



MERRY
ELECTRONICS CO.,LTD.

Stock Code: 2439



2019

MERRY ELECTRONICS CO.,LTD.

ANNUAL REPORT

MERRY ELECTRONICS CO.,LTD.

<http://www.merry.com.tw>

Taiwan Stock Exchange Market Observation Post System

<http://mops.twse.com.tw>

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I. Letter to Shareholders

Dear Shareholders:

Global economic growth slowed in 2019 due to a number of factors, such as the recurring trade conflict between the US and China. In response to the changes in the overall market environment, Merry follows the business policy of "Cross-Border Integration, Southbound Deployment and Navigation Towards the Blue Ocean" set in 2019, and is actively preparing for the future of the electroacoustics market by integrating cross-BU, subsidiary, and functional organization integration. We also integrated resources of companies we acquired to increase the benefits from cross-sector resource integration. Furthermore, with consideration to the Group's need for expansion and to diversify production risk, we are actively expanding our manufacturing base in Thailand, increasing the flexibility of our production capacity, and have implemented the Blue Ocean Project to gain the next wave of growth momentum. Despite the turmoil in the international situation in 2019, we have once again achieved excellent business performance for the year under the collective efforts of our management team and all employees. We are grateful for the support of our shareholders, the trust of our customers, and the full support of our suppliers.

Looking towards 2020, subsequent developments of the US-China trade war, changes in the global environment, and COVID-19 are all factors that cause uncertainty in the global economy. Our business policy for 2020 is "Technology-led, digital transformation, Southbound expansion, and sustainable development," which was established based on the Group's long-term development planning and future map. The policy is briefly described below:

"Technology-led": Electroacoustics is Merry's core ability, and we have invested in electroacoustics product applications related to technologies of the future, such as IoT, 5G, and AI, based on ten major trends in two aspects: "people-oriented" and "smart spaces." We will align our expertise in electroacoustics with technology trends, continue to expand into different fields, and create even stronger growth momentum. We are promoting new technologies and knowledge in work and daily life, so that all Merry employees have the DNA to embrace new technologies and knowledge, which will create a culture of technology at Merry.

"Digital transformation": Following the rapid changes in the technology industry, besides strengthening our core abilities, we are also using new technologies and data along with current business models to respond to the market changes brought by digital technology. We are implementing operating process transformation for digital operations and smart manufacturing, and are further linking together and building Merry's smart platform, in order to enhance our competitiveness and pursue continued growth and excellence.

"Southbound expansion": We will continue to expand our production bases in Thailand and Vietnam, which will lower the risk of production bases being concentrated in a single

country, to increase the flexibility and benefits of our production capacity in response to global manufacturing trends, so that we can face future challenges.

"Sustainable development": Companies should give back to society. As we are pursuing business performance, we also incorporate corporate social responsibility and ESG principles into our culture and implement concepts of sustainable development. This have become one of our core values as we continue to pursue mutual prosperity for our shareholders, customers, employees, suppliers, society, and the environment, so as to achieve sustainable development.

Facing the challenges in the international economic and political situation and changes in the technology industry, all employees at Merry will exert every effort, insist on our business philosophy, continue to develop our core business, and keep an open mind in learning to achieve sustainable development, steady growth, and create higher value. We hope that every shareholder, customer, supplier, and partner will continue to support and encourage Merry. Thank you!

We wish you physical health, peace, and joy

Chairperson

(I). Business plan implementation results

The consolidated operating income of the company and its subsidiaries was NT\$36,397,793 thousand, representing an increase of NT\$902,985 thousand or 2.54% from the NT\$35,494,808 thousand in 2018; the consolidated net profit before tax was NT\$3,246,197 thousand, an increase of NT\$519,948 thousand or 19.07% from the NT\$2,726,249 thousand of 2018, mainly due to the increase in operating revenue and other profits.

(II). Financial income and expenditure and profitability analysis

1. Status of financial income and expenditure

Unit: NT\$ Thousand

Title	2019 consolidated numbers	2018 consolidated numbers
Other income	383,263	240,595
Other gains and losses	44,344	(32,952)
Financial cost	(81,319)	(48,453)
Share of profits/losses on equity-accounted associated companies and joint ventures	664,557	263,926
Total	1,010,845	423,116

2. Profitability analysis

Item		2019 consolidated numbers	2018 consolidated numbers
Financial structure (%)	Debt-to-asset ratio	49.94%	66.77%
Liquidity (%)	Current Ratio	167.10%	133.77%
	Quick Ratio	143.42%	114.49%
Profitability (%)	Return on assets ratio	11.02%	7.41%
	Rate of return on equity	22.24%	17.44%
	Operating income to capital ratio	107.53%	136.54%
	After-tax earnings per share (NT\$)	12.51	10.47

(III). Research and development status:

1. In 2019, a total of 142 new products and extension models were developed.
2. In the 2019 year, 51 new patents have been approved and 94 are in review.
3. The 2019 consolidated research and development expense was NT\$1,305,385 thousand, an increase of NT\$202,380 thousand from the NT\$1,103,005 thousand in 2018, accounting for 3.59% of the consolidated sales revenue.

(IV). Implementation status of operating income and expenditure budget: No financial forecast is issued and therefore not applicable.

Chairperson: Liao, Lu-Lee

Manager: Huang, Chao-Li

Accounting Supervisor:
Joyce Lam

ii. 2020 business plan summary and future development strategy

(I). Operational policy

1. Theme of operations in 2020: **"Technology-led, digital transformation, Southbound expansion, and sustainable development."**
2. **Technology-led:** We will incorporate technology into daily life and work and made it a part of Merry's DNA. We will invest in electroacoustics product applications related to technologies of the future, such as IoT, 5G, and AI, based on ten major trends in two aspects: "people-oriented" and "smart spaces." However, it is necessary to prevent the short-term benefits brought by technology from being overestimated while underestimating the long-term effects (Amara's Law), and transform short-term and long-term impacts of technology on Merry into new opportunities.
3. **Digital transformation:** We will use data to make operations more reasonable. We will combine digital technology with existing business models. Through business processes, values, customer experience, digital culture, to comprehensive transformation, we will become an extremely agile organization that is constantly being renewed and transforming with customer value and experience at the core. In short, digital transformation is the transformation of companies in response to market changes brought by digital technologies, and AI is an important tool for achieving digital transformation. We must start from raising employees' awareness of digital transformation, so that everyone can utilize digital technology and data.
4. **Southbound expansion:** In response to the impact of the US-China trade ware and rising costs in China, we will expand production bases in Thailand and Vietnam, and our branch in Singapore is our head office in Southeast Asia.
 - (1) Thailand Plant: The target scale is NT\$9 billion in the second year.
 - (2) Vietnam Plant: The target scale is NT\$2.5 billion in the first year, NT\$5 billion in the second year, and NT\$10 billion in the third year.
 - (3) Singapore: Our head office in Southeast Asia.
5. **Sustainable development:** The Business Roundtable formed by CEOs of the 200 largest corporations in the US recently published a 300 word "Statement on the Purpose of the Corporation," and redefined the role of corporations in society. The statement advocates for corporations to no longer only focus on shareholders' interests. The "Statement on the Purpose of the Corporation" commits to:
 - (1) Delivering value to our customers. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.
 - (2) Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.
 - (3) Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.
 - (4) Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
 - (5) Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.

