MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS’ REVIEW REPORT

September 30, 2022 AND 2021

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' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Merry Electronics Co., Ltd. and subsidiaries (the “Group”) as on September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months ended, as well as the related consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4 (3) and 6 (9), the financial statements of certain insignificant consolidated subsidiaries and certain investments accounted for using the equity method were not reviewed by independent auditors. Those statements reflect total assets of NT$4,705,017 thousand and NT$5,155,340 thousand, constituting 13% and 15% of the consolidated total assets, and total liabilities of NT$1,968,690 thousand and NT$2,313,612 thousand, constituting 8% and 10% of the consolidated total liabilities as at September 30, 2022 and 2021, respectively, and reflect total revenue of NT$215,473 thousand, NT$375,142 thousand, NT$739,661 thousand and NT$936,009 thousand, constituting 2%, 4%, 3% and 4% of the consolidated revenues for the three months and nine months then ended, respectively, and total comprehensive income (loss) of NT$233,309 thousand, NT$46,836 thousand, NT$508,542 thousand and NT$177,524 thousand, constituting 30%, 20%, 35% and 194% of the consolidated total comprehensive income for the three months and nine months then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and certain investments accounted for using the equity method been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as on September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months then ended, and its consolidated cash flows for the nine months then ended in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Wang, Yu-Chuan

Liu, Mei-Lan

For and on behalf of PricewaterhouseCoopers, Taiwan
October 27, 2022

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' review 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
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2022 and 2021 were reviewed, not audited)

	Assets	Notes	September 30, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%	September 30, 2021 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6 (1)	$ 6,183,851	17	$ 4,841,969	14	$ 6,266,608	19
1110	Financial assets at fair value through profit or loss – current	6 (2)	591,764	2	339,000	1	352,166	1
1120	Financial assets at fair value through other comprehensive income – current	6 (3)	104,090	-	110,695	-	108,976	-
1136	Financial assets at amortized cost – current	6 (4) and 8	1,127,127	3	1,029,073	3	3,853	-
1150	Notes receivable, net		-	-	-	-	5	-
1170	Accounts receivable, net	6 (5) (6)	9,437,539	26	9,365,119	28	7,826,418	23
1180	Accounts receivable due from related parties, net	7 (2)	92,463	-	38,201	-	33,070	-
1200	Other receivables	6 (2)	83,073	-	399,763	1	673,223	2
1210	Other receivables – related parties	7 (2)	474,664	2	554,654	2	467,205	1
130X	Inventories	6 (7)	5,561,869	16	5,146,042	15	6,091,992	18
1470	Other current assets	6 (8) and (24)	351,250	1	352,887	1	378,733	1
11XX	**Current Assets**		24,007,690	67	22,177,403	65	22,202,249	65
	Non-current assets							
1510	Financial assets at fair value through profits or loss – non-current	6 (2)	29,021	-	25,395	-	27,863	-
1517	Financial assets at fair value through other comprehensive income– non-current	6 (3)	675,610	2	1,010,291	3	1,187,681	3
1535	Financial assets at amortized cost – non-current	6 (4) and 8	317,583	1	3,853	-	-	-
1550	Investments accounted for under equity method	6 (9)	4,931,538	14	4,699,769	14	4,635,839	14
1600	Property, plant and equipment	6 (10)	4,167,320	11	3,951,003	12	3,894,606	11
1755	Right-of-use assets	6 (11)	312,862	1	200,224	-	228,517	1
1780	Intangible assets	6 (12)	1,123,266	3	1,376,179	4	1,354,789	4
1840	Deferred income tax assets	6 (30)	247,791	1	210,689	1	196,415	1
1900	Other non-current assets		191,814	-	207,818	1	259,336	1
15XX	**Non-current assets**		11,996,805	33	11,685,221	35	11,785,046	35
1XXX	**Total assets**		$ 36,004,495	100	$ 33,862,624	100	$ 33,987,295	100

(Continued)

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2022 and 2021 were reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%	September 30, 2021 AMOUNT	%
	Current liabilities							
2100	Short-term borrowing	6 (14)	$ 3,465,899	9	$ 3,738,289	11	$ 2,564,544	8
2120	Financial liabilities at fair value through profit or loss – current	6 (2)	3,407	-	3,020	-	3,409	-
2130	Contract liabilities – current	6 (24)	349,835	1	874,000	3	1,065,390	3
2150	Notes payable		-	-	-	-	11	-
2170	Accounts payable		6,754,622	19	5,709,582	17	5,976,546	18
2180	Accounts payable – related parties	7 (2)	3,611,779	10	3,633,296	11	2,883,797	8
2200	Other payables	6 (2) (15)	1,378,134	4	1,142,503	3	1,254,365	4
2220	Other payables – related parties	7 (2)	71,985	-	66,814	-	162,355	-
2230	Current income tax liabilities		332,569	1	209,887	1	158,076	-
2320	Current portion of long-term liabilities	6 (16) (17)	372,266	1	170,074	-	2,285,396	7
2365	Refund liabilities– current	6 (24)	240,246	1	246,964	1	210,027	1
2399	Other current liabilities		139,627	-	71,623	-	133,361	-
21XX	**Current Liabilities**		16,720,369	46	15,866,052	47	16,697,277	49
	Non-current liabilities							
2527	Contract liabilities – non-current	6 (24)	718,601	2	-	-	-	-
2530	Bonds payable	6 (16)	2,946,692	8	2,925,589	9	2,918,512	9
2540	Long-term borrowings	6 (17)	1,039,281	3	1,388,581	4	1,435,099	4
2570	Deferred income tax liabilities	6 (30)	1,514,343	4	1,349,989	4	1,260,741	4
2580	Lease liabilities – non-current		151,317	1	66,004	-	70,138	-
2640	Net defined benefit liability – non-current	6 (18)	50,343	-	82,477	-	83,704	-
2670	Other non-current liabilities		27,091	-	29,309	-	56,444	-
25XX	**Non-current liabilities**		6,447,668	18	5,841,949	17	5,824,638	17
2XXX	**Total liabilities**		23,168,037	64	21,708,001	64	22,521,915	66
	Equity attributable to owners of parent							
	Share capital	6 (20)						
3110	Common stock		2,180,521	6	2,165,100	7	2,110,570	6
	Capital surplus	6 (21)						
3200	Capital surplus		4,755,021	14	4,646,623	13	4,336,737	13
	Retained earnings	6 (22)						
3310	Legal reserve		2,265,932	6	2,152,834	6	2,152,834	6
3320	Special reserve		748,929	2	269,144	1	269,144	1
3350	Unappropriated retained earnings		2,979,987	8	3,349,676	10	2,808,429	8
	Other equity interest	6 (23)						
3400	Other equity interest		(897,809)	(2)	(969,246)	(3)	(696,672)	(2)
31XX	**Equity attributable to owners of the parent**		12,032,581	34	11,614,131	34	10,981,042	32
36XX	**Non-controlling interest**		803,877	2	540,492	2	484,338	2
3XXX	**Total equity**		12,836,458	36	12,154,623	36	11,465,380	34
	Significant contingent liabilities and unrecognized contract commitments	9						
3X2X	**Total liabilities and equity**		$ 36,004,495	100	$ 33,862,624	100	$ 33,987,295	100

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, Unaudited)

	Items	Notes	Three months ended September 30 2022 AMOUNT	%	Three months ended September 30 2021 AMOUNT	%	Nine months ended September 30 2022 AMOUNT	%	Nine months ended September 30 2021 AMOUNT	%
4000	Operating revenue	6 (24) and 7 (2)	$ 11,050,485	100	$ 8,463,889	100	$ 25,073,296	100	$ 24,367,349	100
5000	Operating costs	6 (7) and 7 (2)	(9,670,296)	(87)	(7,113,527)	(84)	(21,813,531)	(87)	(21,450,232)	(88)
5900	Net operating margin		1,380,189	13	1,350,362	16	3,259,765	13	2,917,117	12
	Operating expenses	6 (28)(29)								
6100	Selling expenses		(118,014)	(1)	(106,573)	(1)	(348,093)	(1)	(293,133)	(1)
6200	General and administrative expenses		(357,241)	(3)	(306,849)	(4)	(915,867)	(4)	(891,060)	(4)
6300	Research and development expenses		(497,756)	(5)	(430,614)	(5)	(1,354,505)	(6)	(1,362,008)	(5)
6450	Expected credit impairment gain (loss)	12 (2)	(1,006)	-	(12,934)	-	14,889	-	(4,672)	-
6000	Total operating expenses		(974,017)	(9)	(856,970)	(10)	(2,603,576)	(11)	(2,550,873)	(10)
6900	Operating profit		406,172	4	493,392	6	656,189	2	366,244	2
	Non-operating income and expenses									
7100	Interest income	6 (25)	16,626	-	11,307	-	38,948	-	30,701	-
7010	Other income	6 (26) and 7 (2)	172,222	2	108,230	1	404,736	2	261,578	1
7020	Other gains and losses	6 (27)	143,436	1	716	-	473,886	2	279	-
7050	Finance costs		(31,970)	-	(21,004)	-	(73,563)	-	(56,062)	-
7060	Share of profit of associates and joint ventures accounted for under the equity method	6 (9)	144,883	1	40,633	1	62,494	-	237,536	1
7000	Total non-operating income and expenses		445,197	4	139,882	2	906,501	4	474,032	2
7900	**Profit before income tax**		851,369	8	633,274	8	1,562,690	6	840,276	4
7950	Income tax expense	6 (30)	(211,071)	(2)	(139,910)	(2)	(304,448)	(1)	(144,388)	(1)
8200	**Profit for the period**		$ 640,298	6	$ 493,364	6	$ 1,258,242	5	$ 695,888	3

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, Unaudited)

			Three months ended September 30				Nine months ended September 30			
			2022		2021		2022		2021	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Other comprehensive income									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income, net	6 (3) (23)	($ 97,919)	(1)	($ 197,680)	(2)	($ 368,133)	(1)	($ 386,208)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6 (30)	(575)	-	386	-	(2,891)	-	(657)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(98,494)	(1)	(197,294)	(2)	(371,024)	(1)	(386,865)	(2)
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6 (23)	244,833	2	(61,163)	(1)	518,775	2	(186,171)	(1)
8367	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income, net	6 (23)	(1,025)	-	(444)	-	(4,956)	-	363	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method – components of other comprehensive income that will be reclassified to profit or loss	6 (23)	40,117	-	(7,343)	-	155,724	1	(83,089)	-
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6 (30)	(51,089)	-	10,840	-	(121,433)	(1)	51,340	-
8360	Components of other comprehensive income that will be reclassified to profit or loss		232,836	2	(58,110)	(1)	548,110	2	(217,557)	(1)
8300	**Total other comprehensive income (loss) for the period**		$ 134,342	1	($ 255,404)	(3)	$ 177,086	1	($ 604,422)	(3)
8500	**Total comprehensive(loss) for the period**		$ 774,640	7	$ 237,960	3	$ 1,435,328	6	$ 91,466	-
	Profit (loss), attributable to:									
8610	Owners of parent		$ 586,298	6	$ 457,599	6	$ 1,089,234	4	$ 589,736	2
8620	Non-controlling interest		54,000	-	35,765	-	169,008	1	106,152	1
	Total profit (loss) for the period		$ 640,298	6	$ 493,364	6	$ 1,258,242	5	$ 695,888	3
	Comprehensive income attributable to:									
8710	Owners of parent		$ 691,695	6	$ 214,042	3	$ 1,201,343	5	($ 8,931)	-
8720	Non-controlling interest		82,945	1	23,918	-	233,985	1	100,397	-
	Total comprehensive income (loss)		$ 774,640	7	$ 237,960	3	$ 1,435,328	6	$ 91,466	-
	Basic earnings per share	6 (31)								
9750	Total basic earnings per share		$ 2,74		$ 2.20		$ 5.10		$ 2.84	
	Diluted earnings per share	6 (31)								
9850	Total diluted earnings per share		$ 2.44		$ 1.94		$ 4.55		$ 2.64	

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, Unaudited)

	Notes	Equity attributable to owners of the parent								
		Share capital - common stock	Capital surplus- additional paid-in capital	Legal reserve	Special reserve	Unappropriated Retained earnings	Other equity interest	Total	Non-Controlling interest	Total equity
Nine months ended September 2021										
Balance at January 1,2021		$ 2,093,332	$ 3,960,123	$ 2,006,040	$ 269,144	$ 3,433,731	$ 9,326	$ 11,771,696	$ 499,047	$ 12,270,743
Profit (loss) for the period		-	-	-	-	589,736	-	589,736	106,152	695,888
Other comprehensive income for the period		-	-	-	-	-	(598,667)	(598,667)	(5,755)	(604,422)
Total comprehensive income (loss) for the period		-	-	-	-	589,736	(598,667)	(8,931)	100,397	91,466
Appropriation and distribution of 2020 retained earnings	6 (22)									
Legal reserve		-	-	146,794	-	(146,794)	-	-	-	-
Cash dividends		-	-	-	-	(1,068,244)	-	(1,068,244)	-	(1,068,244)
Share-based payment	6 (19)	17,238	162,952	-	-	-	(107,331)	72,859	-	72,859
Convertible bonds issuance		-	96,857	-	-	-	-	96,857	-	96,857
Recognition of change in equity of associates in proportion to the Group’s ownership		-	1,699	-	-	-	-	1,699	-	1,699
Acquired non-controlling interests in subsidiaries		-	115,106	-	-	-	-	115,106	(115,106)	-
Balance at September 30, 2021		$ 2,110,570	$ 4,336,737	$ 2,152,834	$ 269,144	$ 2,808,429	($ 696,672)	$ 10,981,042	$ 484,338	$ 11,465,380
Nine months ended September 2022										
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 (loss) for the period		-	-	-	-	1,089,234	-	1,089,234	169,008	1,258,242
Other comprehensive income for the period		-	-	-	-	-	112,109	112,109	64,977	177,086
Total comprehensive income (loss) for the period		-	-	-	-	1,089,234	112,109	1,201,343	233,985	1,435,328
Appropriation and distribution of 2021 retained earnings	6 (22)									
Legal reserve		-	-	113,098	-	(113,098)	-	-	-	-
Special reserve		-	-	-	479,785	(479,785)	-	-	-	-
Cash dividends		-	-	-	-	(866,040)	-	(866,040)	-	(866,040)
Share-based payments	6 (19)	15,421	94,920	-	-	-	(40,672)	69,669	-	69,669
Recognition of change in equity of associates in proportion to the Group’s ownership		-	13,478	-	-	-	-	13,478	-	13,478
Acquired non-controlling interests in subsidiaries		-	-	-	-	-	-	-	29,400	29,400
Balance at September 30, 2022		$ 2,180,521	$ 4,755,021	$ 2,265,932	$ 748,929	$ 2,979,987	($ 897,809)	$ 12,032,581	$ 803,877	$ 12,836,458

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, Unaudited)

	Notes	Nine months ended September 30 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,562,690	$ 840,726
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense-property, plants and equipment	6 (10)(28)	372,682	318,084
Depreciation expense - right-of-use assets	6 (11)(28)	80,856	121,247
Amortization	6 (12)(28)	111,295	96,507
Expected credit impairment (gain) loss	12 (2)	(14,889)	4,672
Impairment loss – non-financial assets	6 (27)	161,766	-
Finance costs		70,210	50,055
Interest expense-lease liability	6 (11)	3,353	6,007
Loss (gain) on financial assets or liabilities at fair value through profit or loss		(202,922)	(3,832)
Share of profit of associates and joint ventures accounted for using equity method	6 (9)	(62,494)	(237,536)
Compensation cost of employee restricted shares	6 (19)	69,669	72,859
Loss on disposal of property, plant and equipment	6 (27)	12,150	6,354
Loss on disposal of investments	6 (27)	-	5,580
Interest income	6 (25)	(38,948)	(30,701)
Dividend income	6 (26)	(11,391)	(9,409)
Deferred income of government grants		(660)	(677)
Unrealized foreign exchange gains		(192,787)	(27,777)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets/liabilities mandatorily measured at fair value through profit or loss	6 (32)	(12,607)	(3,964)
Notes receivable		-	(5)
Accounts receivable (including related parties)		567,638	4,812,243
Other receivables (including related parties)		428,852	(95,278)
Inventories		(284,930)	(2,300,333)
Other current assets		28,276	312,591
Changes in operating liabilities			
Accounts payable		630,355	(378,266)
Accounts payable – related parties		(235,566)	(1,270,794)
Other payables		218,762	(265,364)
Other payables – related parties		5,156	108,102
Contract liabilities		193,744	439,017
Refund liabilities		(8,384)	(133,105)
Other current liabilities		40,265	(3,386)
Other non-current liabilities		-	12,070
Net defined benefit liability – non-current		(32,181)	-
Cash inflow generated from operations		3,459,960	2,445,237
Interest received		28,209	33,670
Dividend received		11,391	9,409
Interest paid		(68,835)	(50,298)
Income taxes paid		(189,742)	(178,426)
Net cash inflows generated from operating activities		3,240,983	2,259,592

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MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, Unaudited)

