss allowance | (4,217) | (4,217) |
| | **$ -** | **-** |

The Consolidated Companies estimate expected credit losses for all receivables, accounts receivable, finance lease receivables, and collection items using a simplified approach. This approach involves measuring the expected credit losses over the lifetime of the assets. For this measurement purpose, these receivables are grouped based on shared credit risk characteristics representing the customer's ability to pay all amounts due according to the contractual terms, with forward-looking information accounted for as well. Expected credit loss analysis for the consolidated accounts receivable, notes receivable, finance leases receivable, and collections:

| | 12.31.2023 | | |
|---|---|---|---|
| | **Carrying Amounts of Notes and Accounts Receivable, Finance Leases Receivable and Collections** | **Weighted Average Expected Credit Loss Rate** | **Allowance for Expected Credit Losses During the Period** |
| Not overdue | $ 1,345,537 | 0.00% | - |
| 1-180days overdue | 36,533 | 13.68% | 4,998 |
| 181-365days overdue | 6,444 | 96.91% | 6,245 |
| Over 366 days overdue | 16,908 | 100% | 16,908 |
| | **$ 1,405,422** | | **28,151** |

| | 12.31.2022 | | |
|---|---|---|---|
| | Carrying Amounts of Notes and Accounts Receivable, Finance Leases Receivable and Collections | Weighted Average Expected Credit Loss Rate | Allowance for Expected Credit Losses During the Period |
| Not overdue | $ 1,290,601 | 0% | - |
| 1-180days overdue | 40,500 | 10.36% | 4,196 |
| 181-365days overdue | 6,887 | 95.56% | 6,581 |
| Over 366 days overdue | 8,722 | 100% | 8,722 |
| | $ 1,346,710 | | 19,499 |

Changes in loss allowance for notes and accounts receivable, finance lease receivable and collections of the Consolidated Companies:

| | 2023 | 2022 |
|---|---|---|
| Beginning balance | $ 19,499 | 14,291 |
| Recognized impairment loss | 8,696 | 5,208 |
| Foreign currency exchange gain/loss | (44) | - |
| Ending balance | $ 28,151 | 19,499 |

(V) Inventory

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Commodities | $ 609,713 | 726,322 |
| Goods in transit | 35,744 | 17,909 |
| | $ 645,457 | 744,231 |

Inventory costs recognized as cost of goods sold and expenses for the years 2023 and 2022 were NT$2,655,551 thousand and NT$3,350,253 thousand, respectively.

In 2023, improvements have been made to the factor that previously caused the net realizable value of inventory to be lower than the cost, and a decrease of NT$15,768 thousand in operating costs was recognized due to an increase in net realizable value.

In 2022, inventory was adjusted to its net realizable value, leading to an inventory impairment loss of NT$45,428 thousand.

As of December 31, 2023 and 2022, none of the inventories of the Company have been pledged as collaterals.

(VI) Investments Accounted for Using the Equity Method

1. Investments of the Consolidated Companies accounted for under the equity method at the reporting date:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Associate | $ 116,390 | 110,722 |

The financial information of associates of the Consolidated Companies, which are individually immaterial, and accounted for using the equity method, and is included in the Consolidated Financial Statements as follows:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Closing aggregated carrying amount of interests in individually insignificant related parties | $ 116,390 | 110,722 |

| | 2023 | 2022 |
|---|---|---|
| Equity owned by the Consolidated Companies: | | |
| Net profit from ongoing operations for the current period | 10,626 | 8,781 |
| Other comprehensive income | (669) | - |
| Ending balance | $ 9,957 | 8,781 |

2. As of December 31, 2023 and 2022, no investments in related parties of the Consolidated Companies, accounted for under the equity method, have been pledged as collaterals.

(VII) Property, Plant, and Equipment

Changes in cost and depreciation of properties, plants and equipment of the Consolidated Companies for 2023 and 2022:

| | Land | Building and Construction | Transportation Equipment | Office Equipment | Leased Assets | Construction in Process | Total |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| Balance as of January 1, 2023 | $ 412,632 | 426,833 | 1,877 | 64,701 | 423,601 | 17,003 | 1,346,647 |
| Increase | - | 12,302 | 2,616 | 9,419 | 16,707 | - | 41,044 |
| Reclassifications | - | 16,740 | 72 | 9,634 | 39,964 | (17,003) | 49,407 |
| Disposal and obsolescence | - | - | - | (700) | (62,680) | - | (63,380) |
| Effects of exchange rate changes | - | - | - | (10) | (502) | - | (512) |
| Balance as of December 31, 2023 | $ 412,632 | 455,875 | 4,565 | 83,044 | 417,090 | - | 1,373,206 |
| Balance as of January 1, 2022 | $ 391,634 | 162,553 | 1,877 | 46,449 | 424,091 | 224,968 | 1,251,572 |
| Increase | 20,998 | 11,936 | - | 7,136 | 13,787 | 43,829 | 97,686 |
| Reclassifications | - | 252,344 | - | 13,017 | 36,784 | (251,794) | 50,351 |
| Disposal and obsolescence | - | - | - | (1,902) | (51,054) | - | (52,956) |
| Effects of exchange rate changes | - | - | - | 1 | (7) | - | (6) |
| Balance as of December 31, 2022 | $ 412,632 | 426,833 | 1,877 | 64,701 | 423,601 | 17,003 | 1,346,647 |

| | Land | Building and Construction | Transportation Equipment | Office Equipment | Leased Assets | Construction in Process | Total |
|---|---|---|---|---|---|---|---|
| Depreciation: | | | | | | | |
| Balance as of January 1, 2023 | $ - | 57,716 | 1,563 | 26,132 | 210,671 | - | 296,082 |
| Current year depreciation | - | 9,833 | 421 | 10,412 | 56,996 | - | 77,662 |
| Reclassifications | - | - | - | - | (928) | - | (928) |
| Disposal and obsolescence | - | - | - | (680) | (60,391) | - | (61,071) |
| Effects of exchange rate changes | - | - | - | - | (89) | - | (89) |
| Balance as of December 31, 2023 | $ - | 67,549 | 1,984 | 35,864 | 206,259 | - | 311,656 |
| Balance as of January 1, 2022 | $ - | 53,488 | 1,240 | 17,896 | 191,465 | - | 264,089 |
| Current year depreciation | - | 4,228 | 323 | 9,505 | 57,627 | - | 71,683 |
| Reclassifications | - | - | - | (99) | (112) | - | (211) |
| Disposal and obsolescence | - | - | - | (1,170) | (38,309) | - | (39,479) |
| Effects of exchange rate changes | - | - | - | - | - | - | - |
| Balance as of December 31, 2022 | $ - | 57,716 | 1,563 | 26,132 | 210,671 | - | 296,082 |
| Carrying amount: | | | | | | | |
| December 31, 2023 | $ 412,632 | 388,326 | 2,581 | 47,180 | 210,831 | - | 1,061,550 |
| January 1, 2022 | $ 391,634 | 109,065 | 637 | 28,553 | 232,626 | 224,968 | 987,483 |
| December 31, 2022 | $ 412,632 | 369,117 | 314 | 38,569 | 212,930 | 17,003 | 1,050,565 |

For details regarding the Consolidated Companies' property, plant and equipment pledged as collaterals for loans and lines of credit, please refer to Note 8.

(VIII) Right-of-use assets

Changes in cost and depreciation of leased premises, buildings, and transportation equipment of the Consolidated Companies for 2023 and 2022:

| | Building and Construction | Transportation Equipment | Total |
|---|---|---|---|
| Costs of right-of-use assets: | | | |
| Balance as of January 1, 2023 | $ 757,462 | - | 757,462 |
| Increase | 88,281 | 1,309 | 89,590 |
| Decrease | (64,676) | - | (64,676) |
| Balance as of December 31, 2023 | $ 781,067 | 1,309 | 782,376 |
| Balance as of January 1, 2022 | $ 749,470 | - | 749,470 |
| Increase | 9,910 | - | 9,910 |
| Decrease | (1,918) | - | (1,918) |
| Balance as of December 31, 2022 | $ 757,462 | - | 757,462 |

| | Building and Construction | Transportation Equipment | Total |
|---|---|---|---|
| Accumulated depreciation of right-of-use assets | | | |
| Balance as of January 1, 2023 | $ 250,713 | - | 250,713 |
| Current period depreciation | 73,103 | 400 | 73,503 |
| Decrease | (61,295) | - | (61,295) |
| Balance as of December 31, 2023 | $ 262,521 | 400 | 262,921 |
| Balance as of January 1, 2022 | $ 175,749 | - | 175,749 |
| Current period depreciation | 75,621 | - | 75,621 |
| Decrease | (657) | - | (657) |
| Balance as of December 31, 2022 | $ 250,713 | - | 250,713 |
| Carrying amount: | | | |
| December 31, 2023 | $ 518,546 | 909 | 519,455 |
| January 1, 2022 | $ 573,721 | - | 573,721 |
| December 31, 2022 | $ 506,749 | - | 506,749 |

(IX) Investment property

Investment properties are held by the Consolidated Companies as their own assets. The initial non-cancelable period of the leased investment property is five to ten years.

Rental income from the leased investment properties is a fixed amount.

Changes in cost and amortization of investment properties of the Consolidated Companies for 2023 and 2022:

| | Land and Improvements | Building and Construction | Total |
|---|---|---|---|
| Cost: | | | |
| Balance as of January 1, 2023 | $ 25,736 | 484 | 26,220 |
| Balance as of December 31, 2023 | $ 25,736 | 484 | 26,220 |
| Balance as of January 1, 2022 | $ 25,736 | 484 | 26,220 |
| Balance as of December 31, 2022 | $ 25,736 | 484 | 26,220 |
| Depreciation: | | | |
| Balance as of January 1, 2023 | $ - | 110 | 110 |
| Current year depreciation | - | 9 | 9 |
| Balance as of December 31, 2023 | $ - | 119 | 119 |
| Balance as of January 1, 2022 | $ - | 100 | 100 |
| Current year depreciation | - | 10 | 10 |

| | Land and Improvements | Building and Construction | Total |
|---|---|---|---|
| Balance as of December 31, 2022 | $ - | 110 | 110 |
| Carrying amount: | | | |
| December 31, 2023 | $ 25,736 | 365 | 26,101 |
| January 1, 2022 | $ 25,736 | 384 | 26,120 |
| December 31, 2022 | $ 25,736 | 374 | 26,110 |
| Fair value: | | | |
| December 31, 2023 | | | $ 27,291 |
| December 31, 2022 | | | $ 28,535 |

The fair value of an investment property is determined by considering the aggregate of the estimated cash flows expected to receive from leasing the property, and discount it using a rate of return that reflects specific risks inherent in the net cash flows. Range of rates of return used in 2023 and 2022:

| Region | 2023 | 2022 |
|---|---|---|
| Chaozhou Township, Pingtung County | 0.32% | 0.24% |

As of December 31, 2023 and 2022, no investment properties of the Consolidated Companies were pledged as collaterals.