Merry will establish and implement sustainable development KPIs for corporate governance, environmental protection and energy conservation, employee relationships, and social participation, with the goal to win the Excellence in Corporate Social Responsibility Award.

(II). Important production and marketing policies

1. Marketing policy

- (1) Electroacoustics business: Divided into five key markets
 - Audio: Continue to manage the well-performing TWS business and extend it

- to high-end customers.
 - Gaming: Extend from current PC gaming and console gaming headset markets to different product price ranges. We will also monitor the effect of cloud gaming on headset accessories.
 - Enterprise: Cooperate with communications equipment manufacturers in commercial CC&O IP Phone, headset, and Telepresence development, and provide active noise canceling and directional headset design and suitable speakers.
 - Wellness: Besides designing and manufacturing assistive listening devices, hardware and accessories provide greater value through sensors, cloud computing, big data, and algorithms, which enrich the user experience.
 - Home Audio: We will focus on the smart speakers of e-commerce platform operators (such as Amazon and Google), and the speakers, system integration, and assembly solutions required by Soundbar.
- (2) Batteries business:
- Wireless chargers are integrated with multi-functional accessories of VPAs.
 - Wearable/hearable device wireless charger market.
 - We will enter the commercial UPS market in the short-term, and will develop gateways for smart home energy storage requirements of solar power companies, construction companies, electric vehicle companies, and power companies in the mid-term and long-term.
- (3) Microphone business:
- Wireless chargers are integrated with multi-functional accessories of VPAs.
 - Wearable/hearable device wireless charger market.
 - We will enter the commercial UPS market in the short-term, and will develop gateways for smart home energy storage requirements of solar power companies, construction companies, electric vehicle companies, and power companies in the mid-term and long-term.
2. Production policy
- (1) Southbound strategy: Continue to invest in production bases in Southeast Asia to give consideration to both electroacoustics industrial cluster and international political and economic risk.
 - (2) Healthcare product certification factory: Serves as an important foundation stone for Merry to enter the field of healthcare products.
 - (3) In-house development and 2nd external source of key components.
 - (4) Realized in daily management: According to the company's objectives, combined with the indicators set by the management and accounting, set the KPIs and targets of the components of manufacturing costs (such as the unit work time reduction target of each product, equipment utilization rate, space utilization, and other manufacturing costs), and track them monthly.
3. Research and development policy
- (1) Micro: From the reduction of electroacoustics unit size, combination of units into a SiP solution, to the design of electroacoustics cavity and mechanisms, we fit more functions into the same product and space to provide a richer user experience.
 - (2) Ergonomics: Transforms research on physical properties (such as ear canal structure, length and width, depth, etc.), materials (such as breathable and water proof), and sensors (comfort when wearing) into product design principles.
 - (3) Software/Firmware differentiation: Collaborate with IC developers to provide customized firmware (relative to the standard functions provided by IC developers), and provide the possibility of differentiation at the firmware level of products.
 - (4) Smart electroacoustics platform: Gather domain knowledge (such as the relationship between body signals and physical condition) from external medical and educational institutions, and combine the cloud computing, algorithms and AI technologies needed in the body signal collection, processing, and inference process.

- (5) Integration of battery and electroacoustics: We combined our expertise in electroacoustics and batteries to realize use scenarios for technology products that combine batteries, microphones, and speakers.
- (III). The main factors expected to affect the continued growth or decline in sales in the coming year:
Overview of the terminal market served by Merry:
- Headset market:**
Statista projects global headset shipment to increase from 380 million headsets in 2018 to 400 million headsets in 2019. Future Market Insights further pointed out that CAGR in 2018-2028 is 8%.
The main source of growth momentum will be from TWS headsets. Apple's AirPods was a huge success, and Huawei's Freebuds and Honor FlyPods also showed rapid development. Xiaomi launched a series of new headsets in 2019Q1, and the ultra high price-performance ratio has driven its significant growth in the wearable device market. Intelligence Research Group expects global TWS headset shipments to show rapid growth in 2018-2020, reaching 65 million headsets, 100 million headsets, and 150 million headsets, respectively. The penetration of TWS headsets is expected to continue increasing as the audio quality and functionality of wireless headsets continues to improve.
- Smart speakers/VPAs:**
Canalys expects the number of smart speakers installed worldwide to increase 82.4% from 114 million in 2018 to 208 million in 2019. VPAs will become an important channel for home assistance, healthcare, and government services.
Canalys also pointed out that the installation of smart speakers worldwide will reach 400 million 2021 and surpass tablet PCs.
Furthermore, Gartner expects 50% of home appliances will have a virtual personal assistant (VPA) interface by 2021. This shows that VPAs will no longer be confined to smart speakers, and will play an important role in daily life scenarios at home, in your car, or at the office. This will also create more business opportunities for MEMS microphone manufacturers, and AI will be incorporated in the near future for even more diverse product developments.
- Assistive listening devices:**
Grand View Research estimated the global population with hearing impairment at 477 million in 2019, and average wearing rate of assistive listening devices worldwide at approximately 26%. The OTC assistive listening device bill in 2020 will allow people with mild and moderate hearing impairment to directly purchase assistive listening devices over-the-counter, and will not need the diagnosis of an audiologist/hearing aid dispenser. From a demand perspective, this trend will significantly reduce the cost of owning an assistive listening device and increase the wearing rate of assistive listening devices. From a supply perspective, this will allow manufacturers of high-end consumer headset to have the opportunity to enter a market that has been dominated by a small number of assistive listening device manufacturers for many years.
Since the assistance of an audiologist/hearing aid dispenser is no longer required, assistive listening device manufacturers will need to develop online hearing tests, online hearing aid dispensing, and other software service processes for users to freely operate.
We can also foresee the application of even more sensors in assistive listening devices, and cloud computing will be utilized to develop value-added services based on signals from the sensors, such as heart rate detection and fall detection for elderly care.
- Wearable devices:**
Gartner expects the end consumer market for wearable devices to reach US\$52 billion in 2020, up 27% compared to the US\$41 billion in 2019, and will further reach US\$63 billion in 2021.
Wearable devices include smart watches, head mounted display, headsets (smart headsets), sports watches, wristbands, and smart clothing. Smart watches and headsets

are the top products in terms of shipments in 2020 and estimated at 86 million and 70 million, respectively.