	Notes	Nine months ended September 30 2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets mandatorily measured at fair value through profit or loss	6 (32)	($ 51,487)	($ 293,717)
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	6 (3)	-	83,970
Decrease in financial assets at amortized cost- current		40,044	-
Increase in financial assets at amortized cost – non-current		(318,694)	(3,853)
Decrease in financial assets at amortized cost – non-current		7,882	839,871
Acquisition of property, plant and equipment	6 (32)	(432,232)	(948,233)
Proceeds from disposal of property, plant and equipment	6 (32)	5,585	23,544
Acquisition of intangible assets	6 (32)	(12,694)	(81,382)
Proceeds from disposal of intangible assets		-	7,606
(Increase) decrease in other non - current assets		(728)	37,734
(Increase) decrease in guarantee deposits paid		(8,011)	8,413
Net cash flows used in investing activities		(770,779)	(326,047)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings	6 (33)	(306,618)	(685,784)
Repayment of principal portion of lease liabilities	6 (33)	(81,073)	(136,584)
Increase in long-term borrowings		71,965	689,476
Decrease in long-term borrowings		(324,530)	-
Corporate bonds issuance	6 (16) (33)	-	3,015,000
Decrease in other non-current liabilities	6 (33)	(3,155)	(2,491)
Cash dividends	6 (33)	(866,040)	(1,068,244)
Change in non-controlling interests	4 (3)	29,400	(364,914)
Net cash flows (used in) generated from financing activities		(1,480,051)	1,446,459
Effect of change in foreign currency exchange		351,729	(160,359)
Net increase in cash and cash equivalents		1,341,882	3,219,645
Cash and cash equivalents at beginning of period		4,841,969	3,046,963
Cash and cash equivalents at end of period		$ 6,183,851	$ 6,266,608

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, UNAUDITED)

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 and its subsidiaries (collectively referred here in as the "Group") are primarily engaged in manufacturing, processing, repairing, sales of electric appliance and audiovisual electric products, telecommunication equipment and apparatus electronic parts and components, computers and computing peripheral equipment, restrained telecom radio frequency equipment and medical appliances; planning, design, input as well as output of service items' equipment; production as well as marketing management consultant of service items' relevant business; and all business items that are not prohibited or restricted by law, except those that are subject to special approval. The Company's shares were listed on the Taipei Exchange since August 1998 and transferred to the Taiwan Stock Exchange starting September 2000 with approval from the competent authority. 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 to the Board of Directors on October 27, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Impact on the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS3 "References to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contract - Cost of Fulfilling a Contract"	January 1, 2022
Annual improvements 2018-2020	January 1, 2022

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 on new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 "The disclosure of accounting policies"	January 1, 2023
Amendments to IAS 8 "The 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

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) Impact on IFRS issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs 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
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024
IFRS 17 "Insurance contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance contracts"	January 1, 2023
Amendments to IFRS 17 "Initial application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of liabilities as current or non-current"	January 1, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2021, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "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:

Basis for preparation for the current period financial statements and the 2021 consolidated financial statements is the same.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business Activities	Ownership (%) September 30, 2022	December 31, 2021	September 30, 2021	Description
MEHO	Merry Electronics (HK) Co., Ltd. (MEST)	Sales of the same products as the Company.	100.00%	100.00%	100.00%	
MEHO	Merry Electronics (Thailand) Co., Ltd. (METC)	The same main business as the Company.	99.99%	99.99%	99.99%	NOTE 1
MEHO	Merry Electronics (U.S.A.) Co., Ltd. ("MECA")	Agency selling microphone and security system manufactured by affiliates.	99.90%	99.90%	99.90%	NOTE 1
MEHO	Danny Dynamics Limited ("DDBV")	Equity investments.	100.00%	100.00%	100.00%	

Name of investor	Name of subsidiary	Main business Activities	Ownership (%) September 30, 2022	December 31, 2021	September 30, 2021	Description
MEHO	Merry Electronics (Singapore) Pte. Ltd. ("MESG")	Manufacturing of other electronic components and circuit board.	100.00%	100.00%	100.00%	
MEHO	Merry Healthcare Co., LTD. ("MHKY")	Sales of medical device.	100.00%	100.00%	100.00%	NOTE 3
MEHO	Asian Elite International Ltd. ("MSCS")	Manufacturing and sales of speaker and amplifier.	100.00%	100.00%	100.00%	NOTE 1, 4
MEHO	Indigo Enterprise Inc. ("INSA")	Equity investments.	100.00%	100.00%	100.00%	NOTE 4
MEHO	Biotest Medical Corporation ("BTTT")	Manufacturing of medical device.	-	-	100.00%	NOTE 2, 5
MEHO	MERRY & LUXSHARE (VIETNAM) CO., LTD. ("MEVN")	Manufacturing of speaker system and microphone for consumer electronics used.	51.00%	51.00%	51.00%	NOTE 1
MEHO	MUtek Electronics Co., Ltd. (MUTT)	Manufacturing and application service of electrical appliances and audiovisual electronic products	51.00%	-	-	Note 1, 7
MEHO	Merry Capital Inc. (MCTT)	Equity investments.	100.00%	-	-	NOTE 1, 8
MEST	Merry Electronics (Shenzhen)Co., Ltd. ("MECL")	The same main business as the Company.	100.00%	100.00%	100.00%	
DDBV	Universal Capital Investment ("UCMU")	Equity investments.	100.00%	100.00%	100.00%	NOTE 1
DDBV	Merrytech (HK) Co., Limited ("MTHK")	Equity investments.	100.00%	100.00%	100.00%	
INSA	Sonavox Canada Inc. ("SOCV")	Develop-to-order and appearance design of speaker and amplifier.	100.00%	100.00%	100.00%	NOTE 6
SOCV	Sonavox Canada Holding. ("SOCA")	Equity investments.	-	100.00%	100.00%	NOTE 2, 6
SOCA	Seas Fabrikker ("SENM")	Manufacturing and sales of speaker monomer.	100.00%	100.00%	100.00%	NOTE 1

Name of investor	Name of subsidiary	Main business Activities	Ownership (%) September 30, 2022	December 31, 2021	September 30, 2021	Description
MHKY	Fulicare Co., Ltd. ("FUSA")	Sales of medical device.	96.01%	96.01%	96.01%	NOTE 2
FUSA	Fulicare Medical Instruments (Suzhou) Co., Ltd. ("FUSZ")	Sales of medical device.	100.00%	100.00%	100.00%	NOTE 1
FUSA	Fulicare Medical Instruments (Xiamen) Co., Ltd. ("FUXM")	Manufacturing of medical device.	100.00%	100.00%	100.00%	NOTE 1
FUSA	Xiamen Etimbre Hearing Technology Co., Ltd. ("ETCX")	Research and development, manufacturing as well as sales of hearing aid, hearing device and acoustics equipment.	100.00%	100.00%	100.00%	NOTE 1
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%	99.50%	NOTE 2
ASCX	Xiamen Laiyate Medical Devices Co., Ltd. ("LACX")	Research and development as well as technical sales of software functions for hearing aid.	100.00%	100.00%	100.00%	NOTE 1

Note 1: The financial statements of the entity as of and for the nine months ended September 30, 2022 and 2021 were not reviewed by the independent auditors as the entity is not a significant subsidiary.

Note 2: The financial statements of the entity as of and for the nine months ended September 30, 2021 were not reviewed by the independent auditors as the entity is not a significant subsidiary.

Note 3: The financial statements of the entity as of and for the nine months ended September 30, 2021 were not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 4: On July 1, 2018, the Group acquired 70% share interest for cash of NTD 402,072 thousand in Asian Elite International Ltd. and Indigo Group from third parties, Newood Consultancy Limited and Keen Star Holding Limited, and agreed to acquire the remaining 30% equity interest on the maturity date of the three-year period after the settlement date in accordance with the related contract. After the three-year period matured, on June 30, 2021, the Company paid USD13,200 thousand (approximately NTD364,914 thousand) to acquire the remaining 30% of the Company's shares with a carrying amount of NTD115,106 thousand (shown as investment accounted for using equity method), and holding 100% of the total shares, please refer to Note 13, Tables (8) and (9). The registration of ownership was completed on August 23, 2021 and July 5, 2021, respectively

Note 5: On October 28, 2021, the Group merged with the subsidiary, Biotest Medical Corporation, which was resolved by the respective Board of Directors, and the Company was the surviving company, with the record date of merger on October 29, 2021. The losses on disposals of investments for the year ended December 31, 2021 amounted to NTD 8,140 thousand.

Note 6: On May 25, 2022, the subsidiaries between Sonavox Canada Inc. and Sonavox Canada Holding had a merger, which was resolved by the respective Board of Directors, and Sonavox Canada Inc. was the surviving company, with the record date of merger on May 26, 2022. The registration was completed.

Note 7: On July 30, 2020, it was proposed that a new joint venture named MUtek Electronics Co., Ltd. would be set up by the Group and Universal Global Scientific Industrial Co., Ltd., which was resolved by the Board of Directors. The Group will invest in not exceeding NTD 198,900 thousand in exchange for 51% ownership. The amount invested was NTD 30,600 thousand, and it is resolved that the record date of the establishment is dated May 12, 2022. The registration was completed.

Note 8: On July 28, 2022, the establishment of Merry Capital Inc. was resolved by the Board of Directors. The investment is amounting to NTD 8,000 thousand, with 100% ownership. The registration 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 September 30, 2022, December 31, 2021 and September 30, 2021, the Group’s non-controlling interests amounted to $803,877 thousand, $540,492 thousand and $484,338 thousand, respectively. The following is the information for non-controlling interests that are material to the Group and that belong to the Group’s subsidiaries:

		Non-controlling interests					
	Principal	September 30, 2022		December 31, 2021		September 30, 2021	
Name of subsidiary	place of business	Amount	Shareholding ratio	Amount	Shareholding ratio	Amount	Shareholding ratio
MEVN	Vietnam	$ 741,238	49%	$ 505,236	49%	$ 457,060	49%

The summarized financial information of the subsidiary is as follows:

Balance sheet

	MEVN		
	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	$ 1,570,892	$ 1,421,722	$ 1,271,067
Non-current assets	1,195,042	1,066,965	1,114,592
Current liabilities	(1,033,575)	(1,234,600)	(1,161,790)
Non-current liabilities	(215,555)	(222,994)	(291,093)
Total net assets	$ 1,516,804	$ 1,031,093	$ 932,776

Statement of comprehensive income

	MEVN	
	Three months ended September 30	
	2022	2021
Revenue	$ 1,075,437	$ 828,376
Profit before income tax	112,969	74,993
Income tax expense	-	(81)
Profit for the period from continuing operations	112,969	74,912
Profit for the period	112,969	74,912
Total comprehensive income	$ 112,969	$ 74,912
Comprehensive income attributable to non-controlling interests	$ 57,431	$ 36,706

	Nine months ended September 30	
	2022	2021
Revenue	$ 3,299,202	$ 2,287,383
Profit before income tax	355,139	231,176
Income tax expense	-	(3,127)
Profit for the period from continuing operations	355,139	228,049
Profit for the period	355,139	228,049
Total comprehensive income	$ 355,139	$ 228,049
Comprehensive income attributable to non-controlling interests	$ 174,454	$ 111,743

Statement of cash flows

	MEVN	
	Nine months ended September 30	
	2022	2021
Net cash inflows generated from operating activities	$ 84,931	$ 49,675
Net cash outflows used in investing activities	(279,403)	(384,277)
Net cash inflows generated from financing activities	68,238	382,688
Effect of change in foreign currency exchange	10,115	(9,730)
Net (decrease) increase in cash and cash equivalents	(116,119)	38,356
Cash and cash equivalents at beginning of period	141,199	175,361
Cash and cash equivalents at end of period	$ 25,080	$ 213,717

(4) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or presumed obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured with the expenditures at the present value on the balance sheet date using the best estimate to settle the obligation. The discount rate used is the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as finance cost. The future operating loss is not permitted to be provisions.

(5) Employee benefits

Pensions

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(6) Income tax

The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

There was no significant change in the reporting period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand and revolving funds	$ 2,177	$ 1,084	$ 1,871
Checking accounts and demand deposits	6,111,493	4,820,098	6,089,072
Time deposits	70,181	20,787	105,665
Short-term securities	-	-	70,000
	$ 6,183,851	$ 4,841,969	$ 6,266,608

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. The Group has cash and cash equivalents that are in restricted use due to the application of Taiwan Industry Innovation Platform Program (TIIP). Such restricted assets had been classified as financial assets at amortized cost. Please refer to Note 8.

C. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's time deposits with maturity over 3 months had been classified as financial assets measured at amortized cost. Please refer to Note 6 (4).

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

Items	September 30,2022	December 31, 2021	September 30, 2021
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
-Funds	$ 100,000	$ 50,000	$ 50,000
- forward exchange contract	208,596	1,247	3,137
-Call options of convertible bonds	300	600	300
-Stock	-	179	-
-Bonds	280,000	280,000	292,322
Valuation adjustment	2,868	6,974	6,407
Total	$ 591,764	$ 339,000	$ 352,166
Non-current items:			
Funds	$ 29,350	$ 27,863	$ 27,863
Valuation adjustment	(329)	(2,468)	-
	$ 29,021	$ 25,395	$ 27,863

Items	September 30,2022	December 31, 2021	September 30, 2021
Current items:			
Financial liabilities held for trading-forward exchange contract	$ 3,407	$ 3,020	$ 3,409

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

	Three months ended September 30	
	2022	2021
Net gains on financial assets (liabilities) at fair value through profit or loss	$ 98,428	$ 6,262

	Nine months ended September 30	
	2022	2021
Net gains on financial assets (liabilities) at fair value through profit or loss	$ 186,166	$ 59,903

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

	September 30, 2022		
Derivative instruments	Contract amount (Notional principal)	Contract period	Contract price
Forward foreign exchange contract to sell	USD 1,000 thousand	2022/03/29~ 2022/10/17	NTD 28.430
Forward foreign exchange contract to buy	USD 60,000 thousand	2021/11/02~ 2022/12/28	NTD 27.557~30.810

	December 31, 2021		
Derivative instruments	Contract amount (Notional principal)	Contract period	Contract price
Forward foreign exchange contract to sell	USD 20,000 thousand	2021/12/24~ 2022/01/28	NTD 27.679~27.752
Forward foreign exchange contract to buy	USD 50,000 thousand	2021/11/02~ 2022/12/08	NTD 27.568~27.717

	September 30, 2021		
Derivative instruments	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)
Forward foreign exchange contract to sell	USD 26,000 thousand	2021/09/10~ 2021/11/01	NTD27.657~27.860
Forward foreign exchange contract to buy	USD 26,000 thousand	2021/09/10~ 2021/11/01	NTD27.559~27.810

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. As of September 30, 2022, December 31, 2021 and September 30, 2021, the collectible payments for settled transactions amounted to $0 thousand, $0 thousand and $42,186 thousand (shown as other receivables), respectively. As of September 30, 2022, December 31, 2020 and September 30, 2021, the Group had outstanding payments for settled transactions amounting to $1,830 thousand, $0 thousand and $42,259 thousand, respectively (shown as other payables).

D. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.

E. 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	September 30, 2022		December 31, 2021		September 30, 2021	
Current items:						
Equity instruments						
Stocks	$	106,080	$	106,080	$	106,080
Valuation adjustment						
-through other comprehensive income	(	1,990)		4,615		2,896
Sub-total		104,090		110,695		108,976
Total	$	104,090	$	110,695	$	108,976

Items	September 30, 2022		December 31, 2021		September 30, 2021	
Non-current items:						
Debt instruments						
Bonds	$	144,625	$	144,625	$	144,625
Valuation adjustment						
-through profit or loss		14,125	(	6,225)	(	5,375)
-through other comprehensive income	(	2,015)		2,941		4,583
Sub-total		156,735		141,341		143,833
Equity instruments						
Listed stocks	$	936,494	$	936,494	$	748,154
Unlisted stocks		80,800		78,143		78,214
Sub-total		1,017,294		1,014,637		826,368
Valuation adjustment						
-through other comprehensive income		(498,419)		(145,687)		217,480
Sub-total		518,875		868,950		1,043,848
Total	$	675,610	$	1,010,291	$	1,187,681

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 $779,770 thousand, $1,120,986 thousand and $1,296,657 thousand as on September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

B. During the nine months ended September 30, 2021, the Group repurchased bond investments at fair value of $83,970 thousand due to the maturity of bonds and resulted in cumulative losses on disposal amounting to $5,580 thousand (shown as other gains and losses).

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:

	Three months ended September 30	
	2022	2021
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	($ 97,919)	($ 197,680)
Debt instruments at fair value through other comprehensive income		
Fair value change recognized through profit or loss	$ 10,150	($ 50)
Fair value change recognized in other comprehensive income	($ 1,025)	($ 444)
Interest income recognized in profit or loss	$ 1,570	$ 1,313

	Nine months ended September 30	
	2022	2021
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	($ 368,133)	($ 386,208)
Debt instruments at fair value through other comprehensive income		
Fair value change recognized through profit or loss	$ 20,350	$ 960
Fair value change recognized in other comprehensive income	($ 4,956)	($ 5,217)
Cumulative other comprehensive (loss) income reclassified to profit or loss		
Reclassified due to de-recognition	$ -	$ 5,580
Interest income recognized in profit or loss	$ 4,353	$ 4,462

D. As on September 30, 2022, December 31, 2021 and September 30, 2021, 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 was $779,770 thousand, $1,120,986 thousand and $1,296,657 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) Financial assets measured at amortized cost

Items	September 30, 2022	December 31, 2021	September 30, 2021
Current items:			
Time deposits with the maturity date over 3 months	$ 1,127,127	$ 1,029,073	$ -
Pledged time deposits	-	-	3,853
Total	$ 1,127,127	$ 1,029,073	$ 3,853
Non-current items:			
Time deposits with the maturity date over 3 months	$ 317,583	$ -	$ -
Pledged time deposits	-	3,853	-
Total	$ 317,583	$ 3,853	$ -

A. Amounts recognized in profit or loss in relation to the financial assets measured at amortized cost are listed below:

	Three months ended September 30	
	2022	2021
Interest income	$ 6,343	$ 3,143

	Nine months ended September 30	
	2022	2021
Interest income	$ 13,241	$ 10,204

B. As on September 30, 2022, December 31, 2021 and September 30, 2021, 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 measured at amortized cost held by the Group was $1,444,710 thousand, $1,032,926 thousand and $3,853 thousand, respectively.

