

**MERRY ELECTRONICS CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2023 AND 2022**

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Merry Electronics Co., Ltd.

Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the

audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2023 consolidated financial statements. 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.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

Cut-off on sales revenue from distribution warehouse

Description

Refer to Note 4(31) for accounting policy on revenue recognition.

The Group recognizes revenue upon delivery or pick-up of goods (the transfer of control of ownership) by customers at warehouses. Warehouse sales revenue constitutes 30% of total operating revenue for the year ended December 31, 2023. The Group's revenue recognition is based on inventory movement records of warehouses based on the reports provided by warehouse custodians or bill of lading reports recorded on network platform. As the hubs are located in various locations and there are numerous custodians, the frequency and contents of statements provided by custodians vary, and customers are from different places, the process of revenue recognition contains numerous manual procedures, which would potentially result in inaccurate timing of revenue recognition and the discrepancy between physical inventory quantities in the hubs and quantities per accounting records. Thus, we consider the cut-off on sales revenue from distribution warehouses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in relation to the above key audit matter:

- A. Understood, evaluated and verified the Group's procedures for warehouse sales revenue and internal control, including:
 - (a) Interviewing the staff of the sales revenue process from distribution warehouse, and confirming the consistency by comparing interview results with the process of warehouse sales revenue recognition obtained.
 - (b) Verifying the internal control of warehouse distribution (checked the terms of transaction / timing of ownership transfer and dates of supporting documents and verifying transactions recognized in the appropriate period by reconciling the quantities of supporting documents with invoices) to confirm the accuracy of the timing of revenue recognition.
- B. Performed cut-off procedures on sales revenue from distribution warehouses recognized during a specific period before and after the period-end, including verifying delivery schedule of distribution warehouses and ensuring the movements of inventories contained in the statements and cost of goods sold had been recognized in the appropriate period;
- C. Performed physical inventory count observation or confirmed the inventory quantities with hub custodian and agreed the results to accounting records.

Valuation of inventories

Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(1) for significant accounting estimates and assumptions related to inventory valuation, and Note 6(6) for details of allowance for inventory valuation losses. As of December 31, 2023, the balances of inventories and allowance for inventory valuation losses were NT\$4,065,282 thousand and NT\$243,962 thousand, respectively.

The Group has a high risk of incurring inventory valuation loss or obsolescence due to fluctuations in market demand and rapidly evolving technology. Further, the measurement

of net realizable value of inventories involves subjective judgement resulting in a high degree of estimation uncertainty. Thus, we consider the allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in relation to the above key audit matter:

- A. Understood and assessed the reasonableness of the subsequent inventory valuation and the provision for loss on obsolete and slow-moving inventory.
- B. Inspected the annual plan of the physical inventory count and observed the inventory count; evaluated the effectiveness of the procedures used to identify and control obsolete inventories.
- C. Obtained inventory aging report and verified dates of movements with supporting documents and ensured the accuracy of inventory aging classification and its consistency with the policies.
- D. Obtained the net realizable value of each kind of inventory and checked whether the applied calculation logic was in agreement with all inventories, tested the supporting documents related to the estimation basis for net realizable value of inventories including verifying the supporting documents of sales and purchase prices, as well as recalculating and assessing the reasonableness of allowance for inventory valuation losses.

Other matter - audits of other independent auditors

We did not audit the financial statements of certain investments accounted for under the equity method that are included in the consolidated financial statements and disclosures in Note 13. Those financial statements were audited by other independent auditors, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on reports of the other independent auditors. The balance of these investments accounted for under equity method amounted to NT\$480,811 thousand and NT\$39,582 thousand, constituting 1.47% and 0.12% of total assets as of December 31, 2023 and 2022, respectively, and the comprehensive loss of associates accounted for using equity method

was (NT\$5,001) thousand and (NT\$3,146) thousand, constituting (0.40%) and (0.19%) of total comprehensive income for the years then ended.

Other matter - parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Merry Electronics Co., Ltd. as at and for the years ended December 31, 2023 and 2022.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty

exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Liu, Mei Lan

Hsu, Chien-Yeh

For and on behalf of PricewaterhouseCoopers, Taiwan

February 22, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 5,526,722	17	\$ 6,923,268	21
1110	Financial assets at fair value through profit or loss - current	6(2)	556,580	2	389,181	1
1120	Current financial assets at fair value through other comprehensive income	6(3)	105,206	-	251,448	1
1136	Current financial assets at amortised cost		513,218	2	185,601	1
1170	Accounts receivable, net	6(4)(5)	9,224,475	28	8,709,698	26
1180	Accounts receivable due from related parties, net	7(2)	155,813	-	61,771	-
1200	Other receivables	6(2)	169,190	1	87,327	-
1210	Other receivables - related parties	7(2)	173,586	1	118,270	-
130X	Inventories	6(6)	3,821,320	12	4,910,577	15
1470	Other current assets		470,436	1	286,170	1
11XX	Current Assets		20,716,546	64	21,923,311	66
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	45,828	-	27,284	-
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	369,523	1	526,509	2
1535	Non-current financial assets at amortised cost		422,748	1	110,200	-
1550	Investments accounted for under equity method	6(7)	5,602,510	17	5,028,458	15
1600	Property, plant and equipment	6(8)	4,021,917	12	4,147,903	12
1755	Right-of-use assets	6(9)	247,172	1	293,554	1
1780	Intangible assets	6(10)	911,221	3	1,102,943	3
1840	Deferred income tax assets	6(27)	188,976	1	160,015	1
1900	Other non-current assets		84,752	-	108,454	-
15XX	Non-current assets		11,894,647	36	11,505,320	34
1XXX	Total assets		\$ 32,611,193	100	\$ 33,428,631	100

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MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 1,133,099	4	\$ 2,146,851	6
2120	Financial liabilities at fair value through profit or loss - current	6(2)	1,726	-	10,137	-
2130	Current contract liabilities	6(22)	301,635	1	370,035	1
2170	Accounts payable		5,516,301	17	5,015,885	15
2180	Accounts payable - related parties	7(2)	3,023,117	9	4,198,902	13
2200	Other payables	6(13)	1,385,934	4	1,194,443	4
2220	Other payables - related parties	7(2)	65,895	-	82,414	-
2230	Current income tax liabilities		466,311	1	313,322	1
2320	Current portion of long-term borrowings	6(14)(15)	3,428,440	11	451,919	1
2399	Other current liabilities, others		529,581	2	340,051	1
21XX	Current Liabilities		15,852,039	49	14,123,959	42
Non-current liabilities						
2527	Non-current contract liabilities	6(22)	590,487	2	650,862	2
2530	Corporate bonds payable	6(14)	-	-	2,953,838	9
2540	Long-term borrowings	6(15)	1,003,177	3	904,528	3
2570	Deferred income tax liabilities	6(27)	1,540,737	5	1,534,222	5
2580	Non-current lease liabilities		94,413	-	140,904	-
2640	Accrued pension liabilities	6(16)	36,054	-	37,619	-
2670	Other non-current liabilities, others		11,963	-	26,413	-
25XX	Non-current liabilities		3,276,831	10	6,248,386	19
2XXX	Total Liabilities		19,128,870	59	20,372,345	61
Equity attributable to owners of parent						
	Share capital	6(18)				
3110	Share capital - common stock		2,193,163	7	2,177,827	7
	Capital reserve	6(19)				
3200	Capital surplus		4,872,974	14	4,720,866	14
	Retained earnings	6(20)				
3310	Legal reserve		2,412,390	8	2,265,932	7
3320	Special reserve		768,186	3	748,930	2
3350	Unappropriated retained earnings		3,583,885	11	3,355,328	10
	Other equity interest	6(21)				
3400	Other equity interest		(1,209,351)	(4)	(996,446)	(3)
31XX	Equity attributable to owners of the parent		12,621,247	39	12,272,437	37
36XX	Non-controlling interest	4(3)	861,076	2	783,849	2
3XXX	Total equity		13,482,323	41	13,056,286	39
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	Total liabilities and equity		\$ 32,611,193	100	\$ 33,428,631	100

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

MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(22) and 7(2)		\$ 36,690,383	100	\$ 35,398,690	100
5000 Operating costs	6(6) and 7(2)		(31,948,416)	(87)	(30,846,138)	(87)
5900 Net operating margin			4,741,967	13	4,552,552	13
Operating expenses	6(25)(26)					
6100 Selling expenses			(456,917)	(1)	(467,211)	(1)
6200 General and administrative expenses			(1,186,242)	(3)	(1,224,345)	(4)
6300 Research and development expenses			(1,964,625)	(6)	(1,800,730)	(5)
6450 Expected credit impairment gain	12(2)		3,740	-	12,854	-
6000 Total operating expenses			(3,604,044)	(10)	(3,479,432)	(10)
6900 Operating profit			1,137,923	3	1,073,120	3
Non-operating income and expenses						
7100 Interest income			136,805	-	66,266	-
7010 Other income	6(23) and 7(2)		467,008	1	488,213	1
7020 Other gains and losses	6(24)		(40,545)	-	318,148	1
7050 Finance costs			(100,497)	-	(105,635)	-
7060 Share of profit(loss) of associates and joint ventures accounted for under equity method	6(7)		284,801	1	208,914	1
7000 Total non-operating income and expenses			747,572	2	975,906	3
7900 Profit before income tax			1,885,495	5	2,049,026	6
7950 Income tax expense	6(27)		(467,598)	(1)	(427,970)	(1)
8200 Profit for the year			\$ 1,417,897	4	\$ 1,621,056	5

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MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

		Year ended December 31				
		2023		2022		
Items	Notes	AMOUNT	%	AMOUNT	%	
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(16)				
		(\$	6,348)	-	\$ 11,395	-
8316	Unrealized gains(losses) from investments in equity instruments measured at fair value through other comprehensive income, net	6(3)(21)				
			8,152	-	(361,602)	(1)
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss					
		(	22)	-	62	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)				
			485	-	(1,310)	-
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
			2,267	-	(351,455)	(1)
Components of other comprehensive income that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(21)				
		(	118,368)	(1)	397,730	1
8367	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income, net	6(3)(21)				
			2,687	-	(5,628)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(7)(21)				
		(	94,837)	-	83,321	-
8399	Income tax relating to the components of other comprehensive income	6(27)				
			38,261	-	(85,747)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss					
		(	172,257)	(1)	389,676	1
8300	Total other comprehensive (loss) income for the year					
		(\$	169,990)	(1)	\$ 38,221	-
8500	Total comprehensive income for the year					
		\$	1,247,907	3	\$ 1,659,277	5
Profit, attributable to:						
8610	Owners of parent					
		\$	1,320,318	4	\$ 1,455,398	4
8620	Non-controlling interest					
			97,579	-	165,658	1
	Total Profit					
		\$	1,417,897	4	\$ 1,621,056	5
Comprehensive income, attributable to:						
8710	Owners of the parent					
		\$	1,170,680	3	\$ 1,445,320	4
8720	Non-controlling interest					
			77,227	-	213,957	1
	Total Comprehensive Income					
		\$	1,247,907	3	\$ 1,659,277	5
Basic earnings per share						
9750	Total basic earnings per share	6(28)				
		\$	6.16	\$	6.81	
Diluted earnings per share						
9850	Total diluted earnings per share	6(28)				
		\$	5.49	\$	6.07	

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

MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent								
		Retained Earnings					Financial statements translation differences of foreign operations	Total	Non-controlling interest	Total equity
Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Total unappropriated retained earnings					
<u>Year 2022</u>										
Balance at January 1, 2022	\$ 2,165,100	\$ 4,646,623	\$ 2,152,834	\$ 269,144	\$ 3,349,676	(\$ 969,246)	\$ 11,614,131	\$ 540,492	\$ 12,154,623	
Profit for the year	-	-	-	-	1,455,398	-	1,455,398	165,658	1,621,056	
Other comprehensive income (loss) for the year	-	-	-	-	9,178	(19,256)	(10,078)	48,299	38,221	
Total comprehensive income (loss)	-	-	-	-	1,464,576	(19,256)	1,445,320	213,957	1,659,277	
Appropriation and distribution of 2021 retained earnings	6(20)									
Legal reserve	-	-	113,098	-	(113,098)	-	-	-	-	
Special reserve	-	-	-	479,786	(479,786)	-	-	-	-	
Cash dividends	-	-	-	-	(866,040)	-	(866,040)	-	(866,040)	
Share-based payment	6(17)	12,727	57,551	-	-	(7,944)	62,334	-	62,334	
Recognition of change in equity of associates in proportion to the Company's ownership	6(7)	-	16,692	-	-	-	16,692	-	16,692	
Acquisition of non-controlling interests in a subsidiary		-	-	-	-	-	-	29,400	29,400	
Balance at December 31, 2022	\$ 2,177,827	\$ 4,720,866	\$ 2,265,932	\$ 748,930	\$ 3,355,328	(\$ 996,446)	\$ 12,272,437	\$ 783,849	\$ 13,056,286	
<u>Year 2023</u>										
Balance at January 1, 2023	\$ 2,177,827	\$ 4,720,866	\$ 2,265,932	\$ 748,930	\$ 3,355,328	(\$ 996,446)	\$ 12,272,437	\$ 783,849	\$ 13,056,286	
Profit for the year	-	-	-	-	1,320,318	-	1,320,318	97,579	1,417,897	
Other comprehensive loss for the year	-	-	-	-	(5,066)	(144,572)	(149,638)	(20,352)	(169,990)	
Total comprehensive income (loss)	-	-	-	-	1,315,252	(144,572)	1,170,680	77,227	1,247,907	
Appropriation and distribution of 2022 retained earnings	6(20)									
Legal reserve	-	-	146,458	-	(146,458)	-	-	-	-	
Special reserve	-	-	-	19,256	(19,256)	-	-	-	-	
Cash dividends	-	-	-	-	(981,235)	-	(981,235)	-	(981,235)	
Convertible bonds converted into common shares	6(14)	10	90	-	-	-	100	-	100	
Share-based payment	6(17)	15,326	125,063	-	-	(8,079)	132,310	-	132,310	
Equity instruments at fair value through other comprehensive income reclassified to investments accounted for using equity method		-	-	-	60,254	(60,254)	-	-	-	
Recognition of change in equity of associates in proportion to the Company's ownership	6(7)	-	26,955	-	-	-	26,955	-	26,955	
Balance at December 31, 2023	\$ 2,193,163	\$ 4,872,974	\$ 2,412,390	\$ 768,186	\$ 3,583,885	(\$ 1,209,351)	\$ 12,621,247	\$ 861,076	\$ 13,482,323	

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

MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,885,495	\$ 2,049,026
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense-property, plant and equipment	6(8)(25)	560,412	507,804
Depreciation expense - right-of-use assets	6(9)(25)	120,710	107,114
Amortization	6(10)(25)	142,490	148,859
Expected credit impairment (gain) loss	12(2)	(3,740)	(12,854)
Impairment loss - non-financial assets	6(11)(24)	65,510	161,766
Finance costs		93,232	100,310
Interest expense - lease liability	6(9)	7,265	5,325
Loss (gain) on financial assets or liabilities at fair value through profit or loss		(13,435)	7,885
Share of profit of associates and joint ventures accounted for using equity method	6(7)	(284,801)	(208,914)
Compensation cost of share-based payment	6(17)	132,310	62,334
Loss on disposal of property, plant and equipment	6(24)	(19,291)	12,241
Loss on disposal of investments	6(24)	(16,500)	-
Interest income		(136,805)	(66,266)
Dividend income	6(23)	(11,763)	(14,341)
Deferred income of government's compensation		(699)	(856)
Unrealized exchange loss		173,473	2,082
Changes in operating assets and liabilities			
Changes in operating assets			
Increase in financial assets/liabilities mandatorily measured at fair value through profit or loss		(8,878)	(1,594)
Accounts receivable (including related parties)		(811,983)	762,143
Other receivables (including related parties)		1,254	751,909
Inventories		1,059,389	356,438
Other current assets		(183,162)	74,249
Changes in operating liabilities			
Accounts payable		589,619	(772,341)
Accounts payable - related parties		(1,163,003)	594,208
Other payables		270,015	140,400
Other payables - related parties		(16,512)	15,595
Contract liabilities		(128,317)	146,265
Other current liabilities		181,838	(6,254)
Net defined benefit liability - non-current		(5,407)	(33,528)
Cash inflow generated from operations		2,478,716	4,889,005
Interest received		131,529	68,025
Dividend income		11,763	14,341
Interest paid		(98,892)	(93,604)
Income taxes paid		(299,776)	(194,595)
Net cash flows from operating activities		2,223,340	4,683,172

(Continued)

MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets mandatorily measured at fair value through profit or loss		(\$ 172,480)	(\$ 51,244)
Acquisition of financial assets at fair value through other comprehensive income		-	(444)
Proceeds from disposal of financial assets at fair value through other comprehensive income		161,125	-
Increase in financial assets at amortised cost - current		(362,886)	(31,570)
Decrease in financial assets at amortised cost - current		30,450	889,421
Increase in financial assets at amortised cost - non - current		(318,630)	(318,694)
Decrease in financial assets at amortised cost - non - current		-	212,077
Acquisition of investments accounted for using equity method	6(7)	(409,928)	(19,650)
Earnings repatriated by investments accounted for using equity method	6(7)	213,003	-
Acquisition of property, plant and equipment	6(29)	(530,445)	(596,303)
Proceeds from disposal of property, plant and equipment		41,775	7,300
Acquisition of intangible assets		(12,630)	(28,855)
Decrease in other non-current financial assets		2,880	2,420
Decrease in guarantee deposits paid		4,412	2,121
Net cash flows (used in) from investing activities		(1,353,354)	66,579
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(30)	(986,313)	(1,569,848)
Repayment of principal portion of lease liabilities	6(30)	(134,976)	(106,426)
Increase in long-term borrowings	6(30)	539,459	71,965
Decrease in long-term borrowings	6(30)	(440,516)	(370,868)
Decrease in other non-current liabilities	6(30)	(13,583)	(3,569)
Cash dividends paid	6(30)	(981,235)	(866,040)
Change in non-controlling interests	4(3)	-	29,400
Net cash flows used in financing activities		(2,017,164)	(2,815,386)
Effect of change in foreign currency exchange		(249,368)	146,934
Net (decrease) increase in cash and cash equivalents		(1,396,546)	2,081,299
Cash and cash equivalents at beginning of year		6,923,268	4,841,969
Cash and cash equivalents at end of year		\$ 5,526,722	\$ 6,923,268

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

MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Merry Electronics Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on December 24, 1975. The Company is primarily engaged in manufacturing, processing, repairing, sales of electric appliance and audiovisual electric products, telecommunication equipment and apparatus, computers and computing peripheral equipment, restrained telecom radio frequency equipment, medical appliances, as well as electronic parts and components; planning, design as well as output of service items’ equipment; production as well as marketing management consultant of service items’ relevant business. The Company’ shares were listed on the Taipei Exchange since August 1998 and transferred to the Taiwan Stock Exchange starting September 2000 with approval. The Company merged with its subsidiaries, Huges Hi-Tech Inc. and Biotest Medical Corporation, on September 1, 2005 and October 29, 2021, respectively. The Company was the surviving company while Huges Hi-Tech Inc. and Biotest Medical Corporation were the dissolved companies.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported for issuance by the Board of Directors on February 22, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Impact of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC[®] Interpretations, and SIC[®] Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets and liabilities at fair value through other comprehensive income measured at fair value.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
 - (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All

amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2023	December 31, 2022	
MEHO	MERRY ELECTRONICS (HK) CO., LTD. ("MEST")	Sales of the same products as the Company.	100.00%	100.00%	
MEHO	MERRY ELECTRONICS (THAILAND) CO., LTD. ("METC")	The same main business as the Company.	99.99%	99.99%	
MEHO	MERRY ELECTRONICS (U.S.A.) CO., LTD. ("MECA")	Providing technology and marketing after-sales services.	99.90%	99.90%	
MEHO	DANNY DYNAMICS LIMITED ("DDBV")	Equity investments.	100.00%	100.00%	
MEHO	MERRY ELECTRONICS (SINGAPORE) PTE. LTD. ("MESG")	Manufacturing of other electronic components and circuit board.	100.00%	100.00%	
MEHO	MERRY HEALTHCARE CO., LTD. ("MHKY")	Sales of medical device.	100.00%	100.00%	
MEHO	ASIAN ELITE INTERNATIONAL LTD. ("MSCS")	Manufacturing and sales of speaker and amplifier.	100.00%	100.00%	
MEHO	Indigo Enterprise Inc. ("INSA")	Equity investments.	100.00%	100.00%	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2023	December 31, 2022	
MEHO	MERRY & LUXSHARE (VIETNAM) CO., LTD. (MEVN)	Manufacturing of speaker system and microphone for consumer electronics used.	51.00%	51.00%	
MEHO	MUtek Electronics Co., Ltd. (MUTT)	Manufacturing and application service of electrical appliances and audiovisual electronic products.	51.00%	51.00%	NOTE 1
MEHO	Merry Capital Inc. (MCTT)	Equity investments.	100.00%	100.00%	NOTE 3
MEST	MERRY ELECTRONICS (SHENZHEN) CO., LTD. ("MECL")	The same main business as the Company.	100.00%	100.00%	
DDBV	Universal Capital Investment Limited ("UCMU")	Equity investments.	-	100.00%	NOTE 5
DDBV	MERRYTECH (HK) CO.LIMITED ("MTHK")	Equity investments.	100.00%	100.00%	
INSA	Merry Electronics North America Inc. (MENA)	Develop-to-order and appearance design of speaker and amplifier.	100.00%	100.00%	NOTE 2
MENA	Seas Fabrikker ("SENM")	Manufacturing and sales of speaker monomer.	100.00%	100.00%	
MHKY	FULICARE CO., LTD. ("FUSA")	Sales of medical device.	96.01%	96.01%	
FUSA	Fulicare Medical Instruments (Suzhou) Co.,Ltd ("FUSZ")	Manufacturing of medical device.	100.00%	100.00%	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2023	December 31, 2022	
FUSA	Fulicare Medical Instruments (Xiamen) Co.,Ltd ("FUXM")	Manufacturing of medical device.	100.00%	100.00%	
FUSA	Xiamen Etimbre Hearing Technology Co. LTD ("ETCX")	Exclusive stores for selling hearing related products	100.00%	100.00%	
FUSZ and FUSA	Austar Hearing Science And Technology (Xiamen) Co. , Ltd ("ASCX")	Research and development, manufacturing as well as sales of hearing aid, hearing device and acoustics equipment.	99.50%	99.50%	
ASCX	Xiamen Laiyate Medical Devices Co. , Ltd ("LACX")	Research and development as well as technical sales of software functions for hearing aid.	-	100.00%	NOTE 6
MESG	Merry Electronics Sdn Bhd ("MEMP")	Research and development of microphone, receiver and speaker.	100.00%	100.00%	NOTE 4

Note 1: The Company and Universal Global Scientific Industrial Co., Ltd. invested NTD 30,600 thousand and NTD 29,400 thousand in exchange for 51% and 49% ownership as resolved by the Board of Directors, respectively. It is resolved that the record date of the establishment is dated May 12, 2022. The registration was completed.

Note 2: On May 25, 2022, the subsidiaries, Sonavox Canada Inc. and Sonavox Canada Holding had a merger, which was resolved by the respective Board of Directors, and Sonavox Canada Inc. became the surviving company, with the record date of merger on May 26, 2022. On December 12, 2022, the Group renamed the subsidiary, Sonavox Canada Inc. ("SOCV") to Merry Electronics North America Inc. ("MENA"). The registration was completed.

Note 3: On July 28, 2022, the establishment of Merry Capital Inc. was resolved by the Board of Directors. The investment amounted to NTD 8,000 thousand, with 100% ownership. The registration was completed.

Note 4: On October 27, 2022, the investment of Merry Electronics Sdn Bhd was resolved. The investment amounted to MYR 2,400 thousand, with 100% ownership. The registration

was completed.

Note 5: On September 20, 2023, the Group approved to sell the subsidiary, Universal Capital Investment Limited (“UCMU”), and the settlement was completed on September 30, 2023.

Note 6: On November 29, 2023, the Group liquidated the subsidiary, XIAMEN LAIYATE MEDICAL DEVICES CO., LTD.(“LACX”), and the registration for the liquidation was completed.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2023 and 2022, the non-controlling interest amounted to \$861,076 thousand and \$783,849 thousand, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2023		December 31, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)
MEVN	Vietnam	\$ 808,567	49%	\$ 726,429	49%

Summarised financial information of the subsidiaries:

Balance sheets

	MEVN	
	December 31, 2023	December 31, 2022
Current assets	\$ 1,755,805	\$ 1,139,436
Non-current assets	984,139	1,135,700
Current liabilities	(961,104)	(596,979)
Non-current liabilities	(108,603)	(190,065)
Total net assets	<u>\$ 1,670,237</u>	<u>\$ 1,488,092</u>

Statements of comprehensive income

	MEVN	
	Years ended December 31,	
	2023	2022
Revenue	\$ 2,814,771	\$ 3,949,401
Profit before income tax	229,982	358,303
Income tax expense	(418)	(35)
Profit for the period from continuing operations	229,564	358,268
Profit for the period	229,564	358,268
Total comprehensive income for the period	<u>\$ 229,564</u>	<u>\$ 358,268</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 112,486</u>	<u>\$ 176,759</u>

Statements of cash flows

	MEVN	
	Years ended December 31,	
	2023	2022
Net cash provided by operating activities	\$ 197,144	\$ 211,377
Net cash used in investing activities	(29,497)	(287,626)
Net cash (used in) provided by financing activities	(101,387)	1,605
Effect of exchange rates on cash and cash equivalents	(1,235)	10,605
Increase (decrease) in cash and cash equivalents	65,025	(64,039)
Cash and cash equivalents, beginning of period	77,160	141,199
Cash and cash equivalents, end of period	<u>\$ 142,185</u>	<u>\$ 77,160</u>

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise,
- Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet

date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'Other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (c) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;

- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will

flow to the Group and the amount of the dividend can be measured reliably.

- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortized cost

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income including accounts receivable at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(14) Joint operation and investment accounted for using equity method- joint ventures

Investment of joint arrangements are classified as joint operations or joint ventures based on its contractual rights and obligations.

A. Joint operation

For the interest in a joint operation, the Group recognizes direct interest in (and other shares of) the joint operation's assets, liabilities, revenue and expense which are included in the financial statements.

B. Investment accounted for using equity method – joint ventures

The Group accounts for its interest in a joint venture using equity method. Unrealized profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realizable value of current assets or an impairment loss, all such losses shall be recognized immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings, structures and equipment	5 ~ 60 years
Machinery and equipment	2 ~ 12 years
Transportation equipment	5 ~ 12 years
Office equipment	3 ~ 10 years
Others	1 ~ 10 years

(16) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognize the difference between remeasured lease liability in profit or loss.

(17) Intangible assets

A. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 10 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Intangible assets, mainly patent rights, trademark rights and business rights, are amortized on a straight-line basis over their estimated useful lives of 3 ~ 10 years.

(18) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer

exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:
 - (a) Hybrid (combined) contracts; or
 - (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
 - (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(22) Convertible bonds payable

A. Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- (a) The embedded call options and put options are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- (b) The host contracts of bonds are initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- (c) The embedded conversion options which meet the definition of an equity instrument are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- (d) Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- (e) When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(23) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(24) Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

(25) Provisions

Provisions (including warranties) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(26) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(27) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- B. Restricted stocks:
- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date and are recognized as compensation cost over the vesting period.
 - (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
 - (c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund their payments on the stocks, the Group recognizes the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognizes the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the

consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(29) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(30) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(31) Revenue recognition

Sales of goods

- A. The Group manufactures and sells radio apparatus, communication devices, consumer electronics as well as electronic parts and components. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. The furniture is often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognized based on the price specified in the contract, net

of the estimated sales discounts. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 30~120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(32) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortized to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(33) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the

fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(34) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical accounting estimates and assumptions

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date and writes down the cost of inventories to the net realizable value. Such evaluation of inventories might have material changes.

As of December 31, 2023, the carrying amount of inventories was \$3,821,320 thousand.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 2,694	\$ 2,006
Checking accounts and demand deposits	5,248,233	6,794,523
Time deposits	275,795	126,739
	<u>\$ 5,526,722</u>	<u>\$ 6,923,268</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2023 and 2022, time deposits maturing in excess of three months were all classified as current financial assets at amortized cost.

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

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
- Funds	\$ 232,000	\$ 100,000
- Forward exchange contract	13,166	7,076
- Stocks	20,480	-
- Bonds	280,000	280,000
Valuation adjustment	10,934	2,105
	<u>\$ 556,580</u>	<u>\$ 389,181</u>
Non-current items:		
- Funds	\$ 47,652	\$ 29,350
Valuation adjustment	(1,824)	(2,066)
	<u>\$ 45,828</u>	<u>\$ 27,284</u>

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial liabilities held for trading		
- Forward exchange contract	\$ 1,726	\$ 10,137

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Net (losses) gains on financial assets (liabilities) at fair value through profit or loss	<u>\$ 29,907</u>	<u>(\$ 9,929)</u>

- B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

December 31, 2023			
<u>Derivative instruments</u>	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>	<u>Contract price</u>
Forward foreign exchange contract to sell	<u>USD 15,000 thousand</u>	2023/12/27~ 2024/01/30	NTD 30.555~30.846
Forward foreign exchange contract to buy	<u>USD 25,000 thousand</u>	2023/01/30~ 2024/05/10	NTD 29.036~30.600
December 31, 2022			
<u>Derivative instruments</u>	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>	<u>Contract price</u>
Forward foreign exchange contract to sell	<u>USD 24,000 thousand</u>	2022/12/05~ 2023/01/30	NTD 30.368~30.625
Forward foreign exchange contract to buy	<u>USD 31,000 thousand</u>	2022/11/07~ 2023/12/29	NTD 29.488~31.901

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of import and export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

- C. The amounts that have been transacted and yet to be paid on December 31, 2023 and 2022 are \$140,019 thousand and \$0 thousand respectively (shown as other payables).
- D. The amounts that have been transacted and yet received on December 31, 2023 and 2022 are \$140,459 thousand and \$0 thousand respectively (shown as other receivables).
- E. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.
- F. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2023	December 31, 2022
Current items:		
Debt instruments		
Bonds	\$ -	\$ 144,625
Valuation adjustment		
-through profit or loss	-	8,925
-through other comprehensive income	-	(2,687)
	<u>-</u>	<u>150,863</u>
Equity instruments		
Stocks	\$ 106,080	\$ 106,080
Valuation adjustment		
-through other comprehensive income	(874)	(5,495)
	<u>105,206</u>	<u>100,585</u>
Total	<u>\$ 105,206</u>	<u>\$ 251,448</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ -	\$ 99,990
Unlisted stocks	916,650	916,784
	<u>916,650</u>	<u>1,016,774</u>
Valuation adjustment		
-through other comprehensive income	(547,127)	(490,265)
	<u>369,523</u>	<u>526,509</u>
Total	<u>\$ 369,523</u>	<u>\$ 526,509</u>

- A. The Group has elected to classify equity and debt investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$474,729 thousand and \$777,957 thousand as at December 31, 2023 and 2022, respectively.
- B. On November 7, 2023, as the Company increased its investments in DONPON PRECISION INC., resulting to changes in the shareholding ratio, and the Company obtained influence over changes in its business model. Accordingly, the Company reclassified the investment increase from financial assets at fair value through other comprehensive income to investments accounted for using equity method. Please refer to Note 6(7) for details.

C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2023	2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 8,152	(\$ 361,602)
Cumulative gains reclassified to retained earnings due to derecognition	\$ 60,254	\$ -
Dividend income recognised in profit or loss	\$ 7,775	\$ 8,850
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognised in profit or loss	(\$ 8,925)	\$ 15,150
Fair value change recognised in other comprehensive income	\$ 2,687	(\$ 5,628)
Cumulative other comprehensive income reclassified to profit or loss		
Interest income recognised in profit or loss	\$ 4,754	\$ 5,831

D. As of December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$474,729 thousand and \$777,957 thousand, respectively.

E. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

G. The counterparties of the Company's investments in debt instruments have good credit quality; those debt securities are all rated as investment grade.

(4) Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 9,241,314	\$ 8,731,145
Less: Allowance for uncollectible accounts	(16,839)	(21,447)
	<u>\$ 9,224,475</u>	<u>\$ 8,709,698</u>

A. The aging analysis of accounts receivable is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 9,169,410	\$ 8,524,130
Up to 30 days	58,076	177,174
31 to 90 days	2,535	15,153
91 to 180 days	52	4,853
Over 180 days	<u>11,241</u>	<u>9,835</u>
	<u>\$ 9,241,314</u>	<u>\$ 8,731,145</u>

The above aging analysis was based on past due date.

B. As of December 31, 2023 and 2022, and January 1, 2022, the balances of receivables (including notes receivable) from contracts with customers amounted to \$9,224,475 thousand, \$8,709,698 thousand and \$9,365,119 thousand, respectively.

C. The Group took out a credit insurance on the accounts receivable. The insurance company audits the amount and pays 90% of the amount when the default occurred. As of December 31, 2023 and 2022, the insured accounts receivable amounted to \$7,614,787 thousand and \$8,322,395 thousand, respectively.