Apple's AirPods lead the headset market, and Samsung's Galaxy Buds, Xiaomi's AirDots, and Bose's SoundSport Free all have an advantage in the market. Other products provided by Nuheara, Microsoft, and Starkey emphasize the gain provided by their products.

The market penetration of wearable devices is determined by the accuracy of sensors, algorithm, micro, and personal information protection. Especially micro, Gartner predicts that micro technologies will allow wearers to barely notice the existence of about 10% of wearable devices before 2023.

Looking towards 2020, from electroacoustics to batteries, from sensing devices to system integration/assembly, from physical electroacoustics to algorithm electroacoustics, and from single sensor to multiple sensor integration, Merry will continue to be supported by growing demand in the four application markets, and expects growth potential for sales in 2020.

II. Company profile

i. Date of Establishment: December 24, 1975.

ii. Company history:

1. In 1975, founders Lu-Lee Liao and Wen-Chieh Wei established Merry Electronics Co., Ltd. on Xi'an S. Ln of Taichung City with a capital of NT\$1.5 million.
2. In 1976, started the production of microphones for radio communication.
3. In 1980, started production of ultra-slim speakers.
4. In 1983, started production of telephone receivers.
5. In 1983, was awarded the Value Added Award for Exports Processing by the Ministry of Economic Affairs.
6. In 1989, to meet the needs of business development and expand production capacity, established Merry Electronics (Thailand) Co., Ltd. to expand business in Southeast Asia and Central Asia.
7. In 1990, Merry Electronics (H.K.) Co., Ltd. was established. In the same year, re-invested in the Merry Shenzhen factory to expand production of microphones, handsets, speakers, and electronic components.
8. In 1991, established Merry Electronics (U.S.A) Co., Ltd. to actively expanding business in the Americas to serve customers in closer proximity and collect market information.
9. In 1991, approved as a public issued company by the Financial Supervisory Commission of the Ministry of Finance.
10. In 1993, won the 2nd National Award of Outstanding SMEs and received ISO-9001 international quality assurance certification.
11. In January 1998, received ISO-14001 international quality assurance certification.
12. On August 18, 1998, stock was listed on the over-the-counter market.
13. In 1999, won the 2nd Rising Star Award.
14. On September 11, 2000, the Company's stock was listed on the Taiwan Stock Exchange.
15. In 2002, established Merrytech (Suzhou) Co. Ltd.
16. On September 1, 2005, merged with Huges Hi-Tech Inc.
17. In 2010, established Merry Electronics (Huizhou) Co., Ltd.
18. In 2010, established Merry Electronics (Hebei) Co., Ltd.
19. In August 2016, the board of directors approved the cash capital increase by subscription of Merrytech (Suzhou) Co. Ltd. by strategic investor Kunshan United Tao Electronics Co., Ltd., obtaining 51% equity of Merrytech (Suzhou) Co. Ltd.
20. In February 2017, the board of directors approved the disposal of 51% equity of Merry Electronics (Shanghai) Co., Ltd. of subsidiary Merry Electronics (H.K.) Co., Ltd. to Dongguan Lixun Precision Industry Co., Ltd.
21. In February 2017, the board of directors approved the disposal of 44.95% equity of Merry Electronics (Shanghai) Co., Ltd. of subsidiary Merry Electronics (Huizhou) Co., Ltd. to Dongguan Lixun Precision Industry Co., Ltd.
22. In February 2017, the board of directors approved the cash capital increase by subscription of Merry Electronics (Huizhou) Co., Ltd. by strategic investor Dongguan Lixun Precision Industry Co., Ltd., accumulating a 51% stake in Merry Electronics

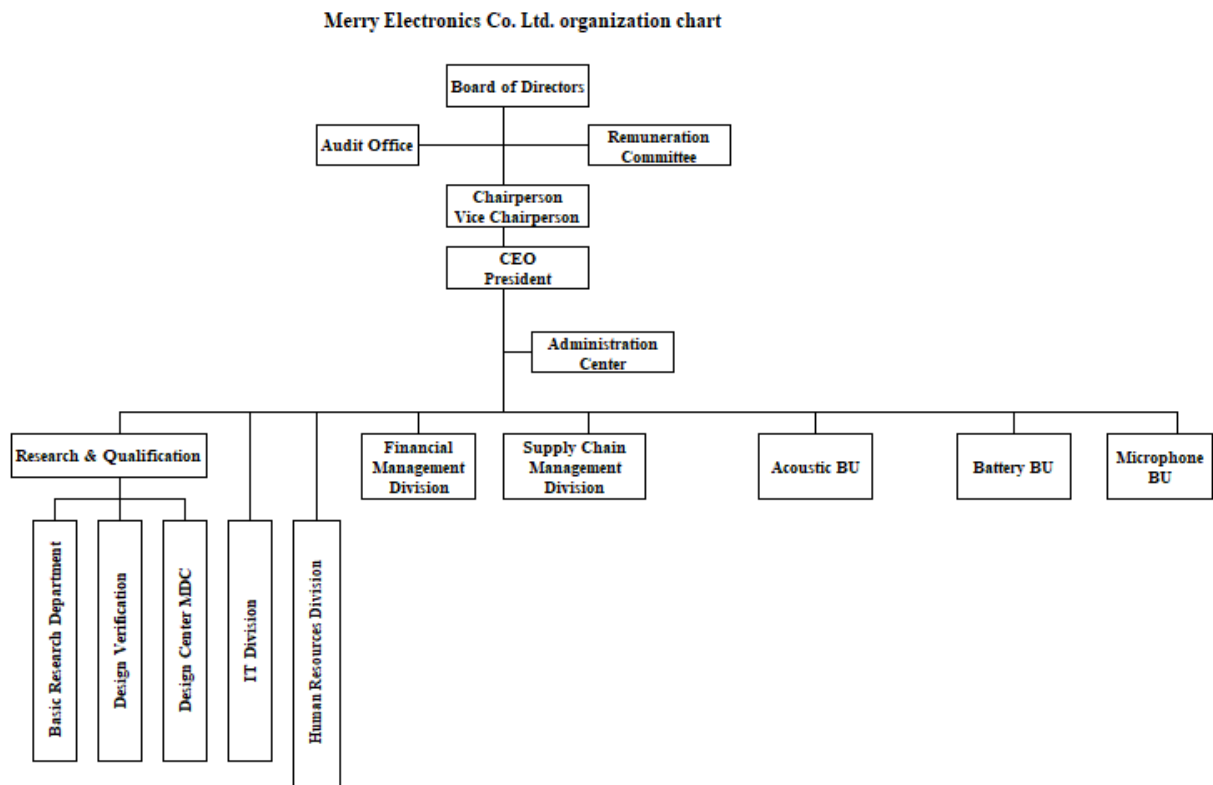
- (Huizhou) Co., Ltd.
23. In February 2017, the board of directors approved the institutional director and supervisor representatives of subsidiaries Merry Electronics (Shanghai) Co., Ltd. and Merry Electronics (Huizhou) Co., Ltd. appointed by Merry Electronics (H.K.) Co., Ltd.
 24. In September 2017, the board of directors approved the establishment of a new company through investment in China, and signed a joint venture contract with Dongguan Lixun Precision Industry Co., Ltd.
 25. In April 2018, the board of directors passed the investment in Suzhou Meisheng Electronic Co., Ltd. (established in China) and the investment in Sonavox Canada Inc. (established in Canada) which is a reinvestment of Indigo Enterprises Inc. (established in Samoa) and its subsidiary company SEAS FABRIKKER (established in Norway) contributed a total of US\$44,000 to obtain 100% equity and signed an equity transfer agreement.
 26. In June 2018, the board of directors approved the investment in Austar Hearing Science and Technology (Xiamen) Co., Ltd. with an amount of RMB 13,600 thousand and signed an equity transfer agreement.
 27. In December 2018, the board of directors approved the investment in Biotest Medical Corp.
 28. The Board of Directors in February 2020 approved the cash investment of no more than US\$20,400,000 by Luxshare Group to establish Merry Luxshare (Vietnam) Co., Ltd. (provisional name).