C. The credit risk of the Group’s investment is stable. Information relating to credit risk of financial assets measured at amortized cost is provided in Note 12 (2). The Group’s time deposits were transacted 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.

D. Information relating to the Group’s financial assets measured at amortized cost as pledged asset is provided in Note 8.

(5) Accounts receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable	$ 9,457,522	$ 9,400,544	$ 7,859,403
Less: Allowance for doubtful accounts	(19,983)	(35,425)	(32,985)
	$ 9,437,539	$ 9,365,119	$ 7,826,418

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

	September 30, 2022	December 31, 2021	September 30, 2021
Not past due	$ 9,379,727	$ 9,115,474	$ 7,657,011
Up to 30 days	50,993	159,214	160,083
31 to 90 days	14,113	112,412	29,304
91 to 180 days	1,449	1,445	719
Over 180 days	11,240	11,999	12,286
	$ 9,457,522	$ 9,400,544	$ 7,859,403

The above aging analysis was based on past due date.

B. As of September 30, 2022, December 31, 2021, September 30, 2021, and January 1, 2021, the balances of receivables from contracts with customers amounted to $9,437,539 thousand, $9,365,119 thousand, $7,826,418 thousand and $12,441,418 thousand, respectively.

C. The Group insured against its accounts receivable since December, 2020, which the insured amount has been reviewed and granted by the insurance company. If bad debts occur, the insurance company will settle the claim up to 90% of the insured amount. As of September 30, 2022, December 31, 2021 and September 30, 2021, the balance of insured accounts receivable amounted to $7,040,289 thousand, $9,116,623 thousand and $6,423,328 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 September 30, 2022, December 31, 2021 and September 30, 2021, 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 (6) for information on transfer of financial assets.

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

(6) Transfer of financial assets

A. Transferred financial assets that are derecognized in their entirety

None for September 30, 2022, December 31, 2021 and September 30, 2021.

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 September 30, 2022, December 31, 2021 and September 30, 2021, the related information of the transferred accounts receivable sold that the Group continuously recognized to the extent of continuing involvement were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Total carrying amount of the original assets before transferring	$ 1,552,046	$ 1,572,403	$ -
Carrying amount of the assets continuously recognized	155,205	157,240	-

(7) Inventories

	September 30, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,924,992	($ 112,915)	$ 1,812,077
Work in progress	1,077,602	(11,027)	1,066,575
Finished goods	2,769,510	(86,293)	2,683,217
	$ 5,772,104	($ 210,235)	$ 5,561,869

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 2,232,480	($ 110,135)	$ 2,122,345
Work in progress	501,417	(14,359)	487,058
Finished goods	2,637,211	(100,572)	2,536,639
	$ 5,371,108	($ 225,066)	$ 5,146,042

	September 30, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 2,433,771	($ 98,279)	$ 2,335,492
Work in progress	1,044,148	(9,480)	1,034,668
Finished goods	2,765,379	(43,547)	2,721,832
	$ 6,243,298	($ 151,306)	$ 6,091,992

The cost of inventories recognized as expense for the period:

	Three months ended September 30	
	2022	2021
Cost of goods sold	$ 9,630,707	$ 7,098,289
Loss on scrapping inventory	25,173	12,851
(Gain on reversal of) loss on slow-moving inventories and decline in market value	14,416	(17,074)
Loss on physical inventory	-	19,461
	$ 9,670,296	$ 7,113,527

	Nine months ended September 30	
	2022	2021
Cost of goods sold	$ 21,690,779	$ 21,359,675
Loss on scrapping inventory	137,631	33,202
(Gain on reversal of) loss on slow-moving inventories and decline in market value	(14,831)	37,999
(Loss) gain on physical inventory	(48)	19,356
	$ 21,813,531	$ 21,450,232

The Group reversed a previous inventory write-down because of the sale of certain written-down inventories by the Group for the nine months ended September 30, 2022 and for the three months ended September 30, 2021.

(8) Other current assets

	September 30, 2022	December 31, 2021	September 30, 2021
Tax refund receivable (including input tax)	$ 210,069	$ 244,568	$ 225,954
Prepayment for purchases	11,712	9,545	13,031
Contract assets	-	-	58,110
Others	129,469	98,774	81,638
	$ 351,250	$ 352,887	$ 378,733

(9) Investments accounted for using the equity method

	Nine months ended June 30	
	2022	2021
At January 1	$ 4,699,769	$ 4,479,708
Share of profit or loss of investments accounted for using the equity method	62,494	237,536
Changes in capital surplus	13,478	1,699
Changes in other equity items	155,724	(83,089)
Credit balance of investments accounted for using the equity method transferred to non-current liabilities	73	(15)
At September 30	$ 4,931,538	$ 4,635,839

A. Details are as follows：

	September 30, 2022	December 31, 2021	September 30, 2021
Associates with significant influence			
Merry Electronics (Suzhou) Co., Ltd. (MECE)	$ 3,203,956	$ 3,172,561	$ 3,161,800
Associates with insignificant influence			
Merry Electronics (Huizhou) Co., Ltd. (MECH)	1,290,046	1,107,434	1,058,456
Guangdong Luxshare & Merry Electronics Co., Ltd. (MEDG)	396,646	377,046	372,577
Leohab Enterprise Co., Ltd. (LEOHAB)	40,890	42,728	43,006
Merry Electronics (Shanghai)Co., Ltd. (MECS)	(1,132)	(1,059)	(1,055)
Subtotal	4,930,406	4,698,710	4,634,784
Add: Credit balance of investments accounted for using the equity method transferred to non-current liabilities	1,132	1,059	1,055
	$ 4,931,538	$ 4,699,769	$ 4,635,839

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

Investee	Three months ended September 30 2022		Three months ended September 30 2021	
MECE	$	57,939	($	12,630)
MECH		83,536		53,922
MEDG		4,300		1,543
LEOHAB	(	893)	(	2,203)
MECS		1		1
	$	144,883	$	40,633

Investee	Nine months ended September 30 2022		Nine months ended September 30 2021	
MECE	($	87,684)	$	67,807
MECH		146,039		163,827
MEDG		8,326		5,909
LEOHAB	(	4,189)	(	1)
MECS		2	(	6)
	$	62,494	$	237,536

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 September 30, 2022	Shareholding ratio December 31, 2021	Shareholding ratio September 30, 2021	Nature of relationship	Method of measurement
MECE	Mainland of China	49.00%	49.00%	49.00%	Holding more than 20% of voting right	Equity method

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

Balance sheet

MERRY ELECTRONICS (SUZHOU) CO., LTD.

	September 30, 2022		December 31, 2021		September 30, 2021	
Current assets	$	5,174,784	$	4,500,794	$	4,557,205
Non-current assets		6,045,062		6,007,307		6,187,249
Current liabilities	(	4,455,494)	(	3,860,498)	(	4,136,353)
Non-current liabilities	(	61,260)	(	55,549)	(	37,509)
Total net assets	$	6,703,092	$	6,592,054	$	6,570,592
Share in associate's net assets	$	3,284,515	$	3,230,106	$	3,219,590
Realized (unrealized) gain or loss from upstream and side stream transactions	(	80,559)	(	57,545)	(	57,790)
Carrying amount of the associate	$	3,203,956	$	3,172,561	$	3,161,800

Statement of comprehensive income

	MERRY ELECTRONICS (SUZHOU) CO., LTD.	
	Three months ended September 30	
	2022	2021
Revenue	$ 2,564,646	$ 2,285,495
Profit for the period from continuing operations	$ 192,402	$ 5,624
Total comprehensive income	$ 192,402	$ 5,624

	MERRY ELECTRONICS (SUZHOU) CO., LTD.	
	Nine months ended September 30	
	2022	2021
Revenue	$ 5,528,281	$ 6,727,683
Profit (loss) for the period from continuing operations	($ 131,979)	$ 116,145
Total comprehensive income (loss)	($ 131,979)	$ 116,145

(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:

	Three months ended September 30	
	2022	2021
Share of profit of associates and joint ventures accounted for using the equity method	$ 86,944	$ 53,263
Other comprehensive income (loss), net of tax	11,919	(3,521)
Total comprehensive income	$ 98,863	$ 49,742

	Nine months ended September 30	
	2022	2021
Share of profit of associates and joint ventures accounted for using the equity method	$ 150,178	$ 169,729
Other comprehensive income (loss), net of tax	40,569	(24,583)
Total comprehensive income	$ 190,747	$ 145,146

(10) Property, plant and equipment

Nine months ended September 30, 2022						
Cost	Opening balance	Additions	Reductions	Transfers	Effect of foreign currency exchange difference	Ending balance
Land	$ 790,477	$ -	$ -	$ -	$ 389	$ 790,866
Land improvements	543	-	-	-	6	549
Buildings and structures	1,484,904	2,275	(10,856)	78,142	68,003	1,622,468
Machinery	2,785,124	234,095	(54,629)	17,162	134,004	3,115,756
Transportation equipment	21,063	767	-	-	507	22,337
Office equipment	276,950	11,694	(14,290)	8,234	8,179	290,767
Others	241,388	53,379	(13,163)	-	11,163	292,767
Unfinished construction	208,125	109,755	(1,002)	(66,567)	423	250,734
Total	5,808,574	$ 411,965	($ 93,940)	$ 36,971	$ 222,674	6,386,244
Accumulated depreciation						
Land improvements	($ 543)	$ -	$ -	$ -	($ 6)	($ 549)
Buildings and structures	(508,737)	(55,228)	10,856	-	(15,490)	(568,599)
Machinery	(1,031,903)	(266,125)	45,164	-	(39,750)	(1,292,614)
Transportation equipment	(14,329)	(1,427)	-	-	(347)	(16,103)
Office equipment	(189,640)	(24,394)	13,925	-	(5,686)	(205,795)
Others	(112,419)	(25,508)	6,260	-	(3,597)	(135,264)
Total	(1,857,571)	($ 372,682)	$ 76,205	$ -	($ 64,876)	(2,218,924)
	$ 3,951,003					$ 4,167,320

Nine months ended September 30, 2021						
Cost	Opening balance	Additions	Reductions	Transfers	Effect of foreign currency exchange difference	Ending balance
Land	$ 794,952	$ -	$ -	$ -	($ 4,708)	$ 790,244
Land improvements	621	-	-	-	(83)	538
Buildings and structures	1,284,577	36,386	(12,603)	112,556	(50,171)	1,370,745
Machinery	2,366,092	644,345	(263,247)	11,409	(71,923)	2,686,676
Transportation equipment	30,451	1,704	(9,857)	-	(479)	21,819
Office equipment	279,929	17,428	(20,083)	4,414	(6,732)	274,956
Others	247,668	53,040	(65,791)	3,344	(4,863)	233,398
Unfinished construction	272,471	116,590	(780)	(131,723)	(1,917)	254,641
Total	5,276,761	$ 869,493	($ 372,361)	$ -	($ 140,876)	5,633,017
Accumulated depreciation						
Land improvements	($ 621)	$ -	$ -	$ -	$ 83	($ 538)
Buildings and structures	(467,206)	(45,611)	6,056	-	17,484	(489,277)
Machinery	(811,707)	(226,498)	68,664	-	25,539	(944,002)
Transportation equipment	(20,392)	(2,224)	7,811	-	322	(14,483)
Office equipment	(171,656)	(23,846)	6,670	-	3,991	(184,841)
Others	(110,441)	(19,905)	22,886	-	2,190	(105,270)
Total	(1,582,023)	($ 318,084)	$ 112,087	$ -	$ 49,609	(1,738,411)
	$ 3,694,738					$ 3,894,606

A. The Group has no property, plant and equipment that apply to capitalization of borrowing costs.

B. The Group has no property, plant and equipment pledged to others as collateral.

(11) 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 short-term leased premises of the Group are the office and dormitory.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
	Carrying amount	Carrying amount	Carrying amount
Land	$ 89,883	$ 85,403	$ 87,620
Buildings and structures	218,857	108,327	134,814
Machinery and equipment	2,554	3,851	4,707
Transportation equipment	1,506	2,538	1,256
Office equipment	13	105	75
Other equipment	49	-	45
	$ 312,862	$ 200,224	$ 228,517

	Three months ended September 30	
	2022	2021
	Depreciation charge	Depreciation charge
Land	$ 1,240	$ 1,207
Buildings and structures	25,440	32,325
Machinery and equipment	367	347
Transportation equipment	245	269
Office equipment	33	38
Other equipment	11	45
	$ 27,336	$ 34,231

	Nine months ended September 30	
	2022	2021
	Depreciation charge	Depreciation charge
Land	$ 3,676	$ 3,582
Buildings and structures	74,944	115,379
Machinery and equipment	1,078	1,103
Transportation equipment	1,033	927
Office equipment	114	145
Other equipment	11	111
	$ 80,856	$ 121,247

D. For the three months and nine months ended September 30, 2022 and 2021, the additions to right-of-use assets were $157,723 thousand, $9,671 thousand, $188,844 thousand and $40,495 thousand, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

Items affecting profit or loss	Three months ended September 30 2022	Three months ended September 30 2021
Interest expense on lease liabilities	$ 1,740	$ 1,237

Items affecting profit or loss	Nine months ended September 30 2022	Nine months ended September 30 2021
Interest expense on lease liabilities	$ 3,353	$ 6,007

For the three and nine months ended September 30, 2022 and 2021, the Group's total cash outflow for leases were $27,442 thousand, $31,894 thousand, $84,426 thousand and $142,591 thousand, respectively..

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(12) Intangible assets

	Nine months ended September 30, 2022				
Cost	Opening balance	Additions	Reductions	Effect of foreign currency exchange difference	Ending balance
Goodwill	$ 931,678	$ -	$ -	$ -	$ 931,678
Computer software	590,844	17,291	-	1,355	609,490
Customer relationship	326,550	-	-	-	326,550
Trademarks	61,481	-	-	-	61,481
Know-how	115,748	-	-	-	115,748
Others	38,093	1,960	-	199	40,252
Total	2,064,394	$ 19,251	$ -	$ 1,554	2,085,199
Accumulated amortization					
Computer software	($ 406,530)	($ 53,100)	$ -	($ 602)	($ 460,232)
Customer relationship	(153,503)	(33,049)	-	-	(186,552)
Trademarks	(18,885)	(4,139)	-	-	(23,024)
Know-how	(81,024)	(17,632)	-	-	(98,386)
Others	(28,273)	(3,645)	-	(55)	(31,973)
Total	($ 688,215)	($ 111,295)	$ -	($ 657)	(800,167)
Accumulated Impairment loss					
Goodwill	$ -	($ 161,766)	$ -	$ -	($ 161,766)
	$ 1,376,179				$ 1,123,266

	Nine months ended September 30, 2021				
Cost	Opening balance	Additions	Reductions	Effect of foreign currency exchange difference	Ending balance
Goodwill	$ 937,379	$ -	$ -	$ -	$ 937,379
Computer software	500,570	37,553	(10,623)	(382)	527,118
Customer relationship	326,550	-	-	-	326,550
Trademarks	61,481	-	-	-	61,481
Know-how	115,748	-	-	-	115,748
Others	41,805	3,793	-	(60)	45,538
Total	1,983,533	$ 41,346	($ 10,623)	($ 442)	2,013,814
Accumulated amortization					
Computer software	($ 356,307)	($ 36,784)	$ 3,017	($ 110)	($ 390,184)
Customer relationship	(109,439)	(33,048)	-	-	(142,787)
Trademarks	(13,367)	(4,139)	-	-	(17,506)
Know-how	(57,874)	(17,362)	-	-	(75,236)
Others	(28,456)	(5,174)	-	18	(33,612)
Total	($ 565,443)	($ 96,507)	$ 3,017	($ 92)	($ 659,025)
	$ 1,418,090				$ 1,354,789

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

	Three months ended September 30	
	2022	2021
Operating costs	$ 2,458	$ 3,113
Selling expenses	2,712	2,838
Administrative expenses	19,951	15,764
Research and development expenses	11,908	10,682
	$ 37,029	$ 32,397

	Nine months ended September 30	
	2022	2021
Operating costs	$ 7,412	$ 7,955
Selling expenses	9,108	9,072
Administrative expenses	60,999	48,003
Research and development expenses	33,776	31,477
	$ 111,295	$ 96,507

B. As of September 30, 2022, the Group merged with Huges Hi-Tech Inc. on September 1, 2005. Thus, the transaction generated goodwill in the amount of $139,735 thousand. The goodwill from business combination shall be tested annually at least for impairment in accordance with IAS 36.

The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are as follows:

The cash flow projections are based on financial budgets approved by the management covering a five-year period. As the Company is committed to developing and taking blue tooth orders, it expects 10% year-on-year growth in sales through the launching of new products and improving its technologies during this period.

Management determined budgeted gross margin based on past performance and their expectations of market development. The weighted average growth rate used is consistent with the projection included in industry reports. The discount rate of 1.75% used was pre-tax and reflected specific risks relating to the relevant operating segments.