(X) Intangible assets

Changes in cost and amortization of intangible assets of the Consolidated Companies for 2023 and 2022:

| | Goodwill | Other Intangible Assets | Total |
|---|---|---|---|
| Cost: | | | |
| Balance as of January 1, 2023 | $ 116,961 | 96,100 | 213,061 |
| Increase | - | 2,381 | 2,381 |
| Reclassifications | - | 21,429 | 21,429 |
| Balance as of December 31, 2023 | $ 116,961 | 119,910 | 236,871 |
| Balance as of December 31, 2023 (opening balance) | $ 116,961 | 96,100 | 213,061 |
| Amortization: | | | |
| Balance as of January 1, 2023 | $ - | 34,309 | 34,309 |
| Current period amortization | - | 13,583 | 13,583 |
| Balance as of December 31, 2023 | $ - | 47,892 | 47,892 |
| Balance as of January 1, 2022 | $ - | 20,586 | 20,586 |
| Current period amortization | - | 13,723 | 13,723 |
| Balance as of December 31, 2022 | $ - | 34,309 | 34,309 |

| | Goodwill | Other Intangible Assets | Total |
|---|---|---|---|
| Carrying amount: | | | |
| December 31, 2023 | $ 116,961 | 72,018 | 188,979 |
| January 1, 2022 | $ 116,961 | 75,514 | 192,475 |
| December 31, 2022 | $ 116,961 | 61,791 | 178,752 |

1. Impairment testing for cash-generating units (including goodwill)

According to IAS 36, goodwill obtained through business mergers must undergo annual impairment testing, which involves allocating the goodwill to cash-generating units that are anticipated to benefit from the consolidation. For the purpose of impairment testing, the Consolidated Companies have allocated goodwill to the following cash-generating units:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Renalysis Medical Care Co., Ltd. | $ 42,936 | 42,936 |
| HC-Healthcare Co., Ltd. | 74,025 | 74,025 |
| | $ 116,961 | 116,961 |

All of the cash-generating units mentioned above have the ability to generate independent cash flows. Therefore, the impairment of goodwill is assessed by calculating the value in use and the carrying amount of net assets for Renalysis Medical Care Co., Ltd. and HC-Healthcare Co., Ltd. to determine if impairment recognition is necessary.

Results of the impairment test conducted by the Consolidated Companies as of December 31, 2023 and 2022, showed that the recoverable amount determined based on the fair value of the cash-generating units mentioned above exceeded their carrying amounts, indicating no impairment.

The recoverable amount of the cash-generating units for impairment testing in 2023 and 2023 is determined based on fair value, and the key assumptions for Renalysis Medical Care Co., Ltd. and HC-Healthcare Co., Ltd. are as follows:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Renalysis Medical Care Co., Ltd. | | |
| Operating revenue growth rate | 6% | 6% |
| Pre-tax discount rate | 6.85% | 7.51% |

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| HC-Healthcare Co., Ltd. | | |
| Operating revenue growth rate | 3.50% | 3.50% |
| Pre-tax discount rate | 6.85% | 7.51% |

The values of these key assumptions represent management's assessment of future trends in the industry, taking into account both external and internal (historical) information.

2. As of December 31, 2023 and 2022, no investment properties of the Consolidated Companies were pledged as collaterals.

(XI) Short-term loans

Short-term loans of the Consolidated Companies:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Unsecured bank loans | $ - | 300,000 |
| Secured bank loans | 91,565 | 195,332 |
| Total | $ 91,565 | 495,332 |
| Unused credit line | $ 1,050,212 | 745,094 |
| Interest rate | 1.75% | 1.50%~1.80% |

Assets of the Consolidated Companies pledged as collaterals for bank loans are described in Note 8.

(XII) Long-term loans

Long-term loans of the Consolidated Companies:

| | 12.31.2023 | | | |
|---|---|---|---|---|
| | **Currency** | **Interest Rate (%)** | **Maturity year** | **Amount** |
| Borrowing from non-financial institutions | USD | 3.00% | 2027 | $ 12,357 |
| Deduction: Portion due within one year | | | | - |
| Total | | | | $ 12,357 |
| Unused credit line | | | | $ - |

| | 12.31.2022 | | | |
|---|---|---|---|---|
| | **Currency** | **Interest Rate (%)** | **Maturity year** | **Amount** |
| Borrowing from non-financial institutions | USD | 3.00% | 2027 | $ 12,552 |
| Deduction: Portion due within one year | | | | - |
| Total | | | | $ 12,552 |
| Unused credit line | | | | $ - |

As of December 31, 2023 and 2022, no long-term loans unsecured by assets of the Consolidated Companies were pledged as collaterals.

(XIII) Corporate Bonds Payable

Issuance of unsecured convertible bonds:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Total amount of issued convertible corporate bonds | $ - | 420,000 |
| Accumulated redeemed amount | - | (700) |
| Accumulated converted amount | - | (419,300) |
| Current liabilities - long-term liabilities due within one year or one operating cycle | | |
| (Corporate bonds payable) | $ - | - |

| | 2023 | 2022 |
|---|---|---|
| Interest expenses | $ - | 200 |

From January 1 to December 31, 2022, as holders of convertible bonds exercised their conversion rights, the Consolidated Companies converted 498 thousand shares of common stock at a price of NT$89.8 per share, amounting to 447 shares.

The Consolidated Companies' first domestic unsecured convertible bonds matured in full on April 18, 2022, with NT$700thousand remaining unconverted. The Consolidated Companies redeemed these convertible bonds in cash at face value in a lump-sum payment.

| Item | The First Domestic Unsecured Convertible Bonds |
|---|---|
| 1. Total issuance | NT$420,000 thousand |
| 2. Issuance face value | NT$100 thousand |
| 3. Issuance period | 2019.04.18~2022.04.18 |
| 4. Bond term | 3years |
| 5. Coupon rate | 0% |
| 6. Repayment upon maturity | The Consolidated Companies shall redeem the convertible bonds held by bondholders in cash at par value upon maturity. |
| 7. Redemption methods | (1) Starting from the day after the full three months since the issuance of the convertible bonds until 40 days before the end of the issuance period, if the closing price of the Company's common stock exceeds 30% of the conversion price for 30 consecutive business days, the Company may redeem all bonds at face value in cash within the following 30 business days.<br>(2) Starting from the day after the full three months since the issuance of the convertible bonds until 40 days before the end of the issuance period, if the outstanding balance of the convertible bonds is less than 10% of the total amount of the original issue, the Company may recover all of the convertible bonds in cash at face value at any time thereafter. |

| Item | The First Domestic Unsecured Convertible Bonds |
|---|---|
| 8. Conversion period | (1) Starting from three months after the issuance date of the convertible corporate bonds and until the maturity date, the Company's issuance regulations allow for bondholders to convert convertible bonds into common shares of the Company.<br>(2) The Company will suspend conversions from fifteen business days before the book closure date for stock grants, cash dividends, or capital increase option, until the record date for rights distribution, and from the record date for capital reduction until the day before the commencement of trading of the reduced capital stock, in accordance with the Company's issuance regulations. |
| 9. Conversion price and adjustment | The conversion price at the time of issuance is NT$106.5/share. On August 8, 2021 and July 19, 2020, the conversion price was adjusted to NT$89.8 and NT$94.4 per share, respectively, in accordance with anti-dilution provisions. |

(XIV) Lease liabilities

Carrying amount of the consolidated lease liabilities:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Current | $ 71,364 | 66,434 |
| Non-current | $ 469,455 | 460,156 |

For an analysis of maturity, please refer to Note 6 (XXIV): Financial Instruments.

Leases recognized in the income statement:

| | 2023 | 2022 |
|---|---|---|
| Interest expenses for lease liabilities | $ 6,421 | 6,743 |
| Changes in lease payments not accounted for in measurement of lease liabilities | $ 2,801 | 6,105 |
| Income from subleasing right-of-use assets | $ 84,668 | 80,845 |
| Short-term lease expenses | $ 1,281 | 388 |
| Expenses for low-value lease assets (excluding low-value short-term leases) | $ 2,914 | 2,526 |

Leases recognized in the cash flow statement:

| | 2023 | 2022 |
|---|---|---|
| Total cash flows on lease | $ 85,353 | 87,630 |

1. Real estate, construction, and transportation equipment leasing

   The Consolidated Companies lease buildings and structures as office spaces and storage locations, and the usual lease term is 3-10 years for office spaces, 2 years for storage locations. Some leases offer the option to extend for the same duration as the original contract when the lease term expires. The lease term for transportation equipment is three years.

   For right-of-use assets subleased under operating leases, please refer to Note 6 (XV).

   Certain lease agreements offer extension options, but specific terms and conditions agreed upon may differ within the Consolidated Companies as these agreements are handled independently by various regions. These options are enforceable only by the Consolidated Companies and not by the lessor. Where it is not reasonably certain that the optional extended lease term will be exercised, the lease liability does not include payments for the period covered by the option.

2. Other leases

   The Consolidated Companies lease office equipment and other assets for a period of one to two years under short-term or low-value leases. In accordance with the exemption recognition rules, the Consolidated Companies do not recognize the associated right-of-use assets and lease liabilities.

(XV) Operating leases

1. Lessor lease

   The Consolidated Companies lease its investment properties, business premises and medical equipment. These lease agreements are classified as operating leases because the Company does not transfer most risks and rewards associated with ownership of the assets. For more details, please refer to Note 6 (IX); Investment Property. Rental income recognized in profit and loss for 2023 and 2022 was NT$197,811 thousand and NT$187,086 thousand, respectively, with the rental income from investment properties amounting to NT$1,497 thousand.