III. Corporate Governance Report

i. Company organization

(I). Organization structure

Effective date: March 31, 2020



(II). Business operations of major departments

1. CEO, CTO: Establish the Group's short-, medium-, and long-term development strategy; expand the business scope and the Group's business direction; cultivate future talent for the organization.
2. Key Account: The organizational function of the cross-product business unit, responsible for the establishment and operation of high-level relationships with key customers, helping the business units develop opportunities with key customers, and understanding the latest developments of customers to facilitate the establishment and development of the company's management strategy.
3. Audit Committee: The Audit Committee assists the Board of Directors in supervising the Company's quality and integrity with respect to accounting, audit, financial reporting procedures, and financial controls.
4. Administration Center: Departments under the jurisdiction of the Administration Center: Investor Relations, Strategic Planning Department, Legal Affairs Department, Public Relations Section, and Document Control Center.
 - (1). Strategic Planning Department: Responsible for formulating the Group's strategic plans, integrating the strategies of each business unit, recommending and maintaining the strategic planning mechanism, and supervising and managing the strategic planning of the Group and each business unit.

- (2). Legal Affairs Department: Responsible for legal affairs and patent related matters of the company.
 - (3). Public Relations Section: Responsible for planning, contacting, and executing external public affairs.
 - (4). Document Control Center: Responsible for the planning and implementation of work related to document integration and specification, process optimization, and knowledge management of the Group.
 - (5). Investor Relations: Responsible for maintaining investor relations.
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5. R&D center: We established a R&D center to implement government incentive programs and support government efforts to create an R&D environment. The president and chief technology officer are responsible for managing the R&D center, which manages the development of core technologies and internalizes the technologies through the power of team and organization. This will accumulate our R&D technology capabilities, so that technological development results can be applied in the future and build the Group's core values in R&D.
 6. Battery BU: Responsible for electroacoustic products (ACC, SPK, and HPS) related business development and product development, and through the management of research and development
 7. Microphone BU: Responsible for microphone products related business development and product development, and through the management of research and development, project management, design verification, and operational functions, achieve customer service targets.
 8. Acoustic BU: Responsible for electroacoustic products (ACC, SPK, and HPS) related business development and product development, and through the management of research and development, project management, design verification, and operational functions, achieve customer service targets.
 9. Supply Chain Management: Responsible for supply chain development, management, and integration of the Group's product lines, the establishment and implementation of the supply chain strategy, the raw materials procurement strategy, and cost management, and through VAVE analysis, actively achieve cost-effectiveness.
 10. Financial Management Division: The Accounting Department, Finance Department, and Management Accounting Department are established under Financial Management. Mainly responsible for finance, accounting, and taxation, including management efficiency analysis of each business unit, internal management analysis, cost analysis, fund management, tax management, asset management, accounting management, investment planning, stock affairs management, and risk management.
 11. Research & Qualification: Lead the Group in research and development technology integration and be responsible for it. Responsible for the improvement and optimization of the new product development process, and the research on technological developments important for the future. Design Verification, the Basic Research Department, the Component Development Department (Merrytech), and the Design Center are under the jurisdiction of Research & Qualification.
 - (1). Design Verification:

Assist each business unit in product verification, parts approval, global electronic safety regulations confirmation or certification application, and simulation function implementation, and promote the establishment and implementation of environmental protection mechanisms for each product line, maintain the company's quality assurance system certification, audit suppliers in the Taiwan region, and integrate the communication between the different departments and factories regarding design verification work.
 - (2). Basic Research Department:

Responsible for the research and development of the Group's new technologies, new materials, and new processes, the technical exchanges and cooperation with the

academic community, and providing relevant research and development to support the development of the new products of each business unit. Supporting the company's research/academic related activities.

(3). Component Development Department (Merrytech):

Support the component BUI of Merrytech Suzhou.