C. The goodwill arose from acquiring Asian Elite International Ltd. and Indigo Enterprise Inc. amounting to $581,644 thousand due to the benefits from production technology and market channel such as smart speakers of the companies that are expected to be merged. The goodwill from business combination shall be tested annually at least for impairment in accordance with IAS 36.

As of September 30, 2022, the recoverable amount of all cash-generating units calculated using the value-in-use did not exceed their carrying amount, so an impairment loss to goodwill was recognized amounting to $161,766 thousand as of September 30, 2022. The goodwill after the recognition of impairment loss amounted to $419,878 thousand. The key assumptions used for value-in-use calculations are as follows:

The cash flow projections are based on financial budgets approved by the management covering a five-year period. As the Company is committed to developing and taking smart speaker orders, it expects 7.71%-62% year-on-year growth in sales through the launching of new products and improving its technologies during this period.

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rate used is consistent with the projection included in industry reports. The discount rate of 16.5% used was pre-tax and reflected specific risks relating to the relevant operating segments.

D. As of September 30, 2022, the goodwill arose from acquiring Austar Hearing Science and Technology (Xiamen) Co. , Ltd. amounting to $210,299 thousand due to the benefits from production technology and market channel such as hearing-aids of the company that are expected to be merged. The goodwill from business combination shall be tested for impairment at least annually in accordance with IAS 36.

The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are as follows:

The cash flow projections are based on financial budgets approved by the management covering a five-year period. As the Company is committed to developing and taking hearing-aids orders, it expects 3%-19.97% year-on-year growth in sales through the launching of new products and improving its technologies during this period.

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rate used is consistent with the projection included in industry reports. The discount rate of 15.52% used was pre-tax and reflected specific risks relating to the relevant operating segments.

E. The Group has no intangible assets pledged to others as collateral.

(13) Impairment loss – non-financial assets

A. The Group has recognized impairment loss amounting to $161,766 thousand for the nine months ended September 30, 2022. The details are as follows:

	Nine months ended September 30	
	2022	2021
	Recognized through profit or loss	Recognized through profit or loss
Accumulated impairment loss – goodwill	$ 161,766	$ -

B. The above impairment loss is disclosed by asset as follows:

	Nine months ended September 30	
	2022	2021
	Recognized through profit or loss	Recognized through profit or loss
Goodwill	$ 161,766	$ -

C. Please refer to Note 6 (12) for the impairment to intangible assets.

(14) Short-term borrowings

Type of borrowings	September 30, 2022	Interest rate range	Collateral
Bank borrowings			
Credit loan	$ 3,465,899	0.00%~5.10%	None

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Credit loan	$ 3,738,289	0.00%~4.00%	None

Type of borrowings	September 30, 2021	Interest rate range	Collateral
Bank borrowings			
Credit loan	$ 2,564,544	0.00%~4.00%	None

A. Interest expense recognized in profit or loss amounted to $15,195 thousand, $6,151 thousand, $33,512 thousand and $18,509 thousand for the three months and nine months ended September 30, 2022 and 2021, respectively.

B. The Group provided endorsements and guarantees for the credit loans as of September 30, 2022, December 31, 2021 and September 30, 2021.

(15) Other payables

	September 30, 2022	December 31, 2021	September 30, 2021
Payroll and bonus payable	$ 431,166	$ 403,284	$ 421,895
Payables on equipment (Including intangible assets)	194,647	200,531	279,065
Employee compensation payable	154,978	99,764	80,955
Directors' remuneration payable	31,153	21,976	16,095
Others	566,190	416,948	456,355
	$ 1,378,134	$ 1,142,503	$ 1,254,365

(16) Bonds payable

	September 30, 2022	December 31, 2021	September 30, 2021
Bonds payable	$ 3,000,000	$ 3,000,000	$ 5,231,900
Less: Discount on bonds payable	(53,308)	(74,411)	(87,436)
Sub-total	2,946,692	2,925,589	5,144,464
Less: Expiring within one year	-	-	(2,225,952)
	$ 2,946,692	$ 2,925,589	$ 2,918,512

A. The details of the second domestic unsecured convertible bonds issued by the Company on December 11, 2018 are as follows:

(a) The terms of the second domestic unsecured convertible bonds issued by the Company are as follows:

i. The competent authority has approved the Company's second issuance of domestic unsecured corporate bonds. The bonds are for a total issuance amount of $3,015,000 thousand and a coupon rate of 0%, cover a 3-year period of issuance and a circulation period from December 11, 2018 to December 11, 2021, and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on December 11, 2018.

ii. The creditors have the right to ask for conversion of the bonds into common shares of the Company by Taiwan Depository & Clearing Corporation through Securities Firms during the period from the date after three months of the bonds issue to the maturity date, except for (i) the stop transfer period for common shares as specified in the terms of the bonds or the laws/regulations; (ii) the Company's book closure date of stock dividends, book closure date 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 share trading after shares are repurchased. 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 in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. As of September 30, 2021, the conversion price of convertible bonds was $126.6 per share.

iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value, based on the Company's redemption rights to the bonds under Article 18 of the terms of issuance and conversion, 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 month 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 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 issuance and conversion, all bonds redeemed (including bonds repurchased from the securities trading markets), matured and converted are retired and not to be sold or re-issued; the conversion rights attached to the bonds are also extinguished.

(b) As of September 30, 2021, the bonds amounting to $768,100 thousand (face value) had been converted into 5,299 thousand shares of common stock. After the issuance of the convertible bonds, if the number of common shares increases, the Company shall adjust the conversion price to $126.6 per share in line with the formula of the issuance article.

B. 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 competent authority has approved the Company’s third issuance of domestic unsecured corporate bonds. The bonds are for a total issuance amount of $3,015,000 thousand and a coupon rate of 0%, cover a 3-year period of issuance and a circulation period from 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 creditors have the right to ask for conversion of the bonds into common shares of the Company by Taiwan Depository & Clearing Corporation through Securities Firms during the period from the date after three months of the bonds issue to the maturity date, except for (i) the stop transfer period for common shares as specified in the terms of the bonds or the laws/regulations; (ii) the Company’s book closure date of stock dividends, book closure date 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 share trading after shares are repurchased; (iv) the period from the first day on which stock face value changes stop to the day before the transaction of new shares exchange. 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 in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. As of September 30, 2022, the conversion price of convertible bonds was $110.6 per share.

iv. The Company may repurchase all the bonds outstanding in cash at the bonds’ face value, based on the Company’s redemption rights to the bonds under Article 18 of the terms of issuance and conversion, 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 month 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 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 issuance and conversion, all bonds redeemed (including bonds repurchased from the securities trading markets), matured and converted are retired and not to be sold or re-issued; the conversion rights attached to the bonds are also extinguished.

(b) As of September 30, 2022, the face value of bonds had not been converted into shares of common stock.

C. Regarding the issuance of convertible bonds, the equity conversion options amounting to $96,857 thousand were separated from the liability component and were recognized in 'capital surplus - share options' in accordance with IAS 32 as of September 30, 2022. 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.

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(17) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	September 30, 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 (Note 1, 2)	0.55%~0.90%	None	$ 277,222
Credit loan	Borrowing period is 36 months starting from 2020/7/15 and extended every month ; principal is repayable starting from 2023	4.58%	None	78,013
Credit loan	Borrowing period is from 2020/2/20 to 2027/2/19; interest is repayable monthly; principal is repayable starting from 2022	0.85%~2.40%	None	1,056,312
				1,411,547
Less: Expiring within one year or one operating cycle				(372,266)
				$ 1,039,281

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
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 (Note 1, 2)	0.30%~0.93%	None	$ 520,000
Credit loan	Borrowing period is from 2020/2/20 to 2027/2/19; interest is repayable monthly; principal is repayable starting from 2022	0.35%~1.20%	None	1,038,655
				1,558,655
Less: Expiring within one year or one operating cycle				(170,074)
				$ 1,388,581

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	September 30, 2021
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 (Note 1, 2)	0.30%~0.83%	None	$ 720,000
Credit loan	Borrowing period is from 2020/2/20 to 2027/2/19; interest is repayable monthly; principal is repayable starting from 2022	0.35%~1.20%	None	774,543
				1,494,543
Less: Expiring within one year or one operating cycle				(59,444)
				$ 1,435,099

The interest expense recognized in profit or loss for the three months and nine months ended

September 30, 2022 and 2021 amounted to $3,317 thousand, $2,122 thousand, $9,107 thousand and $5,478 thousand, respectively.

Note 1: In November 2019, the Company entered into a long-term loan contract with Taipei Fubon Bank for the total amount of $357,222 thousand. As of September 30, 2022, the drawn amount was $177,222 thousand.

Aforementioned contract conditions:

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

(a) Current ratio shall not be lower than 100%;
(b) Debt ratio shall not be higher than 200%;
(c) Interest coverage ratio shall not be lower than 10;
(d) Tangible assets shall not be lower than $8 billion.

Note 2: In February 2020, the Company entered into a long-term loan contract with JIHSUN BANK for the total amount of $300,000 thousand. As of September 30, 2022, the drawn amount was $100,000 thousand.

Aforementioned contract conditions:

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

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

(18) Pensions

A. (a) The Company has 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 contributes 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. The Company also contributes monthly an amount equal to 8% of managers' monthly salaries to the retirement fund. Also, the Company 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 will make contributions for the deficit by next March.

(b) The above pension costs of the Group for the three months and nine months ended September 30, 2022 and 2021 were $245 thousand, $170 thousand, $735 thousand and $510 thousand, respectively.

(c) The Company expects to pay contribution for pension plan amounting to $6,674 thousand in 2023.

B. (a) Effective July 1, 2005, the Company has 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 contributes 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, MECL, MSCS, ASCX, ETCX, LACX, FUXM and FUSZ, 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 above pension costs of the Group for the three months and nine months ended September 30, 2022 and 2021 were $41,487 thousand, $33,874 thousand, $116,545 thousand and $105,990 thousand, respectively.

(19) Share-based payment

A. For the nine months ended September 30, 2022 and 2021, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grand date	Quantity granted	Contract period	Vesting condition
The 2nd restricted stocks to employees in 2016	2017/06/16	458 units	3 years	Note
The 1st restricted stocks to employees in 2017	2017/12/29	196 units	3 years	Note
The 2nd restricted stocks to employees in 2017	2018/10/26	878 units	3 years	Note
The 1st restricted stocks to employees in 2019	2019/11/02	813 units	3 years	Note
The 2nd restricted stocks to employees in 2019	2020/08/05	387 units	3 years	Note
The 1st restricted stocks to employees in 2020	2021/05/31	416 units	3 years	Note
The 2nd restricted stocks to employees in 2020	2021/07/30	1,504 units	3 years	Note
Stocks from capital increase reserved for employees subscription in 2021	2021/10/27	900 units	Vested immediately	-
The 1st restricted stocks to employees in 2021	2022/07/29	1,800 units	3 years	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:

(a) The second restricted stocks to employees in 2016

	2022		2021	
	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	-	$ 10	4	$ 10
Restricted stocks vested	-	10	(4)	10
At September 30	-	10	-	10

(b) The first restricted stocks to employees in 2017

	2022		2021	
	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	-	$ -	1	$ -
Restricted stocks vested	-	-	(1)	-
At September 30	-	-	-	-

(c) The second restricted stocks to employees in 2017

	2022		2021	
	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	-	$ -	318	$ -
Restricted stocks vested	-	-	(5)	-
Restricted stocks retired	-	-	(19)	-
At September 30	-	-	294	-

(d) The first restricted stocks to employees in 2019

	2022		2021	
	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	284	$ -	545	$ -
Restricted stocks retired	(19)	-	(40)	-
At September 30	265	-	505	-

(e) The second restricted stocks to employees in 2019

	2022		2021	
	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	244	$ -	382	$ -
Restricted stocks retired	(118)	-	(131)	-
At September 30	126	-	251	-

(f) The first restricted stocks to employees in 2020

	2022		2021	
	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	416	$ -	-	$ -
Restricted stocks granted	-	-	416	-
At September 30	416	-	416	-

(g) The second restricted stocks to employees in 2020

	2022		2021	
	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	1,473	$ -	-	$ -
Restricted stocks granted	-	-	1,504	-
Restricted stocks vested	(342)	-	-	-
Restricted stocks retired	(78)	-	(6)	-
At September 30	1,053	-	1,498	-

(h) The first restricted stocks to employees in 2021

	2022		2021	
	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	-	$ -	-	$ -
Restricted stocks granted	1,800	-	-	-
Restricted stocks retired	(43)	-	-	-
At September 30	1,757	-	-	-

C. The fair value of stock options granted on grant date is measured using the closing price on the grant date. Relevant information is as follows:

Type of arrangement	Grand date	Stock price	Exercise price	Fair value per unit
The 2nd restricted stocks to employees in 2016	2017/06/16	187.0	10.0	177.0
The 1st restricted stocks to employees in 2017	2017/12/29	194.5	0	194.5
The 2nd restricted stocks to employees in 2017	2018/10/26	139.5	0	139.5
The 1st restricted stocks to employees in 2019	2019/11/02	150.0	0	150.0
The 2nd restricted stocks to employees in 2019	2020/08/05	169.0	0	169.0
The 1st restricted stocks to employees in 2020	2021/05/31	107.5	0	107.5
The 2nd restricted stocks to employees in 2020	2021/07/30	111.0	0	111.0
Stocks from capital increase reserved for employees subscription in 2021	2021/10/27	82.0	72.0	10.0
The 1st restricted stocks to employees in 2021	2022/07/29	80.7	0	80.7

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

	Three months ended September 30	
	2022	2021
Equity-settled	$ 22,453	$ 28,212

	Nine months ended September 30	
	2022	2021
Equity-settled	$ 69,669	$ 72,859

(20) Share capital

As of September 30, 2022, 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 $2,181,994 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):

	2022	2021
At January 1	216,510	209,333
Employee restricted shares retired	(258)	(196)
Employee restricted shares granted	1,800	1,920
At September 30	218,052	211,057

A. The Company retired 111 thousand employee restricted shares as resolved at the meeting of the Board of Directors on April 28, 2022 and July 28, 2022 with the capital reduction effective date set on May 6, 2022 and July 28, 2022, respectively. The capital reduction through retirement of employee restricted shares was completed.

B. The Company retired 147 thousand employee restricted shares as resolved at the meeting of the Board of Directors on October 27, 2022 with the capital reduction effective date set on October 27, 2022. The capital reduction through retirement of employee restricted shares is still in progress.

C. 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. The registration is still in progress. 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 196 thousand employee restricted shares as resolved at the meeting of the Board of Directors on February 25, 2021, April 29, 2021, July 29, 2021 and October 28, 2021 with the capital reduction effective date set on March 8, 2021, May 3, 2021 and October 28, 2021, respectively. The capital reduction through retirement of employee restricted shares was completed.

E. On April 30, 2020, the Board of Directors of the Company resolved to issue employee restricted shares. The issuance was approved by the Competent Authority on September 29, 2020. The Company issued 2,000 thousand common shares with the effective date set on May 31, 2021 and July 30, 2021, respectively. The subscription price is $0 per share and the common shares are issued in batch amounting to 416 thousand shares and 1,504 thousand shares, respectively. The registration was completed on June 16, 2021 and August 25, 2021, respectively. 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.

(21) 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.

	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	-	-	(32,340)	-	(32,340)
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	-	13,478	13,478
At September 30	$ 4,070,017	$ 96,857	$ 328,233	$ 259,914	$ 4,755,021

	2021				
	Share premium	Share option	Employee restricted stocks	Others	Total
At January 1	$ 3,665,902	$ 99,191	$ 170,825	$ 24,205	$ 3,960,123
Restricted stocks issued	-	-	192,464	-	192,464
Restricted stocks vested	(6,711)	-	6,711	-	-
Restricted stocks retired	-	-	(29,512)	-	(29,512)
Corporate bonds issued	-	96,857	-	-	96,857
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	-	1,699	1,699
Acquisition of non-controlling interests in Subsidiary	-	-	-	115,106	115,106
At September 30	$ 3,659,191	$196,048	$ 340,488	$ 141,010	$ 4,336,737

(22) 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. After the provision or reversal of special reserve, the appropriation of the remaining earnings along with the unappropriated earnings of prior years shall be proposed by the Board of Directors and approved by the shareholders. According to the dividend policy adopted by the Board of Directors, 30% to 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends should take priority over other means of appropriation, while stock dividends are also the option for earnings appropriation. In terms of the way of earnings appropriation, the percentage of earnings appropriated in cash shall not be lower than 30% of total dividends. The Board of Directors may fully or partially appropriate dividends and bonuses in the form of cash by a resolution adopted by the majority vote at its meeting attended by two-thirds of the total number of directors, and then reported to the shareholders. Situations other than that shall be approved by the shareholders at their meeting.

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' 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 or associate of the Company meeting certain specific requirement.

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 September 30, 2022, the special reserve set aside based on the above regulation amounted to $479,785 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 of 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 September 30, 2022, the balance of special reserve as aforementioned was $269,144 thousand.

(c) As of September 30, 2022, December 31, 2021 and September 30, 2021, the balance of special reserve was $748,929 thousand, $269,144 thousand and $269,144 thousand.

E. The Company distributed cash dividends amounting to $4 (in dollars) per share and $5.16 (in dollars) per share as resolved at the shareholders' meeting on June 15, 2022 and July 21, 2021. The abovementioned distribution of earnings for the years ended December 31, 2021 and 2020 was in agreement with those amounts proposed by the Board of Directors on February 24, 2022 and February 25, 2021.