   Lease benefit maturity analysis as of December 31, 2023 and 2022, for undiscounted lease benefits received after the reporting date:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Under 1 year | $ 83,517 | 73,663 |
| 1-2 year(s) | 65,718 | 52,615 |
| 2-3 years | 57,513 | 45,074 |
| 3-4 years | 51,882 | 35,241 |
| 4-5 years | 40,464 | 29,553 |
| Over 5 years | 85,475 | 54,535 |
| Total lease payments without any discounts | $ 384,569 | 290,681 |

(XVI) Employee benefit

1. Defined benefit plans

Reconciliation of the present value of consolidated defined benefit obligations to the fair value of plan assets:

| | | 12.31.2023 | 12.31.2022 |
|---|---|---|---|
| Present value of defined benefit obligation | $ | 73,134 | 71,978 |
| Fair value of plan assets | | (72,094) | (65,913) |
| Net defined benefit liabilities (assets) | **$** | **1,040** | **6,065** |

The consolidated employee welfare liabilities are as follows:

| | | 12.31.2023 | 12.31.2022 |
|---|---|---|---|
| Liability for compensated absences (recorded under "Other payables") | **$** | **6,295** | **5,859** |

The Consolidated Companies allocate their defined benefit plans to the Labor Retirement Reserve at Bank of Taiwan. Retirement payment for each employee under the Labor Standards Act is calculated on the basis of the length of service and the average salary for the six months preceding retirement.

(1) Composition of plan assets

The retirement fund allocated by the Consolidated Companies in accordance with the Labor Standards Act is managed by the Bureau of Labor Funds of Ministry of Labor (Bureau of Labor Funds). According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum annual income to be distributed from the fund shall not be less than the income calculated based on the two-year fixed deposit interest rate of local banks.

As of the reporting date, the balance of the Consolidated Companies' Labor Retirement Reserve at Bank of Taiwan totaled NT$18,529thousand. For information on the utilization of the labor pension fund assets, including the fund's dividend yield and asset allocation, please refer to the website of the Bureau of Labor Funds.

(2) Changes to the present value of defined benefit obligation

Variations in the present value of consolidated defined benefit obligations in 2023 and 2022:

| | | 2023 | 2022 |
|---|---|---|---|
| Defined benefit obligations as of January1 | $ | 71,978 | 85,944 |
| Current service costs and interest | | 1,037 | 1,090 |
| Remeasurement of net defined benefit liabilities (assets) | | 119 | (7,077) |
| Number of benefit payments | | - | (7,979) |
| Defined benefit obligations as of December31 | **$** | **73,134** | **71,978** |

(3) Variations in fair value of plan assets

Variations in the fair value of the consolidated defined benefit plan assets in 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Fair value of plan assets on January 1 | $ 65,913 | 63,912 |
| Amount allocated to the plan | 5,728 | 6,193 |
| Projected return on plan assets | 915 | 332 |
| Remeasurement of net defined benefit liabilities (assets) | (462) | 1,489 |
| Number of benefit payments | - | (6,013) |
| Fair value of plan assets on December 31 | $ 72,094 | 65,913 |

(4) Expenses recognized as profit or loss

Expenses recognized as profit or loss for 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Service costs for the current period | $ 83 | 660 |
| Interest cost | 954 | 430 |
| Projected return on plan assets | (915) | (332) |
| | $ 122 | 758 |
| General and administrative expenses | $ 122 | 758 |

(5) Remeasurement of net defined benefit assets recognized in other comprehensive income

Remeasurement of cumulative net defined benefit assets recognized in other comprehensive income of the Consolidated Companies:

| | 2023 | 2022 |
|---|---|---|
| Accumulated balance as of January 1 | $ (53,552) | (62,118) |
| Current recognition | (581) | 8,566 |
| Accumulated balance as of December 31 | $ (54,133) | (53,552) |

(6) Actuarial assumptions

Significant actuarial assumptions used to determine the present value of the defined benefit obligations at the end of the reporting period:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Discount rate | 1.205%~1.2407% | 1.2870%~1.3253% |
| Future salary increase | 1.25%~2.00% | 1.25%~2.00% |

The Consolidated Companies intend to allocate NT$5,801 thousand to the defined benefit plan within one year after the 2023 reporting date.

The defined benefit plan has a weighted average duration of 5.88-7.96 years.

(7) Sensitivity analysis

Effect of changes in the major actuarial assumptions used in determining the present value of benefit obligations as of December 31, 2023 and 2022:

| | Effect on defined benefit obligation | |
|---|---|---|
| | Increase | Decrease |
| December 31, 2023 | | |
| Discount Rate (Change: 0.25%) | (1,397) | 1,439 |
| Future salary increase (Change: 0.5%) | 2,859 | (2,724) |
| December 31, 2022 | | |
| Discount Rate (Change: 0.25%) | (1,455) | 1,500 |
| Future salary increase (Change: 0.5%) | 2,987 | (2,834) |

The above sensitivity analysis analyzes the impact of a single variation in the hypothesis while keeping other assumptions unchanged. In practice, numerous assumptions may be interconnected. The sensitivity analysis also aligns with the methodology employed to compute net defined benefit liabilities.

The methodology and hypotheses used in preparing the sensitivity analysis for the current period are the same as those used in the previous period.

2. Defined contribution plans

The Consolidated Companies' defined contribution plans comply with the Labor Pension Act, allocating 6.00% of an employee's monthly salary to their Individual Labor Pension Accounts at the Bureau of Labor Insurance. Under this plan, the Consolidated Companies have no legal or constructive obligation to pay additional amounts once a fixed amount has been contributed to the Bureau of Labor Insurance.

Pension costs under the defined contribution plan amounted to NT$15,731 thousand in 2023, and NT$14,371 thousand in 2022, and have been allocated to the Bureau of Labor Insurance.

(XVII) Income Tax

1. Detailed breakdown of the Consolidated Companies' income tax expenses:

| | 2023 | 2022 |
|---|---|---|
| Current income tax expenses | $ 76,246 | 93,536 |
| Deferred income tax expenses | 10,075 | (7,843) |
| Income tax expenses | $ 86,321 | 85,693 |

The Consolidated Companies have no income tax expense that is recognized directly in equity and other comprehensive income in 2023 and 2022.

2. Reconciliation of the Consolidated Companies' income tax expense to net income before tax:

| | 2023 | 2022 |
|---|---|---|
| Income before tax | $ 434,305 | 452,121 |
| Income tax calculated at the domestic tax rates of each company's location | $ 104,868 | 109,016 |

| | 2023 | 2022 |
|---|---|---|
| Non-deductible expenses | 773 | 29 |
| Domestic investment interests recognized under Equity Method | (19,699) | (20,302) |
| Current tax loss on unrecognized deferred tax assets | - | (191) |
| Changes in unrecognized temporary differences | (224) | (2,363) |
| Surcharge on undistributed earnings | 1,282 | - |
| Others | (679) | (496) |
| Total | $ 86,321 | 85,693 |

3. Deferred income tax assets and liabilities

(1) Unrecognized deferred tax assets

Deferred income tax assets unrecognized by the Consolidated Companies:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Taxable profit | $ 252,904 | 247,136 |
| Deductible temporary difference | (462) | 712 |
| | $ 252,442 | 247,848 |

In accordance with the Income Tax Act, a loss for the previous ten years may be deducted from the net income of the current year at the approval of tax authorities before income tax is assessed. These items are not recognized as deferred income tax assets due to the low probability of the Consolidated Companies generating sufficient taxable income in the future to offset these temporary differences.

As of December 31, 2023, the Consolidated Companies have not recognized the tax loss as a deferred income tax asset. The deduction period is as follows:

| Loss Year | Losses Not Yet Deducted | Final Year Deductible |
|---|---|---|
| 2013 (ratified) | $ 8,625 | 2023 |
| 2014 (ratified) | 21,131 | 2024 |
| 2015 (ratified) | 28,025 | 2025 |
| 2016 (ratified) | 24,065 | 2026 |
| 2017 (ratified) | 26,652 | 2027 |
| 2018 (ratified) | 58,763 | 2028 |
| 2019 (ratified) | 59,749 | 2029 |
| 2020 (ratified) | 9,202 | 2030 |
| 2021 (ratified) | 7,314 | 2031 |
| 2022 (declared) | 2,466 | 2032 |
| 2023 (declared) | 6,912 | 2033 |
| | $ 252,904 | |

(2) Recognized deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities for 2023 and 2022:

| | Investment Gain Recognized under Equity Method | Unrealized Exchange Gains | Valuation of Financial Instruments | Total |
|---|---|---|---|---|
| Deferred income tax liabilities: | | | | |
| Balance as of January 1, 2023 | $ 8,065 | 14 | - | 8,079 |
| Debit/credit to profit and loss account | (66) | 359 | - | 293 |
| Balance as of December 31, 2023 | **$ 7,999** | **373** | **-** | **8,372** |
| Balance as of January 1, 2022 | $ 8,773 | 669 | - | 9,442 |
| Debit/credit to profit and loss account | (708) | (655) | - | (1,363) |
| Balance as of December 31, 2022 | **$ 8,065** | **14** | **-** | **8,079** |

| | Loss on Inventory Write-down | Convertible Corporate Bonds | Valuation of Financial Instruments | Others | Total |
|---|---|---|---|---|---|
| Deferred income tax assets: | | | | | |
| Balance as of January 1, 2023 | $ 12,752 | - | 7 | 1,940 | 14,699 |
| (Debit) credit to profit and loss account | (10,014) | - | 41 | 191 | (9,782) |
| Balance as of December 31, 2023 | **$ 2,738** | **-** | **48** | **2,131** | **4,917** |
| Balance as of January 1, 2022 | $ 3,680 | 4,198 | 240 | 101 | 8,219 |
| (Debit) credit to profit and loss account | 9,072 | (4,198) | (233) | 1,839 | 6,480 |
| Balance as of December 31, 2022 | **$ 12,752** | **-** | **7** | **1,940** | **14,699** |

4. The Consolidated Companies have no income tax expense that is recognized directly in equity and other comprehensive income.

5. Income tax ratification

The income tax settlement declarations of the Company, Renalysis Medical Care, XinFu Healthcare, Sin Hwa, Sin Hwa, HC-Healthcare income tax settlement declaration have been approved by tax authorities until 2021.

(XVIII) Capital and other equity

As of December 31, 2023 and 2022, the Company had an authorized capital of NT$800,000 thousand with a par value of NT$10 per share; and amount of common shares actually issued was 44,521 thousand shares and 40,521 thousand shares, respectively. Payment for all issued shares has been received.

| | Common Stock | |
|---|---|---|
| (In thousand shares) | 2023 | 2022 |
| Beginning balance as of January 1 | 40,521 | 40,023 |
| Cash capital increase | 4,000 | - |
| Converging convertible bonds | - | 498 |
| Ending balance as of December 31 | 44,521 | 40,521 |

1. Issuance of common stock

   In 2022, due to the exercise of conversion rights by holders of convertible bonds, the Consolidated Companies issued498thousand new shares at par value, totaling NT$4,978thousand. Related legal registration procedures have been duly completed

   On October 20, 2022, the Board of Directors passed a resolution to increase cash capital by issue 4,000 thousand new shares of common stock at a premium of NT$125 per share, resulting in a total amount of NT$498,750 thousand (excluding issuance costs of NT$1,250 thousand). The reference date is April 7, 2023; all payments for the issue shares have been received, and relevant legal registration procedures were completed on April 25, 2023.