D. The Group does not hold any collateral as security.

E. The Group entered into a factoring agreement which has no right of recourse with ING BANK N.V., TAIPEI BRANCH and Bank of America on July 19, 2021 and October 2, 2019, respectively. As of December 31, 2023 and 2022, there were no accounts receivable that were outstanding and expected to be transferred (reclassified as financial assets at fair value through other comprehensive income). Please refer to Note 6(5) for information on transfer of financial assets.

F. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(5) Transfer of financial assets

A. Transferred financial assets that are derecognized in their entirety

None for December 31, 2023 and 2022.

B. Transferred financial assets that are not derecognized in their entirety

i. On July 19, 2021, the Group entered into a factoring agreement with ING BANK N.V., TAIPEI BRANCH to sell its accounts receivable. In accordance with the agreement, the Group transferred first 90% of accounts receivable and has obligated to provide partial guarantees for the default risk of the transferred accounts receivable. Therefore, the Group has not derecognized the accounts receivable sold in their entirety and may not pledge these accounts receivable to a third party.

ii. As of December 31, 2023 and 2022, the related information of the transferred accounts receivable sold that the Group continuously recognized to the extent of continuing involvement were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total carrying amount of the original assets before transferring	\$ -	\$ 1,206,473
Carrying amount of the assets continuously recognized	-	120,647

(6) Inventories

	<u>December 31, 2023</u>		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,732,946	(\$ 128,773)	\$ 1,604,173
Work in progress	470,522	(10,597)	459,925
Finished goods	1,861,814	(104,592)	1,757,222
	<u>\$ 4,065,282</u>	<u>(\$ 243,962)</u>	<u>\$ 3,821,320</u>
	<u>December 31, 2022</u>		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,689,950	(\$ 137,852)	\$ 1,552,098
Work in progress	432,220	(13,370)	418,850
Finished goods	3,112,290	(172,661)	2,939,629
	<u>\$ 5,234,460</u>	<u>(\$ 323,883)</u>	<u>\$ 4,910,577</u>

The cost of inventories recognized as expense for the year :

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 31,993,842	\$ 30,602,914
Loss on scrapping inventory	34,165	144,326
(Gain) loss on slow-moving inventories and decline in market value	(79,921)	98,817
Loss on physical inventory	330	81
	<u>\$ 31,948,416</u>	<u>\$ 30,846,138</u>

The Group reversed a previous inventory write-down because inventories with decline in market value were partially sold by the Group during the year ended December 31, 2023.

(7) Investments accounted for using equity method

	Years ended December 31,	
	2023	2022
At January 1	\$ 5,028,458	\$ 4,699,769
Increase in investments accounted for using equity method	409,928	19,650
Share of profit or loss of investments accounted for using the equity method	284,801	208,914
Earnings distribution of investments	(213,003)	-
Changes in capital surplus	26,955	16,692
Changes in other equity items	(94,837)	83,321
Changes in retained earnings	(22)	62
Reclassification of credit balance of investments accounted for using equity method/ reversal of non- current liabilities	(14)	50
Transferred from financial assets at fair value through other comprehensive income	160,244	-
At December 31	<u>\$ 5,602,510</u>	<u>\$ 5,028,458</u>

- A. On July 28, 2022, the Company and the Group's subsidiary Merry Capital Inc., invested in CDIB-Mac Limited Partnership as resolved by the Board of Directors, and increased their investments in CDIB-Mac Limited Partnership in the accumulative amount of \$104,533 thousand and \$2,450 thousand in May 25, 2023 and September 7, 2023, respectively.
- B. On January 31, 2023, the Group's subsidiary, MERRY ELECTRONICS (SHENZHEN) CO., LTD. ("MECL"), invested in DONG GUAN GET PINK ELECTRONICS CO., LTD. in the amount of RMB 3,858 thousand (approximately NTD 16,925 thousand), with 33% ownership, as resolved by the Board of Directors. The registration for the investment was completed.
- C. On October 26, 2023, the Board of Directors resolved to increase its investments in the private placement common shares of DONPON PRECISION INC. amounting to \$286,020 thousand, and the Company accumulatively acquired 16.22% equity interests in the company, and further had significant influence over the company. The Company had reclassified the investment which was initially recognised in financial assets at fair value through other comprehensive income amounting to \$160,244 thousand, including realised valuation gains in the amount of \$60,254 thousand. Please refer to Note 6(3) for details.

A. Details are as follows :

	December 31, 2023	December 31, 2022
Associates with significant influence		
Merry Electronics(Suzhou) Co., Ltd. (MECE)	\$ 3,279,717	\$ 3,251,933
Associates with insignificant influence		
Merry Electronics (Huizhou)Co., Ltd. (MECH)	1,286,560	1,311,066
Guangdong Luxshare & Merry Electronics Co.,Ltd. (MEDG)	422,596	407,293
DONPON PRECISION INC	441,257	-
CDIB-Mac Limited Partnership (MAC FUND)	116,837	18,584
Leohab Enterprise Co., Ltd. (LEOHAB)	39,554	39,582
DONG GUAN GET PINK ELECTRONICS CO., LTD(DONG GUAN GET PINK)	15,989	-
Merry Electronics (Shanghai)Co., Ltd. (MECS)	(1,095)	(1,109)
Subtotal	5,601,415	5,027,349
Add: Credit balance of investments accounted for using the equity method transferred to non-current liabilities	1,095	1,109
	<u>\$ 5,602,510</u>	<u>\$ 5,028,458</u>

B. Share of profit (loss) of associates accounted for using the equity method :

	Years ended December 31,	
Investee	2023	2022
MECE	\$ 64,066	\$ 7,574
MECH	210,554	184,874
MEDG	23,081	24,753
DONPON	(4,172)	-
MAC FUND	(8,729)	(1,066)
LEOHAB	715	(7,222)
DONG GUAN GET PINK	(714)	-
MECS	-	1
	<u>\$ 284,801</u>	<u>\$ 208,914</u>

C. Associates

(a) The basic information of the associates that is material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2023	December 31, 2022		
MECE	Mainland China	49.00%	49.00%	Holding more than 20% of voting right of stockholders	Equity method

(b) The summarised financial information of the associates that are material to the Group is as follows:

Balance sheet

	MERRY ELECTRONICS(SUZHOU)CO.,LTD	
	December 31, 2023	December 31, 2022
Current assets	\$ 5,878,001	\$ 4,984,442
Non-current assets	4,160,057	5,534,283
Current liabilities	(3,164,937)	(3,594,226)
Non-current liabilities	(61,207)	(57,220)
Total net assets	<u>\$ 6,811,914</u>	<u>\$ 6,867,279</u>
Share in associate's net assets	\$ 3,337,838	\$ 3,364,967
Realized (unrealized) loss from upstream and sidestream transactions	(58,121)	(113,034)
Carrying amount of the associate	<u>\$ 3,279,717</u>	<u>\$ 3,251,933</u>

Statement of comprehensive income

	MERRY ELECTRONICS(SUZHOU)CO.,LTD	
	Years ended December 31,	
	2023	2022
Revenue	<u>\$ 9,599,575</u>	<u>\$ 8,914,602</u>
Profit for the period from continuing operations	<u>\$ 18,679</u>	<u>\$ 128,700</u>
Total comprehensive income	<u>\$ 18,679</u>	<u>\$ 128,700</u>

- (c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

	Years ended December 31,	
	2023	2022
Share of profit of associates and joint ventures accounted for using the equity method	\$ 220,735	\$ 201,340
Other comprehensive income (loss), net of tax	(28,414)	22,160
Total comprehensive income	<u>\$ 192,321</u>	<u>\$ 223,500</u>

(Remainder of page intentionally left blank)

(8) Property, plant and equipment

Year ended December 31, 2023

Cost	Opening balance	Additions	Reductions	Transfers	Effect of foreign currency		Ending balance
					exchange differences		
Land	\$ 792,675	\$ -	\$ -	\$ -	\$ 281		\$ 792,956
Land improvements	599	-	-	-	5		604
Buildings and structures	1,774,209	153,183 (	1,556)	129,898 (	27,967)		2,027,767
Machinery	3,166,963	180,810 (	76,510)	24,799 (	55,771)		3,240,291
Transportation equipment	22,133	72 (	5,054)	- (	255)		16,896
Office equipment	302,683	29,366 (	16,034)	22,152 (	2,511)		335,656
Others	286,053	45,442 (	7,802)	40,651 (	6,274)		358,070
Unfinished construction	124,368	76,720 (	3,175)	194,657 (	10)		3,246
	<u>6,469,683</u>	<u>\$ 485,593</u>	<u>(\$ 110,131)</u>	<u>\$ 22,843</u>	<u>(\$ 92,502)</u>		<u>6,775,486</u>
<u>Accumulated depreciation</u>							
Land improvements	(\$ 581)	(\$ 4)	\$ -	\$ -	(\$ 5)		(\$ 590)
Buildings and structures	(584,319)	(72,039)	1,556	1,977	8,574		(644,251)
Machinery	(1,377,578)	(400,492)	62,483	4,051	27,133		(1,684,403)
Transportation equipment	(16,450)	(1,897)	4,652	-	194		(13,501)
Office equipment	(202,973)	(35,555)	12,236	-	2,035		(224,257)
Others	(139,879)	(50,425)	6,720	(6,028)	3,045		(186,567)
	<u>(2,321,780)</u>	<u>(\$ 560,412)</u>	<u>\$ 87,647</u>	<u>\$ -</u>	<u>\$ 40,976</u>		<u>(2,753,569)</u>
	<u>\$ 4,147,903</u>						<u>\$ 4,021,917</u>

Year ended December 31, 2022

Cost	Opening balance	Additions	Reductions	Transfers	Effect of foreign currency exchange differences	Ending balance
Land	\$ 790,477	\$ -	\$ -	\$ -	\$ 2,198	\$ 792,675
Land improvements	543	17	-	-	39	599
Buildings and structures	1,484,904	13,609	(12,763)	226,598	61,861	1,774,209
Machinery	2,785,124	256,438	(62,058)	81,033	106,426	3,166,963
Transportation equipment	21,063	765	(3)	-	308	22,133
Office equipment	276,950	22,904	(25,229)	21,432	6,626	302,683
Others	241,388	50,139	(14,802)	1,883	7,445	286,053
Unfinished construction	208,125	155,419	(1,128)	(238,564)	516	124,368
	<u>5,808,574</u>	<u>\$ 499,291</u>	<u>(\$ 115,983)</u>	<u>\$ 92,382</u>	<u>\$ 185,419</u>	<u>6,469,683</u>
<u>Accumulated depreciation</u>						
Land improvements	(\$ 543)	\$ -	\$ -	\$ -	(\$ 38)	(\$ 581)
Buildings and structures	(508,737)	(73,910)	12,763	-	(14,435)	(584,319)
Machinery	(1,031,903)	(366,058)	51,506	-	(31,123)	(1,377,578)
Transportation equipment	(14,329)	(1,915)	1	-	(207)	(16,450)
Office equipment	(189,640)	(33,066)	24,288	-	(4,555)	(202,973)
Others	(112,419)	(32,855)	7,884	-	(2,489)	(139,879)
	<u>(1,857,571)</u>	<u>(\$ 507,804)</u>	<u>\$ 96,442</u>	<u>\$ -</u>	<u>(\$ 52,847)</u>	<u>(2,321,780)</u>
	<u>\$ 3,951,003</u>					<u>\$ 4,147,903</u>

A. The Group had no borrowing costs capitalized as part of property, plant and equipment.

B. Information about the property, plant and equipment that were pledged by the Group to others as collateral is provided in Note 8.

(9) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings, machinery and equipment as well as business vehicles. Rental contracts are typically made for periods of 1 to 45 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The Group's short-term leases comprise the office, dormitory and apparatus and equipment. Low-value assets comprise office equipment.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2023	December 31, 2022
	Carrying amount	Carrying amount
Land	\$ 79,399	\$ 86,854
Buildings	165,043	202,878
Machinery and equipment	1,026	2,392
Transportation equipment	1,577	1,287
Office equipment	127	109
Other equipment	-	34
	<u>\$ 247,172</u>	<u>\$ 293,554</u>
	Years ended December 31	
	2023	2022
	Depreciation charge	Depreciation charge
Land	\$ 4,842	\$ 4,904
Buildings	113,534	99,280
Machinery and equipment	1,251	1,430
Transportation equipment	905	1,261
Office equipment	145	162
Other equipment	33	77
	<u>\$ 120,710</u>	<u>\$ 107,114</u>

- D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$93,901 thousand and \$196,666 thousand, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 7,265	\$ 5,325
Expense on short-term lease contracts	34,950	39,322
Expense on leases of low-value assets	260	312
	<u>\$ 42,475</u>	<u>\$ 44,959</u>

For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$177,451 thousand and \$151,385 thousand, respectively.

(10) Intangible assets

Year ended December 31, 2023

Cost	Effect of foreign currency exchange differences				
	Opening balance	Additions	Reductions		Ending balance
Goodwill	\$ 931,678	\$ -	\$ -	\$ -	\$ 931,678
Computer software	622,674	11,681	(4,146)	(452)	629,757
Customer relationship	326,550	-	-	-	326,550
Technical skills	115,748	-	-	-	115,748
Trademarks	61,481	-	-	-	61,481
Others	44,263	4,877	-	63	49,203
Sub-total	<u>2,102,394</u>	<u>\$ 16,558</u>	<u>(\$ 4,146)</u>	<u>(\$ 389)</u>	<u>2,114,417</u>
<u>Accumulated amortization</u>					
Computer software	(\$ 478,230)	(\$ 79,258)	\$ 4,146	\$ 131	(\$ 553,211)
Customer relationship	(197,567)	(40,458)	-	-	(238,025)
Technical skills	(104,174)	(11,574)	-	-	(115,748)
Trademarks	(24,403)	(5,518)	-	-	(29,921)
Others	(33,311)	(5,682)	-	(22)	(39,015)
Sub-total	<u>(837,685)</u>	<u>(\$ 142,490)</u>	<u>\$ 4,146</u>	<u>\$ 109</u>	<u>(975,920)</u>
<u>Accumulated Impairment loss</u>					
Goodwill	(\$ 161,766)	(\$ 65,510)	\$ -	\$ -	(227,276)
Total	<u>\$ 1,102,943</u>				<u>\$ 911,221</u>

Year ended December 31, 2022

Cost	Opening balance	Additions	Reductions	Effect of foreign currency exchange differences	Ending balance
Goodwill	\$ 931,678	\$ -	\$ -	\$ -	\$ 931,678
Computer software	590,844	30,741	133	956	622,674
Customer relationship	326,550	-	-	-	326,550
Technical skills	115,748	-	-	-	115,748
Trademarks	61,481	-	-	-	61,481
Others	38,093	6,014	-	156	44,263
Sub-total	<u>2,064,394</u>	<u>\$ 36,755</u>	<u>\$ 133</u>	<u>\$ 1,112</u>	<u>2,102,394</u>
Accumulated amortization					
Computer software	(\$ 406,530)	(\$ 71,145)	\$ -	(\$ 555)	(\$ 478,230)
Customer relationship	(153,503)	(44,064)	-	-	(197,567)
Technical skills	(81,024)	(23,150)	-	-	(104,174)
Trademarks	(18,885)	(5,518)	-	-	(24,403)
Others	(28,273)	(4,982)	-	(56)	(33,311)
Sub-total	<u>(688,215)</u>	<u>(\$ 148,859)</u>	<u>\$ -</u>	<u>(\$ 611)</u>	<u>(837,685)</u>
Accumulated Impairment loss					
Goodwill	\$ -	(\$ 161,766)	\$ -	\$ -	(\$ 161,766)
Total	<u>\$ 1,376,179</u>				<u>\$ 1,102,943</u>

A. Details of amortization in intangible assets are as follows:

	Years ended December 31,	
	2023	2022
Operating costs	\$ 15,481	\$ 9,981
Selling expenses	11,640	12,063
Administrative expenses	72,501	81,663
Research and development expenses	42,868	45,152
	<u>\$ 142,490</u>	<u>\$ 148,859</u>

B. Goodwill allocated to the Group's cash-generating units is as follows:

	December 31, 2023		
	Cost	Accumulated impairment	Book value
Goodwill:			
Asian Elite And Indigo	\$ 581,644	(\$ 227,276)	\$ 354,368
Austar Hearing (Xiamen)	210,299	-	210,299
Huges Hi-Tech	139,735	-	139,735
	<u>\$ 931,678</u>	<u>(\$ 227,276)</u>	<u>\$ 704,402</u>
	December 31, 2022		
	Cost	Accumulated impairment	Book value
Goodwill:			
Asian Elite And Indigo	\$ 581,644	(\$ 161,766)	\$ 419,878
Austar Hearing (Xiamen)	210,299	-	210,299
Huges Hi-Tech	139,735	-	139,735
	<u>\$ 931,678</u>	<u>(\$ 161,766)</u>	<u>\$ 769,912</u>

For the years ended December 31, 2023 and 2022, the recoverable amount which was calculated based on use in value was less than carrying amount, the Group recognised impairment loss of goodwill amounting to \$65,510 thousand and \$161,766 thousand, respectively, and the balance of goodwill after recognising impairment loss amounted to \$704,402 thousand and \$769,912 thousand, respectively. In addition, value in use adopts pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. The key assumptions used for value-in-use calculations are as follows:

December 31, 2023	Huges Hi-Tech	Asian Elite And Indigo	Austar Hearing (Xiamen)
Discount rate	6.58%	14%	16.17%
Growth rate	10%	6.25%~10.07%	3%~21.38%
December 31, 2022	Huges Hi-Tech	Asian Elite And Indigo	Austar Hearing (Xiamen)
Discount rate	1.49%	17.43%	14.98%
Growth rate	10%	7.71%~62%	3%~20%

C. The Group has no intangible assets pledged as collateral.

(11) Impairment of non-financial assets

A. The Group recognized impairment loss for the years ended December 31, 2023 and 2022. Details of such loss are as follows :

	Years ended December 31,	
	2023	2022
	Recognized through profit or loss	Recognized through profit or loss
Accumulated impairment-Goodwill	\$ 65,510	\$ 161,766

B. Please refer to Note 6 (10) for the impairment to intangible assets.

(12) Short-term borrowings

Type of borrowings	December 31, 2023	Interest rate range	Collateral
Bank borrowings			
Credit loan	\$ 1,089,829	1.66%~3.80%	None
Secured borrowings	43,270	3.70%	Patents
	<u>\$ 1,133,099</u>		
Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Credit loan	\$ 2,102,771	1.60%~5.25%	None
Secured borrowings	44,080	3.95%	Patents
	<u>\$ 2,146,851</u>		

A. Interest expense recognized in profit or loss amounted to \$22,411 thousand and \$47,409 thousand for the years ended December 31, 2023 and 2022, respectively.