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(23) Other equity items

2022	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) from investments in debt instruments measured at fair value through other comprehensive income	Unrealized gain (loss) 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)
Restricted stocks issued	-	-	-	(145,259)	(145,259)
Amortization of employee restricted stocks	-	-	-	69,669	69,669
Restricted stocks retired	-	-	-	34,918	34,918
Revaluation – gross	-	(4,956)	(368,133)	-	(373,089)
Revaluation – tax	-	-	(2,891)	-	(2,891)
Currency translation differences:					
-Group	453,798	-	-	-	453,798
-Tax on Group	(90,759)	-	-	-	(90,759)
-Associates	155,724	-	-	-	155,724
-Tax on associates	(30,674)	-	-	-	(30,674)
At September 30	($ 117,483)	($ 2,015)	($ 517,323)	($ 260,988)	($ 897,809)

2021	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) from investments in debt instruments measured at fair value through other comprehensive income	Unrealized gain (loss) from investments in equity instruments measured at fair value through other comprehensive income	Cost of unearned employee compensation	Total
At January 1	($ 438,569)	$ 4,220	$ 601,816	($ 158,141)	$ 9,326
Restricted stocks issued	-	-	-	(211,664)	(211,664)
Amortization of employee restricted stocks	-	-	-	72,859	72,859
Restricted stocks retired	-	-	-	31,474	31,474
Revaluation – gross	-	(5,217)	(386,208)	-	(391,425)
Revaluation – tax	-	-	(657)	-	(657)
Revaluation transferred to profit or loss – gross	-	5,580	-	-	5,580
Currency translation differences:					
-Group	(180,416)	-	-	-	(180,416)
-Tax on Group	36,083	-	-	-	36,083
-Associates	(83,089)	-	-	-	(83,089)
-Tax on associates	15,257	-	-	-	15,257
At September 30	($ 650,734)	$ 4,583	$ 214,951	($ 265,472)	($ 696,672)

(24) Operating revenue

	Three months ended September 30	
	2022	2021
Revenue from contracts with customers	$ 11,050,485	$ 8,463,889
	Nine months ended September 30	
	2022	2021
Revenue from contracts with customers	$ 25,073,296	$ 24,367,349

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:

	Three months ended September 30, 2022					
	Electronic devices					
	Taiwan	Shenzhen	Singapore	Vietnam	Others	Total
Total segment revenue	$ 8,170,703	$ 4,225,841	$ 2,464,045	$ 1,075,437	$ 1,495,845	$ 17,431,871
Revenue from internal segment transactions	(1,246)	(4,150,486)	-	(1,032,183)	(1,197,471)	(6,381,386)
Revenue from external customer contracts	8,169,457	75,355	2,464,045	43,254	298,374	11,050,485
Main Region						
Europe	3,929,065	24,668	1,731,297	-	116,742	5,801,772
US	3,493,304	-	732,673	-	147,811	4,373,788
Mainland China	216,404	50,687	-	-	24,770	291,861
Taiwan	472,408	-	-	-	1	472,409
Others	58,276	-	75	43,254	9,050	110,655
	$ 8,169,457	$ 75,355	$ 2,464,045	$ 43,254	$ 298,374	$11,050,485

	Nine months ended September 30, 2022					
	Electronic devices					
	Taiwan	Shenzhen	Singapore	Vietnam	Others	Total
Total segment revenue	$18,018,806	$ 7,595,498	$ 5,664,053	$ 3,299,202	$ 3,619,826	$ 38,197,385
Revenue from internal segment transactions	(8,861)	(7,329,097)	-	(3,067,867)	(2,718,264)	(13,124,089)
Revenue from external customer contracts	18,009,945	266,401	5,664,053	231,335	901,562	25,073,296
Main Region						
Europe	8,423,498	83,253	4,155,313	-	235,636	12,897,700
US	7,770,924	-	1,508,614	-	426,259	9,705,797
Mainland China	427,587	183,146	-	-	214,270	825,003
Taiwan	1,230,235	2	-	-	302	1,230,539
Others	157,701	-	126	231,335	25,095	414,257
	$18,009,945	$ 266,401	$ 5,664,053	$ 231,335	$ 901,562	$ 25,073,296

	Three months ended September 30, 2021				
	Electronic devices				
	Taiwan	Shenzhen	Singapore	Others	Total
Total segment revenue	$ 6,231,145	$ 3,626,006	$ 1,544,912	$ 1,623,078	$ 13,025,141
Revenue from internal segment transactions	(4,917)	(3,343,874)	-	(1,212,461)	(4,561,252)
Revenue from external customer contracts	6,226,228	282,132	1,544,912	410,617	8,463,889
Main Region					
Europe	2,409,306	23,620	1,191,934	71,981	3,696,841
US	3,440,668	-	293,812	227,388	3,961,868
Mainland China	98,040	254,531	-	94,761	447,332
Taiwan	220,469	3,981	-	1,458	225,908
Others	57,745	-	59,166	15,029	131,940
	$ 6,226,228	$ 282,132	$ 1,544,912	$ 410,617	$ 8,463,889

	Nine months ended September 30, 2021				
	Electronic devices				
	Taiwan	Shenzhen	Singapore	Others	Total
Total segment revenue	$ 17,612,767	$ 9,332,981	$ 4,304,225	$ 4,749,333	$ 35,999,306
Revenue from internal segment transactions	(10,193)	(7,891,774)	-	(3,729,990)	(11,631,957)
Revenue from external customer contracts	17,602,574	1,441,207	4,304,225	1,019,343	24,367,349
Main Region					
Europe	7,658,537	94,437	3,593,965	221,421	11,568,360
US	8,878,074	247	608,067	469,540	9,955,928
Mainland China	347,781	1,330,587	-	294,985	1,973,353
Taiwan	606,920	15,936	-	4,874	627,730
Others	111,262	-	102,193	28,523	241,978
	$17,602,574	$ 1,441,207	$ 4,304,225	$ 1,019,343	$ 24,367,349

B. Contract assets and liabilities：

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

	September 30, 2022	December 31, 2021	September 30, 2021	January 1, 2021
Contract assets	$ -	$ -	$ 58,110	$ 43,363
Contract liabilities	$ 1,068,436	$ 874,000	$ 1,065,390	$ 627,002
Refund liabilities	$ 240,246	$ 246,964	$ 210,027	$ 343,164

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

	Three months ended September 30	
	2022	2021
Revenue recognized that was included in the contract liability balance at the beginning of the period	$ 40,869	$ 36,876

	Nine months ended September 30	
	2022	2021
Revenue recognized that was included in the contract liability balance at the beginning of the period	$ 181,923	$ 145,171

(25) Interest income

	Three months ended September 30	
	2022	2021
Interest income from bank deposits	$ 15,056	$ 9,994
Interest income from financial assets at fair value through other comprehensive income	1,570	1,313
	$ 16,626	$ 11,307

	Nine months ended September 30	
	2022	2021
Interest income from bank deposits	$ 34,595	$ 26,239
Interest income from financial assets at fair value through other comprehensive income	4,353	4,462
	$ 38,948	$ 30,701

(26) Other income

	Three months ended September 30	
	2022	2021
Compensation income	$ 115,525	$ -
Government grants	28,622	28,081
Sample income	13,456	47,230
Dividend income	9,309	8,313
Rent income	3,122	1,457
Other income	6,188	23,149
	$ 172,222	$ 108,230

	Nine months ended September 30	
	2022	2021
Compensation income (note)	$ 226,939	$ -
Government grants	108,798	144,051
Sample income	34,504	61,005
Dividend income	11,391	9,409
Rent income	3,753	5,285
Other income	19,351	41,828
	$ 404,736	$ 261,578

Note: The Group had compensation agreement with Luxshare Limited, and recognized compensation income for the nine months ended September 30, 2022. Please refer to Note 7 (2).

(27) Other gains and losses

	Three months ended September 30	
	2022	2021
Foreign exchange gain	$ 219,188	$ 203
Gains on financial assets / liabilities at fair value through profit or loss	98,428	6,262
Impairment loss on goodwill	(161,766)	-
Loss on disposals of property, plant and equipment	(11,287)	(2,680)
Other gains and losses	(1,127)	(3,069)
	$ 143,436	$ 716

	Nine months ended September 30	
	2022	2021
Foreign exchange (loss) gain	$ 468,948	($ 33,236)
Gains on financial assets / liabilities at fair value through profit or loss	186,166	59,903
Impairment loss on goodwill	(161,766)	-
Loss on disposals of property, plant and equipment	(12,150)	(6,354)
Loss on disposals of investments	-	(5,580)
Other gains and losses	(7,312)	(14,454)
	$ 473,886	$ 279

(28) Expenses by nature

	Three months ended September 30	
	2022	2021
Employee benefit expense	$ 1,022,297	$ 879,973
Depreciation charge - property, plant and equipment	128,776	99,704
Depreciation charge - right-of-use assets	27,336	34,231
Amortization charge	37,029	32,397
	$ 1,215,438	$ 1,046,305

	Nine months ended September 30	
	2022	2021
Employee benefit expense	$ 2,524,040	$ 2,642,756
Depreciation charge - property, plant and equipment	372,682	318,084
Depreciation charge - right-of-use assets	80,856	121,247
Amortization charge	111,295	96,507
	$ 3,088,873	$ 3,178,594

(29) Employee benefit expense

	Three months ended September 30	
	2022	2021
Wages and salaries	$ 895,963	$ 754,268
Share-based payments	23,634	29,435
Labor and health insurance fees	17,117	16,442
Pension costs	41,732	34,044
Other personnel expenses	43,851	45,784
	$ 1,022,297	$ 879,973

	Nine months ended September 30	
	2022	2021
Wages and salaries	$ 2,162,069	$ 2,269,831
Share-based payments	73,309	76,432
Labor and health insurance fees	51,963	51,660
Pension costs	117,280	106,500
Other personnel expenses	119,419	138,333
	$ 2,524,040	$ 2,642,756

A. 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 5~10% for employees' compensation and shall not be higher than 2% for directors' remuneration.

B. The details of employees' compensation and directors' and supervisors' remuneration of the Company are as follows:

	Three months ended September 30	
	2022	2021
Employees' compensation	$ 83,579	$ 38,393
Directors' and supervisors' remuneration	17,475	12,797
	$ 101,054	$ 51,190

	Nine months ended September 30	
	2022	2021
Employees' compensation	$ 124,613	$ 48,286
Directors' and supervisors' remuneration	31,153	16,095
	$ 155,766	$ 64,381

The abovementioned amounts were recognized in wages and salaries based on profit status of the current year. Employees' compensation was estimated at 8% and 6% of the profit for the nine months ended September 30, 2022 and 2021, respectively. Directors' remuneration was estimated at 2% and 2% of the profit for the nine months ended September 30, 2022 and 2021, respectively.

Employees' compensation and directors' remuneration of 2021 as resolved at the Board of Directors' meeting were in agreement with those amounts recognized in the profit or loss of 2021.

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.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended September 30	
	2022	2021
Current tax:		
Current tax on profits for the period	$ 146,460	$ 88,386
Surtax on unappropriated earnings	-	12,645
Prior year income tax overestimation	(3)	(27,993)
Total current tax	146,457	73,038
Deferred tax:		
Origination and reversal of temporary differences	64,614	66,872
Income tax expense	$ 211,071	$ 139,910

	Nine months ended September 30	
	2022	2021
Current tax:		
Current tax on profits for the period	$ 294,676	$ 68,560
Surtax on unappropriated earnings	-	12,645
Prior year income tax overestimation	(2,434)	(36,021)
Total current tax	292,242	45,184
Deferred tax:		
Origination and reversal of temporary differences	12,206	99,204
Income tax expense	$ 304,448	$ 144,388

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

	Three months ended September 30	
	2022	2021
Exchange differences changes on translation of foreign financial statements - the Group	($ 43,178)	$ 9,863
Exchange differences changes on translation of foreign financial statements - associates	(7,911)	977
Changes in fair value of financial assets at fair value through other comprehensive income	(575)	386
	($ 51,664)	$ 11,226

	Nine months ended September 30			
	2022		2021	
Exchange differences changes on translation of foreign financial statements - the Group	($	90,759)	$	36,083
Exchange differences changes on translation of foreign financial statements - associates	(	30,674)		15,257
Changes in fair value of financial assets at fair value through other comprehensive income	(	2,891)	(	657)
	($	124,324)	$	50,683

B. The investment in Merry Electronics (HK) Co., Ltd. and Merry Electronics (U.S.A.) Co., Ltd., of which the undistributed earnings of the investee company were used as permanent investment and were not distributed, and the losses were not compensated before 2000. Therefore, no deferred income tax arising from the difference between the carrying amount of the long-term equity investments and its tax bases had been recognized. However, for the profit from the above-mentioned reinvested companies, based on the overall operation planning, the earnings arising from these companies after 2001 are intended to be distributed and repatriated. Accordingly, deferred income tax liabilities and assets arising from this portion of earnings or losses are recognized since 2001.

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

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

E. Fulicare Co., Ltd. Taiwan Branch (SAMOA) income tax returns through 2020 have been assessed and approved by the Tax Authority.

(31) Earnings per share

	Three months ended September 30, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 586,298	213,917	$ 2,74
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	586,298	213,917	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	981	
Convertible bonds	5,463	27,125	
Employee restricted shares	-	420	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 591,761	242,443	$ 2.44

	Three months ended September 30, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 457,599	207,691	$ 2.20
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	457,599	207,691	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	434	
Convertible bonds	9,673	31,856	
Employee restricted shares	-	641	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 467,272	240,622	$ 1.94

	Nine months ended September 30, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,089,234	213,767	$ 5.10
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	1,089,234	213,767	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,684	
Convertible bonds	17,122	27,125	
Employee restricted shares	-	354	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,106,356	242,930	$ 4.55

	Nine months ended September 30, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 589,736	207,687	$ 2.84
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	589,736	207,687	
Assumed conversion of all dilutive potential ordinary shares			
Employees’ compensation	-	710	
Convertible bonds	21,690	22,424	
Employee restricted shares	-	529	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 611,426	231,350	$ 2.64

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.

(32) Supplemental cash flow information

A. Investing activities with partial cash payments

	Nine months ended September 30	
	2022	2021
Acquisition of property, plant and equipment	$ 448,936	$ 869,493
Add: Beginning balance of payable on equipment	199,508	356,594
Ending balance of prepayments for equipment	72,659	83,427
Less: Beginning balance of prepayments for equipment	(104,024)	(84,488)
Ending balance of payable on equipment	(184,847)	(276,793)
Cash paid during the period	$ 432,232	$ 948,233

	Nine months ended September 30	
	2022	2021
Acquisition of intangible assets	$ 19,251	$ 41,346
Add: Beginning balance of payable	1,023	4,344
Ending balance of prepayments	16,644	75,400
Less: Beginning balance of prepayments	(14,424)	(37,436)
Ending balance of payable	(9,800)	(2,272)
Cash paid during the period	$ 12,694	$ 81,382

	Nine months ended September 30	
	2022	2021
Disposal of property, plant and equipment	($ 5,585)	($ 253,920)
Add: Uncollected proceeds from disposal during the period	-	230,376
Cash received during the period	($ 5,585)	($ 23,544)

B. Financial assets measured at fair value through profit or loss:

	Nine months ended September 30	
	2022	2021
Net changes of financial assets measured at fair value through profit or loss	$ 65,924	$ 297,448
Add: Uncollected proceeds from disposal during the period	-	42,186
Payments during the period for acquisition from prior period	-	306
Less: Ending balance of payable	(1,830)	(42,259)
Cash paid during the period	$ 64,094	$ 297,681

(33) Changes in liabilities from financing activities

	Short-term borrowings	Lease Liabilities	Convertible bonds	Long-term Borrowings (including those matured within one year)	Dividends payables	Other non-current liabilities	Liabilities from financing activities-gross
At January 1, 2022	$3,738,289	$112,601	$2,925,589	$1,558,655	$ -	$ 111,786	$ 8,446,920
Changes in cash flow from financing	(306,618)	(81,073)	-	(252,565)	(866,040)	(3,155)	(1,509,451)
Additions	-	188,844	-	-	866,040	-	1,054,884
Impact of changes in foreign exchange rate	112,241	(719)	-	27,444	-	1,570	140,536
Changes in other non-cash items	(78,013)	2,363	21,103	78,013	-	(32,768)	(9,302)
At September 30, 2022	$3,465,899	$222,016	$2,946,692	$1,411,547	$ -	$ 77,433	$ 8,123,587

	Short-term borrowings	Lease liabilities	Convertible bonds	Long-term Borrowings (including those matured within one year)	Dividends payables	Other non-current liabilities	Liabilities from financing activities-gross
At January 1, 2021	$3,271,489	$261,656	$2,203,801	$ 807,419	$ -	$ 36,449	$ 6,580,814
Changes in cash flow from financing	(685,784)	(136,584)	3,015,000	689,476	(1,068,244)	(2,491)	1,811,373
Additions	-	-	-	-	1,068,244	-	1,068,244
Impact of changes in foreign exchange rate	(21,161)	(2,312)	-	(2,352)	-	(456)	(26,281)
Changes in other non-cash items	-	16,566	(74,337)	-	-	(692)	(58,463)
At September 30, 2021	$2,564,544	$139,326	$5,144,464	$1,494,543	$ -	$ 32,810	$ 9,375,687

(34) Government grants

A. For the nine months ended September 30, 2022:

  i. The subsidiary, MECA, applied for "Paycheck Protection Program" subsidy from local government for the year ended December 31, 2021 amounting to USD 262 thousand (NTD 7,542 thousand) and received the subsidy in January 2022.
  ii. The subsidiary, MECL, received the subsidy for technology improvement amounting to RMB 5,000 thousand (NTD 22,130 thousand) from Industry and Information Technology Bureau of Shenzhen Municipality in January 2022.
  iii. The subsidiary, MECL, received the subsidy for insurance premium for the year ended June 30, 2021 amounting to RMB 2,580 thousand (NTD 11,420 thousand) from Shenzhen Commerce Bureau in May 2022.
  iv. The subsidiary, MECL, received the subsidy for headquarter economic funding for the year ended December 31, 2022 amounting to RMB 1,500 thousand (NTD 6,639 thousand) from Development and Reform Bureau in Longhua District, Shenzhen Municipality in June 2022.
  v. The subsidiary, MECL, received the subsidy for Enterprise Technology Transformation Support Project amounting to RMB 4,180 thousand (NTD 18,697 thousand) from Shenzhen Industry and Information Bureau in September 2022.
  vi. The Company received the subsidy for A+ R&D center project assessed in 2021 amounted to NTD 6,597 thousand in June 2022.