2. Capital surplus

   Breakdown of the Company's capital surplus is as follows:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Premium on share issuance | $ 1,591,611 | 1,121,223 |
| Employees stock option | 9,174 | 9,174 |
| Expired stock options | 706 | - |
| Income from donations | 497 | 469 |
| | $ 1,601,988 | 1,130,866 |

   Under the Company Act, additional paid-in capital is required to first offset a deficit before new shares or cash can be issued to shareholders in proportion to their original shares. Realized additional paid-in capital includes premium received from issuing shares above their par value and income from donations. Under the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital reserve that may be appropriated as additional paid-in capital each year shall not exceed 10% of the paid-in capital.

3. Retained earnings

   In accordance with the Articles of Incorporation, if the annual final accounts show a surplus, taxes should be paid first to offset any past losses, then 10% of the surplus should be allocated to legal reserve, unless the legal reserve has already reached the paid-in capital. Furthermore, a special reserve may be set aside based on operational needs and legal requirements of the Consolidated Companies.

Afterwards, if there is still a surplus and unappropriated earnings from the beginning of the period, the Board of Directors shall propose a earnings distribution plan and submit for approval at the shareholders' meeting.

The Company is currently experiencing a period of business growth, and its dividend policy prioritizes the Company's future development and financial condition, while also ensuring reasonable remuneration for shareholders. As a result, at least fifty percent of the dividends and profits distributed to shareholders are in the form of cash dividends.

(1) Legal reserve

If the Company has no deficit, it may issue new shares or cash out of legal reserve by resolution of the shareholders' meeting, provided that such reserve shall not exceed 25% of the paid-in capital.

(2) Special reserve

In accordance with the regulations set by the Financial Supervisory Commission when distributing distributable profits, the Consolidated Companies must address the net decrease in other equity items that occurred during the year by adding the net after-tax profit for the current period, and any items not included in the net after-tax profit, to the current undistributed profits. This amount, combined with past undistributed profits, is used to allocate special reserves. For reductions in other shareholders' equity items accumulated from previous periods, an equivalent amount must be allocated to special reserves from undistributed profits, and cannot be distributed. When there is a reversal of amounts deducted from other equity items of shareholders, the reversed portion may be distributed as retained earnings.

(3) Distribution of earnings

At the shareholders' meetings held on June 14, 2023 and June 22, 2022, the Company resolved to distribute dividends for 2022 and 2021, respectively. Dividends distributed to shareholders are detailed as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Allotment ratio (NT$)** | **Amount** | **Allotment ratio (NT$)** | **Amount** |
| Cash dividends | $ 7.00 | 311,647 | 7.00 | 283,647 |

(XIX) Share-based Payment

On October 20, 2022, the Board of Directors resolved to increase the Consolidated Companies' cash capital, of which 600 thousand shares were reserved for employee subscription. Relevant information is as follows:

| | Cash capital increase with reserved employee subscription rights |
|---|---|
| Date given | 2.15.2023 |
| Quantity given | 600 thousand shares |
| Executed quantity | 600 thousand shares |
| Vesting period | Immediate vesting |

The Company has assigned a fair value of NT$20.574 per unit for retained cash capital increase and employee stock options. In 2023, compensation cost amounted to NT$12,344 thousand and was recognized as labor expenses and classified under operating expenses.

(XX) Earnings per share

1. Basic earnings per share

As of December 31, 2023 and 2022, basic earnings per share of the Consolidated Companies is calculated based on net income attributable to their common equity holders and the weighted-average number of common shares outstanding:

(1) Net profit attributable to the common equity holders of the Company

| | 2023 | 2022 |
|---|---|---|
| Net profit attributable to the common equity holders of the Company. | $ 347,984 | 366,428 |

(2) Weighted average number of common shares outstanding

| | 2023 | 2022 |
|---|---|---|
| Outstanding common shares as of January1 | 40,521 | 40,023 |
| Impact of converging convertible bonds | - | 407 |
| Impact of cash capital increase and issuance of new shares | 2,948 | - |
| Weighted average number of common shares outstanding on December 31 | 43,469 | 40,430 |

2. Diluted earnings per share

As of December 31, 2023 and 2022, diluted earnings per share of the Consolidated Companies is calculated based on net income attributable to their common equity holders and the weighted-average number of common shares outstanding after adjusting for the dilutive effects of all potential common shares:

(1) Net income attributable to equity holders of the Company's common stock (diluted)

| | 2023 | 2022 |
|---|---|---|
| Net profit attributable to the common equity holders of the Company(basic) | $ 347,984 | 366,428 |
| Net impact of convertible bond interest costs | - | 159 |
| Net income attributable to equity holders of the Company's common stock (diluted) | $ 347,984 | 366,587 |

(2) Weighted average number of common shares outstanding (diluted)

| | 2023 | 2022 |
|---|---|---|
| Weighted average number of common shares outstanding (basic) | 43,469 | 40,430 |
| Effect of employee stock compensation | 37 | 39 |
| Impact of stock option issuance | 84 | - |
| Impact of converging convertible bonds | - | 125 |
| Weighted average number of common shares outstanding (diluted) on December 31 | **43,590** | **40,594** |

(XXI) Revenue From Contracts with Customers

1. Revenue breakdown

| | 2023 | | |
|---|---|---|---|
| | **Hemodialysis Segment** | **Other Segments** | **Total** |
| Main markets in the region: | | | |
| Taiwan | $ 2,841,459 | 1,024,664 | 3,866,123 |
| China | - | 17,033 | 17,033 |
| Japan | 248 | - | 248 |
| Indonesia | 12,374 | - | 12,374 |
| | $ 2,854,081 | 1,041,697 | 3,895,778 |
| Main products/services: | | | |
| Dialyzer and blood tubing | $ 1,329,042 | - | 1,329,042 |
| Erythropoietin and liquid medications | 1,186,067 | - | 1,186,067 |
| Hemodialysis machine, maintenance and repair | 204,007 | - | 204,007 |
| Respiration and anesthesia | - | 245,913 | 245,913 |
| Lease income | 4,167 | 193,444 | 197,611 |
| Service revenue | 12,606 | 126,294 | 138,900 |
| Others | 118,192 | 476,046 | 594,238 |
| | $ 2,854,081 | 1,041,697 | 3,895,778 |

| | 2022 | | |
|---|---|---|---|
| | **Hemodialysis Segment** | **Other Segments** | **Total** |
| Main markets in the region: | | | |
| Taiwan | $ 2,778,835 | 1,886,820 | 4,665,655 |
| China | - | 11,484 | 11,484 |
| Japan | 247 | - | 247 |

| | 2022 Hemodialysis Segment | 2022 Other Segments | 2022 Total |
|---|---|---|---|
| Indonesia | 12,301 | - | 12,301 |
| | $ 2,791,383 | 1,898,304 | 4,689,687 |
| Main products/services: | | | |
| Dialyzer and blood tubing | $ 1,309,254 | - | 1,309,254 |
| Erythropoietin and liquid medications | 1,175,052 | - | 1,175,052 |
| Hemodialysis machine, maintenance and repair | 157,526 | - | 157,526 |
| Respiration and anesthesia | - | 318,794 | 318,794 |
| Lease income | 11,847 | 174,667 | 186,514 |
| Service revenue | 14,361 | 131,494 | 145,855 |
| Others | 123,343 | 1,273,349 | 1,396,692 |
| | $ 2,791,383 | 1,898,304 | 4,689,687 |

2. Contract balance

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Notes receivable | $ 233,218 | 215,114 |
| Long-term notes receivable | 7,242 | 6,230 |
| Accounts receivable | 938,874 | 882,581 |
| Receivables from related parties | 85,080 | 114,506 |
| Finance lease receivables | 39,734 | 43,457 |
| Long-term finance lease receivables | 97,057 | 80,605 |
| Overdue receivables | 4,217 | 4,217 |
| Deduction: Loss allowance | (28,151) | (19,499) |
| Total | $ 1,377,271 | 1,327,211 |

| | 12.31.2023 | 12.31.2022 | 1.1.2022 |
|---|---|---|---|
| Contractual liabilities for maintenance and repair services | $ 32,633 | 26,239 | 26,537 |

Please refer to Note 6 (IV) for the disclosure of notes receivable, accounts receivable and finance lease receivables and their impairment.

Revenue recognized for the initial balance of contract liabilities as of January 1, 2023 and 2022, was NT$10,739 thousand and NT$10,810 thousand, respectively.

Changes in contract liabilities are mainly due to timing difference between the Consolidated Companies' performance obligations and customer payment.

3. Allocation to transaction price of outstanding performance obligations

On December 31, 2023 and 2022, the total transaction price for the extended warranty service allocated to outstanding performance obligations, which has not yet been fulfilled, was NT$32,633 thousand and NT$26,239 thousand, respectively. The Company shall recognize this revenue gradually as the service is provided, which is expected to be completed within two to six years.

(XXII) Remuneration to directors and supervisors

According to the Articles of Incorporation of the Consolidated Companies , if there are profits for the year, allocation for the remuneration of employees shall be at least 1%, and that of directors and supervisors shall be no more than 3%. However, the Consolidated Companies should reserve a deficit compensation amount in advance losses have accumulated. Remuneration in stock or cash is targeted at employees of the Consolidated Companies who meet certain criteria.

The estimated remuneration for employees, directors, and supervisors of the Company is as follows:

| | 2023 | 2022 |
|---|---|---|
| Remuneration for employees | $ 4,320 | 4,488 |
| Remuneration for directors and supervisors | 12,959 | 13,463 |
| | $ 17,279 | 17,951 |

Remuneration to employees, directors and supervisors was estimated by multiplying the pre-tax net profit for each respective period by the percentage of employee remuneration and director and supervisor remuneration specified in the Company's Articles of Incorporation. The remuneration was recorded as operating expenses for 2023 and 2022, and was all pain in cash. Any differences between the actual amount distributed in the following year and the estimated amount are treated as changes in accounting estimate, and are recognized in the profit or loss of the subsequent year. For related information, please refer to the Market Observation Post System (MOPS).