B. The Group provided endorsements and guarantees for the credit loans as of December 31, 2023 and 2022.

(13) Other payables

	December 31, 2023	December 31, 2022
Payroll and bonus payable	\$ 498,293	\$ 399,878
Employee compensation payable	191,454	163,655
Payables on equipment	71,416	105,829
Directors' remuneration payable	36,982	40,299
Others	587,789	484,782
	<u>\$ 1,385,934</u>	<u>\$ 1,194,443</u>

(14) Bonds payable

	December 31, 2023	December 31, 2022
Bonds payable	\$ 2,999,900	\$ 3,000,000
Less: Discount on bonds payable	(17,639)	(46,162)
Sub-total	2,982,261	2,953,838
Less: Current portion	(2,982,261)	-
Total	<u>\$ -</u>	<u>\$ 2,953,838</u>

- A. The details of the third domestic unsecured convertible bonds issued by the Company on August 11, 2021 are as follows:
- (a) The terms of the third domestic unsecured convertible bonds issued by the Company are as follows:
- i. The Company issued \$3,015,000 thousand, 0% third domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature three years from the issue date August 11, 2021 to August 11, 2024 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on August 11, 2021.
 - ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company at any time during the period from the date after three months of the bonds issued to the maturity date by notifying the Taiwan Depository & Clearing Corporation through the dealer to the Company, except for (i) the stop transfer period as specified in the terms of the bonds or the laws/regulations; (ii) the book closure date of the issuance of bonus shares, and of cash dividends, the period between the date that is 15 business days before the book closure date of a capital increase to the ex-right date; (iii) the period between the record date of a capital reduction and the prior day before the commencement of stock trading after stocks are repurchased; (iv) the period between the start date of stopping conversion due to implementing changes of face value of stocks and the prior day before the trading date that new shares start to be exchanged to stocks, cannot ask conversions. Other than the aforementioned period, the bonds can be converted into common shares at any time after applying request to Taiwan Depository & Clearing Corporation through securities firms. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - iii. The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. As of December 31, 2023, the conversion price was \$104.9 (in dollars) per share.
 - iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount, the Company has the right to redeem the convertible bonds in accordance with the Article 18 of the terms of issuance and conversion during the period from the date after three months of the bonds issue to 40 days before the maturity date.
 - v. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (b) As of December 31, 2023, the bonds totaling \$100 thousand (face value) had been converted into 953 shares of common stock. After the issuance, the applicable conversion price was adjusted to \$104.9 (in dollars) per share based on the formula stipulated in the issuance terms when the Company's outstanding common shares increased.
- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$96,854 thousand were separated from the liability component and were recognized in 'capital surplus - share options' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognized in 'financial assets at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts.

(15) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Long-term bank borrowings				
Credit loan	Borrowing period is from 2020/2/20 to 2025/2/20; interest is repayable monthly, principal is repayable starting from 2022. (Notes 1 and 2)	0.80%~1.16%	None	\$ 143,889
Credit loan	Borrowing period is from 2020/2/20 to 2027/2/19; interest is repayable monthly, principal is repayable starting from 2022.	1.10%~5.60%	None	1,165,921
Credit loan	Borrowing period is from 2022/9/27 to 2026/6/27; interest is repayable monthly, principal is repayable starting from 2023.	2.00%~3.75%	None	56,121
Secured borrowings	Borrowing period is from 2023/9/27 to 2033/9/27; interest is repayable monthly, principal is repayable starting from 2023.	3.65%	Plant	<u>83,425</u>
				1,449,356
Less: Expiring within one year or one operating cycle				(446,179)
				<u>\$ 1,003,177</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Long-term bank borrowings				
Credit loan	Borrowing period is from 2020/2/20 to 2025/2/20; interest is repayable monthly, principal is repayable starting from 2022. (Notes 1 and 2)	0.68%~1.03%	None	\$ 258,889
Credit loan	Borrowing period is 36 months starting from 2020/7/15 and extended every month ; principal is repayable starting from 2023.	5.89%	None	76,100
Credit loan	Borrowing period is from 2020/2/20 to 2027/2/19; interest is repayable monthly, principal is repayable starting from 2022.	0.98%~2.40%	None	1,021,458
				<u>1,356,447</u>
Less: Expiring within one year or one operating cycle				(451,919)
				<u>\$ 904,528</u>

Interest expense recognized in profit or loss amounted to \$30,353 thousand and \$16,678 thousand for the years ended December 31, 2023 and 2022, respectively.

Note 1: In November 2019, the Company entered into a long-term loan contract with Taipei Fubon Bank. As of December 31, 2023, all available borrowing facilities was used.

Aforementioned contract conditions:

During the credit period, the following financial ratios shall be maintained and the audited/reviewed consolidated financial statements shall be checked semi-annually:

- (a) Current ratio shall not be lower than 100%;
- (b) Debt ratio (total liabilities/total equity) shall not be higher than 200%;
- (c) Interest coverage ratio shall not be lower than 10.
- (d) Net tangible assets shall not be less than 8 billion.

Note 2: In February 2020, the Company entered into a long-term loan contract with JIHSUN BANK. As of December 31, 2023, all available borrowing facilities was used.

Aforementioned contract conditions:

During the credit period, the following financial ratios shall be maintained and the audited/reviewed consolidated financial statements shall be checked semi-annually:

- (a) Current ratio shall not be lower than 100%;
- (b) Debt ratio (total liabilities/tangible assets) shall not be higher than 250%;
- (c) Tangible assets shall be maintained at least \$8 billion.

(16) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 5.1% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 86,576	\$ 80,364
Fair value of plan assets	(50,522)	(42,745)
Net defined benefit liability	<u>\$ 36,054</u>	<u>\$ 37,619</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2023</u>			
Balance at January 1	\$ 80,364	(\$ 42,745)	\$ 37,619
Current service cost	230	-	230
Interest (income) expense	992	(518)	474
	<u>81,586</u>	<u>(43,263)</u>	<u>38,323</u>
<u>Remeasurements:</u>			
Return on plan assets (excluding amounts included in interest income or expense)	-	(327)	(327)
Change in financial assumptions	773	-	773
Experience adjustments	5,902	-	5,902
	<u>6,675</u>	<u>(327)</u>	<u>6,348</u>
Pension fund contribution	-	(8,617)	(8,617)
Paid pension	(1,685)	1,685	-
Balance at December 31	<u>\$ 86,576</u>	<u>(\$ 50,522)</u>	<u>\$ 36,054</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2022</u>			
Balance at January 1	\$ 122,613	(\$ 42,491)	\$ 80,122
Current service cost	428	-	428
Interest (income) expense	832	(281)	551
Past service cost	(1,470)	840	(630)
	<u>122,403</u>	<u>(41,932)</u>	<u>80,471</u>

Remeasurements:

Return on plan assets

(excluding amounts included in interest income or expense)

	-	(2,819)	(2,819)
Change in financial assumptions	(4,990)	-	(4,990)
Experience adjustments	(3,586)	-	(3,586)
	<u>(8,576)</u>	<u>(2,819)</u>	<u>(11,395)</u>
Pension fund contribution	-	(14,023)	(14,023)
Paid past pension	(17,434)	-	(17,434)
Paid pension	(16,029)	16,029	-
Balance at December 31	<u>\$ 80,364</u>	<u>(\$ 42,745)</u>	<u>\$ 37,619</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regarding to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

- (e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2023	2022
Discount rate	<u>1.20%</u>	<u>1.30%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 1,913)	\$ 1,983	\$ 1,942	(\$ 1,884)
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 1,897)	\$ 1,970	\$ 1,933	(\$ 1,870)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) The Company expects to pay contribution for pension plan amounting to \$2,311 thousand in 2024.
- (g) As of December 31, 2023, the weighted average duration of the retirement plan is 9 years. The analysis of timing of the future pension payment was as follows:
- | | |
|---------------|------------------|
| Within 1 year | \$ 6,034 |
| 1-2 year(s) | 14,783 |
| 2-5 years | 8,775 |
| Over 5 years | 66,671 |
| | <u>\$ 96,263</u> |
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The subsidiaries and second-tier subsidiaries in mainland China have set up a defined contribution plan. Monthly contribution to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) The subsidiary, METC, in Thailand is required to pay pension of up to 10 months of employee salaries to the employees upon their retirement. The pension liability is estimated annually based on the employees’ total salaries and expected service years in accordance with the regulations of the Thailand government.
- (d) The subsidiary, MEVN, in Vietnam is subject to related local regulation, which is required to contribute a statutory percentage of the employees’ monthly salaries and wages to the employees’ pension funds, and to pay it to the competent authority. Other than the monthly contributions, the Group has no further obligations.
- (e) The subsidiary, MEST, in Hong Kong is subject to related local regulation, which is required

to enroll in mandatory provident fund schemes for employees and contribute a statutory percentage of the employees' monthly salaries and wages to the employees' pension funds, and to pay it to the competent authority. Other than the monthly contributions, the Group has no further obligations.

- (f) The subsidiary, MESG, in Singapore is subject to related local regulation, which is required to contribute a statutory percentage of the employees' monthly salaries and wages to the employees' pension funds, and to pay it to the competent authority. Other than the monthly contributions, the Group has no further obligations.
- (g) The subsidiary, MEMP, in Malaysia is subject to related local regulation, which is required to contribute a statutory percentage of the employees' monthly salaries and wages to the employees' pension funds, and to pay it to the competent authority. Other than the monthly contributions, the Group has no further obligations.
- (h) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were \$151,784 thousand and \$149,942 thousand, respectively.

(17) Share-based payment

- A. For the years ended December 31, 2023 and 2022, the fair value of the Company's stocks granted on the grant date in accordance with the Company's share-based payment agreement is measured using the closing price. Related information is as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Stock price	Exercise price	Fair value per unit	Vesting condition
The first restricted stocks to employees in 2019	2019.11.02	813 units	3 years	150.0	0	150.0	Note
The second restricted stocks to employees in 2019	2020.08.05	387 units	3 years	169.0	0	169.0	Note
The first restricted stocks to employees in 2020	2021.05.31	416 units	3 years	107.5	0	107.5	Note
The second restricted stocks to employees in 2020	2021.07.30	1,504 units	3 years	111.0	0	111.0	Note
The first restricted stocks to employees in 2021	2022.07.29	1,800 units	3 years	80.7	0	80.7	Note
The first restricted stocks to employees in 2022	2023.07.28	1,645 units	3 years	91.9	0	91.9	Note

Note: Depending on the employee's tenure in the Company (1 to 3 years), the employees can vest stocks at the ratio of 30%, 30% and 40% in three years based on the number of stocks written on the notification. The conditions for vesting restricted stocks are as follows:

- (a) For the employees who are currently working in the Company, whose services have reached 1 year and achieved the performance of the most recent year's consolidated financial statements and the target personal performance, the ceiling of vested share ratio is 30%.
- (b) For the employees who are currently working in the Company, whose services have reached 2 years and achieved the performance of the most recent year's consolidated financial statements and the target personal performance, the ceiling of accumulated vested share ratio is 60%.
- (c) For the employees who are currently working in the Company, whose services have reached 3 years and achieved the performance of the most recent year's consolidated financial statements and the target personal performance, the ceiling of accumulated vested share ratio is 100%.
- (d) The Company will repurchase and retire the stocks that do not meet the conditions of vesting

for the employees who resign during the vesting period or do not meet the condition of vesting by the issuance price.

The aforementioned restricted stocks issued by the Company cannot be transferred during the vesting period and the commissioned trust custodians execute the shareholders' rights on behalf of the employees.

B. Details of the share-based payment arrangements are as follows:

	2023		2022	
	No. of share (in thousands)	Weighted- average exercise price (in dollars)	No. of share (in thousands)	Weighted- average exercise price (in dollars)
At January 1	3,348	\$ -	2,417	\$ -
Restricted stocks granted	1,645	-	1,800	-
Restricted shares retired	(809)	-	(342)	-
stocks retired	(113)	-	(527)	-
At December 31	4,071	-	3,348	-

C. Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
	2023	2022
Equity-settled	\$ 132,310	\$ 62,334

(18) Share capital

A. As of December 31, 2023, the Company's authorized capital was \$4,000,000 thousand, consisting of 400,000 thousand shares of ordinary stock (including 5,000 thousand shares reserved for employee stock options), and the paid-in capital was \$2,193,434 thousand with a par value of \$10 (in dollars) per share.

Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands):

	Years ended December 31,	
	2023	2022
At January 1	217,783	216,510
Employee restricted shares retired	(113)	(527)
Employee restricted shares granted	1,645	1,800
Conversion of convertible bonds	1	-
At December 31	219,316	217,783

(a) The Company retired 28 thousand employee restricted shares as resolved at the meeting of the Board of Directors on February 22, 2024. The retirement of employee restricted shares was not yet completed as of February 22, 2024.

(b) The Company retired 44 thousand shares, 8 thousand shares and 33 thousand shares of employee restricted shares as resolved at the meeting of the Board of Directors on October 26, 2023, July 27, 2023 and April 27, 2023 with the capital reduction effective date set on November 6, 2023, July 27, 2023 and May 3, 2023, respectively. The capital reduction through retirement of employee restricted shares was completed, except for the retirement of employee restricted shares resolved by the Board of Directors on October 26, 2023.