B. For the nine months ended September 30, 2021:

  i. The subsidiary, MECA, applied for "Paycheck Protection Program" subsidy from local government amounting to USD 262 thousand (NTD 7,342 thousand) in 2020 and received the subsidy in January 2021.
  ii. The subsidiary, FUXM, received the first rental subsidy for biomedicine corporate amounting to RMB 2,169 thousand (NTD 9,399 thousand) from Industry and Information Technology Bureau of Haicang District, Xiamen Municipality in August 2021.
  iii. The subsidiary, MECL, received the employment subsidy amounting to RMB 2,476 thousand (NTD 10,729 thousand) from Longhua Branch, Human Resource Bureau of Shenzhen Municipality in June 2021.
  iv. The subsidiary, MECL, received the subsidy for stable growth for the year ended December 31, 2020 in industry development amounting to RMB 5,000 thousand (NTD 21,666 thousand) from Industry and Information Technology Bureau of Shenzhen Municipality in June 2021.
  v. The subsidiary, MECL, received the capacity expansion subsidy amounting to RMB 9,363 thousand (NTD 40,571 thousand) from Industry and Information Technology Bureau of Shenzhen Municipality in June 2021.
  vi. The subsidiary, MECL, received the second batch subsidy for technology improvement amounting to RMB 1,590 thousand (NTD 6,890 thousand) from Industry and Information Technology Bureau of Shenzhen Municipality in August 2021.
  vii. The subsidiary, MECL, received the subsidy for corporate technology center establishment and corporate technology improvement support for the year ended December 31, 2021 amounting to RMB 2,420 thousand (NTD 10,486 thousand) from Industry and Information Technology Bureau of Shenzhen Municipality in August 2021.
  viii. The Company received the subsidy for AI smart noise cancellation MIC platform development amounting to NTD 12,200 thousand in June 2021.

C. The rest subsidies are not disclosed due to their amounts less than 5% of the total government grants.

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
Leohab Enterprise Co., Ltd. (LEOHAB)	Affiliated company
Merry Fuling Co., Ltd. Taiwan Branch (MHNCTW)	Other related party
BESKYTTE HUANG & CO	Other related party
Luxshare Precision Limited	Other related party (Note 1)
Luxshare Precision Industry Co., Ltd	Other related party (Note 1)
Luxshare Electronic Technology (Kunshan) Co., Ltd.	Other related party (Note 1)
Lanto Electronic Limited	Other related party (Note 1)
Dongguan Luxshare Precision Industry Co., Ltd.	Other related party (Note 1)
Luxshare Precision Industry (Chuzhou), Ltd.	Other related party (Note 1)
Luxshare Co., Ltd.	Other related party (Note 1)

Note 1: 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

	Three months ended September 30	
	2022	2021
Sales of goods		
Luxshare Precision Limited	$ 43,253	$ -
MECH	1,327	12,401
Others	8,259	15,850
	$ 52,839	$ 28,251

	Nine months ended September 30	
	2022	2021
Sales of goods		
Luxshare Precision Limited	$ 231,306	$ -
MECH	22,679	66,163
Others	9,597	18,775
	$ 263,582	$ 84,938

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~ 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

	Three months ended September 30	
	2022	2021
Purchases of goods		
MECE	$ 2,489,049	$ 2,135,608
MECH	1,725,678	1,435,101
Others	5,678	13,376
	$ 4,220,405	$ 3,584,085

	Nine months ended September 30	
	2022	2021
Purchases of goods		
MECE	$ 5,120,480	$ 6,326,532
MECH	4,060,148	3,876,351
Others	51,718	103,746
	$ 9,232,346	$ 10,306,629

The associates are manufacturers for the Group's products and the prices are based on the different product's profitability and adjusted annually as there is no comparable transaction for the goods purchased from the third parties. The payment terms are 60 to 65 days end of month and 30 to 120 days end of month to the third parties.

C. Receivables from related parties

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable:			
Luxshare Precision Limited	$ 82,783	$ 4,413	$ -
MECH	837	28,261	8,200
Others	8,843	5,527	24,870
Total	$ 92,463	$ 38,201	$ 33,070
Other receivable:			
MECH	$ 474,483	$ 554,437	$ 466,826
Others	181	217	379
Total	$ 474,664	$ 554,654	$ 467,205

Other receivables as of September 30, 2022, December 31, 2021 and September 30, 2021 mainly were the purchases of raw materials on behalf of MECH and MECE, and the billing to Luxshare Co., Ltd. for the compensation.

D. Payables to related parties

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts payable:			
MECE	$ 2,112,448	$ 2,322,390	$ 1,495,118
MECH	1,490,123	1,282,350	1,350,397
Others	9,208	28,556	38,282
Total	$ 3,611,779	$ 3,633,296	$ 2,883,797
Other payable:			
MECE	$ 71,290	$ 66,714	$ 161,416
Others	695	100	939
Total	$ 71,985	$ 66,814	$ 162,355

Other payables mainly were mold developing expense that MECE paid on behalf of the parent company.

E. Payables to equipment

	September 30, 2022	December 31, 2021	September 30, 2021
MECH	$ 10,814	$ -	$ 12,531

F. Property transactions

(a) Acquisition of property, plant and equipment:

	Three months ended September 30	
	2022	2021
MECE	$ 60,458	$ -
MECH	6,133	12,838
	$ 66,591	$ 12,838

	Nine months ended September 30	
	2022	2021
MECE	$ 60,458	$ 1,981
MECH	11,739	15,627
	$ 72,197	$ 17,608

(b) Disposal of property, plant and equipment:

	Three months ended September 30			
	2022		2021	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
MECH	$ 275	($ 72)	$ -	$ -

	Nine months ended September 30			
	2022		2021	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
MECH	$ 1,681	($ 235)	$ 198	($ 4)

G. Royalty expenses

	Three months ended September 30	
	2022	2021
BESKYTTE HUANG & CO	$ -	$ -

	Nine months ended September 30	
	2022	2021
BESKYTTE HUANG & CO	$ -	$ 1,066

Other current assets mainly were temporary debits of brand royalties.

H. Other revenue

	Three months ended September 30	
	2022	2021
Luxshare Co., Ltd.	$ 111,525	$ -

	Nine months ended September 30	
	2022	2021
Luxshare Co., Ltd.	$ 226,939	$ -

Other revenue is the billing to Luxshare Co., Ltd. for the compensation. It was fully collected as of September 30, 2022.

(3) Key management compensation

	Three months ended September 30	
	2022	2021
Short-term employee benefits	$ 35,604	$ 23,607
Post-employment benefits	50	127
Share-based payments	7,831	9,920
	$ 43,485	$ 33,654

	Nine months ended September 30	
	2022	2021
Short-term employee benefits	$ 69,025	$ 44,683
Post-employment benefits	292	381
Share-based payments	22,040	20,713
	$ 91,357	$ 65,777

8. PLEDGED ASSETS

	Book value			
Pledged asset	September 30, 2022	December 31, 2021	September 30, 2021	Purpose
Time deposits (pledged) (as financial assets at amortized cost)	$ -	$ 3,853	$ 3,853	Project guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

	September 30, 2022	December 31, 2021	September 30, 2021
Property, plant and equipment	$ 92,447	$ 186,694	$ 258,520

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

Due to the nature of the Group's operating industry and the Group's future development, and the consideration of the changing outside environment, 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 on September 30 2022, December 31, 2021 and September 30, 2021 were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Total debts	$ 23,168,037	$ 21,708,001	$ 22,521,915
Total assets	36,004,495	33,862,624	33,987,295
Debt ratio	64%	64%	66%

(2) Financial instruments

A. Financial instruments by category

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	$ 620,785	$ 364,395	$ 380,029
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	$ 622,965	$ 979,645	$ 1,152,824
Qualifying debt instrument	156,735	141,341	143,833
	$ 779,700	$ 1,120,986	$ 1,296,657

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets at amortized cost/ Loans and receivables			
Cash and cash equivalents	$ 6,183,851	$ 4,841,969	$ 6,266,608
Financial assets at amortized at cost	1,444,710	1,032,926	3,853
Accounts receivable (including due from related parties)	9,530,002	9,403,320	7,859,488
Other receivables (including due from related parties)	557,737	954,417	1,140,428
Guarantee deposits paid	70,417	60,953	62,301
	$ 17,786,717	$ 16,293,585	$ 15,332,678

	September 30, 2022	December 31, 2021	September 30, 2021
Financial liabilities			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	$ 3,407	$ 3,020	$ 3,409
Short-term borrowings	3,465,899	3,738,289	2,564,544
Notes payable	-	-	11
Accounts payable (including payable to related parties)	10,366,401	9,342,878	8,860,343
Other payable (including payable to related parties)	1,450,119	1,209,317	1,416,720
Lease liability	222,016	112,601	139,326
Corporate bonds payable (including maturing within one year or one operating cycle)	2,946,692	2,925,589	5,144,464
Long-term borrowings (including maturing within one year or one operating cycle)	1,411,547	1,558,655	1,494,543
Guarantee deposits received	4,856	23,516	25,217
	$ 19,870,937	$ 18,913,865	$ 19,648,577

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 was provided in Note 6 (2).

C. Significant financial risks and degrees of financial risks

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2021, except for the items explained below:

(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 currencies, primarily with respect to the USD, RMB and HKD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

ii. 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 and CAD). 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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(Foreign currency: functional currency)		Foreign currency amount (In thousands)	Exchange rate		Book value (NTD)	Degree of variation		Effect on profit or loss		Effect on other comprehensive income
	September 30, 2022					Sensitivity analysis				
Financial assets										
Monetary items										
Cash in banks										
USD : NTD	$	54,405	31.75	$	1,727,359	3%	$	51,821	$	-
RMB : NTD		156,287	4.47		699,072	3%		20,972		-
USD : HKD		8,476	7.85		269,113	3%		8,073		-
HKD : NTD		4,071	4.04		16,463	3%		494		-
RMB : HKD		3,467	1.11		15,508	3%		465		-
USD : RMB		4,308	7.10		136,779	3%		4,103		-
USD : THB		22,935	37.57		728,186	3%		21,846		-
Current financial assets at fair value through profit or loss										
USD : NTD	$	7,514	27.56~30.81	$	208,596	3%	$	6,258	$	-
Receivables										
USD : HKD	$	1,140	7.85	$	36,195	3%	$	1,086	$	-
USD : NTD		253,484	31.75		8,048,129	3%		241,444		-
USD : RMB		77,684	7.10		2,466,467	3%		73,994		-
USD : THB		26,481	37.57		840,772	3%		25,223		-
Non-monetary items										
Current financial assets at fair value through other comprehensive income										
USD : NTD	$	5,000	31.75	$	158,750	3%	$	-	$	4,763
Investments accounted for under equity method										
USD : NTD	$	100,912	31.75	$	3,203,956	3%	$	-	$	96,119
HKD : NTD		318,723	4.04		1,288,914	3%		-		38,667
RMB : NTD		88,676	4.47		396,646	3%		-		11,899

(Foreign currency: functional currency)	September 30, 2022					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial liabilities						
Monetary items						
Financial liabilities held for trading - current						
USD : NTD	$ 120	28.43	$ 3,407	3%	$ 102	$ -
Bank loan						
USD : RMB	$ 26,739	7.10	$ 848,963	3%	$ 25,469	$ -
USD : CAD	2,600	0.73	82,550	3%	2,477	-
RMB : NTD	42,100	4.47	188,313	3%	5,649	-
Payables						
RMB : NTD	$ 428,855	4.47	$ 1,918,268	3%	$ 57,548	$ -
USD : NTD	222,394	31.75	7,061,010	3%	211,830	-
USD : RMB	49,482	7.10	1,571,054	3%	47,132	-

	December 31, 2021					
				Sensitivity analysis		
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
Cash in banks						
USD : NTD	$ 46,037	27.68	$ 1,274,304	3%	$ 38,229	$ -
RMB : NTD	73,582	4.34	319,640	3%	9,589	-
USD : HKD	7,950	7.80	220,056	3%	6,602	-
HKD : NTD	4,071	3.55	14,448	3%	433	-
RMB : HKD	3,459	1.22	15,026	3%	451	-
USD : RMB	18,831	6.37	521,242	3%	15,637	-
USD : THB	9,761	33.16	270,184	3%	8,106	-
Receivables						
USD : HKD	$ 1,331	7.80	$ 36,842	3%	$ 1,105	$ -
USD : NTD	299,362	27.68	8,286,340	3%	248,590	-
USD : RMB	105,211	6.37	2,912,240	3%	87,367	-
USD : THB	19,788	33.16	547,732	3%	16,432	-
Non-monetary items						
Non-current financial assets at fair value through other comprehensive income						
USD : NTD	$ 5,000	27.57~7.75	$ 138,400	3%	$ -	$ 4,152
Investments accounted for under equity method						
USD : NTD	$ 114,616	27.68	$ 3,172,561	3%	$ -	$ 95,177
HKD : NTD	311,743	3.55	1,106,375	3%	-	33,191
RMB : NTD	86,797	4.34	377,046	3%	-	11,311

(Foreign currency: functional currency)	December 31, 2021					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial liabilities						
Monetary items						
Bank loan						
USD : NTD	$ 15,000	27.68	$ 415,200	3%	$ 12,456	$ -
USD : RMB	50,402	6.37	1,395,127	3%	41,854	-
USD : CAD	2,600	0.78	71,968	3%	2,159	-
RMB : NTD	25,213	4.34	109,525	3%	3,286	-
Payables						
HKD : RMB	$ 1,054	0.82	$ 3,741	3%	$ 112	$ -
RMB : NTD	190,261	4.34	826,494	3%	24,795	-
USD : NTD	256,850	27.68	7,109,608	3%	213,288	-
USD : RMB	58,443	6.37	1,617,702	3%	48,531	-

(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
	September 30, 2021					
				Sensitivity analysis		
Financial assets						
Monetary items						
Cash in banks						
USD : NTD	$ 73,421	27.85	$ 2,044,775	3%	$ 61,343	$ -
RMB : NTD	14,228	4.31	61,252	3%	1,838	-
USD : HKD	7,668	7.79	213,554	3%	6,407	-
HKD : NTD	4,071	3.58	14,558	3%	437	-
RMB : HKD	3,457	1.20	14,882	3%	446	-
USD : RMB	5,532	6.47	154,066	3%	4,622	-
Receivables						
USD : HKD	$ 1,557	7.79	$ 43,362	3%	$ 1,301	$ -
USD : NTD	263,649	27.85	7,342,625	3%	220,279	-
USD : RMB	80,412	6.47	2,239,474	3%	67,184	-
SGD : USD	3,410	0.74	69,803	3%	2,094	-
Non-monetary items						
Current financial assets at fair value through other comprehensive income						
USD : NTD	$ 5,000	27.56~27.76	$ 139,250	3%	$ -	$ 4,178
Investments accounted for under equity method						
USD : NTD	$ 113,530	27.85	$ 3,161,800	3%	$ -	$ 94,854
HKD : NTD	295,694	3.58	1,057,402	3%	-	31,722
RMB : NTD	86,545	4.31	372,577	3%	-	11,177

(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis: Degree of variation	Sensitivity analysis: Effect on profit or loss	Sensitivity analysis: Effect on other comprehensive income
	September 30, 2021					
Financial liabilities						
Monetary items						
Bank loan						
USD : RMB	$ 50,642	6.47	$ 1,410,380	3%	$ 42,311	$ -
USD : CAD	2,600	0.79	72,410	3%	2,172	-
RMB : NTD	18,816	4.31	81,003	3%	2,430	-
Payables						
HKD : RMB	$ 1,236	0.83	$ 4,420	3%	$ 133	$ -
RMB : NTD	112,099	4.31	482,586	3%	14,478	-
USD : NTD	205,656	27.85	5,727,520	3%	171,826	-
USD : RMB	49,208	6.47	1,370,443	3%	41,113	-