The aforementioned amounts of remuneration allocated to employees, Directors, and Supervisors, as resolved by the Board of Directors, are in line with the estimated amounts stated in the 2022 Consolidated Financial Statements.

(XXIII) Non-operating income and expenses:

1. Interest income

   Interest income of the Consolidated Companies:

| | 2023 | 2022 |
|---|---|---|
| Interest on bank loans | $ 3,990 | 1,236 |
| Finance lease receivables | 7,494 | 8,311 |
| Other interest income | 71 | 46 |
| | $ 11,555 | 9,593 |

2. Other income

   Other income of the Consolidated Companies:

| | 2023 | 2022 |
|---|---|---|
| Other income | $ 8,617 | 6,718 |

3. Other gains and losses

Other gains and losses of the Consolidated Companies:

| | 2023 | 2022 |
|---|---|---|
| Gains (losses) on foreign currency exchange | $ 8,814 | (2,493) |
| Gains (losses) on disposal of property, plant, and equipment | 608 | (9,275) |
| Net loss on financial assets (liabilities) at fair value through profit or loss | 596 | (2,604) |
| Others | (615) | (2,590) |
| | $ 9,403 | (16,962) |

4. Finance costs

Finance costs of the Consolidated Companies:

| | 2023 | 2022 |
|---|---|---|
| Interest expenses | $ 12,440 | 12,769 |

(XXIV) Financial Instruments

1. Credit risk

(1) Exposure to credit risk

The book value of financial assets represents the maximum credit risk exposure.

(2) Credit risk concentration

Primary credit risks for the Consolidated Companies stem from financial instruments associated with cash, bank deposits, equity securities, and accounts receivable. The Consolidated Companies’ cash is deposited in different financial institutions. The equity securities held consist of funds purchased from companies with excellent credit ratings. The Consolidated Companies control the credit risk exposure to each financial institution and believe that there is no significant concentration of credit risk in their cash and bank deposits.

Major customers of the Consolidated Companies are located in various medical industries, and pose no significant customer concentration risk. In order to minimize credit risk, the Consolidated Companies conducts ongoing evaluations of customer financial status, and impairment risk is still within the expectations of management.

2. Liquidity risk

The table below displays maturity dates of financial liabilities, including interest but excluding the impact of netting agreements.

| | Carrying Amount | Contract Cash Flow | Within 1 Year | 1-5 Years | Over 5Years |
|---|---|---|---|---|---|
| **December 31, 2023** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term loans | $ 91,565 | 91,712 | 91,712 | - | - |
| Notes payable | 7,521 | 7,521 | 7,521 | - | - |
| Accounts payable | 681,169 | 681,169 | 681,169 | - | - |
| Payables to related parties | 2,282 | 2,282 | 2,282 | - | - |
| Other payables | 184,597 | 184,597 | 184,597 | - | - |
| Other payables to related parties | 14,665 | 14,665 | 14,665 | - | - |
| Long-term loans | 12,357 | 13,701 | 374 | 13,327 | - |
| Lease liabilities | 540,819 | 574,872 | 77,552 | 253,146 | 244,174 |
| Other forward exchange contracts | 240 | 240 | 240 | | |
| | $ 1,535,215 | 1,570,759 | 1,060,112 | 266,473 | 244,174 |
| **December 31, 2022** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term loans | $ 495,332 | 497,496 | 497,496 | - | - |
| Notes payable | 7,625 | 7,625 | 7,625 | - | - |
| Accounts payable | 699,788 | 699,788 | 699,788 | - | - |
| Payables to related parties | 1,312 | 1,312 | 1,312 | - | - |
| Other payables | 193,635 | 193,635 | 193,635 | - | - |
| Other payables to related parties | 21,912 | 21,912 | 21,912 | - | - |
| Long-term loans | 12,552 | 14,079 | 369 | 13,710 | - |
| Lease liabilities | 526,590 | 559,765 | 71,557 | 226,310 | 261,898 |
| Other forward exchange contracts | 36 | 36 | 36 | - | - |
| | $ 1,958,782 | 1,995,648 | 1,493,730 | 240,020 | 261,898 |

The Consolidated Companies does not anticipate cash flows for the maturity analysis to occur earlier or differ significantly in amount.

3. Foreign exchange risk

(1) Exposure to foreign exchange risk

Consolidated financial assets and liabilities that are exposed to significant foreign exchange rate risk:

| | 12.31.2023 | | | 12.31.2022 | | |
|---|---|---|---|---|---|---|
| | Foreign Currency | Exchange Rate | NT$ | Foreign Currency | Exchange Rate | NT$ |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| JPY | $ 34,345 | 0.2171 | 7,456 | 18,298 | 0.2321 | 4,393 |
| USD | 184 | 30.705 | 5,650 | 198 | 30.725 | 6,084 |
| Non- | | | | | | |

| | 12.31.2023 | | | 12.31.2022 | | |
|---|---|---|---|---|---|---|
| | Foreign Currency | Exchange Rate | NT$ | Foreign Currency | Exchange Rate | NT$ |
| monetary items | | | | | | |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| JPY | 489,429 | 0.2171 | 106,255 | 562,344 | 0.2321 | 130,520 |
| USD | 1,216 | 30.705 | 37,337 | 1,721 | 30.725 | 52,878 |

(2) Sensitivity analysis

The Consolidated Companies' exposure to foreign exchange risk on monetary items mainly arises from cash, cash equivalents, and accounts payable denominated in foreign currencies, which generate foreign exchange gains or losses upon translation. As of December 31, 2023 and 2022, if NT$ depreciates or appreciates by0.25%against US$ and JPY, with all other factors remaining constant, the pre-tax net income for 2023 and 2022 would decrease or increase by NT$326thousand and NT$432thousand, respectively.

(3) Exchange gains and losses on monetary items

The Consolidated Companies disclose information on foreign exchange gains and losses on monetary items on a consolidated basis. In 2023 and 2022, including realized and unrealized items, the Consolidated Companies recorded foreign exchange gains to be NT$8,814 thousand and losses to be NT$2,493 thousand, respectively.

4. Interest rate analysis

Financial assets and financial liabilities with interest rate risk of the Consolidated Companies:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Variable rate instruments (book value) | | |
| Financial assets | $ 370,051 | 366,051 |
| Financial liabilities | 103,922 | 507,884 |

Financial assets and financial liabilities with interest rate risk of the Consolidated Companies are described in the liquidity risk management segment of these notes.

The sensitivity analysis below is prepared based on the risk exposure of non-derivative instruments to the interest rates at the report date. Floating rate assets are analyzed by assuming that the amount of assets outstanding at the reporting date is outstanding for the entire year.

If the interest rate increased or decreased by0.25%, the Consolidated Companies' net income before tax in 2023 and 2022 would have increased or decreased by NT$889thousand and NT$355thousand, respectively, with all other variables remaining constant, which was mainly due to the Consolidated Companies' changing bank deposit rates and loans.

5. Information on fair value:

(1) Classification of financial instruments and determination of fair value

The Consolidated Companies measure financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income on a recurring basis. Carrying amounts and fair values of various financial assets and financial liabilities (including fair value hierarchy information, but excluding financial instruments measured at fair value where the carrying amount is a reasonable approximation of fair value, and lease liabilities, of which fair value information disclosure is not required):

| | 12.31.2023 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss:** | | | | | |
| Beneficiary certificate - fund | $ 51,966 | 51,966 | - | - | 51,966 |
| **Financial assets at fair value through other comprehensive income** | 268 | - | - | 268 | 268 |
| **Financial assets at amortized cost:** | | | | | |
| Cash and cash equivalents | 401,137 | | | | |
| Notes and accounts receivable | 1,149,600 | | | | |
| Receivables from related parties | 85,080 | | | | |
| Other receivables | 1,341 | | | | |
| Finance lease receivables | 39,337 | | | | |
| Other financial assets - current | 58,895 | | | | |
| Long-term notes receivable | 7,168 | | | | |
| Long-term finance lease receivables | 96,086 | | | | |
| Refundable deposits | 58,578 | | | | |
| Subtotal | 1,897,222 | | | | |
| Total | $ 1,949,456 | | | | |
| **Financial liabilities at fair value through profit or loss** | $ 240 | - | 240 | - | 240 |
| **Financial liabilities at amortized cost:** | | | | | |
| Short-term bank loans | $ 91,565 | | | | |
| Notes and accounts payable | 688,690 | | | | |
| Payables to related parties | 16,947 | | | | |
| Other payables | 184,597 | | | | |
| Long-term loans | 12,357 | | | | |
| Lease liabilities | 540,819 | | | | |
| Subtotal | 1,534,975 | | | | |
| Total | $ 1,535,215 | | | | |

| | 12.31.2022 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss:** | | | | | |
| Beneficiary certificate - fund | $ 50,745 | 50,745 | - | - | 50,745 |
| **Financial assets at fair value through other comprehensive income** | 268 | - | - | 268 | 268 |
| **Financial assets at amortized cost:** | | | | | |
| Cash and cash equivalents | 324,220 | | | | |
| Notes and accounts receivable | 1,083,691 | | | | |
| Receivables from related parties | 114,506 | | | | |
| Other receivables | 6,125 | | | | |
| Finance lease receivables | 43,031 | | | | |
| Other financial assets - current | 42,265 | | | | |
| Long-term notes receivable | 6,167 | | | | |
| Long-term finance lease receivables | 79,816 | | | | |
| Refundable deposits | 49,257 | | | | |
| Subtotal | 1,749,078 | | | | |
| Total | $ 1,800,091 | | | | |
| **Financial liabilities at fair value through profit or loss** | $ 36 | - | 36 | - | 36 |
| **Financial liabilities at amortized cost:** | | | | | |
| Short-term bank loans | 495,332 | | | | |
| Notes and accounts payable | 707,413 | | | | |
| Payables to related parties | 23,224 | | | | |
| Other payables | 193,635 | | | | |
| Long-term loans | 12,552 | | | | |
| Lease liabilities | 526,590 | | | | |
| Subtotal | 1,958,746 | | | | |
| Total | $ 1,958,782 | | | | |

(2) Fair value measurement techniques for financial instruments at fair value

A. Non-derivative financial instruments

The fair value of financial instruments is determined based on active market quotations when they are available. The fair value of listed (OTC) equity instruments and debt instruments with active market quotations is determined based on the market prices of the Central Government Bonds for popular securities.