(c) On April 28, 2022, the Board of Directors of the Company resolved to issue employee restricted shares. The issuance was approved by the Competent Authority on September 21,

2022. The Company issued 1,645 thousand common shares with the effective date set on July 28, 2023. The subscription price is \$0 per share. The registration for the issuance of employee restricted shares was completed. The employee restricted shares issued are subject to certain transfer restrictions before their vesting conditions are qualified. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

- (d) The Company retired 147 thousand shares, 71 thousand shares and 40 thousand shares of employee restricted shares as resolved at the meeting of the Board of Directors on October 27, 2022, July 28, 2022 and April 28, 2022 with the capital reduction effective date set on October 27, 2022, July 28, 2022 and May 6, 2022, respectively. The capital reduction through retirement of employee restricted shares was completed.
- (e) On April 29, 2021, the Board of Directors of the Company resolved to issue employee restricted shares. The issuance was approved by the Competent Authority on October 22, 2021. The Company issued 1,800 thousand common shares with the effective date set on July 29, 2022. The subscription price is \$0 per share and the registration for the issuance of employee restricted shares was completed on August 19, 2022. The employee restricted shares issued are subject to certain transfer restrictions before their vesting conditions are qualified. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.
- (f) The Company issued the third unsecured convertible bonds on August 11, 2021. As of December 31, 2023, the face value of the convertible bonds of \$100 thousand had been converted into common shares amounting to 953 shares. Please refer to Note 6(14) for details.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2023				
	Share premium	Share option	Employee restricted stocks	Others	Total
At January 1	\$ 4,070,017	\$ 96,857	\$ 290,864	\$ 263,128	\$ 4,720,866
Convertible bonds converted into common shares	93 (	3)	-	-	90
Restricted stocks issued	-	-	134,725	-	134,725
Restricted stocks vested	77,432	- (	77,432)	-	-
Restricted stocks retired	-	- (	9,662)	- (	9,662)
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	-	26,955	26,955
At December 31	<u>\$ 4,147,542</u>	<u>\$ 96,854</u>	<u>\$ 338,495</u>	<u>\$ 290,083</u>	<u>\$ 4,872,974</u>

	2022				
	Share premium	Share option	Employee restricted stocks	Others	Total
At January 1	\$ 4,035,505	\$ 96,857	\$ 267,825	\$ 246,436	\$ 4,646,623
Restricted stocks issued	-	-	127,260	-	127,260
Restricted stocks vested	34,512	-	(34,512)	-	-
Restricted stocks retired	-	-	(69,709)	-	(69,709)
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	-	16,692	16,692
At December 31	<u>\$ 4,070,017</u>	<u>\$ 96,857</u>	<u>\$ 290,864</u>	<u>\$ 263,128</u>	<u>\$ 4,720,866</u>

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, after deduction of mandatory income tax, shall first be used to offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. After the provision or reversal of special reserve, the appropriation of the remaining earnings along with the unappropriated earnings of prior year shall be proposed by the Board of Directors and approved by the shareholders. The Board of Directors may, based on financial, business and operating perspectives, propose a distribution of earnings within an amount at least 30% of the new distributable earnings and not more than 80% of the accumulated distributable earnings for the current period. The dividends shall be preferably distributed in the form of cash, and can be appropriated in the shares. The ratio of cash dividends shall account for at least 30% of the total dividends distributed. All or partial of dividend and bonus that are distributed in the form of cash will be resolved and reported to the shareholders if more than 2/3 of the directors attend the Board of Directors' meeting and more than 1/2 of the directors present at the meeting have agreed.
- B. The Company's dividend policy is summarized below: as the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. In order to encourage employees and operation team, if the Company has any profit for the current year, the Company shall set aside 5% to 10% as employees' compensation and no more than 2% as directors' and supervisors' remuneration. The employees' compensation shall be distributed in the form of stock and cash by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors and report it in the shareholders' meeting. Employees entitled to receive stock or cash as compensation include employees of subsidiaries of the company meeting certain specific requirements.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. In Accordance with Ruling No.1010051600 issued by

Securities and Futures Bureau of the FSC on November 21, 2012, “unearned employee compensation” under employee restricted stock is not an unrealized item, and therefore is not required to set aside the special reserve. As of December 31, 2023, the special reserve set aside based on the above regulation amounted to \$499,042 thousand.

- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land and reversed over the use period if the assets are investment property other than land. As of December 31, 2023, the balance of capital surplus as aforementioned was \$269,144 thousand.
- (c) As of December 31, 2023 and 2022, the balance of special reserve was \$768,186 thousand and \$748,930 thousand, respectively.
- E. The Company distributed earnings for the years ended December 31, 2022 and 2021 as resolved at the shareholders’ meeting on June 14, 2023 and June 15, 2022, respectively, are as follows:

	Years ended December 31,			
	2022		2021	
	Amount	Dividends per share	Amount	Dividends per share
Legal reserve	\$ 146,458		\$ 113,098	
Special reserve	19,256		479,786	
Cash dividends	981,235	\$ 4.5	866,040	\$ 4.0
	<u>\$ 1,146,949</u>		<u>\$ 1,458,924</u>	

The abovementioned distribution of earnings for the years ended December 31, 2022 and 2021 was in agreement with those amounts proposed by the Board of Directors on February 23, 2023 and February 24, 2022, respectively.

- F. The Company distributed earnings for the year ended December 31, 2023 as resolved at the Board of Directors on February 22, 2024 is as follows:

	Year ended December 31, 2023	
	Amount	Dividends per share
Legal reserve	\$ 137,551	
Special reserve	204,826	
Cash dividends	1,030,914	\$ 4.7
	<u>\$ 1,373,291</u>	

(21) Other equity items

	2023				
	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Cost of unearned employee compensation	Total
At January 1	(\$ 258,567)	(\$ 2,687)	(\$ 506,932)	(\$ 228,260)	(\$ 996,446)
Issuance of restricted shares to employees	-	-	-	(151,176)	(151,176)
Amortisation of employee restricted stocks	-	-	-	132,310	132,310
Employee restricted shares retired	-	-	-	10,787	10,787
Revaluation - gross	-	2,687	8,152	-	10,839
Revaluation - tax	-	-	(784)	-	(784)
Revaluation – associates	-	-	(60,254)	-	(60,254)
Revaluation transferred to retained earnings – gross	-	-	(35)	-	(35)
Currency translation differences:					
- Group	(98,016)	-	-	-	(98,016)
- Tax on Group	19,648	-	-	-	19,648
- Associates	(94,837)	-	-	-	(94,837)
- Tax on associates	18,613	-	-	-	18,613
At December 31	<u>(\$ 413,159)</u>	<u>\$ -</u>	<u>(\$ 559,853)</u>	<u>(\$ 236,339)</u>	<u>(\$1,209,351)</u>

2022

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Cost of unearned employee compensation	Total
At January 1	(\$ 605,572)	\$ 2,941	(\$ 146,299)	(\$ 220,316)	(\$ 969,246)
Issuance of restricted shares to employees	-	-	-	(145,260)	(145,260)
Amortisation of employee restricted stocks	-	-	-	62,334	62,334
Employee restricted shares retired	-	-	-	74,982	74,982
Revaluation - gross	-	(5,628)	(361,602)	-	(367,230)
Revaluation - tax	-	-	969	-	969
- Group	349,431	-	-	-	349,431
- Tax on Group	(69,886)	-	-	-	(69,886)
- Associates	83,321	-	-	-	83,321
- Tax on associates	(15,861)	-	-	-	(15,861)
At December 31	(\$ 258,567)	(\$ 2,687)	(\$ 506,932)	(\$ 228,260)	(\$ 996,446)

(22) Operating revenue

	Years ended December 31,	
	2023	2022
Revenue from contracts with customers	\$ 36,690,383	\$ 35,398,690

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

Year ended December 31, 2023						
	Electronic devices					Total
	Taiwan	Shenzhen	Singapore	Vietnam	Others	
Total segment revenue	\$ 26,701,755	\$ 10,064,276	\$ 8,364,498	\$ 2,814,771	\$ 6,183,465	\$ 54,128,765
Revenue from internal segment transactions	(38,069)	(9,740,409)	-	(2,498,732)	(5,161,172)	(17,438,382)
Revenue from external customer contracts	26,663,686	323,867	8,364,498	316,039	1,022,293	36,690,383
Main region						
Europe	11,241,138	90,143	5,822,461	-	195,965	17,349,707
US	14,452,774	-	2,534,316	-	327,439	17,314,529
Mainland China	131,134	233,724	-	-	433,181	798,039
Taiwan	575,871	-	-	-	-	575,871
Others	262,769	-	7,721	316,039	65,708	652,237
	<u>\$ 26,663,686</u>	<u>\$ 323,867</u>	<u>\$ 8,364,498</u>	<u>\$ 316,039</u>	<u>\$ 1,022,293</u>	<u>\$ 36,690,383</u>
Year ended December 31, 2022						
	Electronic devices					Total
	Taiwan	Shenzhen	Singapore	Vietnam	Others	
Total segment revenue	\$ 25,903,833	\$ 11,342,312	\$ 7,707,271	\$ 3,949,401	\$ 4,971,623	\$ 53,874,440
Revenue from internal segment transactions	(15,146)	(10,971,711)	-	(3,668,273)	(3,820,620)	(18,475,750)
Revenue from external customer contracts	25,888,687	370,601	7,707,271	281,128	1,151,003	35,398,690
Main region						
Europe	11,598,015	113,216	5,755,073	-	242,687	17,708,991
US	12,400,282	-	1,951,609	-	534,890	14,886,781
Mainland China	245,985	257,383	-	-	337,224	840,592
Taiwan	1,428,321	2	-	-	302	1,428,625
Others	216,084	-	589	281,128	35,900	533,701
	<u>\$ 25,888,687</u>	<u>\$ 370,601</u>	<u>\$ 7,707,271</u>	<u>\$ 281,128</u>	<u>\$ 1,151,003</u>	<u>\$ 35,398,690</u>

B. Contract assets and liabilities :

(a) The Group has recognized the following revenue-related contract assets and liabilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities	\$ <u>892,122</u>	\$ <u>1,020,897</u>	\$ <u>874,000</u>

(b) Revenue recognized that was included in the contract liability balance at the beginning of the period :

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue recognized that was included in the contract liability balance at the beginning of the period	\$ <u>375,730</u>	\$ <u>236,156</u>

(23) Other income

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Compensation income (Note)	\$ 157,006	\$ 226,939
Government grants	96,430	171,173
Sample income	82,625	42,597
Dividend income	11,763	14,341
Rent income	27,661	9,029
Other income	91,523	24,134
	\$ <u>467,008</u>	\$ <u>488,213</u>

Notes: The Group had compensation agreement with Luxshare Limited.

(24) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Foreign exchange (loss) gain	(\$ 25,335)	\$ 507,858
Net gains (losses) on financial assets/liabilities at fair value through loss or profit	29,907	(9,929)
Impairment loss on goodwill	(65,510)	(161,766)
Gains (losses) on disposals of property, plant and equipment	19,291	(12,241)
Gains on disposals of investments	16,500	-
Other losses	(15,398)	(5,774)
	\$ <u>40,545</u>	\$ <u>318,148</u>

(25) Expenses by nature

	Years ended December 31,	
	2023	2022
Employee benefit expense	\$ 3,527,116	\$ 3,342,556
Depreciation charge - property, plant and equipment	560,412	507,804
Depreciation charge - right-of-use assets	120,710	107,114
Amortization charge	142,490	148,859
	<u>\$ 4,350,728</u>	<u>\$ 4,106,333</u>

(26) Employee benefit expense

	Years ended December 31,	
	2023	2022
Wages and salaries	\$ 2,949,565	\$ 2,852,446
Share-based payments	132,310	62,334
Labor and health insurance fees	73,783	69,251
Pension costs	152,488	150,291
Directors' remuneration	37,942	41,439
Other personnel expenses	181,028	166,795
Total	<u>\$ 3,527,116</u>	<u>\$ 3,342,556</u>

- A. To encourage employees and management team, in accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5 to 10% for employees' compensation and shall not be higher than 2% for directors' remuneration. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders at the shareholders' meeting. Employees' compensation can be distributed in cash or shares and shall be distributed to the employees of subsidiaries of the Company who meet certain specific requirements.
- B. The details of employees' compensation and directors' and supervisors' remuneration of the Company are as follows:

	Years ended December 31,	
	2023	2022
Employees' compensation	\$ 184,910	\$ 161,197
Directors' and supervisors' remuneration	36,982	40,299
	<u>\$ 221,892</u>	<u>\$ 201,496</u>

The abovementioned amounts were recognized in wages and salaries and were accrued at 10% and 8% for employees' compensation and 2% and 2% for directors' remuneration for the years ended December 31, 2023 and 2022, respectively, based on the distributable profit of the year. Employees' compensation and directors' and supervisors' remuneration of 2022 as resolved at

the Board of Directors' meeting were in agreement with those amounts recognized in the profit or loss of 2022.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 459,772	\$ 307,300
Tax on undistributed surplus earnings	10,810	-
Prior year income tax overestimation	(19,284)	(27,180)
Total current tax	451,298	280,120
Deferred tax:		
Origination and reversal of temporary differences	16,300	147,850
Income tax expense	<u>\$ 467,598</u>	<u>\$ 427,970</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2023	2022
Exchange differences changes on translation of foreign financial statements - the Group	\$ 19,648	(\$ 69,886)
Exchange differences changes on translation of foreign financial statements - associates	18,613	(15,861)
Changes in fair value of financial assets at fair value through other comprehensive income	(784)	969
Remeasurement of defined benefit obligations	1,269	(2,279)
	<u>\$ 38,746</u>	<u>(\$ 87,057)</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2023	2022
Current tax:		
Tax calculated based on profit before tax and statutory tax rate	\$ 584,879	\$ 580,844
Expenses disallowed by tax regulation	4,434	2,470
Tax exempt income by tax regulation	(76,835)	(93,532)
Temporary differences not recognised as deferred tax assets	13,098	32,065
Effect from investment tax credits	(45,548)	(66,568)
Income tax of controlled foreign corporation	4,243	-
Tax on undistributed surplus earnings	10,810	-
Prior year income tax overestimation	(19,284)	(27,180)
Others	(8,199)	(129)
Income tax expense	<u>\$ 467,598</u>	<u>\$ 427,970</u>

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C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2023			
	January 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
Deferred tax assets:				
- Temporary differences:				
Unrealized exchange loss	\$ 614	\$ 13,914	\$ -	\$ 14,528
Income tax expense	9,849	1,314	-	11,163
Remeasurement of defined benefit obligations	15,162	-	1,269	16,431
Allowance for bad debts	7,036	(2,928)	-	4,108
Accumulated unused compensated absences	7,979	555	-	8,534
Allowance for inventory valuation losses and loss for obsolete and slow- moving inventories	43,168	(18,912)	-	24,256
Unrealized gain on valuation of financial instruments	172	(172)	-	-
Amortisation of discounts on corporate bonds	25,725	5,417	-	31,142
Cumulative translation adjustment of long-term equity investments	-	-	27,447	27,447
Investment tax credits				
Others	50,310	1,057	-	51,367
Total	<u>\$ 160,015</u>	<u>\$ 245</u>	<u>\$ 28,716</u>	<u>\$ 188,976</u>
- Deferred tax liabilities				
Unrealized exchange gain	(\$ 2,800)	\$ 495	\$ -	(\$ 2,305)
Gain on overseas long-term investment	(1,476,469)	(24,733)	-	(1,501,202)
Cumulative translation adjustment of long-term equity investments	(10,814)	-	10,814	-
Adjustment of land value increment tax	(800)	-	-	(800)
Unrealized gain on valuation of financial instruments	(14,798)	(1,642)	(784)	(17,224)
Others	(28,541)	9,335	-	(19,206)
Total	<u>(\$ 1,534,222)</u>	<u>(\$ 16,545)</u>	<u>\$ 10,030</u>	<u>(\$ 1,540,737)</u>

	2022			
	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022
Deferred tax assets:				
- Temporary differences:				
Unrealized exchange loss	\$ 4,927	(\$ 4,313)	\$ -	\$ 614
Income tax expense	-	9,849	-	9,849
Remeasurement of defined benefit obligations	17,441	-	(2,279)	15,162
Allowance for bad debts	7,513	(477)	-	7,036
Accumulated unused compensated absences	7,801	178	-	7,979
Allowance for inventory valuation losses and loss for obsolete and slow- moving inventories	28,551	14,617	-	43,168
Unrealized gain on valuation of financial instruments	-	172	-	172
Amortisation of discounts on corporate bonds	20,523	5,202	-	25,725
Cumulative translation adjustment of long-term equity investments	74,933	-	(74,933)	-
Investment tax credits				
Others	49,000	1,310	-	50,310
Total	<u>\$ 210,689</u>	<u>\$ 26,538</u>	<u>(\$ 77,212)</u>	<u>\$ 160,015</u>
- Deferred tax liabilities				
Unrealized exchange gain	\$ -	(\$ 2,800)	\$ -	(\$ 2,800)
Gain on overseas long-term investment	(1,288,219)	(188,250)	-	(1,476,469)
Cumulative translation adjustment of long-term equity investments	-	-	(10,814)	(10,814)
Adjustment of land value increment tax	(800)	-	-	(800)
Unrealized gain on valuation of financial instruments	(16,091)	324	969	(14,798)
Others	(44,879)	16,338	-	(28,541)
Total	<u>(\$ 1,349,989)</u>	<u>(\$ 174,388)</u>	<u>(\$ 9,845)</u>	<u>(\$ 1,534,222)</u>

- D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2022	Amount filed	\$ 63,274	\$ -	2032
2023	Amount filed	31,648	22,885	2033
		<u>\$ 94,922</u>	<u>\$ 22,885</u>	
December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2022	Amount filed	<u>\$ 63,274</u>	<u>\$ -</u>	2032

- E. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Deductible temporary differences	<u>\$ 225,815</u>	<u>\$ 160,325</u>

- F. The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.
- G. The Group's exposure to Pillar Two income taxes arising from the Pillar Two legislation is as follows:

The Group is within the scope of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). Since Pillar Two legislation was enacted in Vietnam, the jurisdiction in which the Group's subsidiaries are incorporated, and will come into effect from January 1, 2024, the Group has no related current tax exposure as of December 31, 2023.