(4). Design Center (MDC):

The User Experience Section and Industrial Design Department are established under the Design Center. Main work: User research

12. Human Resources Division: Responsible for the planning and implementing policies related to selection, employment, dismissal, and resignation of employees, human resource and organizational development, and management and implementation of work related to general affairs and labor safety and health related to the selection and retreat of human resources, project implementation, human resource development and organizational development.
13. IT Division: Establish, maintain, and manage IT systems and systems to ensure the immediacy, correctness, and security of information to achieve the purpose of resource sharing, effectively improve the operational efficiency of the organization through IT functions, and ensure the protection of information.
14. Audit Office: To facilitate the board of directors and the management to check and evaluate the effectiveness of internal controls, to provide timely recommendations to ensure the continuity of implementation, and to provide a basis for review and modification of the internal controls system.

ii. Information on Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Department and Branch Directors:

(I) Directors and Supervisors

1. Information on Directors and Supervisors

As of April 30, 2020; unit: shares

Title	Nationality or place of registration	Name	Gender	Date of election (inauguration)	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes (Note 2)
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairperson	Taiwan	Liao, Lu-Lee	Male	2019/6/19	3 years	1975/12/23	3,541,243	1.71%	6,011,243 (Note 1)	2.88%	648,215	0.30%	—	—	Education: Department of Electrical Engineering, Tatung University Experience: Engineer, Tatung Company Technology Section Manager, Taisheng Electric Co., Ltd. Founder and Chairman, Merry Electronics Co. Ltd.	The Company: N/A Other companies: (Note 1)	—	—	—	
Vice Chairperson	Taiwan	Wei, Wen-Chieh	Male	2019/6/19	3 years	1975/12/23	9,318,523	4.51%	9,318,523	4.47%	139,426	0.07%	150,000	0.07%	Education: Department of Mechanical Engineering, Tatung University Experience: Equipment Section Manager, Taisheng Electric Co., Ltd. Co-Founder and Chairperson, Merry Electronics Co. Ltd.	The Company: N/A Other companies: (Note 2)	—	—	—	
Director	Taiwan	Lin, Shu-Chun	Female	2019/6/19	3 years	2007/6/13	305,672	0.15%	247,272	0.12%	—	—	—	—	Education: Department of International Business, Overseas Chinese University Experience: President, Merrytech (Suzhou) Co. Ltd.	The Company: Group VP, electroacoustic supply chain management Other companies: (Note 3)	Director	Lin, Shih-Chieh	Sibling	
Director	Taiwan	Lin, Shih-Chieh	Male	2019/6/19	3 years	2007/6/13	332,176	0.16%	338,476	0.16%	14,003	0.01%	—	—	Education: MBA, Wisconsin International Academy Experience: President, Merry Electronics (Shenzhen) Co., Ltd.	The Company: N/A Other companies: (Note 4)	Director	Lin, Shu-Chun	Sibling	
Director	Taiwan	Huang, Chao-Li	Male	2019/6/19	3 years	2016/6/29	38,190	0.02%	45,690	0.02%	58,020	0.03%	100,000	0.05%	Education: MBA, Feng Chia University Experience: VP, Wealth Management and Trust BU, Mega Securities	The Company: President Other companies: (Note 5)	—	—	—	

Corporate Director	Taiwan	Tong Qian Investment Co., Ltd.	-	2019/6/19	3 years	2019/6/19	3,486,179	1.69%	5,112,179	2.45%	-	-	-	-	-	-	-	-	-
Representative of Institution	Taiwan	Liao, Keng-Pin	Male	2019/6/19	3 years	2019/6/19	30,534	0.01%	30,534	0.01%	98,063	0.05%	-	-	-	-	-	-	The Company: N/A Other companies: (Note 6)
Independent Director	Taiwan	Wu, Hui-Huang	Male	2019/6/19	3 years	2019/06/19	-	-	-	-	-	-	-	-	-	-	-	-	The Company: N/A Other companies: (Note 7)
Independent Director	Taiwan	Yu, Jih-Hsin	Male	2019/6/19	3 years	2019/06/19	-	-	-	-	-	-	-	-	-	-	-	-	The Company: N/A Other companies: (Note 8)

[illegible]

- Note 1: Mr. Lu-Lee Liao, Chairman, serves as Chairman of Taichung City Cheng Chueh Tang; Chairman of the Taiwan Reading and Culture Foundation; Director of WK Technology Fund (8th Fund); Director of Diarex; Director of Sward Crystal Technology Co., Ltd.; Representative of Institutional Director (the company) of Leohab Enterprise Co., Ltd.; Institutional Director of Universal Capital Investment Ltd. (designated by Danny Dynamics Ltd.); legal representative; and Representative of Institutional Director of Fulicare Medical Instruments (Suzhou) Co., Ltd. (Fulicare Medical Technology (Suzhou) Co., Ltd.).
- Note 2: Mr. Wen-Chieh Wei, Vice Chairman, serves as Chairman of Shu Cheng Investment Co., Ltd.; Supervisor of Biotest Medical Corp., Institutional Director of Universal Capital Investment Ltd. (designated by Danny Dynamics Ltd.); and Representative of Institutional Director of Fulicare Medical Instruments (Suzhou) Co., Ltd. (Fulicare Medical Technology (Suzhou) Co., Ltd.).
- Note 3: Ms. Shu-Chun Lin, Director, serves as Electroacoustic Supply Chain Management Group VP of Merry Electronics Co. Ltd.; Director of Merry Electronics (Thailand) Co. Ltd.; Director of Merry Electronics (Singapore) Pte., Ltd. (designated by Merry Electronics Co. Ltd.); Representative of Institutional Director of Merry Healthcare Co., Ltd.; Representative of Institutional Director of Fulicare Co., Ltd.; Legal Representative, Executive Director, and President of Fulicare Medical Technology (Suzhou) Co., Ltd.; Director of Indigo Enterprise Inc.(Samoa); Chairman of Suzhou Meisheng Electronic Co., Ltd.; Chairman of Austar Hearing Science and Technology (Xiamen) Co., Ltd.; Executive Director of Xiamen Etimbre Hearing Technology Co., Ltd.; Legal Representative and Executive Director of Fulicare Medical Technology (Xiamen) Co., Ltd.; Director of Xiamen LA&A Medical Devices Co., Ltd.; Director of Zhangzhou Austar Hearing Science and Technology Co., Ltd.; Director of Merry Electronics (Shanghai) Co., Ltd.; Vice Chairman of Merrytech (Suzhou) Co. Ltd.; Director of Merry Fuling Co., Ltd., Chairman of Fu Erh Li Co., Ltd.; and Representative of Institutional Director of Fulicare Medical Instruments (Suzhou) Co., Ltd. (Fulicare Medical Technology (Suzhou) Co., Ltd.).
- Note 4: Mr. Shih-Chieh Lin, Director, serves as Director and Company Secretary of Merry Electronics (H.K.) Co., Ltd.; Legal Representative, Executive Director (designated by Merry Electronics (H.K.) Co., Ltd.), and President of Merry Electronics (Shenzhen) Co., Ltd.; Director and Company Secretary of Merrytech (HK) Co., Ltd.; Director of Suzhou Meisheng Electronic Co., Ltd.; Vice Chairman Merry Electronics (Huizhou) Co., Ltd.; Director of Merrytech (Suzhou) Co. Ltd.; and Vice Chairman and Vice President of Guangdong Luxshare & Merry Electronics Co., Ltd.
- Note 5: Mr. Chao-Li Huang, Director, serves as Chairman of Shande Investment Co., Ltd.; Supervisor of Leading Jet Turbine Co., Ltd.; Representative of Institutional Director (Shande Investment Co., Ltd.) of Amulaire Thermal Technology Inc.; Representative of Institutional Supervisor (Shande Investment Co., Ltd.) of Maxeche Technology Corp.; Representative of Institutional Supervisor (Shande Investment Co., Ltd.) of Leohab Enterprise Co., Ltd.; CEO and Director of Merry Electronics (U.S.A.) Co., Ltd.; Director of Merry Electronics (H.K.) Co., Ltd.; Legal Representative and Director of Merry Electronics (Thailand) Co. Ltd.; Director of Danny Dynamics Limited; Legal Representative and Director of Merrytech (HK) Co., Ltd.; Director of Austar Hearing Science and Technology (Xiamen) Co., Ltd.; Supervisor of Merry Electronics (Shanghai) Co., Ltd.
- Note 6: Tung Chien Investment Co., Ltd. Serves as Director of **Sunbeen Technology Inc.**
Mr. Keng-Pin Liao, Legal Representative, serves as Chairman of Tung Chien Investment Co., Ltd.; Director and President of Diarex; and Representative of Institutional Director (Tung Chien Investment Co., Ltd.) of Leohab Enterprise Co., Ltd.
- Note 7: Independent Director Wu, Hui-Huang is an independent director of Leading Jet Turbine Co., Ltd. and an independent director of Universal Microelectronics Co., Ltd.
- Note 8: Independent Director Yu, Jih-Hsin is a chair professor at the Department of Business Administration and the dean of D.School, Feng Chia University and a 16th-term director of Taiwan Textile Research Institute.
- Note 9: Supervisor Ke, Chun-Hui is an accountant and a managing partner of BDO, director of Kent Industrial Co., Ltd., director of Cinte Biomedical Corporation, director of Weike Biotechnology Co., Ltd., director of Youyuan Co., Ltd., director of Yongyou Industrial Co., Ltd., supervisor of Taiwan Biotech Co., Ltd., supervisor of Taiwan Veterans Pharmaceutical Co., Ltd., supervisor of Smartint Inc., supervisor of Yilede Management Consulting Co., Ltd., and director of Shengchun Biotechnology Co., Ltd.