If a public quotation for the financial instrument can be obtained from an exchange, broker, underwriter, industry association, pricing service or competent authority in a timely and regular manner, and if the price reflects actual and frequent transactions by fair market traders, then the financial instrument is considered to have an active market with public quotations. If the above conditions are not met, the market shall be deemed inactive. Generally, substantial disparities or notable increases between buying and selling prices, and low trading volume, are all indications of an inactive market.

Classification and attributes of financial instruments with active markets of the Consolidated Companies:

Domestic funds and forward foreign exchange contracts and other financial assets and liabilities that are traded in active markets are valued at fair value, which is determined based on market quotations.

Apart from the financial instruments mentioned above that have active markets, the fair value of other financial instruments is determined using valuation techniques or by referring to quotes from counterparties. The fair value obtained through valuation techniques can be referenced to the current fair value of other financial instruments with substantially similar conditions and characteristics, discounted cash flow methods, or other valuation techniques, including models that use market information available on the reporting date (such as the Taipei Exchange reference yield curve, or Reuters commercial paper rate average quotes).

(3) Fluctuations in level 3

| | **Measured at fair value through other comprehensive income** |
|---|---|
| Balance as of December 31, 2023 (opening balance) | $ 268 |
| January 1, 2022 | $ 1,086 |
| Purchases | 268 |
| Recognized in other comprehensive income | (1,086) |
| December 31, 2022 | $ 268 |

(4) The Consolidated Companies did not experience any changes in levels of fair value in the years 2023 and 2022.

(XXV) Financial Risk Management

1. Summary

The Consolidated Companies face the following risks as a result of using financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

This note outlines the exposure of the Consolidated Companies to the aforementioned risks, as well as their objectives, policies, and assessment and management procedures. For more detailed information and disclosure, please consult relevant notes in the Consolidated Financial Statements.

2. Risk management framework

The Board of Directors holds full responsibility for establishing and overseeing the risk management framework of the Consolidated Companies. The Finance Department proposes the evaluation plan and benefit analysis, which are then submitted to supervisors or the Board of Directors for approval, following the internal decision-making authority of the Consolidated Companies.

The Consolidated Companies' internal audit personnel conducts regular or irregular risk management control and procedural audits as per the internal audit plan, and provides reports on the review results to Supervisors and the Board of Directors. The Consolidated Companies do not participate in financial instrument transactions for speculative purposes.

3. Credit risk

Credit risk refers to the potential financial loss that the Consolidated Companies face when customers or counterparties fail to meet their contractual obligations, mainly due to the Consolidated Companies' bank deposits, accounts receivable, and other financial instruments.

(1) Accounts receivable

Major customers of the Consolidated Companies are located in various medical industries, and pose no significant customer concentration risk. In order to minimize credit risk, the Consolidated Companies conducts ongoing evaluations of customer financial status, and impairment risk is still within the expectations of management.

(2) Investment

The Finance Department of the Consolidated Companies is responsible for measuring and monitoring the credit risk of bank deposits and other financial instruments. As all counterparties and performance parties of the Consolidated Companies are reputable banks and financial institutions with investment-grade or higher credit ratings, there are no significant performance concerns, and thus, no significant credit risks.

(3) Guarantee

As of December 31, 2023 and 2022, the Consolidated Companies have not provided endorsement guarantees except for the bank financing of its subsidiaries.

4. Liquidity risk

Liquidity risk refers to the inability of the Consolidated Companies to deliver cash or other financial assets to meet financial obligations and fulfill related liabilities.

The Group supports the operations and reduces the impact of fluctuating cash flows by managing and maintaining sufficient cash and cash equivalents. The management of the Group supervises the use of the credit line and ensures compliance with the terms of the loan contracts.

Bank loans are an important source of liquidity for the Consolidated Companies. As of December 31, 2023 and 2022, the Consolidated Companies had unutilized short-term bank financing limits of NT$1,050,212 thousand and NT$745,094 thousand, respectively.

5. Market risk

Market risk refers the potential for fluctuations in market prices, including exchange rates, interest rates, and equity instrument prices that could impact the earnings or value of the Consolidated Companies' financial instruments. The goal of market risk management is to maintain market risk at an acceptable level and optimize investment returns.

To mitigate market risks, the Consolidated Companies participate in derivative instrument trading, which leads to the incurrence of financial liabilities. All transactions are executed under the guidance of management.

(1) Foreign exchange risk

The Consolidated Companies are exposed to exchange rate risk arising from purchases that are not denominated in the functional currency of the Group's entities. The functional currencies of the Consolidated Companies are mainly NT$, US$ and RMB. Primary currencies utilized for transactions are NT$, US$, and JPY.

The Consolidated Companies mitigate exchange rate risks associated with estimated accounts payable resulting from anticipated purchases by primarily using forward foreign exchange and foreign currency option contracts that mature within one year from the reporting date.

In the case of short-term imbalances for other foreign currency-denominated monetary assets and liabilities, the Consolidated Companies may promptly engage in foreign currency purchases or sales at the prevailing exchange rates to maintain an acceptable level of net exposure.

(2) Interest rate risk

The Consolidated Companies are exposed to cash flow risk due to the borrowing of funds by individual entities at floating interest rates.

(XXVI) Capital Management

The capital management objective of the Consolidated Companies is to ensure the operational continuity, providing ongoing remuneration to shareholders and benefits to other stakeholders, and maintain an optimal capital structure to minimize the cost of capital. In order to maintain or adjust the capital structure, the Consolidated Companies have the option to make adjustments to dividends paid to shareholders.

As part of business operations, the Consolidated Companies acquire working capital through bank financing, enhances operational funds by managing inventory and accounts receivable, and regularly reviews the asset-liability ratio to monitor their capital structure. This ratio is calculated by dividing net liabilities by the total capital.

Net liabilities refer to the total amount of liabilities listed in the balance sheet, excluding cash and cash equivalents. Total capital is the sum of all components of equity (i.e., capital stock, capital surplus, retained earnings and other equity) plus net liabilities.

The debt-to-capital ratios of the Consolidated Companies as of December 31, 2023 and December 31, 2022:

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Total liabilities | $ 1,634,017 | 2,069,151 |
| Deduction: Cash and cash equivalents | (401,137) | (324,220) |
| Net debt | $ 1,232,880 | 1,744,931 |
| Total equity | $ 2,983,868 | 2,439,528 |
| Debt capital ratio | 29% | 42% |

(XXVII) Non-cash Transactional Financing Activities

The Consolidated Companies' non-cash transaction financing activities for 2023 and 2022:

1. For assets with right of use acquired under leases, please refer to Note 6 (VIII).
2. Please refer to Note 6(XIII) for details on the conversion of convertible corporate bonds into common stock.

(XXVIII) Changes in liabilities from financing activities

Adjustment of liabilities from financing activities:

| | | | Non-cash Transactions | | | |
|---|---|---|---|---|---|---|
| | 1.1.2023 | Cash Flow | New Lease | Lease Modifications | Exchange Rate Changes | 12.31.2023 |
| Short-term loans | $ 495,332 | (403,767) | - | - | - | 91,565 |
| Long-term loans | 12,552 | - | - | - | (195) | 12,357 |
| Lease liabilities | 526,590 | (71,936) | 89,590 | (3,425) | - | 540,819 |
| Guarantee deposits received | 51 | 160 | - | - | - | 211 |
| Total liabilities from financing activities | $ 1,034,525 | (475,543) | 89,590 | (3,425) | (195) | 644,952 |

| | | | Non-cash Transactions | | | | |
|---|---|---|---|---|---|---|---|
| | 1.1.2022 | Cash Flow | New Lease | Lease Modifications | Interest Expenses | Conversion Rights | 12.31.2022 |
| Short-term loans | $ 493,702 | 1,630 | - | - | - | - | 495,332 |
| Long-term loans | - | 12,552 | - | - | - | - | 12,552 |
| Lease liabilities | 589,811 | (71,868) | 9,910 | (1,263) | - | - | 526,590 |
| Corporate bonds payable | 45,110 | (700) | - | - | 200 | (44,610) | - |
| Guarantee deposits received | 151 | (100) | - | - | - | - | 51 |
| Total liabilities from financing activities | $ 1,128,774 | (58,486) | 9,910 | (1,263) | 200 | (44,610) | 1,034,525 |

## VII. Related Party Transactions

(I) The parent company and the ultimate controller are different entities, one of them has prepared Consolidated Financial Statements for public dissemination.

Hi-Clearance Investment Inc. holds 14.64% of the Consolidated Companies' outstanding common shares. While the shareholding does not exceed 50%, it gained control over the financial and operational aspects of the Consolidated Companies on June 2, 2016, and is regarded as the parent company. Collins Co., Ltd. is the ultimate controlling entity of the Group affiliated with the Consolidated Companies. Collins Co., Ltd. has prepared Consolidated Financial Statements for public dissemination.

(II) Names and relations of related parties

Related parties that had transactions with the Consolidated Companies during the period covered in the Consolidated Financial Statements:

| Related Party | Relationship with the Group |
|---|---|
| Collins Co., Ltd. | Ultimate controller of the Consolidated Companies |
| QSC Corp. | Affiliate of the Company |
| WS Far IR Medical Technology Co., Ltd. | Affiliate of the Company |
| Yi Sheng Medical Care Co., Ltd. | Substantive related party of the Company |
| Xing Tian Medical Care Co., Ltd. | Substantive related party of the Company |

(III) Significant transactions with related parties

1. Operating revenue

Sales to related parties and their outstanding balances:

| | Sales | | Receivables from Related Parties | |
|---|---|---|---|---|
| | 2023 | 2022 | 12.31.2023 | 12.31.2022 |
| Parent company | $ - | 10 | | |
| Substantive related party: Yi Sheng Medical Care Co., Ltd. | 325,256 | 344,148 | 72,017 | 99,947 |
| Substantive related parties | 35,949 | 42,166 | 13,063 | 14,559 |
| | $ 361,205 | 386,324 | 85,080 | 114,506 |

Prices of goods sold to related parties are based on mutual agreement, and terms of payment are not significantly different from those of normal sales. Commission is paid based on the sales amount. Commission amounts for 2023 and 2022 were NT$11,845 thousand and NT$23,351 thousand, respectively. As of December 31, 2023 and 2022, there are still outstanding amounts of NT$4,665 thousand and NT$11,412 thousand, respectively, which are recorded under "Other Payables - Related Parties".