Total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2022 and 2021 amounted to a gain of $219,188 thousand, a gain of $203 thousand, a gain of $468,948 thousand, and a loss of $33,236 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 nine months ended September 30, 2022 and 2021 would have increased/decreased by $871 thousand and $836 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 $18,689 thousand and $34,585 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 are measured at amortized cost. 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 nine months ended September 30, 2022 and 2021 would have increased/decreased by $7,316 thousand and $6,089 thousand, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

iii. If the Current investments in debt instrument interest rate had increased/decreased by 0.25% with all other variables held constant, profit (loss), net of tax for the nine months ended September 30, 2022 and 2021 would have increased/decreased by $809 thousand and $656 thousand, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(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. 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.

iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

iv. 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.

v. 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.

vi. The Group classifies customers' accounts receivable, contract assets in accordance with geographic area. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. 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.

viii. The Group used the forecastability of adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. As of September 30, 2022, December 31, 2021 and September 30, 2021, the provision matrix is as follows:

September 30, 2022	Expected loss rate	Total book value	Loss allowance
Not past due	0.04%	$ 9,379,727	$ 3,324
Up to 30 days	2.39%	50,993	1,218
31~90 days	19.50%	14,113	2,752
91~180 days	100.00%	1,449	1,449
Over 180 days	100.00%	11,240	11,240
		$ 9,457,522	$ 19,983

December 31, 2021	Expected loss rate	Total book value	Loss allowance
Not past due	0.04%	$ 9,115,474	$ 3,672
Up to 30 days	3.10%	159,214	4,929
31~90 days	11.90%	112,412	13,380
91~180 days	100.00%	1,445	1,445
Over 180 days	100.00%	11,999	11,999
		$ 9,400,544	$ 35,425

September 30, 2021	Expected loss rate	Total book value	Loss allowance
Not past due	0.06%	$ 7,657,011	$ 4,775
Up to 30 days	3.04%	160,083	4,868
31~90 days	35.28%	29,304	10,337
91~180 days	100.00%	719	719
Over 180 days	100.00%	12,286	12,286
		$ 7,859,403	$ 32,985

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

	2022
	Accounts receivable
At January 1	$ 35,425
Reversal of impairment loss	(14,889)
Effect of foreign exchange	(553)
At September 30	$ 19,983

	2021
	Accounts receivable
At January 1	$ 29,676
Provision for impairment	4,672
Effect of foreign exchange	(1,363)
At September 30	$ 32,985

x. For the nine months ended September 30, 2022 and 2021, there was no loss allowance for investments in debt instruments at fair value through other comprehensive income.

xi. For investments in debt instruments at fair value through other comprehensive income, the credit rating levels are presented below:

	September 30, 2022			
		Lifetime		
	12 months	Significant increase in Credit risk	Impairment of credit	Total
Financial assets at amortized cost				
Group 1	$ 1,444,710	$ -	$ -	$ 1,444,710
Financial assets at fair value through other comprehensive income				
Group 2	$ 156,735	$ -	$ -	$ 156,735

	December 31, 2021			
		Lifetime		
	12 months	Significant increase in Credit risk	Impairment of credit	Total
Financial assets at amortized cost				
Group 1	$ 1,032,926	$ -	$ -	$ 1,032,926
Financial assets at fair value through other comprehensive income				
Group 2	$ 141,341	$ -	$ -	$ 141,341

	September 30, 2021			
		Lifetime		
	12 months	Significant increase in Credit risk	Impairment of credit	Total
Financial assets at amortized cost				
Group 1	$ 3,853	$ -	$ -	$ 3,853
Financial assets at fair value through other comprehensive income				
Group 1	$ 143,833	$ -	$ -	$ 143,833

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 $15,565,151 thousand, $12,839,195 thousand and $12,125,895 thousand in undrawn borrowing facilities as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

Non-derivative financial liabilities

September 30, 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	$ 2,211,429	$1,279,384	$ -	$ -	$ -	$ 3,490,813
Accounts payable	5,001,283	1,753,339	-	-	-	6,754,622
Accounts payable - related parties	3,123,855	487,924	-	-	-	3,611,779
Other payables (including related parties)	1,326,330	123,789	-	-	-	1,450,119
Lease liabilities	22,750	58,949	70,569	66,159	22,661	241,088
Bonds payable	-	-	3,000,000	-	-	3,000,000
Long-term borrowings	52,260	335,552	455,431	601,502	-	1,444,745

Derivative financial liabilities

Forward exchange contracts	3,407	-	-	-	-	3,407

Non-derivative financial liabilities

December 31, 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	$ 1,484,691	$ 2,265,537	$ -	$ -	$ -	$ 3,750,228
Accounts payable	4,832,757	876,825	-	-	-	5,709,582
Accounts payable - related parties	3,358,281	275,015	-	-	-	3,633,296
Other payables (including related parties)	1,058,481	150,836	-	-	-	1,209,317
Lease liabilities	22,567	25,587	15,605	28,027	27,946	119,732
Bonds payable	-	-	-	3,000,000	-	3,000,000
Long-term borrowings	7,872	110,169	460,842	930,460	12,506	1,521,849

Derivative financial liabilities

Forward exchange contracts	440	2,580	-	-	-	3,020

Non-derivative financial liabilities

September 30, 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	$ 1,236,100	$1,331,027	$ -	$ -	$ -	$ 2,567,127
Notes payable	11	-	-	-	-	11
Accounts payable	5,050,926	925,620	-	-	-	5,976,546
Accounts payable - related parties	2,615,005	268,792	-	-	-	2,883,797
Other payables (including related parties)	1,235,068	181,652	-	-	-	1,416,720
Lease liabilities	26,504	41,254	20,562	24,869	28,521	141,710
Bonds payable	2,231,900	-	-	3,000,000	-	5,231,900
Long-term borrowings	2,532	113,461	478,986	889,624	31,281	1,515,884
Derivative financial liabilities						
Forward exchange contracts	3,409	-	-	-	-	3,409

(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 takes 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 Financial instruments not measured at fair value include the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term and long-term borrowings, notes payable, accounts payable and other payables.

	September 30, 2022			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable	$ 2,946,692	$ -	$2,845,178	$ -

	December 31, 2021			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable	$ 2,925,589	$ -	$2,882,806	$ -

	September 30, 2021			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable	$ 5,144,464	$ -	$5,125,096	$ -

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 is as follows:

September 30, 2022	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
-Equity securities	$ -	$ -	$ 29,021	$ 29,021
-Bonds investments	-	-	280,000	280,000
-Forward exchange contracts	-	208,596	-	208,596
-Fund	102,868	-	-	102,868
-Call options of convertible bonds	-	-	300	300
Financial liabilities at fair value through other comprehensive income				
- Equity securities	217,119	-	405,846	622,965
- Debt securities	-	156,735	-	156,735
	$ 319,987	$ 365,331	$ 715,167	$ 1,400,485
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
-Forward exchange contracts	$ -	$ 3,407	$ -	$ 3,407

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
-Equity securities	$ 232	$ -	$ 25,395	$ 25,627
-Bonds investments	-	-	280,000	280,000
-Forward exchange contracts	-	1,247	-	1,247
-Fund	56,921	-	-	56,921
-Call options of convertible bonds	-	-	600	600
Financial liabilities at fair value through other comprehensive income				
- Equity securities	259,207	-	720,438	979,645
- Debt securities	-	141,341	-	141,341
	$ 316,360	$ 142,588	$ 1,026,433	$ 1,485,381
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
-Forward exchange contracts	$ -	$ 3,020	$ -	$ 3,020

September 30, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
-Equity securities	$ -	$ -	$ 27,863	$ 27,863
-Bonds investments	-	13,664	280,000	293,664
-Forward exchange contracts	-	3,137	-	3,137
-Fund	55,065	-	-	55,065
-Call options of convertible bonds	-	-	300	300
Financial liabilities at fair value through other comprehensive income				
- Equity securities	190,815	-	962,009	1,152,824
- Debt securities	-	143,833	-	143,833
	$ 245,880	$ 160,634	$ 1,270,172	$ 1,676,686
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
-Forward exchange contracts	$ -	$ 3,409	$ -	$ 3,409

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:

	Listed shares	Open-end fund
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.

iv. 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 nine months ended September 30, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the nine months ended September 30, 2022 and 2021:

	Nine months ended September 30	
	2022	2021
At January 1	$ 1,026,433	$ 1,363,685
Increase for the period	1,487	286,131
(Losses) gains recognized in profit or loss	1,839	(146)
Losses recognized in other comprehensive income	(314,592)	(379,498)
At September 30	$ 715,167	$ 1,270,172

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 September 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity investment:					
Equity securities	$ 156,772	Market comparable companies	Price to book ratio multiple	$ 14,334	The higher the multiplier, the higher the fair value
Private equity funds in venture capital	29,021	Net asset value	N/A	29,021	N/A
Private placement shares (listed companies)	249,074	Market price method	Discount for lack of marketability	17.6%-18.3%	The higher the discount for marketability, the lower the fair value
Call options of convertible bonds	300	Binary tree convertible bond valuation model	Risk-free interest rate	1.1635%	The higher the risk-free interest rate, the lower the fair value
			Stock price	85.2	The higher the stock price, the higher the fair value
			Volatility	31.47%	The higher the stock price volatility, the higher the fair value
Non-derivative debt investment:					
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, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity investment:					
Equity securities	$ 140,235	Market comparable companies	Price to book ratio multiple	$ 13,765	The higher the multiplier, the higher the fair value
Private equity funds in venture capital	25,395	Net asset value	N/A	25,395	N/A
Private placement shares (listed companies)	580,203	Market price method	Discount for lack of marketability	17.6%-18.3%	The higher the discount for marketability, the lower the fair value
Call options of convertible bonds	600	Binary tree convertible bond valuation model	Risk-free interest rate	0.4424%	The higher the risk-free interest rate, the lower the fair value
			Stock price	94.4	The higher the stock price, the higher the fair value
			Volatility	30.94%	The higher the stock price volatility, the higher the fair value
Non-derivative debt investment:					
Convertible bonds	$ 280,000	Discounted cash flow method	Discount rate	-	The higher the discount rate, the lower the fair value

	Fair value at September 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity investment:					
Equity securities	$ 141,629	Market comparable companies	Price to book ratio multiple	$ 9,429	The higher the multiplier, the higher the fair value
Private equity funds in venture capital	27,863	Net asset value	N/A	27,863	N/A
Private placement shares (listed companies)	820,380	Market price method	Discount for lack of marketability	-	The higher the discount for marketability, the lower the fair value
Call options of convertible bonds	300	Binary tree convertible bond valuation model	Risk-free interest rate	0.2772%	The higher the risk-free interest rate, the lower the fair value
			Stock price	88.4	The higher the stock price, the higher the fair value
			Volatility	27.35%	The higher the stock price volatility, the higher the fair value
Non-derivative debt investment:					
Convertible bonds	$ 280,000	Binary tree convertible bond valuation model	Risk-free interest rate	-	The higher the risk-free interest 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:

			September 30, 2022			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Call options of convertible bonds	Stock price	±10%	$ -	($ 300)	$ -	$ -
	Volatility	±5%	-	(300)	-	-
Equity securities	Price to book ratio multiple	±10%	-	-	15,677	(15,677)
			$ -	($ 600)	$ 15,677	($ 15,677)

			December 31, 2021			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Call options of convertible bonds	Stock price	±10%	$ 300	($ 300)	$ -	$ -
	Volatility	±5%	300	(300)	-	-
Equity securities	Price to book ratio multiple	±10%	-	-	14,024	(14,024)
			$ 600	($ 600)	$ 14,024	($ 14,024)

			September 30, 2021			
			Recognized in profit or loss		Recognized in other comprehensive income	
Financial assets						
Call options of convertible bonds	Stock price	±10%	$ -	($ 300)	$ -	$ -
	Volatility	±5%	300	(300)	-	-
Equity securities	Price to book ratio multiple	±10%	-	-	14,163	(14,163)
			$ 300	($ 600)	$ 14,163	($ 14,163)

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: Please refer to table 4.

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 5.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 6.

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 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in Mainland China: Please refer to table 10.

(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 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 three months ended September 30, 2022 and 2021 is as follows:

	For the three months ended September 30, 2022					
	Taiwan	Shenzhen	Singapore	Vietnam	Others	Total
Revenue						
Revenue from external customers	$ 8,169,457	$ 75,355	$ 2,464,045	$ 43,254	$ 298,374	$ 11,050,485
Inter-segment revenue	1,246	4,150,486	-	1,032,183	1,197,471	6,381,386
Total revenue	$ 8,170,703	$ 4,225,841	$ 2,464,045	$ 1,075,437	$ 1,495,845	$ 17,431,871

	For the three months ended September 30, 2022					
	Taiwan	Shenzhen	Singapore	Vietnam	Others	Total
Segment pre-tax profit (loss)	$ 934,474	($ 45,209)	$ 240,619	$ 112,969	$ 65,752	$ 1,308,605
Segment profit (loss) contains:						
Interest revenue	$ 9,589	$ 6,380	$ 85	$ 121	$ 451	$ 16,626
Interest expense	(14,939)	(11,895)	(88)	(2,144)	(2,904)	(31,970)
Depreciation & amortization	(18,806)	(92,185)	(1,940)	(39,479)	(40,732)	(193,142)
Income tax (expense) benefit	(186,409)	6,720	(40,932)	-	9,550	(211,071)
Recognized investment (loss) profit which is adopting equity method	330,306	-	-	-	(185,423)	144,883

	For the three months ended September 30, 2021				
	Taiwan	Shenzhen	Singapore	Others	Total
Revenue					
Revenue from external customers	$ 6,226,228	$ 282,132	$ 1,544,912	$ 410,617	$ 8,463,889
Inter-segment revenue	4,917	3,343,874	-	1,212,461	4,561,252
Total revenue	$ 6,231,145	$ 3,626,006	$ 1,544,912	$ 1,623,078	$ 13,025,141
Segment pre-tax profit (loss)	$ 526,553	$ 235,664	$ 139,980	($ 108,946)	$ 793,251
Segment profit (loss) contains:					
Interest revenue	$ 4,963	$ 3,338	$ -	$ 3,006	$ 11,307
Interest expense	(15,094)	(3,531)	(147)	(2,232)	(21,004)
Depreciation & amortization	(17,802)	(142,834)	(1,921)	(3,775)	(166,332)
Income tax (expense) benefit	(131,080)	14,250	(25,707)	2,627	(139,910)
Recognized investment (loss) profit which is adopting equity method	549,601	-	-	(508,968)	40,633

Note: The Group does not use segment information relating to assets and liabilities to evaluate segment performance. As a result, such assets and liabilities to be disclosed amounted to $0.

B. The segment information provided to the chief operating decision-maker for the reportable segments for the nine months ended September 30, 2022 and 2021 is as follows:

	For the nine months ended September 30, 2022					
	Taiwan	Shenzhen	Singapore	Vietnam	Others	Total
Revenue						
Revenue from external customers	$ 18,009,945	$ 266,401	$ 5,664,053	$ 231,335	$ 901,562	$ 25,073,296
Inter-segment revenue	8,861	7,329,097	-	3,067,867	2,718,264	13,124,089
Total revenue	$ 18,018,806	$ 7,595,498	$ 5,664,053	$ 3,299,202	$ 3,619,826	$ 38,197,385
Segment pre-tax profit (loss)	$ 1,563,658	($ 539,492)	$ 535,928	$ 355,139	$ 324,909	$ 2,240,142
Segment profit (loss) contains:						
Interest revenue	$ 22,597	$ 15,043	$ 150	$ 132	$ 1,026	$ 38,948
Interest expense	(35,939)	(26,009)	(303)	(4,421)	(6,891)	(73,563)
Depreciation & amortization	(57,083)	(285,751)	(5,751)	(104,251)	(111,997)	(564,833)
Income tax (expense) benefit	(312,657)	80,780	(91,134)	-	18,563	(304,448)
Recognized investment (loss) profit which is adopting equity method	159,673	-	-	-	(97,179)	62,494

	For the nine months ended September 30, 2021				
	Taiwan	Shenzhen	Singapore	Others	Total
Revenue					
Revenue from external customers	$ 17,602,574	$ 1,441,207	$ 4,304,225	$ 1,019,343	$ 24,367,349
Inter-segment revenue	10,193	7,891,774	-	3,729,990	11,631,957
Total revenue	$ 17,612,767	$ 9,332,981	$ 4,304,225	$ 4,749,333	$ 35,999,306
Segment pre-tax profit (loss)	$ 740,379	($ 147,977)	$ 278,302	$ 552,791	$ 1,423,495
Segment profit (loss) contains:					
Interest revenue	$ 17,765	$ 9,864	$ -	$ 3,072	$ 30,701
Interest expense	(36,211)	(15,043)	(495)	(4,313)	(56,062)
Depreciation & amortization	(50,280)	(339,649)	(6,001)	(139,908)	(535,838)
Income tax (expense) benefit	(150,642)	50,139	(50,094)	6,209	(144,388)
Recognized investment (loss) profit which is adopting equity method	498,844	-	-	(261,308)	237,536

Note: The Group does not use segment information relating to assets and liabilities to evaluate segment performance. As a result, such assets and liabilities to be disclosed amounted to $0.