2. Major shareholders of institutional shareholders

Shareholder register as of April 21, 2020, Unit: shares

Name of institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)
Tong Qian Investment Co.,Ltd.	Keng-Pin Liao, shareholding percentage of 45.6% Geng-Guo Liao, shareholding percentage of 45.6% Xiu-Yi Lin, shareholding percentage of 2.4% Xian-Gui Lai, shareholding percentage of 2.4%

Note 1: The names of the institutional shareholders shall be listed for Directors and Supervisors who are representatives of institutional shareholders.

Note 2: Fill in the names of the major institutional shareholders (with shareholding percentages ranking in the top ten) and their shareholding percentage. If the major shareholder is a legal person, then fill in the table below.

Note 3: Where the institutional shareholder is not a company, the name and shareholding ratio of shareholders that must be disclosed above is the name and ratio of contributions or donations from the investor or donor.

Shareholder register as of April 31, 2020, Unit: shares

Name of Institution (Note 1)	Major shareholders of institution (Note 2)
N/A	N/A

Note 1: If the major shareholder in the above table is a legal person, the name of the legal person shall be filled in.

Note 2: Fill in the names of the major shareholders (with shareholding percentages ranking in the top ten) of the institutions and their shareholding percentage.

Note 3: Where the institutional shareholder is not a company, the name and shareholding ratio of shareholders that must be disclosed above is the name and ratio of contributions or donations from the investor or donor.

3. Information on Directors and Supervisors

April 21, 2020

Name	Criteria	Has at least five years work experience and the following professional qualifications			Compliance of independence (Note)												Number of Other Taiwanese Public Companies Concurrently Serving as an Independent director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Liao, Lu-Lee		—	—	V					V	V	V		V	V	V	V	0
Wei, Wen-Chieh		—	—	V				V	V	V	V	V	V	V	V	V	0
Lin, Shu-Chun		—	—	V			V		V	V	V		V	V	V	V	0
Lin, Shih-Chieh		—	—	V			V		V	V	V		V	V	V	V	0
Huang, Chao-Li		—	—	V			V	V	V	V	V	V	V	V	V	V	0
Tong Qian Investment Co., Ltd. Representative of Institution - Liao, Keng-Pin		—	—	V	V	V	V		V	V	V		V		V	V	0
Wu, Hui-Huang		—	—	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Yu, Jih-Hsin		—	—	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Ke, Chun-Hui		—	—	V	V	V	V		V	V	V	V	V	V	V	V	0

Note: If the Director or Supervisor meets any of the following criteria in the two years before being elected or during the term of office, please check, "✓", the corresponding boxes:

- (1) Not an employee of the Company or its affiliated enterprise.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (8) Not a director, supervisor, or managerial officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;

(11) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C..

(II) President, Vice Presidents, Assistant Vice Presidents, and Department and Branch Directors