2. Purchases

Purchases of the Consolidated Companies from related parties and their outstanding balances:

| | Purchases | | Payables to Related Parties | |
|---|---|---|---|---|
| | **2023** | **2022** | **12.31.2023** | **12.31.2022** |
| Associate | $ 5,105 | 2,915 | 2,282 | 1,280 |
| Substantive related party: Yi Sheng Medical Care Co., Ltd. | (23) | 1,508 | - | 32 |
| | $ 5,082 | 4,423 | 2,282 | 1,312 |

The Company acquired the products from related parties without comparing the specifications with other suppliers, leading to a lack of price comparison. The payment terms are set at net 30-120 days.

3. Leases

Rental income from leasing office space to related parties (classified under "Other income") and its outstanding balance:

| | Rental Income | | Receivables from Related Parties | |
|---|---|---|---|---|
| | **2023** | **2022** | **12.31.2023** | **12.31.2022** |
| Associate | $ 57 | 57 | - | - |

4. Labor expenses

Amounts and outstanding balances for management services provided by related parties to the Consolidated Companies (recorded under "Operating expenses"):

| | Amount of Transaction | | Other Payables to Related Parties | |
|---|---|---|---|---|
| | **2023** | **2022** | **12.31.2023** | **12.31.2022** |
| Parent Company: Collins Co., Ltd. | $ 10,000 | 10,500 | 10,000 | 10,500 |

(IV) Major Senior Management Personnel Transactions

Major Senior Management Personnel Remuneration:

| | **2023** | **2022** |
|---|---|---|
| Short-term employee benefits | $ 51,956 | 46,400 |
| Share-based payment | 1,202 | - |
| | $ 53,158 | 46,400 |

## VIII. Pledged Assets

(I) Carrying values of assets pledged by the Consolidated Companies:

| Asset Name | Collateral Pledged | 12.31.2023 | 12.31.2022 |
|---|---|---|---|
| Restricted bank deposits (listed under Other Financial Assets - Current) | Performance guarantee /letter of credit limit | $ 58,895 | 42,265 |
| Land | Letter of credit limit /bank loan limit | 107,873 | 107,873 |
| Building and construction | Letter of credit limit /bank loan limit | 52,134 | 53,719 |
| | | $ 218,902 | 203,857 |

(II) As of December 31, 2023 and 2022, the Consolidated Companies have opened forward letters of credit amounting to NT$459,066 thousand and NT$454,853 thousand, respectively, and have used bills for collection deposited in banks in the amounts of NT$220,652 thousand and NT$205,627 thousand, respectively, as collateral for 10-20% of the forward letters of credit.

## IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

| | 12.31.2023 | 12.31.2022 |
|---|---|---|
| Unused balance of issued letters of credit | $ 213,055 | 176,424 |
| Unrecognized contractual commitments for acquisition of property, plant and equipment | $ 12,036 | 14,027 |

## X. Significant Disaster Loss: None.

## XI. Significant Events after the Balance Sheet Date

In order to integrate the product supply chain, the Board of Directors resolved on January 22, 2023 to participate in a cash capital increase of NT$45,000 thousand at an issue price of NT$32 per share to acquire 5.07% equity interest in EPED Inc.

## XII. Others

(I) Employee Benefits, Depreciation and Amortization Expenses by Function:

| Functions / Characteristics | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Operation Costs | Operation Expenses | Total | Operation Costs | Operation Expenses | Total |
| Employee benefits | | | | | | |
| Salary expenses | 63,360 | 344,996 | 408,356 | 64,610 | 318,195 | 382,805 |
| Labor and health insurance | 5,460 | 24,289 | 29,749 | 5,232 | 22,087 | 27,319 |
| Pension expenses | 2,945 | 12,908 | 15,853 | 4,670 | 10,459 | 15,129 |
| Other employee benefits | 1,588 | 7,693 | 9,281 | 1,621 | 6,965 | 8,586 |
| Depreciation expenses | 131,656 | 19,518 | 151,174 | 131,541 | 15,773 | 147,314 |
| Amortization expenses | - | 13,583 | 13,583 | - | 13,723 | 13,723 |

## XIII. Supplementary Disclosures

(I) Information on Significant Transactions

The Consolidated Companies are required to disclose the following significant transaction information for 2023, in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers:

1. Loans provided for others: None.
2. Endorsements/guarantees provided for others:

| Number | Endorser/Guarantor | Endorsee/Guarantee | | Limit on Endorsements/ Guarantees Provided for a Single Entity | Maximum Endorsement/ Guarantee Balance | Ending Balance | Actual Amount Drawn | Amount of Endorsements/ Guarantees Collateralized by Property | Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements | Endorsement/ Guarantee Ceiling | Endorsements/ Guarantees Provided by Parent for Subsidiary | Endorsements/ Guarantees Provided by Subsidiary for Parent | Endorsements/ Guarantees Provided for Subsidiary in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name of Company | Relationship | | | | | | | | | | |
| 0 | The Company | Sin Hwa Co., Ltd. | 2 | 1,491,934 | 50,000 | 50,000 | - | Promissory note 50,000 | 1.68% | 1,491,934 | Y | N | N |
| 0 | The Company | HC-Healthcare Co., Ltd. | 2 | 1,491,934 | 120,000 | 120,000 | 91,565 | Promissory note 120,000 | 4.02% | 1,491,934 | Y | N | N |

Note 1: The total endorsement/guarantee amount is limited to 50% of the net worth indicated in the Consolidated Companies' previous financial statements. The endorsement/guarantee amount to a single enterprise is limited to 50% of the net worth indicated in the previous period's financial statements.

Note 2: The relationships between endorsers/guarantors and endorsees/guarantees are categorized into the following 7 types. Please specify the type.

(1) Companies engaged in business transactions.

(2) Companies in which the Company directly and indirectly holds more than 50% of the voting shares.

(3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.

(4) Companies in which the Company directly or indirectly holds at least 90% of the voting shares.

(5) Companies that are in the same industry that have mutual endorsements/guarantees in favor of each other, or those that enter in contracts with such provisions, for the purpose of contracting works.

(6) A company that is endorsed/guaranteed by all of the contributing shareholders in proportion with their shareholding ratios due to a joint investment relationship.

(7) Companies in the same industry who participate in the joint guarantee of performance for pre-sale house sales contracts in compliance with the Consumer Protection Act.

Note 3: The above transactions were eliminated in the preparation of the Consolidated Financial Statements.

3. Securities held at end of period (excluding investments in subsidiaries, associates, and interests in joint ventures):

Unit: thousand shares/thousand units

| Securities Holding Company | Type and Name of Securities | Relationship with Issuer of Securities | Ledger Account | Ending Balance: Number of Shares/Units | Ending Balance: Carrying Amount | Ending Balance: Shareholding Ratio | Ending Balance: Fair Value | Midterm Highest Holdings or Financing Details | Remark |
|---|---|---|---|---|---|---|---|---|---|
| Sin Hwa Investment Co., Ltd. | Fuh Hwa Emerging Market RMB Short-Term Income Fund | - | Financial assets at fair value through profit or loss - current | 942 | 10,283 | - % | 10,283 | - % | |
| Sin Hwa Investment Co., Ltd. | SinoPac Global Multi Income Fund TWD Acc | - | Financial assets at fair value through profit or loss - current | 1,000 | 10,411 | - % | 10,411 | - % | |
| XinFu Healthcare Corp. | Fuh Hwa You Li Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,264 | 31,272 | - % | 31,272 | - % | |
| The Company | Taiwan Depository & Clearing Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 1 | 268 | - % | 268 | - % | |
| Taicha Medical Corp. (Shanghai) | Shanghai Shen Shang Technology Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | - | - | 6.20% | - | 6.20% | |

4. Accumulated purchase or sale of the same securities amounting to NT$300 million or 20% of paid-in capital or more: None.
5. Acquisition of property amounting to NT$300 million or 20% of paid-in capital or more: None.
6. Disposal of property amounting to NT$300 million or 20% of paid-in capital or more: None.
7. Purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital:

Unit: NT$ thousand

| Importing (Selling) Company | Counterparty | Relationship | Transaction Situation: Purchases (Sales) | Transaction Situation: Amount | Transaction Situation: Percentage of Total Purchases (Sales) | Transaction Situation: Credit Period | Unusual Transaction Terms and Reasons: Unit Price | Unusual Transaction Terms and Reasons: Credit Period | Notes and Accounts Receivable(Payable): Balance | Notes and Accounts Receivable(Payable): Percentage of Notes and Accounts Receivable (Payable) | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| The Company | Yi Sheng Medical Care Co., Ltd. | Substantive related party of the Company | Sales | 325,256 | (9.48) % | Net90EOM | - | - | 72,017 | 6.71% | |

8. Receivables from related parties amounting to NT$100 million or 20% of paid-up capital or more: None.
9. Derivatives transactions: Please refer to Note 6 (II).
10. Business relationships and significant transactions between the parent company and subsidiaries:

| Number | Company | Counterparty | Relationship | Trading Activities in the Year 112 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Ledger Account | Amount | Transaction Term | Percentage of Consolidated Total Revenue or Total Assets |
| 0 | The Company | Renalysis Medical Care Co., Ltd. | 1 | Sales | 5,748 | Net120EOM | 0.15% |
| 0 | The Company | Renalysis Medical Care Co., Ltd. | 1 | Accounts receivable | 3,055 | Net120EOM | 0.07% |
| 0 | The Company | Renalysis Medical Care Co., Ltd. | 1 | Rental income | 2,253 | Pursuant to the terms of the contract | 0.06% |
| 0 | The Company | Sin Hwa Co., Ltd. | 1 | Purchases | 3,871 | Net30EOM | 0.10% |
| 0 | The Company | Sin Hwa Co., Ltd. | 1 | Sales | 1,683 | Net30EOM | 0.04% |
| 0 | The Company | HMIcompany | 1 | Sales | 8,244 | Net270EOM | 0.21% |
| 0 | The Company | HMIcompany | 1 | Accounts receivable | 12,033 | Net270EOM | 0.26% |
| 0 | The Company | Taicha Medical Corp. (Shanghai) | 1 | Sales | 5,524 | Net270EOM | 0.14% |
| 0 | The Company | HC-Healthcare Co., Ltd. | 1 | Accounts receivable | 5,015 | Net120EOM | 0.11% |
| 0 | The Company | HC-Healthcare Co., Ltd. | 1 | Sales | 17,751 | Net120EOM | 0.46% |
| 0 | The Company | HC-Healthcare Co., Ltd. | 1 | Other expenses | 1,756 | Net30EOM | 0.05% |

Note 1: The number should be filled in using the following method:

1. 0 represents the parent company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Types of relationships with counterparties are indicated as follows:

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.

Note 3: The report only provides one-sided information on sales, revenue, and accounts receivable, without any additional details on purchases, expenses, and accounts payable.