Under the Pillar Two legislation, the Group is liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. The Group's subsidiaries are incorporated in Vietnam. The average effective tax rate is lower than 15%, and the Group is exposure to Pillar Two income taxes under the Group's assessment. And, the Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. For jurisdiction Vietnam, due to the complexities in applying the legislation and calculating GloBE income, the average effective tax rate based on accounting profit is 0%, the income tax expense is \$418 and accounting profit is \$229,982, constituting 12% of the Group's accounting profit, for the year ended December 31, 2023. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. This assessment indicates for jurisdiction Vietnam that the average effective tax rate based on accounting profit is 0% for the year ended December 31, 2023. However, due to the complexities in applying the legislation and calculating GloBE income as well as the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with IAS 12, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. The Group is currently engaged with tax specialists to assist it with applying the legislation.

- H. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority

I. Merry Healthcare Co., Ltd. Taiwan Branch's (CAYMAN) income tax returns through 2020 have been assessed and approved by the Tax Authority.

J. Fulicare Co., Ltd., TAIWAN BRANCH income tax returns through 2020 have been assessed and approved by the Tax Authority.

(28) Earnings per share

	Year ended December 31, 2023		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,320,318</u>	<u>214,371</u>	<u>\$ 6.16</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,320,318	214,371	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,967	
Convertible bonds	22,818	27,125	
Employee restricted shares	<u>-</u>	<u>1,364</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,343,136</u>	<u>244,827</u>	<u>\$ 5.49</u>

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	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,455,398	213,834	\$ 6.81
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,455,398	213,834	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,188	
Convertible bonds	23,079	27,125	
Employee restricted shares	-	432	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,478,477	243,579	\$ 6.07

The number of weighted-average outstanding shares is included for assumed conversion of all dilutive potential ordinary shares at the calculation of diluted earnings per share, based on the assumption that employees' compensation will be all distributed in the form of shares.

(29) Supplemental cash flow information

A. Investing activities with partial cash flow effects

	Years ended December 31	
	2023	2022
Purchase of property, plant and equipment	\$ 508,436	\$ 591,673
Add:		
Beginning balance of payable on equipment	105,829	199,508
Ending balance of prepayments for equipment	2,571	14,975
Less:		
Beginning balance of prepayments for equipment	(14,975)	(104,024)
Ending balance of payable on equipment	(71,416)	(105,829)
Cash paid during the year	\$ 530,445	\$ 596,303

(30) Changes in liabilities from financing activities

	Short-term borrowings	Lease liability	Convertible bond	Long-term borrowings (including those matured within one year)	Dividends payable	Other non-current liabilities	Liabilities from financing activities-gross
At January 1, 2023	\$ 2,146,851	\$ 208,436	\$ 2,953,838	\$ 1,356,447	\$ -	\$ 26,413	\$ 6,691,985
Changes in cash flow from financing activities	(986,313)	(134,976)	-	98,943	(981,235)	(13,583)	(2,017,164)
Additions	-	93,901	-	-	981,235	-	1,075,136
Impact of changes in foreign exchange rate	(27,439)	4,004	-	(6,034)	-	(154)	(29,623)
Amortisation of discounts on corporate bonds	-	-	28,523	-	-	-	28,523
Changes in other non-cash items	-	1,655	(100)	-	-	(713)	842
At December 31, 2023	<u>\$ 1,133,099</u>	<u>\$ 173,020</u>	<u>\$ 2,982,261</u>	<u>\$ 1,449,356</u>	<u>\$ -</u>	<u>\$ 11,963</u>	<u>\$ 5,749,699</u>

	Short-term borrowings	Lease liability	Convertible bond	Long-term borrowings (including those matured within one year)	Dividends payable	Other non-current liabilities	Liabilities from financing activities-gross
At January 1, 2022	\$ 3,738,289	\$ 112,601	\$ 2,925,589	\$ 1,558,655	\$ -	\$ 29,309	\$ 8,364,443
Changes in cash flow from financing activities	(1,569,848)	(106,426)	-	(298,903)	(866,040)	(3,569)	(2,844,786)
Additions	-	196,666	-	-	866,040	-	1,062,706
Impact of changes in foreign exchange rate	56,423	1,257	-	18,682	-	1,478	77,840
Amortisation of discounts on corporate bonds	-	-	28,249	-	-	-	28,249
Changes in other non-cash items	(78,013)	4,338	-	78,013	-	(805)	3,533
At December 31, 2022	<u>\$ 2,146,851</u>	<u>\$ 208,436</u>	<u>\$ 2,953,838</u>	<u>\$ 1,356,447</u>	<u>\$ -</u>	<u>\$ 26,413</u>	<u>\$ 6,691,985</u>

(31) Government grants

	Years ended December 31	
	2023	2022
MECL	\$ 73,080	\$ 135,853
MEHO	8,135	6,683
ASCX	9,431	12,651
Others	5,784	15,986
	<u>\$ 96,430</u>	<u>\$ 171,173</u>

This refers to the subsidies granted by local governments, such as the Industry and Information Technology Bureau of Shenzhen Municipality, the Longhua District Industry and Information Technology Bureau, the Culture, Radio, Television, Tourism and Sports Bureau of Shenzhen Municipality and Commerce Bureau of Shenzhen Municipality. Other subsidies are lower than 5% of total government grants, therefore, they are not disclosed individually.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Name	Relationship
MERRY ELECTRONICS(SUZHOU)CO.,LTD (MECE)	Affiliated company
MERRY ELECTRONICS (HUIZHOU)CO.,LTD. (MECH)	Affiliated company
DONPON PRECISION INC.	Affiliated company
Donyun plastic Manufactory Co., Ltd.	Affiliated company
Merry Fuling Co., Ltd.	Other related party
Taiwab Branch (MHNCTW)	
Luxshare Co., Ltd.	Other related party (Note)
Luxshare Precision Limited	Other related party (Note)
Luxshare Precision Industry Co., Ltd	Other related party (Note)
Luxshare Electronic Technology (Kunshan) Co., Ltd.	Other related party (Note)
Dongguan Luxshare Precision Industry Co., Ltd.	Other related party (Note)
Luxshare Precision Industry (Chuzhou), Ltd.	Other related party (Note)
LUXSHARE PRECISION SINGAPORE PTE. LT	Other related party (Note)

Note : A corporate director of the Group's subsidiary, MEVN, and the entity both belong to Luxshare group.

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2023	2022
Sales of goods:		
Luxshare Precision Limited	\$ 279,638	\$ 281,050
Luxshare Precision Singapore PTE.LT	36,401	-
Affiliated company	9,622	26,138
Other related party	3,055	6,955
Total	<u>\$ 328,716</u>	<u>\$ 314,143</u>

The prices of goods sold to related parties are based on the different product's profitability and adjusted annually as there is no comparable transaction for the goods sold to the third parties, and the prices of purchases on behalf of related parties are based on the cost plus mark-ups of 2 to 3%. The credit terms to related parties are 60 to 120 days end of month and 30 to 120 days end of month to the third parties.

B. Purchases

	Years ended December 31,	
	2023	2022
Purchases of goods		
MECE	\$ 9,439,736	\$ 8,369,958
MECH	4,479,454	5,320,670
Affiliated company	121,965	-
Other related party	100,759	63,132
Total	<u>\$ 14,141,914</u>	<u>\$ 13,753,760</u>

Associates and other related parties are the Group's manufacturers of producing products, and the price is made individually based on the profitability of different products. The price will be adjusted once a year. Because the Group do not purchase similar products from non-related parties, no similar transaction can be comparable. The credit terms to associates and other related parties is 60 days to 65 days after monthly billings; and the credit terms to non-related parties is 30 days to 120 days after monthly billings.

C. Receivables from related parties

	December 31, 2023	December 31, 2022
Accounts receivable		
Other related party	\$ 154,646	\$ 61,692
Affiliated company	1,167	79
Total	<u>\$ 155,813</u>	<u>\$ 61,771</u>
Other receivables		
MECH	\$ 173,392	\$ 118,270
Affiliated company	194	-
Total	<u>\$ 173,586</u>	<u>\$ 118,270</u>

Other receivables pertained to purchase materials on behalf of MECH and MECE, respectively.

D. Payables to related parties

	December 31, 2023	December 31, 2022
Accounts payable		
MECE	\$ 2,000,045	\$ 3,182,757
MECH	551,324	1,003,565
Affiliated company	420,685	-
Other related party	51,063	12,580
Total	<u>\$ 3,023,117</u>	<u>\$ 4,198,902</u>
Other payables		
Affiliated company	\$ 65,660	\$ 82,414
Other related party	235	-
Total	<u>\$ 65,895</u>	<u>\$ 82,414</u>

Other payables pertained to the payment that the parent company expect to be paid to MECE for mold developing expense collected on behalf of others.

E. Property transactions

(a) Acquisition of property, plant and equipment:

	Years ended December 31,	
	2023	2022
MECH	\$ 7,847	\$ 60,458
Affiliated company	-	16,993
Other related party	441	-
Total	<u>\$ 8,288</u>	<u>\$ 77,451</u>

(b) Disposal of property, plant and equipment:

Year ended December 31, 2023: None.

	Year ended December 31,	
	2022	
	Disposal proceeds	Gain (loss) on disposal
MECH	<u>\$ 1,681</u>	<u>(\$ 235)</u>

F. Other income

	Years ended December 31,	
	2023	2022
Luxshare CO., Ltd	<u>\$ 157,006</u>	<u>\$ 226,939</u>

Other revenue is the billing to Luxshare CO., Ltd. For the compensation, it was fully collected.

(3) Key management compensation

	Years ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	\$ 98,379	\$ 88,471
Post-employment benefits	199	343
Share-based payments	31,997	30,234
	<u>\$ 130,575</u>	<u>\$ 119,048</u>

8. PLEDGED ASSETS

	Book value		
Pledged asset	December 31, 2023	December 31, 2022	Purpose
Property, plant and equipment	<u>\$ 141,272</u>	<u>\$ -</u>	Long-term borrowings

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

COMMITMENTS

Capital expenditures contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2023	December 31, 2022
Property, plant and equipment	\$ 20,752	\$ 39,774
Intangible assets	3,056	-
	<u>\$ 23,808</u>	<u>\$ 39,774</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Refer to Note 6(22)F. for details of the appropriation of 2023 retained earnings.

12. OTHERS

(1) Capital management

The Company's capital management is to ensure it has sufficient financial resource and operating plans to meet operational capital for future needs, capital expenditure, research and development expense, obligation repayment and dividend distribution within the next year.

The Company monitors capital by reassessing debt ratios periodically. The debt ratios as at December 31, 2023 and 2022 were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total debt	\$ 19,128,870	\$ 20,372,345
Total assets	32,611,193	33,428,631
Debt ratio	59%	61%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 602,408</u>	<u>\$ 416,465</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 474,729	\$ 627,094
Qualifying equity instrument	<u>-</u>	<u>150,863</u>
	<u>\$ 474,729</u>	<u>\$ 777,957</u>
Financial assets at amortized cost/Loans and receivables		
Cash and cash equivalents	\$ 5,526,722	\$ 6,923,268
Financial assets at amortized cost	935,966	295,801
Accounts receivable (including due from related parties)	9,380,288	8,771,469
Other receivables (including due from related parties)	342,776	205,597
Guarantee deposits paid	54,496	59,608
	<u>\$ 16,240,248</u>	<u>\$ 16,255,743</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 1,726	\$ 10,137
Short-term borrowings	1,133,099	2,146,851
Accounts payable (including payable to related parties)	8,539,418	9,214,787
Other accounts payable (including payable to related parties)	1,451,829	1,276,857
Lease liabilities	173,020	208,436
Corporate bonds payable	2,982,261	2,953,838
Long-term borrowings (including those maturing within one year)	1,449,356	1,356,447
Guarantee deposits received	7,643	4,725
	<u>\$ 15,738,352</u>	<u>\$ 17,172,078</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, RMB and HKD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at

fair value through profit or loss are provided in Note 6(2).

- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RMB, HKD, THB, CAD and MYR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

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	December 31, 2023			December 31, 2022		
	Book value			Book value		
	Foreign currency amount (In thousands)	Exchangerate	(NTD)	Foreign currency amount (In thousands)	Exchangerate	(NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
<u>Cash in banks</u>						
USD : NTD	\$ 43,711	30.71	\$ 1,342,146	\$ 107,122	30.71	\$ 3,289,717
RMB : NTD	93,720	4.33	405,526	54,641	4.41	240,858
USD : HKD	939	7.81	28,832	8,229	7.80	252,713
USD : RMB	8,831	7.10	271,156	6,924	6.97	212,636
USD : THB	13,868	34.05	425,817	32,957	34.35	1,012,109
<u>Receivables</u>						
USD : HKD	\$ 2,247	7.81	\$ 68,994	\$ 1,228	7.80	\$ 37,712
USD : NTD	310,381	30.71	9,530,242	241,758	30.71	7,424,389
USD : RMB	106,964	7.10	3,284,330	111,650	6.97	3,428,772
USD : THB	29,547	34.05	907,241	21,302	34.35	654,184
<u>Non-monetary items</u>						
<u>Current financial investments at fair value through other comprehensive income</u>						
USD : NTD	\$ -	-	\$ -	\$ 5,000	30.71	\$ 153,550
<u>Investments Accounted for Using Equity Method</u>						
USD : NTD	\$ 106,814	30.71	\$ 3,279,717	\$ 105,892	30.71	\$ 3,251,933
HKD : NTD	327,174	3.93	1,285,465	332,646	3.94	1,309,957
RMB : NTD	101,360	4.33	438,585	92,399	4.41	407,293
<u>Financial liabilities</u>						
<u>Non-monetary items</u>						
<u>Bank loan</u>						
USD : NTD	\$ -	-	\$ -	\$ 16,000	30.71	\$ 491,360
USD : RMB	-	-	-	10,000	6.97	307,100
USD : CAD	-	-	-	2,600	0.74	79,846
RMB : NTD	61,620	4.33	266,630	42,950	4.41	189,324
<u>Payables</u>						
RMB : NTD	\$ 255,054	4.33	\$ 1,103,619	\$ 235,688	4.41	\$ 1,038,913
USD : NTD	245,114	30.71	7,526,225	272,072	30.71	8,355,331
USD : RMB	43,357	7.10	1,331,277	49,601	6.97	1,523,247

	December 31, 2023			December 31, 2022		
	Sensitivity analysis			Sensitivity analysis		
	Degree of variation	Effects on profit or loss	Effect on other comprehensive income	Degree of variation	Effects on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
<u>Cash in banks</u>						
USD : NTD	3%	\$ 40,264	\$ -	3%	\$ 98,691	\$ -
RMB : NTD	3%	12,166	-	3%	7,226	-
USD : HKD	3%	865	-	3%	7,581	-
USD : RMB	3%	8,135	-	3%	6,379	-
USD : THB	3%	12,775	-	3%	30,363	-
<u>Receivables</u>						
USD : HKD	3%	\$ 2,070	\$ -	3%	\$ -	\$ -
USD : NTD	3%	285,907	-	3%	222,732	-
USD : RMB	3%	98,530	-	3%	102,863	-
USD : THB	3%	27,217	-	3%	19,626	-
<u>Non-monetary items</u>						
<u>Current financial investments at fair value through other comprehensive income</u>						
USD : NTD	3%	\$ -	\$ -	3%	\$ -	\$ 4,607
<u>Investments Accounted for Using Equity Method</u>						
USD : NTD	3%	\$ -	\$ 98,392	3%	\$ -	\$ 97,558
HKD : NTD	3%	-	38,564	3%	-	39,299
RMB : NTD	3%	-	13,158	3%	-	12,219
<u>Financial liabilities</u>						
<u>Non-monetary items</u>						
<u>Bank loan</u>						
USD : NTD	3%	\$ -	\$ -	3%	\$ 14,741	\$ -
USD : RMB	3%	-	-	3%	9,213	-
USD : CAD	3%	-	-	3%	2,395	-
RMB : NTD	3%	7,999	-	3%	5,680	-
<u>Payables</u>						
RMB : NTD	3%	\$ 33,109	\$ -	3%	\$ 31,167	\$ -
USD : NTD	3%	225,787	-	3%	250,660	-
USD : RMB	3%	39,938	-	3%	45,697	-

Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022, amounted to a loss of \$25,335 thousand and a gain of \$507,858 thousand, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 3% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$1,375 thousand and \$819 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$14,242 thousand and \$18,813 thousand, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

- i. The Group's borrowings and investment in debt instruments are measured at amortized cost, fair value through profit or loss and fair value through other comprehensive income. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- ii. If the borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit (loss), net of tax for the years ended December 31, 2023 and 2022 would have increased/decreased by \$5,165 thousand and \$7,007 thousand, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.
- iii. If the debt instruments interest rate had increased/decreased by 0.25% with all other variables held constant, profit (loss), net of tax for the years ended December 31, 2023 and 2022 would have increased/decreased by \$787 thousand and \$1,066 thousand, respectively. The main factor is that changes in interest expense result in floating-rate debt instruments.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. In accordance with the internal and explicit credit policy, each operating entities within the Group shall conduct management and credit risk analysis for each new customer before setting the terms and conditions for payment and delivery. The internal risk control system assesses the credit quality of the customer by taking into account its financial position, past experience and other factors. The limits of individual risks are set by the Board of Directors according to internal or external ratings, and the use of credit limits is regularly monitored. The main credit risk comes from cash and cash equivalents and deposits with banks and financial institutions. It also comes from customers' credit risks and includes outstanding receivables. For banks and financial institutions, only good credit rating agencies will be accepted as trading counterparts.
- iii. For banks and financial institutions, the Group transacts with a variety of banks and financial institutions, mainly domestic and overseas well-known financial institutions, to avoid concentration in any single counterparty and to minimize credit risk. The Group can only enter into the financial services and loan agreement provided by banks and financial institutions after being approved by the Board of Directors or authorized management according to the Company's delegation of authorization policy. To prevent legal risks, all the Group signs with banks and financial institutions after all documents are examined by counsel or legal advisor profession. The Group periodically checks the credit rating, conditions and quality of service as well as transactions. According to the Group's operating condition, the credit limits and utilization of credit limits are monitored on a regular basis and maintained within a reasonable range to ensure it meets the needs of the operation.
- iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.

- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Group classifies customers' accounts receivable, contract assets in accordance with credit rating of customer. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- viii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- ix. The Group used the forecastability of adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2023 and 2022, the provision matrix is as follows:

<u>December 31, 2023</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.03%	\$ 9,169,410	\$ 2,843
Up to 30 days	3.32%	58,076	1,928
31~90 days	30.57%	2,535	775
91~180 days	100.00%	52	52
Over 180 days	100.00%	11,241	11,241
		<u>\$ 9,241,314</u>	<u>\$ 16,839</u>
<u>December 31, 2022</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.03%	\$ 8,524,130	\$ 2,851
Up to 30 days	0.29%	177,174	522
31~90 days	22.35%	15,153	3,386
91~180 days	100.00%	4,853	4,853
Over 180 days	100.00%	9,835	9,835
		<u>\$ 8,731,145</u>	<u>\$ 21,447</u>

- x. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2023	2022
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 21,447	\$ 35,425
Reversal of impairment loss	(3,740)	(12,854)
Effect of foreign exchange	(868)	(1,124)
At December 31	<u>\$ 16,839</u>	<u>\$ 21,447</u>

- xi. For the years ended December 31, 2023 and 2022, there was no loss allowance for investments in debt instruments at fair value through other comprehensive income.
- xii. For investments in debt instruments at amortized cost and at fair value through other comprehensive income, the credit rating levels are presented below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Lifetime</u>	<u>Lifetime</u>
	<u>12 months</u>	<u>12 months</u>
Financial assets measured at amortized cost		
Group 1	<u>\$ 935,966</u>	<u>\$ 295,801</u>
Financial assets at fair value through other comprehensive income		
Group 2	<u>\$ -</u>	<u>\$ 150,863</u>

Group 1: Time deposits designated as investment grade.

Group 2: Debt instruments designated as investment grade

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.
- iv. The Group has \$15,214,533 thousand and \$15,421,095 thousand in undrawn borrowing facilities as of December 31, 2023 and 2022, respectively.

		Between 3				
	Less than 3	months and 1	Between 1	Between 2	Over 5	
December 31, 2023	months	year	and 2 years	and 5 years	years	Total
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 806,999	\$ 335,431	\$ -	\$ -	\$ -	\$ 1,142,430
Accounts payable	4,420,705	1,095,596	-	-	-	5,516,301
Accounts payable -related parties	2,514,213	508,904	-	-	-	3,023,117
Other payables (including related parties)	1,345,409	106,420	-	-	-	1,451,829
Lease liabilities	22,026	59,943	50,440	40,457	13,462	186,328
Bonds payable	-	2,999,900	-	-	-	2,999,900
Long-term borrowings	109,542	371,473	405,080	546,398	98,287	1,530,780
<u>Derivative financial liabilities</u>						
Forward exchange contracts	1,726	-	-	-	-	1,726

		Between 3				
	Less than 3	months and 1	Between 1	Between 2	Over 5	
December 31, 2022	months	year	and 2 years	and 5 years	years	Total
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 1,907,179	\$ 260,524	\$ -	\$ -	\$ -	\$ 2,167,703
Accounts payable	4,087,608	928,277	-	-	-	5,015,885
Accounts payable -related parties	3,412,184	786,718	-	-	-	4,198,902
Other payables (including related parties)	1,239,866	36,991	-	-	-	1,276,857
Lease liabilities	22,586	141,550	15,699	21,991	22,612	224,438
Bonds payable	-	-	3,000,000	-	-	3,000,000
Long-term borrowings	68,553	405,820	458,559	469,645	-	1,402,577
<u>Derivative financial liabilities</u>						
Forward exchange contracts	10,137	-	-	-	-	10,137

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and

volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, and derivative instruments with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in certain derivative instruments and equity instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in certain derivative instruments, equity investment without active market and is included in Level 3.

B. Financial instruments not measured at fair value

Except for those listed in the table below, financial instruments not measured at fair value include the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, long-term and short-term bank borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

		December 31, 2023			
		Fair value			
	Book value	Level 1	Level 2	Level 3	
Financial liabilities:					
Bonds payable	\$ 2,982,261	\$ -	\$ 2,972,536	\$ -	
		December 31, 2022			
		Fair value			
	Book value	Level 1	Level 2	Level 3	
Financial liabilities:					
Bonds payable	\$ 2,953,838	\$ -	\$ 2,879,204	\$ -	

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as at December 31, 2023 and 2022 is as follows:

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity securities	\$ -	\$ -	\$ 45,828	\$ 45,828
-Bonds investments	-	-	280,000	280,000
-Forward exchange contracts	-	13,166	-	13,166
-Fund	245,574	-	-	245,574
-Stock	17,840	-	-	17,840
Financial assets at fair value through other comprehensive income				
-Equity securities	105,206	-	369,523	474,729
Total	\$ 368,620	\$ 13,166	\$ 695,351	\$ 1,077,137

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contracts	\$ -	\$ 1,726	\$ -	\$ 1,726
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity securities	\$ -	\$ -	\$ 27,284	\$ 27,284
-Bonds investments	-	-	280,000	280,000
-Forward exchange contracts	-	7,076	-	7,076
-Fund	102,105	-	-	102,105
Financial assets at fair value through other comprehensive income				
-Equity securities	230,211	-	396,883	627,094
-Debt securities	-	150,863	-	150,863
Total	<u>\$ 332,316</u>	<u>\$ 157,939</u>	<u>\$ 704,167</u>	<u>\$ 1,194,422</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contracts	\$ -	\$ 10,137	\$ -	\$ 10,137

D. The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price at evaluation date	Net asset value at evaluation date

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods.
- iii. Forward exchange contracts are usually valued based on the current forward exchange rate.
- vi. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with

additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

E. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2

F. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	Years ended December 31,	
	2023	2022
At January 1	\$ 704,167	\$ 1,026,433
Added in the year	20,000	1,487
Losses recognised in profit or loss	(1,456)	(198)
Losses recognised in other comprehensive income	(27,360)	(323,555)
At December 31	<u>\$ 695,351</u>	<u>\$ 704,167</u>

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Nonderivative equity instrument:					
Equity securities	\$ 136,887	Market comparable companies	Price to book ration multiple	1	The higher the multiplier, the higher the fair value
Private equity funds in venture capital	45,828	Net asset value	N/A	N/A	N/A
Private placement shares (listed companies)	232,636	Market price method	Discount for lack of marketability	15.57%~41.45%	The higher the discount for marketability, the lower the fair value
Nonderivative debt instrument:					
Convertible bonds	\$ 280,000	Discounted cash flow method	Discount rate	-	The higher the discount rate, the lower the fair value

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Nonderivative equity instrument:					
Equity securities	\$ 127,692	Market comparable companies	Price to book ratio multiple	1	The higher the multiplier, the higher the fair value
Private equity funds in venture capital	27,284	Net asset value	N/A	N/A	N/A
Private placement shares (listed companies)	269,191	Market price method	Discount for lack of marketability	20.5%~26.6%	The higher the discount for marketability, the lower the fair value
Nonderivative debt instrument:					
Convertible bonds	\$ 280,000	Discounted cash flow method	Discount rate	-	The higher the discount rate, the lower the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

		December 31, 2023				
		Recognised in profit or loss		Recognised in other comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Input	Change					
Financial assets						
Equity securities	Price to book ratio multiple	±10%	\$ -	\$ -	\$ 13,689	(\$ 13,689)
		December 31, 2022				
		Recognised in profit or loss		Recognised in other comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Input	Change					
Financial assets						
Equity securities	Price to book ratio multiple	±10%	\$ -	\$ -	\$ 12,769	(\$ 12,769)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Purchases or sales of goods from or to related parties reaching \$100 million or more: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: None.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. Business organization is divided into Taiwan, Shenzhen, Singapore, Vietnam and other segments based on the operating regions. The Company's revenue is mainly from manufacturing and sales of microphones, receivers, speakers and other electronic components.

(2) Measurement of segment information

The Group evaluates the performance of the operating segments based on post-tax profit or loss.

(3) Information about segment profit or loss, assets and liabilities

A. The segment information provided to the chief operating decision-maker for the reportable segments for the year ended December 31, 2023 is as follows:

	Taiwan	Shenzhen	Singapore	Vietnam	Others	Total
Revenue						
Revenue from external customers	\$ 26,663,686	\$ 323,867	\$ 8,364,498	\$ 316,039	\$ 1,022,293	\$ 36,690,383
Inter-segment revenue	38,069	9,740,409	-	2,498,732	5,161,172	17,438,382
Revenue total	\$ 26,701,755	\$ 10,064,276	\$ 8,364,498	\$ 2,814,771	\$ 6,183,465	\$ 54,128,765
Segment profit (loss) before tax	\$ 523,392	\$ 205,676	\$ 853,467	\$ 229,982	\$ 53,831	\$ 1,866,348
Segment profit (loss) contains :						
Interest revenue	\$ 74,498	\$ 33,513	\$ 21,931	\$ 2,201	\$ 4,662	\$ 136,805
Interest expense	(60,738)	(13,399)	(582)	(13,347)	(12,431)	(100,497)
Depreciation & amortization	(98,501)	(458,920)	(6,876)	(161,635)	(97,680)	(823,612)
Income tax (expense) benefit	(306,894)	(30,987)	(132,093)	(418)	2,794	(467,598)
Recognized investment profit						
which is adopting equity method	1,389,335	(714)	(7,630)	-	(1,096,190)	284,801

Note: The Group does not use segment information relating to assets and liabilities to evaluate segment performance. As a result, such information is not disclosed.

B. The segment information provided to the chief operating decision-maker for the reportable segments for the year ended December 31, 2022 is as follows:

	Taiwan	Shenzhen	Singapore	Vietnam	Others	Total
Revenue						
Revenue from external customers	\$ 25,888,687	\$ 370,601	\$ 7,707,271	\$ 281,128	\$ 1,151,003	\$ 35,398,690
Inter-segment revenue	15,146	10,971,711	-	3,668,273	3,820,620	18,475,750
Revenue total	\$ 25,903,833	\$ 11,342,312	\$ 7,707,271	\$ 3,949,401	\$ 4,971,623	\$ 53,874,440
Segment profit (loss) before tax	\$ 1,092,087	\$ 114,661	\$ 718,313	\$ 358,303	(\$ 38,474)	\$ 2,244,890
Segment profit (loss) contains :						
Interest revenue	\$ 38,955	\$ 23,859	\$ 1,199	\$ 191	\$ 2,062	\$ 66,266
Interest expense	(51,772)	(36,241)	(397)	(7,079)	(10,146)	(105,635)
Depreciation & amortization	(77,630)	(410,206)	(7,736)	(142,124)	(126,081)	(763,777)
Income tax (expense) benefit	(358,074)	10,890	(110,254)	(35)	29,503	(427,970)
Recognized investment profit						
which is adopting equity method	930,299	-	(259)	-	(721,126)	208,914

Note: The Group does not use segment information relating to assets and liabilities to evaluate segment performance. As a result, such information is not disclosed.

C. The Group's reportable operating segments are classified based on the operating regions.

D. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4. The Group's segment profit (loss) is measured with the current profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments.

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A. A reconciliation of revenue after adjustment and total segment revenue from continuing operations is provided as follows:

	Years ended December 31,	
	2023	2022
Adjusted revenue from reportable segments	\$ 54,128,765	\$ 53,874,440
Elimination of inter-segment revenue	(17,438,382)	(18,475,750)
Total consolidated operating revenue	<u>\$ 36,690,383</u>	<u>\$ 35,398,690</u>

B. A reconciliation of adjusted current income before tax and the income before tax from continuing operations is provided as follows:

	Years ended December 31,	
	2023	2022
Adjusted income from reportable segments after income tax	\$ 1,866,348	\$ 2,244,890
Elimination of inter-segment income	19,147	(195,864)
Income from continuing operations after income tax	<u>\$ 1,885,495</u>	<u>\$ 2,049,026</u>

(5) Information on products and services

Revenues from external customers are mainly manufacturing, processing, repairing and sales of radio apparatus, communication devices, consumer electronics, automatic control system, electronic security systems and fire protection system as well as electronic components; planning, design as well as output of service items' equipment; production as well as marketing management consultant of service items' relevant business. Details of revenue are as follows:

	Years ended December 31,	
	2023	2022
Finished goods sales revenue	\$ 36,680,126	\$ 35,380,239
Technical service revenue	10,257	18,451
	<u>\$ 36,690,383</u>	<u>\$ 35,398,690</u>

(6) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
US	\$ 17,314,529	\$ 707	\$ 14,886,782	\$ 601
Netherlands	8,706,365	-	9,308,873	-
Switzerland	3,704,526	-	3,984,938	-
Denmark	2,816,056	-	3,481,839	-
China	798,039	1,503,483	840,592	1,603,173
Taiwan	575,871	1,563,840	1,428,625	1,567,975
Others	2,774,997	2,197,032	1,467,041	2,421,497
	<u>\$ 36,690,383</u>	<u>\$ 5,265,062</u>	<u>\$ 35,398,690</u>	<u>\$ 5,593,246</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 is as follows:

<u>Year ended December 31, 2023</u>				<u>Year ended December 31, 2022</u>			
	<u>Revenue</u>	<u>%</u>	<u>Segment</u>		<u>Revenue</u>	<u>%</u>	<u>Segment</u>
A	\$ 13,300,819	36	Taiwan	A	\$ 11,807,867	33	Taiwan
B	10,343,958	28	Taiwan	B	8,278,897	23	Taiwan
C	3,707,467	10	Taiwan	C	3,987,686	11	Taiwan
	<u>\$ 27,352,244</u>				<u>\$ 24,074,450</u>		

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MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 1)	Note
					balance for the year ended December 31, 2023								Item	Value			
0	MEHO	FUXM	Other receivables	Y	\$ 60,000	\$ 60,000	\$ 56,251	1.83	2	\$ -	Purchasing plant	\$ -	-	\$ -	\$ 5,048,499	\$ 12,621,247	
1	MESG	MENA	Other receivables	Y	122,820	122,820	39,917	1.13	2	-	Business operation	-	-	-	1,871,860	1,871,860	
1	MESG	MENA	Other receivables	Y	61,410	61,410	61,410	4.31	2	-	Business operation	-	-	-	1,871,860	1,871,860	
1	MESG	SENM	Other receivables	Y	46,058	46,058	15,353	3.52	2	-	Business operation	-	-	-	1,871,860	1,871,860	
2	MECL	ASCX	Other receivables	Y	34,616	34,616	28,126	3.45	2	-	Business operation	-	-	-	1,344,718	3,361,795	

Note 1: (1) The ceiling on MESG total loans to others is MESG's net assets; for short-term financing, the limit to a single party is 40% of MESG's net assets.

(2) The ceiling on MECL total loans to others is MESG's net assets; for short-term financing, the limit to a single party is 40% of MECL's net assets.

(3) For short-term financing between the Company's wholly-owned subsidiaries, limit on loans is not restricted. Limit on total loans granted to a single party is the net value of MESG.

(4) For the companies having business relationship with MESG and MECL, financial limit on loans granted to a single party shall not exceed the amount of business transactions occurred between the creditor and borrower.

(5) Limit on loans to FuliCare (Xiamen) Co., Ltd. ("FUXM") is 40% of the Company's net value for the needs of short-term financing.

Note 2: (1) Having business relationship with the Company, MESG and MECL.

(2) The needs for short-term financing.