As of April 30, 2020; unit: shares

Title (Note 1)	Nationality	Name	Gender	Date of election (inauguration)	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience (Note 2)	Current job position in other companies	Other manager who is the spouse or a relative within second degree			Notes (Note 4)
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
President	Taiwan	Huang, Chao-Li	Male	2015.10.01	45,690	0.02%	58,020	0.03%	100,000	0.05%	Education: MBA, Feng Chia University Experience: VP, Wealth Management and Trust BU, Mega Securities	Note 1	N/A	N/A	N/A	
Group VP, electroacoustic supply chain management	Taiwan	Lin, Shu-Chun	Female	2009.09.01	247,272	0.12%	—	—	—	—	Education: Department of International Business, Overseas Chinese University Experience: President, Merrytech (Suzhou) Co. Ltd.	Note 2	N/A	N/A	N/A	
VP of Sales	Taiwan	Chester Chiang	Male	1999.02.08	35,238	0.02%	—	—	—	—	Education: EMBA, National Chiao Tung University Experience: IPO Manager, Philips	N/A	N/A	N/A	N/A	
VP of Sales	Taiwan	Steven Su	Male	2010.04.01	18,600	0.01%	—	—	—	—	Education: Department of Management Science, Graduate Institute, National Chiao Tung University Experience: BU Director, Hon Hai Precision; VP of Sales, Tripod Technology Corporation; VP of Marketing, Ichia Technologies, Inc.; VP, Universal Scientific Industrial Co., Ltd.	N/A	N/A	N/A	N/A	
Special Assistant to Chairman	Taiwan	Steven Her	Male	2017.10.12	30,221	0.01%	7,373	0.00%	—	—	Education: Mechanical and Aeronautical Engineering, Feng Chia University Ph.D Experience: Senior Vice President, Merry Electronics (Shenzhen/Huizhou) Co., Ltd.; Vice President, FITOP Machinery Co., Ltd.	Note 3	N/A	N/A	N/A	
CTO	Taiwan	Sam Chang	Male	2018.07.01	25,495	0.02%	—	—	—	—	Education: Master's in Electro-Acoustics, Feng Chia University Experience: Vice President, Merry Electronics Co. Ltd.	N/A	N/A	N/A	N/A	
VP of the Financial Management Division	Taiwan	Joyce Lam	Female	2018.09.17	4,200	0.00%	—	—	—	—	Education: Master's degree, Accounting & Finance at London School of Economics and Political Science Experience: CFO of the Asia Pacific Region, Raritan Group (of the Legrand Group)	N/A	N/A	N/A	N/A	
Vice President	Taiwan	Liang, Kun-Tang	Male	2019/12/2	0	—	—	—	—	—		N/A	N/A	N/A	N/A	

Note 1: It shall include Information on President, Vice Presidents, Assistant Vice Presidents, and Department and Branch Directors, and if the position is equivalent to the President, Vice Presidents, and Assistant Vice Presidents, regardless of the title, it shall also be disclosed.

Note 2: If there is experience related to the current position, such as employment at an auditing firm or related company during the aforementioned disclosed period, the title and responsible position shall be stated.

Note 3: The above managers have no term limits.

Note 4: Where the chairperson and president or equivalent position (highest level managerial officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or managerial officers) must be disclosed.

Note 1: CEO Chao-Li Huang concurrently serves as Chairperson of Shande Investment Co., Ltd.; Supervisor of Leading Jet Turbine Co., Ltd.; Representative of Institutional Director (Shande Investment Co., Ltd.) of Amulair Thermal Technology Inc.; Representative of Institutional Supervisor (Shande Investment Co., Ltd.) of Maxecho Technology Corp.; Representative of Institutional Supervisor (Shande Investment Co., Ltd.) of Leohab Enterprise Co., Ltd.; CEO

and Director of Merry Electronics (U.S.A.) Co., Ltd.; Director of Merry Electronics (H.K.) Co., Ltd.; Legal Representative and Director of Merry Electronics (Thailand) Co. Ltd.; Director of Danny Dynamics Limited; Legal Representative and Director of Merrytech (HK) Co., Ltd.; Director of Austar Hearing Science and Technology (Xiamen) Co., Ltd.; Supervisor of Merry Electronics (Shanghai) Co., Ltd.

Note 2: Ms. Shu-Chun Lin, Electroacoustic Supply Chain Management Group VP of Merry Electronics Co. Ltd., serves as Director of Merry Electronics (Thailand) Co. Ltd.; Director of Merry Electronics (Singapore) Pte., Ltd. (designated by Merry Electronics Co. Ltd.); Representative of Institutional Director of Merry Healthcare Co., Ltd.; Representative of Institutional Director of Fulicare Co., Ltd.; Legal Representative, Executive Director, and President of Fulicare Medical Technology (Suzhou) Co., Ltd.; Director of Indigo Enterprise Inc.(Samoa); Chairman of Suzhou Meisheng Electronic Co., Ltd.; Chairman of Austar Hearing Science and Technology (Xiamen) Co., Ltd.; Executive Director of Xiamen Etimbre Hearing Technology Co., Ltd.; Legal Representative and Executive Director of Fulicare Medical Technology (Xiamen) Co.,Ltd.; Director of Xiamen LA&A Medical Devices Co., Ltd.; Director of Zhangzhou Austar Hearing Science and Technology Co., Ltd.; Director of Merry Electronics (Shanghai) Co., Ltd.; Vice Chairman of Merrytech (Suzhou) Co. Ltd.; Director of Merry Fuling Co., Ltd., Chairman of Fu Erh LI Co., Ltd.; and Representative of Institutional Director of Fulicare Medical Instruments (Suzhou) Co., Ltd. (Fulicare Medical Technology (Suzhou) Co., Ltd.).

Note 3: Mr. Steven Her serves concurrently as President of Leohab Group.

1. Remuneration to Directors

May 1, 2019 Unit: NT\$ Thousand

Range of remuneration paid to each director	Name of director			
	Total amount of (A+B+C+D)		Total amount of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All Consolidated Entities (Note 9) H	The Company (Note 8)	All Consolidated Entities (Note 9) I
Below NT\$2,000,000	Huang, Lin-Ming, Duh, Edward Shaw-Yau, Wu, Hui-Huang, Ke, Chun-Hui, Yu, Jih-Hsin	Huang, Lin-Ming, Duh, Edward Shaw-Yau, Wu, Hui-Huang, Ke, Chun-Hui, Yu, Jih-Hsin	Huang, Lin-Ming, Duh, Edward Shaw-Yau, Wu, Hui-Huang, Ke, Chun-Hui, Yu, Jih-Hsin	Huang, Lin-Ming, Duh, Edward Shaw-Yau, Wu, Hui-Huang, Ke, Chun-Hui, Yu, Jih-Hsin
NT\$2,000,000 (inclusive) to NT\$5,000,000 (exclusive)	Tong Qian Investment Co., Ltd.: Representative Liao, Keng-Pin	Tong Qian Investment Co., Ltd.: Representative Liao, Keng-Pin	Tong Qian Investment Co., Ltd.: Representative Liao, Keng-Pin	Tong Qian Investment Co., Ltd.: Representative Liao, Keng-Pin
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Liao, Lu-Lee, Wei, Wen-Chieh	Liao, Lu-Lee, Wei, Wen-Chieh	Liao, Lu-Lee, Wei, Wen-Chieh	Liao, Lu-Lee, Wei, Wen-Chieh
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Lin, Shih-Chieh, Lin, Shu-Chun, Huang, Chao-Li	Lin, Shih-Chieh, Lin, Shu-Chun, Huang, Chao-Li	Lin, Shih-Chieh, Huang, Chao-Li	Lin, Shih-Chieh, Huang, Chao-Li
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-	Lin, Shu-Chun	Lin, Shu-Chun
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-	-	-
NT\$100,000,000 and above	-	-	-	-
Total	11 people	11 people	11 people	11 people

Note 1: The names of the Directors shall be separately listed (the institutional shareholder shall list the names of the institutional shareholders and the representatives separately), and the amount of each payment shall be disclosed in. Directors who are also concurrently a President or Vice President are listed in this table and the following Table 3.