Note 4: Transactions with a value of NT$1 million or more should be disclosed.

Note 5: The above transactions were eliminated in the preparation of the Consolidated Financial Statements.

(II) Information on invested companies:

Details regarding the Consolidated Companies' investments in 2023 (excluding investments in Mainland China):

Unit: NT$ thousand/thousand shares

| Name of Investor | Name of Investee | Location | Main Business Activities | Initial Investment Amount | | Ending Balance | | | Midterm Highest Holding Ratio | Profit/Loss of Investee for the Period | Investment Profit (Loss) Recognized | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending Balance for the Current Period | End of Previous Year | Shares | Shareholding | Carrying Amount | | | | |
| The Company | Succeed Agents Limited (B.V.I.) | British Virgin Islands. | Financial holding and investment | 11,918 | 11,918 | 375 | 100.00% | 84,521 | 100.00% | (330) | (330) | (Note 1) |
| The Company | Renalysis Medical Care Co., Ltd. | Sanchong District, New Taipei City | Medical management consulting services | 165,037 | 165,037 | 10,000 | 100.00% | 265,780 | 100.00% | 64,782 | 64,782 | (Note 1) |
| The Company | XinFu Healthcare Corp. | Sanchong District, New Taipei City | Medical management consulting services | 50,000 | 50,000 | 5,000 | 100.00% | 53,772 | 100.00% | 2,266 | 2,266 | (Note 1) |
| The Company | Sin Hwa Co., Ltd. | Sanchong District, New Taipei City | Medical equipment trade | 100,000 | 100,000 | 10,000 | 100.00% | 115,359 | 100.00% | 11,994 | 11,994 | (Note 1) |
| The Company | Sin Hwa Investment Co., Ltd. | Sanchong District, New Taipei City | Financial holding and investment | 80,000 | 80,000 | 8,000 | 100.00% | 77,697 | 100.00% | 6,667 | 6,667 | (Note 1) |

| Name of Investor | Name of Investee | Location | Main Business Activities | Initial Investment Amount | | Ending Balance | | | Midterm Highest Holding Ratio | Profit/Loss of Investee for the Period | Investment Profit (Loss) Recognized | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending Balance for the Current Period | End of Previous Year | Shares | Shareholding | Carrying Amount | | | | |
| The Company | HC-Healthcare Co., Ltd. | Sanchong District, New Taipei City | Medical management consulting services | 118,919 | 118,919 | 36,517 | 100.00% | 135,397 | 100.00% | 1,572 | 2,163 | (Note 1) |
| The Company | WS Far IR Medical Technology Co., Ltd. | Xindian District, New Taipei City | Medical equipment manufacturing and sales | 63,600 | 63,600 | 600 | 30.00% | 62,756 | 30.00% | 15,830 | 4,749 | |
| Sin Hwa Investment Co., Ltd. | QSC Corp. | Sanchong District, New Taipei City | Medical equipment manufacturing and sales | 60,000 | 60,000 | 6,000 | 20.00% | 53,634 | 20.00% | 29,385 | 5,877 | |
| Succeed Agents Limited (B.V.I.) | Moral Well Co.,Ltd. | Apia Samoa | Financial holding and investment | 58,973 | 58,973 | 2,000 | 100.00% | 31,563 | 100.00% | 2,390 | 2,390 | (Note 1) |
| Succeed Agents Limited (B.V.I.) | PT Hiclearance Medical Indonesia | Republic of Indonesia | Medical equipment trade | 23,694 | 23,694 | 800 | 100.00% | 50,256 | 100.00% | (2,757) | (2,757) | (Note 1) |

Note 1: The above transactions were eliminated in the preparation of the Consolidated Financial Statements.

(III) Information on investments in Mainland China:

1. Information on investments in Mainland China:

Unit: US$ thousand/NT$ thousand/ RMB thousand

| Investee Company | Main Business Activities | Paid-in Capital | Method of Investments (Note 1) | Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period | Amount of Investments Remitted or Repatriated for the Period | | Accumulated Amount of Investments Remitted from Taiwan at End of Period | Profit (Loss) of Investee for the Period | The Company's Direct or Indirect Ownership | Midterm Highest Holding Ratio | Investment Profit/Loss Recognized | End-of-period Investment Book Value | Accumulated Investment Income Repatriated at End of Period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted | Repatriated | | | | | | | |
| Taicha Medical Corp. (Shanghai) | International trade and re-export trade | 61,410 (USD2,000) (Note 3) | (III) | 20,785 (USD700) | - | - | 20,785 (USD700) | 2,390 (USD77) | 100.00% | 100.00% | 2,390 (USD77) (Note 2) | 31,554 (USD 1028) (Note 2) | - |
| Shanghai Shen Shang Technology Co., Ltd. (Note 4) | Medical software development and technical services | 17,455 (RMB4,034) | (III) | - | - | - | - | - | 6.20% | 6.20% | - | - | - |

Note 1: Methods of investments are divided into the following three types:

(I) Direct investment in Mainland China.

(II) Reinvestment in Mainland China via a third-party company located in a different region.

(III) Other methods.

Note 2: The above transactions were eliminated in the preparation of the Consolidated Financial Statements.

Note 3: A portion of the investment funds comes from MW's own capital and was not transferred from Taiwan.

Note 4: The investment amount was established by Taicha Medical Corp.'s own funds, not transferred from Taiwan, and full impairment was recorded in2022. The transaction was not eliminated in the preparation of the Consolidated Financial Statements.

2. Limit for investment to Mainland China:

| Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period (Note 1) | Amount of Investments Authorized by Investment Commission, M.O.E.A. (Note 2) | Ceiling on Amount of Investments Stipulated by Investment Commission, M.O.E.A. |
|---|---|---|
| 23,768 (US$800 thousand) | 64,481 (US$2,100 thousand) | 1,790,320 |

Note 1: Xing Tai International Trading (Shanghai) Co., Ltd. was sold in the first quarter of 2013, however, the payment has not yet been remitted to Taiwan. Therefore, the Consolidated Companies have accumulated a remittance amount of US$100 thousand, equivalent to NT$2,983 thousand, which still needs to be accounted for in line with regulations of the Investment Commission.

Note 2: Accumulated amount of investments remitted from Taiwan to Mainland China at end of period was calculated based on historical exchange rates.

3. Information on significant transactions:

For details regarding significant transactions between the Consolidated Companies and their investees in Mainland China 2023 (eliminated at the time of preparation of the Consolidated Financial Statements), please refer to the section "Information on Significant Transactions".

(IV) Information on Major Shareholders:

Unit: shares

| Shareholding / Name of Major Shareholders | Shares | Percentage of Ownership |
|---|---|---|
| Hi-Clearance Investment Inc. | 6,519,991 | 14.64% |
| LCL Capital Inc. | 3,531,994 | 7.93% |
| Collins Co., Ltd. | 2,385,536 | 5.35% |

Note:

(1) The major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares that have completed delivery without physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's financial report may differ from the actual number of shares that have been issued and delivered by the Company without physical registration, as a result of different basis of preparation.

(2) If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. Please refer to MOPS for information on shareholders who declare themselves to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings including their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property.

## XIV. Segment Information

(I) General Information

The Hemodialysis Division is the only operational division reportable by the Consolidated Companies, as it is responsible for the procurement and distribution of a wide range of blood dialysis-related consumables, which are sold to hospitals, clinics, and distributors.

Other business segments of the Consolidated Companies are primarily involved in selling dental materials and other products. The aforementioned segments did not meet any specific reporting requirements in 2023 and 2022.

(II) Reportable division information on profit or loss, assets, liabilities and measurement bases and reconciliations

The Consolidated Companies utilize the divisional pre-tax profit and loss (excluding non-recurring profit or loss and foreign exchange gain or loss), as stated in the internal management report reviewed by the chief operating decision-makers, for resource allocation and performance evaluation. Income tax, irregular gains and losses, and exchange gains and losses are managed on a group basis; therefore, the Consolidated Companies do not allocate income tax expenses (benefits), irregular gains and losses, and exchange gains and losses to the reportable division(s). Moreover, it should be noted that not all divisional financial statements contain significant non-cash items apart from depreciation and amortization. The reported amount aligns with the report utilized by the operating decision-makers.

Accounting policies of operational departments of the Consolidated Companies are in line with the consolidated accounting policies. The Consolidated Companies' operating divisional profit or loss is measured by pre-tax operating profit or loss (excluding non-recurring gains or losses and foreign exchange losses) and is used as the basis for performance evaluation. The merged company views the sales and transfers between segments as transactions involving three parties. the measurement for which is set at current market prices.

Information and adjustments pertain to the business segments of the Consolidated Companies:

| | 2023 | | | |
|---|---|---|---|---|
| | **Hemodialysis Segment** | **Other Segments** | **Adjustment and Elimination** | **Total** |
| Revenue: | | | | |
| Revenue from external customers | $ 2,854,081 | 1,041,697 | - | 3,895,778 |
| Intersegment revenue | - | - | - | - |
| Total revenue | $ 2,854,081 | 1,041,697 | - | 3,895,778 |
| **Reportable division profit or loss** | $ 300,453 | 106,091 | - | 406,544 |
| **Reportable segment assets (Note)** | $ - | - | - | - |

| | 2022 | | | |
|---|---|---|---|---|
| | **Hemodialysis Segment** | **Other Segments** | **Adjustment and Elimination** | **Total** |
| Revenue: | | | | |
| Revenue from external customers | $ 2,781,404 | 1,908,283 | - | 4,689,687 |
| Intersegment revenue | - | - | - | - |
| Total revenue | $ 2,781,404 | 1,908,283 | - | 4,689,687 |
| **Reportable division profit or loss** | $ 284,972 | 171,788 | - | 456,760 |
| **Reportable segment assets (Note)** | $ - | - | - | - |

(Note) The disclosed amount for the Consolidated Companies is 0 because the measurement of total divisional assets was not provided to the operational decision-makers.

(III) Products and Services Information

For information on products and services for the years 2023 and 2022, please refer to Note 6 (XX).

(IV) Regional Information

For information on regional revenue from external customers for the years 2023 and 2022, please refer to Note 6 (XX).

| **Region** | **12.31.2023** | **12.31.2022** |
|---|---|---|
| Non-current assets: | | |
| Taiwan | $ 1,824,590 | 1,772,646 |

Non-current assets comprise property, plants and equipment, leasehold assets, investment properties, intangible assets, and other assets, excluding financial instruments, deferred income tax assets, retirement benefit assets, and non-current right-of-use assets arising from insurance contracts.