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:

	Three months ended September 30	
	2022	2021
Adjusted revenue from reportable segments	$ 17,431,871	$ 13,025,141
Elimination of inter-segment revenue	(6,381,386)	(4,561,252)
Total consolidated operating revenue	$ 11,050,485	$ 8,463,889

	Nine months ended September 30	
	2022	2021
Adjusted revenue from reportable segments	$ 38,197,385	$ 35,999,306
Elimination of inter-segment revenue	(13,124,089)	(11,631,957)
Total consolidated operating revenue	$ 25,073,296	$ 24,367,349

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

	Three months ended September 30	
	2022	2021
Adjusted income from reportable segments before income tax	$ 1,308,605	$ 793,251
Elimination of inter-segment income	(457,236)	(159,977)
Income from continuing operations before income tax	$ 851,369	$ 633,274

	Nine months ended September 30	
	2022	2021
Adjusted income from reportable segments before income tax	$ 2,240,142	$ 1,423,495
Elimination of inter-segment income	(677,452)	(583,219)
Income from continuing operations before income tax	$ 1,562,690	$ 840,276

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Loans to others

Nine months ended September 30, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance for the nine months ended September 30, 2022	Balance at September 30, 2022	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transaction with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 1)	Footnote
1	MESG	SOCV	Other receivables	Y	$ 127,000	$ 127,000	$ 41,275	1.13	2	$ -	Business operation	$ -	-	$ -	$2,144,435	$ 2,144,435	
2	MESG	SENM	Other receivables	Y	47,625	47,625	15,875	3.52	2	-	Business operation	-	-	-	2,144,435	2,144,435	

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 restrictions in (1) shall not apply to short-term financing among affiliates in the group. The limit to a single party is MESG's net assets.

Note 2: (1) For MESG's business transactions, limit on loans granted for a single party is the amount of the transactions.
(2) For MESG's short-term financing, limit on loans granted for a single party is 40% of the net assets of MESG.
(3) The restrictions in (1)(2) shall not apply to short-term financing among affiliates in the group. The limit to a single party is MESG's net assets.

Note 3: (1) For MESG's business transactions.
(2) For short-term financing.

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Nine months ended September 30, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

		Party being Endorsed/guaranteed													
Number (Note 1)	Endorser/ guarantor	Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the nine months ended September 30, 2022	Outstanding endorsement/ guarantee amount as of September 30, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	MEHO	SOCV	2	$ 9,626,065	$ 111,125	$ 111,125	$ 82,550	$ -	0.92%	$ 12,032,581	Y	N	N	
0	MEHO	SENM	2	9,626,065	31,750	-	-	-	-	12,032,581	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 six 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)
September 30, 2022

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 September 30, 2022 Number of shares	Book value (in thousands)	Ownership (%)	Fair value (in thousands)	Note
The Company	76324296A KGI Taiwan Multi-Asset Income Fund A TWD	-	Financial assets mandatorily measured at fair value through profit or loss - current	5,015	$ 50,000	-	$ 52,809	
The Company	UPAMC Wealthy Fund	-	Financial assets mandatorily measured at fair value through profit or loss - current	5,000	50,000	-	50,059	
The Company	SYNergy Private Placement (YDB8AA)	-	Financial assets mandatorily measured at fair value through profit or loss - current	-	280,000	-	280,000	
					380,000		$ 382,868	
			Valuation adjustment		2,868			
					$ 382,868			
The Company	JAFCO	-	Financial assets mandatorily measured at fair value through profit or loss – non -current	975	$ 29,350	0.75%	$ 29,021	
			Valuation adjustment		(329)			
					$ 29,021			
The Company	2881B.TW	-	Equity instruments measured at fair value through OCI - current	683	$ 40,980	-	$ 40,229	
The Company	2882B.TW	-	Equity instruments measured at fair value through OCI - current	585	35,100	-	34,281	
The Company	5871A	-	Equity instruments measured at fair value through OCI - current	300	30,000	-	29,580	
					106,080		$ 104,090	
					(1,990)			
					$ 104,090			
The Company	Stock - 4943.TW	-	Equity instruments measured at fair value through OCI – non -current	13,905	$ 648,164	8.85%	$ 136,890	
The Company	Stock - 3290.TWO	-	Equity instruments measured at fair value through OCI – non -current	5,723	99,990	5.75%	113,029	
The Company	Stock - FUJITER Semiconductor CO.,LTD.	-	Equity instruments measured at fair value through OCI – non -current	2,126	27,811	9.79%	22,948	
The Company	Stock - NETVOX TECHNOLOGY CO., LTD	-	Equity instruments measured at fair value through OCI – non -current	324	2,976	1.32%	-	
The Company	Stock - -EVER THAI AGRI-PRODUCT CO.,LTD.	-	Equity instruments measured at fair value through OCI – non -current	683	6,425	5.06%	2,442	
The Company	Stock - -SUNSINO SME Development Co., Ltd.	-	Equity instruments measured at fair value through OCI – non -current	169	2,123	0.36%	2,155	
The Company	Stock - -LINSATION Intelligent Technology Limited	-	Equity instruments measured at fair value through OCI – non -current	75	8,772	6.19%	2,911	
The Company	Stock - MERRY FULING CO., LTD., TAIWAN BRANCH (SAMOA)	-	Equity instruments measured at fair value through OCI – non -current	356	10,437	19.00%	10,779	
The Company	Stock - 6558.TW	-	Equity instruments measured at fair value through OCI – non -current	7,300	188,340	7.79%	112,184	
The Company	Bond - XS218687550	-	Debt instruments measured at fair value through OCI – non -current	-	144,625	-	156,735	
					1,139,663		$ 560,073	
			Valuation adjustment		(579,590)			
					$ 560,073			
MEST	Stock - Perfect Fortune Inc	-	Equity instruments measured at fair value through OCI – non -current	2,126	$ 8,600	18.33%	$ 71,941	
MEST	Stock - LOYAL WIRE& CABLE COMPANY LTD	-	Equity instruments measured at fair value through OCI – non -current	1,159	8,289	18.33%	38,229	
ASCX	Stock - DeTing (Xiamen) Health Technology Co., Ltd.	-	Equity instruments measured at fair value through OCI – non -current	-	447	10.00%	447	
ASCX	Stock - Beijing Wanling Hearing Aids	-	Equity instruments measured at fair value through OCI – non -current	-	4,920	19.64%	4,920	
					22,256		$ 115,537	
			Valuation adjustment		93,281			
					$ 115,537			

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
Acquisition of real estate reaching $300 million or 20% of the Company's paid-in capital
Nine months ended September 30, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitment
MEVN	Plant	May 11, 2020	$ 483,488	$ 483,488	HOP LUC CONSTRUCTION JOINT STOCK COMPANY	None	-	-	-	$-	-	For business use	-

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
Nine months ended September 30, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchase/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance (Note 2)	Percentage of total notes/ accounts receivable payable	Note
The Company	MECH	Investment accounted for using the equity method	Purchases	$ 2,163,370	9%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	($ 671,538)	6%	
The Company	MEVN	A subsidiary of the Company	Purchases	3,061,123	12%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(993,348)	10%	(Note 3)
The Company	MECE	Investment accounted for using the equity method	Purchases	5,103,952	20%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(2,110,394)	20%	
The Company	MECL	A subsidiary of the Company	Purchases	6,598,607	26%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(3,756,265)	36%	(Note 3)
METC	The Company	Parent company	Purchases	1,584,085	6%	60 - 120 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(1,180,788)	11%	(Note 3)
MESG	MECL	A subsidiary of the Company	Purchases	739,666	3%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(220,198)	2%	(Note 3)
MESG	METC	A subsidiary of the Company	Purchases	2,443,633	10%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(836,881)	8%	(Note 3)
MESG	MECH	Investment accounted for using the equity method	Purchases	1,894,410	8%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(818,031)	8%	
Luxshare Co., Ltd.	MEVN	A subsidiary of the Company	Purchases	231,306	1%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(82,783)	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
September 30, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

			Balance of accounts receivable due from related party			Overdue receivables				
Creditor	Counterparty	Relationship with the counterparty	General ledger account	Amount	Turnover rate	Amount	Action taken	Amount collected subsequent to the balance sheet date (Note2)	Allowance for doubtful accounts	Note
The Company	METC	A subsidiary of the Company	Accounts receivable	$ 1,180,788	2.22	$ -	-	$ 170,631	$ -	(Note 1)
MECL	The Company	Parent Company	Accounts receivable	3,756,265	2.74	-	-	964,870	-	(Note 1)
MECL	MESG	A subsidiary of the Company	Accounts receivable	220,198	3.15	-	-	-	-	(Note 1)
METC	MESG	A subsidiary of the Company	Accounts receivable	836,881	4.72	-	-	373,841	-	(Note 1)
MEVN	The Company	Parent Company	Accounts receivable	993,348	4.99	-	-	389,238	-	(Note 1)
MECE	The Company	Parent Company	Accounts receivable	2,110,394	3.09	-	-	62,836	-	
MECH	The Company	Parent Company	Accounts receivable	671,538	3.90	-	-	298,324	-	
MECH	MESG	A subsidiary of the Company	Accounts receivable	818,031	3.92	-	-	206,394	-	
The Company	MECH	Investment accounted for using the equity method	Other receivable	196,428	-	-	-	94,865	-	
MECL	MECH	Investment accounted for using the equity method	Other receivable	276,682	-	-	-	119,076	-	

Note 1: Inter-company transactions between companies within the Group are eliminated.
Note 2: The balance was as at October 27, 2022.

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
Nine months ended September 30, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	MEHO	MECL	1	Purchases	$ 6,598,607	The price is based on the profitability of the product	26%
0	MEHO	MECL	1	Accounts payable	3,756,265	The balance shown was net of receivables as agreed by both parties	10%
0	MEHO	MEVN	1	Purchases	3,061,123	The price is based on the profitability of the product	12%
0	MEHO	MEVN	1	Accounts payable	993,348	The balance shown was net of receivables as agreed by both parties	3%
1	METC	MEHO	2	Purchases	1,584,085	The price is based on the profitability of the product	6%
1	METC	MEHO	2	Accounts payable	1,180,788	The balance shown was net of receivables as agreed by both parties	3%
2	MESG	MECL	3	Purchases	739,666	The price is based on the profitability of the product	3%
2	MESG	MECL	3	Accounts payable	220,198	The balance shown was net of receivables as agreed by both parties	1%
2	MESG	METC	3	Purchases	2,443,633	The price is based on the profitability of the product	10%
2	MESG	METC	3	Accounts payable	836,881	The balance shown was net of receivables as agreed by both parties	2%

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
Nine months ended September 30, 2022

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as on September 30, 2022	Initial investment amount: Balance as on December 31, 2021	Shares held as on September 30, 2022: Number of shares (in thousand shares)	Shares held as on September 30, 2022: Ownership (%)	Shares held as on September 30, 2022: Book value	Net profit (loss) of the investee for the nine months ended September 30, 2022	Investment income (loss) recognized by the Company for the nine months ended September 30, 2022	Note
The Company	MEST	HONG KONG	Sales of microphone, receiver and speaker	$ 981,113	$ 981,113	25,658	100.00%	$ 4,364,423	($ 294,962)	($ 326,188)	(Note 1)
The Company	DDBV	British Virgin IS.	General investment business	1,479,925	1,479,925	48,005	100.00%	3,204,154	(64,670)	(87,684)	(Note 1)
The Company	LEOHAB ENTERPRISE CO.,LTD.	Taichung City	Plastic injection molding and metal stamping	96,666	96,666	4,986	21.00%	40,890	(19,947)	(4,189)	
The Company	MECA	U.S.A.	Technique, marketing and after service	28,887	28,887	999	99.90%	43,518	6,944	6,937	
The Company	MESG	SINGAPORE	Sales of microphone, receiver and speaker	92,132	92,132	800	100.00%	2,144,435	444,794	446,130	(Note 1)
The Company	METC	THAILAND	Microphone, components and product and sale of other electric products	484,358	484,358	5,060	99.99%	643,846	91,744	92,552	(Note 1)
The Company	MHKY	CAYMAN	Sales of medical device	887,287	887,287	28,942	100.00%	480,000	(112,270)	(112,270)	
The Company	INSA	SAMOA	General investment business	1,199,977	1,199,977	-	100.00%	570,008	(55,705)	(55,705)	
The Company	MEVN	VIETNAM	Manufacture of microphone and speaker	366,710	366,710	-	51.00%	771,493	355,139	180,685	
The Company	MUTT	New Taipei City	Manufacturing and application service of electrical appliances and audiovisual electronic products	30,600	-	3,060	51.00%	30,103	(974)	(497)	
The Company	MCTT	Taichung City	General investment business	8,000	-	800	100.00%	8,000	-	-	
DDBV	UCMU	MAURITIUS	General investment business	151	151	5	100.00%	-	-	-	(Note 2)
DDBV	MTHK	HONG KONG	General investment business	1,392,956	1,392,956	48,000	100.00%	3,203,956	(64,670)	-	(Note 2)
MHKY	FUSA	SAMOA	General investment business	818,916	818,916	26,817	96.01%	530,948	(162,064)	-	(Note 2)
INSA	SOCV	CANADA	Sale and development of speaker and power amplifier	30	30	-	100.00%	(22,164)	(23,338)	-	(Note 2)
SOCV	SOCA	CANADA	General investment business	-	11,112	-	-	-	6,893	-	(Note 2, 3)
SOCV	SENM	NORWAY	Manufacture and sales of speaker monomer	23	23	-	100.00%	58,013	7,372	-	(Note 2)

Note 1: The investment income included unrealized gains or losses and realized 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).

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Information on investees in Mainland China
Nine months ended September 30, 2022

Table 9

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, 2022	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for nine months ended September 30, 2022: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for nine months ended September 30, 2022: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Net income of investee for nine months ended September 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for nine months ended September 30, 2022	Book value of investments in Mainland China as of September 30, 2022 (Note 5)	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2022	Note
MECL	Microphone, receiver, speaker, security system, induction cooker and other electronic component	$ 426,474	(Note 2)	$ 453,191	$ -	$ -	$ 453,191	($ 458,713)	100.00%	($ 458,713)	$ 2,706,886	$ 2,282,120	Note 3
MECE	Manufacture and sales of microphone, receiver and speaker	2,798,930	(Note 2)	1,369,285	-	-	1,369,285	(131,979)	49.00%	(87,684)	3,203,956	295,185	Note 3
MECS	International trade, transit trade and trading consulting; trading amongst companies in bonded area and trading agency in the area	7,424	(Note 2)	6,055	-	-	6,055	3	49.00%	2	(1,132)	40,321	
Perfect Fortune Inc.	Electric wire, electric cable and other wire processing	46,910	(Note 2, 4)	107,624	-	-	107,624	16,962	18.33%	-	71,938	4,125	
LOYAL WIRE& CABLE COMPANY LTD.	Electric wire, electric cable and other wire processing	25,578	(Note 2, 4)	-	-	-	-	8,510	18.33%	-	38,227	-	
MECH	Manufacture and sales of microphone, receiver, speaker and mobile phone	447,300	(Note 2)	420,687	-	-	420,687	331,082	49.00%	146,039	1,290,046	-	Note 3
FUSZ	Manufacture of medical device	287,092	(Note 2)	310,763	-	-	310,763	(1,652)	96.01%	(1,586)	247,664	-	
MEDG	Research and development of sound equipment, earphones, mobile power supply, charging box, cable, connector, electronic components, plastic hardware, mold and antenna	894,600	(Note 1)	452,564	-	-	452,564	16,992	49.00%	8,326	396,646	-	
MSCS	Manufacture of speaker and amplifier	154,643	(Note 1)	110,497	-	-	110,497	11,577	100.00%	11,577	146,007	-	
ETCX	Retail sales of hearing products	20,129	(Note 2)	19,009	-	-	19,009	(5,021)	96.01%	(4,820)	(21,625)	-	

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Information on investees in Mainland China
Nine months ended September 30, 2022

Table 9

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, 2022	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for nine months ended September 30, 2022: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Net income of investee for nine months ended September 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for nine months ended September 30, 2022	Book value of investments in Mainland China as of September 30, 2022 (Note 5)	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2022	Note
ASCX	Manufacture and sales of hearing aid, hearing device and acoustics equipment	59,317	(Note 2)	275,537	-	-	275,537	(49,467)	95.53%	(47,256)	29,979	-	
LACX	Research and development and technical sales of software for hearing aid use	22,365	(Note 2)	22,180	-	-	22,180	(75)	95.53%	(72)	43,319	-	
FUXM	Sales of medical device	311,469	(Note 2)	302,995	-	-	302,995	(37,827)	96.01%	(36,318)	99,146	-	
							$ 3,850,387						

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 investee is the reinvestment company of MERRY ELECTRONICS (HK) CO., LTD. shown as non-current financial assets at fair value through other comprehensive income.
Note 5: 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 September 30, 2022	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 (MOEA) (Note 1)
Merry Electronics Co., Ltd.	$ 3,850,387	$ 3,757,859	$ 7,219,549

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

Nine months ended September 30, 2022

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

		Sales (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/ guarantee or collaterals		Financing				
Investee in Mainland China	Counterparty	Amount	%	Amount	%	Balance on September 30, 2022	%	Balance on September 30, 2022	Purpose	Maximum balance during the nine months ended September 30, 2022	Balance on September 30, 2022	Interest rate	Interest during the nine months ended September 30, 2022	Others
MECL	MEHO	($ 6,598,607)	26%	$ -	-	($3,756,265)	36%	$ -	-	$ -	$ -	-	$ -	-
MECL	MESG	(739,666)	3%	-	-	(220,198)	2%	-	-	-	-	-	-	-
MECE	MEHO	(5,103,952)	20%	-	-	(2,110,394)	20%	-	-	-	-	-	-	-
MECH	MEHO	(2,163,370)	9%	-	-	(671,538)	6%	-	-	-	-	-	-	-
MECH	MESG	(1,894,410)	8%	-	-	(818,031)	8%	-	-	-	-	-	-	-