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the year ended December 31, 2023	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent subsidiary to company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Relationship with the endorser/ guarantor (Note 2)			accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company									
0	MEHO	MENA	2	\$ 10,096,998	\$ 187,301	\$ 79,833	\$ -	\$ -	0.63%	\$ 12,621,247	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following four categories; fill in the number of category each case belongs to:

(1)Having business relationship.

(2)The Company holds over 50% of the voting rights directly or indirectly.

(3)This company holds over 50% of the voting rights of the Company directly or indirectly.

(4)The Company holds over 90% of the voting rights directly or indirectly.

Note 3: The guarantees and endorsements for a single party should not exceed 80% of the Company's net assets.

Note 4: The ceiling on total amount of endorsements/guarantees provided to others by the Company is 100% of the Company's net assets.

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2023				
				Number of shares	Book value (in thousands)	Ownership (%)	Fair value (in thousands)	Note
The Company	Fund - 76324296A KGI Taiwan Multi-Asset Income Fund A TWD	-	Financial assets mandatorily measured at fair value through profit or loss	5,015	\$ 50,000	-	\$ 58,325	
The Company	Fund - UPAMC Wealthy Fund		Financial assets mandatorily measured at fair value through profit or loss	5,000	50,000	-	55,249	
The Company	Fund - Hua Nan Phoenix Money Market Fund		Financial assets mandatorily measured at fair value through profit or loss	5,981	100,000	-	100,000	
The Company	Bond - SYNergy Private Placement (YDB8AA)	-	Financial assets mandatorily measured at fair value through profit or loss	-	280,000	-	280,000	
The Company	Stock-Foxtron Vehicle Technologies		Financial assets mandatorily measured at fair value through profit or loss	400	20,480	-	17,840	
MUTT	Fund - Taishin 1699 Money Market Fund		Financial assets mandatorily measured at fair value through profit or loss	2,300	32,000	-	32,000	
					532,480		\$ 543,414	
			Valuation adjustment		10,934			
					\$ 543,414			
The Company	Fund - JAFCO	-	Non-current financial assets mandatorily measured at fair value through profit or loss	919	\$ 27,652	0.71%	\$ 25,869	
The Company	Fund-WK Technology		Non-current financial assets mandatorily measured at fair value through profit or loss	2,000	20,000	1.78%	19,959	
					47,652		\$ 45,828	
			Valuation adjustment		(1,824)			
					\$ 45,828			
The Company	Stock - 2881B.TW	-	Equity instruments measured at fair value through other comprehensive income - current	683	\$ 40,980	-	\$ 40,912	
The Company	Stock - 2882B.TW	-	Equity instruments measured at fair value through other comprehensive income - current	585	35,100	-	34,924	
The Company	Stock - 5871A			300	30,000	-	29,370	
					106,080		\$ 105,206	
			Valuation adjustment		(874)			
					\$ 105,206			
The Company	Stock - 4943.TW		Equity instruments measured at fair value through other comprehensive income - non-current	7,712	\$ 648,164	7.61%	\$ 65,919	
The Company	Stock - FUJITER Semiconductor CO.,LTD.	-	Equity instruments measured at fair value through other comprehensive income - non-current	2,126	27,811	9.79%	18,749	
The Company	Stock - NETVOX TECHNOLOGY CO., LTD	-	Equity instruments measured at fair value through other comprehensive income - non-current	324	2,976	1.32%	-	
The Company	Stock - EVER THAI AGRI-PRODUCT CO.,LTD.	-	Equity instruments measured at fair value through other comprehensive income - non-current	683	6,425	4.64%	2,392	
The Company	Stock - SUNSINO SME Development Co., Ltd.	-	Equity instruments measured at fair value through other comprehensive income - non-current	169	2,123	0.36%	2,418	
The Company	Stock - LINSATION Intelligent Technology Limited	-	Equity instruments measured at fair value through other comprehensive income - non-current	75	8,772	6.19%	2,826	
The Company	Stock - MERRY FULING CO., LTD., TAIWAN BRANCH (SAMOA)	-	Equity instruments measured at fair value through other comprehensive income - non-current	356	10,437	19.00%	11,000	
The Company	Stock - 6558.TW	-	Equity instruments measured at fair value through other comprehensive income - non-current	7,300	188,340	7.79%	166,717	
					895,048		\$ 270,021	
			Valuation adjustment		(625,027)			
					\$ 270,021			
MEST	Stock - Perfect Fortune Inc.	-	Measured at fair value through other comprehensive income - non-current	2,126	\$ 8,355	18.33%	\$ 75,068	
MEST	Stock - LOYAL WIRE& CABLE COMPANY LTD.	-	Measured at fair value through other comprehensive income - non-current	1,159	8,054	18.33%	19,241	
ASCX	Stock - DeTing (Xiamen) Health Technology Co., Lt	-	Measured at fair value through other comprehensive income - non-current	-	433	10.00%	433	
ASCX	Stock - Beijing Wanling Hearing Aids	-	Measured at fair value through other comprehensive income - non-current	-	4,760	19.64%	4,760	
					21,602		\$ 99,502	
			Valuation adjustment		77,900			
					\$ 99,502			

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9.

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

Year ended December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
			Purchases (sales)	Amount	total purchases (sales)	Credit term	Unit price	Credit term	Balance (Note 2)	notes/accounts receivable (payable)	Note
The Company	MECL	A subsidiary of the Company	Purchases	\$ 8,942,206	24%	60~65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(\$ 3,353,058)	39%	(Note 3)
The Company	MEVN	A subsidiary of the Company	Purchases	2,510,464	7%	60~65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(1,040,713)	12%	(Note 3)
The Company	MECH	Investment accounted for using the equity method	Purchases	2,707,870	7%	60~65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(495,467)	6%	
The Company	MECE	Investment accounted for using the equity method	Purchases	9,439,736	26%	60~65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(2,000,045)	23%	
METC	The Company	Parent Company	Purchases	3,210,332	9%	60~120 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(1,428,565)	17%	(Note 3)
MESG	MECL	A subsidiary of the Company	Purchases	840,924	2%	60~65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(354,596)	4%	(Note 3)
MESG	METC	A subsidiary of the Company	Purchases	4,737,777	13%	60~65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(903,012)	11%	(Note 3)
MESG	MECH	Investment accounted for using the equity method	Purchases	1,767,080	5%	60~65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(55,346)	1%	

Note 1: For purchase transactions with related parties, the price is based on the profitability of the product and will be adjusted annually.

Note 2: The balance is the net amount after offsetting accounts receivable and payable due from/ to related parties.

Note 3: Inter-company transactions between companies within the Group are eliminated.

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance of accounts receivable due from related party		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 2)	Allowance for doubtful accounts	Note
			General ledger account	Amount		Amount	Action taken			
The Company	METC	A subsidiary of the Company	Accounts Receivable	\$ 1,428,565	2.49	\$ -	-	\$ 320,044	\$ -	(Note 1)
MECL	The Company	Parent Company	Accounts Receivable	3,353,058	2.66	-	-	1,659,305	-	(Note 1)
MECL	MESG	A subsidiary of the Company	Accounts Receivable	354,596	2.60	-	-	172,553	-	(Note 1)
METC	MESG	A subsidiary of the Company	Accounts Receivable	903,012	6.09	-	-	903,012	-	(Note 1)
MEVN	The Company	Parent Company	Accounts Receivable	1,040,713	2.84	-	-	190,853	-	(Note 1)
MECE	The Company	Parent Company	Accounts Receivable	2,000,045	3.65	-	-	1,071,534	-	
MECH	The Company	Parent Company	Accounts Receivable	495,467	5.29	-	-	224,278	-	
MESG	MENA	A subsidiary of the Company	Other Receivable	101,327	-	-	-	-	-	(Note 3)

Note 1: Inter-company transactions between companies within the Group are eliminated.

Note 2: The balance was as at February 22, 2024.

Note 3: The amount comprises other receivables and thus, the turnover rate is not calculated.

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
Year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction	Percentage of consolidated total operating revenues or total assets (Note 3)
						terms	
0	MEHO	MECL	1	Purchases	\$ 8,942,206	The price is based on the profitability of the product 60~65 days end of month after	24%
0	MEHO	MECL	1	Accounts payable	3,353,058	offsetting with accounts receivable	10%
0	MEHO	MEVN	1	Purchases	2,510,464	The price is based on the profitability of the product 60~65 days end of month after	7%
0	MEHO	MEVN	1	Accounts payable	1,040,713	offsetting with accounts receivable	3%
1	METC	MEHO	2	Purchases	3,210,332	The price is based on the profitability of the product 60~120 days end of month after	9%
1	METC	MEHO	2	Accounts payable	1,428,565	offsetting with accounts receivable	4%
2	MESG	MECL	3	Purchases	840,924	The price is based on the profitability of the product 60~65 days end of month after	2%
2	MESG	MECL	3	Accounts payable	354,596	offsetting with accounts receivable	1%
2	MESG	METC	3	Purchases	4,737,777	The price is based on the profitability of the product 60~65 days end of month after	13%
2	MESG	METC	3	Accounts payable	903,012	offsetting with accounts receivable	3%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

1. Parent company is '0'.
2. The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counter party is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Information on investees
Year ended December 31, 2023

Table 7

Expressed in thousands of NTD (Except as otherwise indicated)											
Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Note
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares (in thousand shares)	Ownership (%)	Book value			
The Company	MEST	HONG KONG	Sales of microphone, receiver and speaker	\$ 733,733	\$ 981,113	19,658	100.00%	\$ 4,803,954	\$ 392,361	\$ 468,780	(Note 1)
The Company	DDBV	British Virgin IS.	General investment business	1,479,925	1,479,925	48,005	100.00%	3,279,912	9,155	64,066	(Note 1)
The Company	LEOHAB ENTERPRISE CO.,LTD.	Taichung City	Plastic injection molding and metal stamping	96,666	96,666	4,986	21.00%	39,554	3,410	715	
The Company	DONPON PRECISION INC.	Taoyuan City	Various plastic products, mold manufacturing and processing and trading business	386,010	99,990	19,723	16.09%	441,257	121,355	(4,172)	(Note 1)
The Company	MECA	U.S.A	Technique, marketing and after service	28,887	28,887	999	99.90%	35,217	145	145	
The Company	MESG	SINGAPORE	Sales of microphone, receiver and speaker	92,132	92,132	800	100.00%	1,871,860	721,374	721,374	
The Company	METC	THAILAND	Microphone, components and product and sale of other electric products	484,358	484,358	5,060	99.99%	866,204	175,545	172,949	(Note 1)
The Company	MHKY	CAYMAN	Sales of medical device	857,946	857,946	27,992	100.00%	284,579	(97,627)	(97,627)	
The Company	INSA	SAMOA	General investment business	1,293,008	1,199,977	302	100.00%	535,120	(45,083)	(45,083)	
The Company	MEVN	VIETNAM	Manufacture of microphone and speaker	366,710	366,710	-	51.00%	841,570	229,564	109,675	(Note 1)
The Company	MUTT	New Taipei City	Electrical appliances and audiovisual electronic products	30,600	30,600	3,060	51.00%	16,005	(22,885)	(11,671)	
The Company	MCTT	Taichung City	General investment business	8,000	8,000	800	100.00%	9,886	1,647	1,647	
The Company	MAC FUND	Taipei City	General investment business	123,733	19,200	-	42.67%	114,161	(19,990)	(8,529)	
MESG	MEMP	Malaysia	Research and development of microphone, receiver and speaker	15,969	15,969	2,400	100.00%	8,344	(7,630)	-	(Note 2)
MCTT	MAC FUND	Taipei City	General investment business	2,900	450	-	1.00%	2,676	(19,990)	(200)	
DDBV	UCMU	MAURITIUS	General investment business	-	151	-	-	-	-	-	(Note 2)
DDBV	MTHK	HONG KONG	General investment business	1,392,956	1,392,956	48,000	100.00%	3,279,717	9,155	-	(Note 2)
MHKY	FUSA	SAMOA	General investment business	795,943	795,943	27,160	96.01%	285,674	(97,443)	-	(Note 2)
INSA	MENA	CANADA	Sale and development of speaker and power amplifier	92,445	30	56,954	100.00%	50,448	(64,335)	-	(Note 2)
MENA	SENM	NORWAY	Manufacture and sales of speaker monomer	23	23	-	100.00%	56,653	(1,128)	-	(Note 2)

Note 1: The investment income included unrealised gains or losses and realised gains arising from upstream transactions.

Note 2: The investee is second subsidiary and investment income (loss) is not shown.

Note 3: Please refer to Note 4 (3).

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES													
Information on investees in Mainland China													
Year ended December 31, 2023													
Expressed in thousands of NTD (Except as otherwise indicated)													
Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023 (Note 4)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Note
					Remitted to Mainland China	Remitted back to Taiwan							
MEDG	Research and development of sound equipment, earphones, mobile power supply, charging box, cable, connector, electronic components, plastic hardware,	\$ 865,400	(Note 1)	\$ 452,564	\$ -	\$ -	\$ 452,564	\$ 47,105	49.00%	\$ 23,081	\$ 422,596	\$ -	(Note 3)
MSCS	Manufacture of speaker and amplifier	149,595	(Note 1)	110,497	-	-	110,497	(6,015)	100.00%	(6,015)	128,810	-	(Note 3)
MECL	Microphone, receiver, speaker, security system, induction cooker and other electronic component	412,553	(Note 2)	453,191	-	-	453,191	174,688	100.00%	174,688	3,361,795	2,282,120	(Note 3)
MECE	Manufacture and sales of microphone, receiver and speaker	2,707,573	(Note 2)	1,369,285	-	-	1,369,285	18,679	49.00%	64,066	3,279,717	295,185	(Note 3)
MECS	International trade, transit trade and trading consulting; trading amongst companies in bonded area and trading agency in the area	7,181	(Note 2)	6,055	-	-	6,055	-	49.00%	-	(1,095)	40,321	(Note 3)
MECH	Manufacture and sales of microphone, receiver, speaker and mobile phone	432,700	(Note 2)	420,687	-	-	420,687	400,938	49.00%	210,554	1,286,560	213,003	(Note 3)
FUSZ	Manufacture of medical device	277,721	(Note 2)	310,763	-	-	310,763	(2,447)	96.01%	(2,350)	236,750	-	(Note 3)
ETCX	Retail sales of hearing products	19,472	(Note 2)	19,009	-	-	19,009	(7,144)	96.01%	(6,859)	(30,512)	-	(Note 3)
ASCX	Manufacture and sales of hearing aid, hearing device and acoustics equipment	74,688	(Note 2)	293,281	-	-	293,281	(4,965)	95.53%	(4,743)	20,884	-	(Note 3)
LACX	Research and development and technical sales of software for hearing aid use	21,635	(Note 2)	22,180	-	-	22,180	(859)	95.53%	(821)	(810)	-	(Note 3)

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Information on investees in Mainland China

Year ended December 31, 2023

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023 (Note 4)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023		Note
					Remitted to Mainland China	Remitted back to Taiwan						December 31, 2023	December 31, 2023	
FUXM	Sales of medical device	\$ 301,302	(Note 2)	\$ 302,995	\$ -	\$ -	\$ 302,995	(\$ 57,456)	96.01%	(\$ 55,163)	\$ 23,748	\$ -		(Note 3)
DONG GUAN GET PINK	Manufacture and sales of earphones and speaker	68,150	(Note 2)	-	-	-	-	(2,163)	33.00%	(714)	15,989	-		(Note 3)

Note 1: Reinvesting in the investee in Mainland China through the parent company.

Note 2: Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

Note 3: The financial statements that are audited and attested by R.O.C. parent company’s CPA.

Note 4: The amount in the table is translated into New Taiwan dollars at the closing exchange rates prevailing at the balance sheet date.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Merry Electronics Co., Ltd.	\$ 3,760,507	\$ 4,178,588	\$ 7,572,748

Note 1: (2001) Tai-Cai-Zheng (1) Letter No. 006130 of Securities and Futures Commission, Ministry of Finance, R.O.C

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2023

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Counterparty	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing					
		Amount	%	Amount	%	Balance at December 31, 2023	%	Balance at December 31, 2023	Purpose	Maximum balance during the year ended December 31, 2023	Balance at December 31, 2023	Interest rate	Interest during the year ended December 31, 2023		Others
MECL	MEHO	(\$ 8,942,206)	24%	\$ -	-	(\$ 3,353,058)	39%	\$ -	-	\$ -	\$ -	-	\$ -	-	-
MECL	MESG	(840,924)	2%	-	-	(354,596)	4%	-	-	-	-	-	-	-	-
MECE	MEHO	(9,439,736)	26%	-	-	(2,000,045)	23%	-	-	-	-	-	-	-	-
MECH	MEHO	(2,707,870)	7%	-	-	(495,467)	6%	-	-	-	-	-	-	-	-
MECH	MESG	(1,767,080)	5%	-	-	(55,346)	1%	-	-	-	-	-	-	-	-