Note 2: Remuneration to Directors in 2019 (include Director salary, additional duty payments, severance pay, various bonuses, or incentive payments).

Note 3: The amount of remuneration for the Directors proposed by the Board of Directors for the 2019 year is approved by the Board of Directors in 2020 (without the resolution of the shareholders' meeting).

Note 4: Refers to the related business expenses of Directors in 2019 (including transportation allowance, special allowance, stipends, dormitory, and car).

Note 5: Refers to benefits received by Directors who are also employees of the company, including bonuses, additional pay, stipends, car, etc. in 2019. Chairperson Liao, Lu-Lee's car was acquired in 2014 and cost NT\$1,500 thousand; Vice Chairperson Wei, Wen-Chieh's car was acquired in 2005 and cost NT\$2,580 thousand; the book values are NT\$1,339 thousand and NT\$1,474 thousand, respectively.

Note 6: Refers to the Directors who are concurrent employees (including those concurrently serving as Presidents, Vice Presidents, other managers, and employees) who received employee remuneration (including stocks and cash), which is the 2019 employee remuneration distribution proposed by the Board of Directors (without the resolution of the shareholders' meeting) in 2020; the proposed distribution amount is calculated based on the actual distribution ratio in 2018, and has been filled out in Table 5.

Note 7: Total pay to Directors from all companies in the consolidated statements (including the company).

Note 8: Total paid and range of remuneration paid by the Company to each Director and name of Director.

Note 9: Total paid and range of remuneration paid to each Director and their names from all companies in the consolidated statements (including the Company) shall be disclosed.

Note 10: Calculated based on the after-tax net income and the NT\$2,548,612 thousand after-tax net income of the individual financial statements of 2019.

Note 11: This field should clearly state whether the Directors of the company have received remuneration from investees other than subsidiaries with "Yes" or "None".

* The remuneration disclosed in this table is different from the income concept of the Income Tax Act. Thus, the purpose of this table is for information disclosure, not for tax purposes.

2. Remuneration to Supervisors

Title	Name (Note 1)	Remuneration to Supervisors						Ratio of total (A), (B), and (C) to after-tax income (Note 8)	Compensation from investments other than subsidiaries (Note 9)
		Remuneration (A) (Note 2)		Remuneration (B) (Note 3)		Business expense (C) (Note 4)			
		The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities (Note 5)		
Supervisor	Hung, Yun-Chung (Relieved of the position on 2019/6/19)								
Supervisor	Cho, Sheng-Chung (Relieved of the position on 2019/6/19)								
Supervisor	Liao, Ben-Lin (Relieved of the position on 2019/6/19)	-	-	15,291	15,291	70	70	0.6%	0.6%
Supervisor	Tong Qian Investment Co., Ltd. Representative: Liao, Keng-Pin (Relieved of the position on 2019/6/19)								N/A

Unit: NT\$ Thousand

May 1, 2019

Range of remuneration paid to each Supervisor	Names of Supervisors		
	Total amount for the 3 preceding remunerations (A+B+C)		All Consolidated Entities (Note 7) D
	The Company (Note 6)		
Below NT\$2,000,000			
NT\$2,000,000 (inclusive) to NT\$5,000,000 (exclusive)	Hung, Yun-Chung, Cho, Sheng-Chung, Liao, Ben-Lin, Tong Qian Investment Co., Ltd.; Representative: Liao, Keng-Pin		Hung, Yun-Chung, Cho, Sheng-Chung, Liao, Ben-Lin, Tong Qian Investment Co., Ltd.; Representative: Liao, Keng-Pin
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)			
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)			
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)			
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)			
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)			
NT\$100,000,000 and above			
Total		4 people	4 people

Note 1: The names of the Supervisors have been presented separately and the payment amount to each Supervisor has been disclosed in a summary manner.

Note 2: Means remuneration of the supervisors in 2019 (including Director salary, additional duty payments, pensions, severance pay, various bonuses, or incentive payments).

Note 3: The amount of remuneration for the supervisors proposed by the Board of Directors for the 2019 year is approved by the Board of Directors in 2020 (without the resolution of the shareholders' meeting).

Note 4: The business expense of supervisors in 2018 (including transportation allowance, special allowance, stipends, dormitory, and car).

Note 5: The total pay to Supervisors from all companies in the consolidated statements have been disclosed.

Note 6: Total paid and range of remuneration paid by the company to each supervisor and name of supervisor.

Note 7: Total paid and range of remuneration paid to each supervisor from all companies in the consolidated statements) and their names.

Note 8: Calculated based on the after-tax net income and the NT\$2,548,612 thousand after-tax net income of the individual financial statements of 2019.

Note 9: This field should clearly state whether the supervisors of the company have received remuneration from investees other than subsidiaries with "Yes" or "None".

3. Remunerations to the president and vice president

May 1, 2019												Unit: NT\$ Thousand	
Title	Salary (A) (Note 2)		Pension (B)		Bonuses and allowances, etc. (C) (Note 3)		Employee compensation (D) (Note 4)			Ratio of total remuneration (A+B+C+D) to net income after tax (%) (Note)		Compensation from investments other than subsidiaries (Note 9)	
	The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities (Note 5)	The Company		All Consolidated Entities (Note 5)	The Company			
							Cash	Stock					
President													
CTO													
VP of the Financial Management Division													
VP of Sales	17,279	17,279	492	492	7,784	7,784		22,502	-	22,502	-	1.90%	
VP of Sales													
VP of Supply Chain Management													
Special assistant at the Administration Center												N/A	

Range of remuneration paid to presidents and vice presidents			Names of president and vice presidents		
			The Company (Note 7)		
Below NT\$2,000,000			-		
NT\$2,000,000 (inclusive) to NT\$5,000,000 (exclusive)			Joyce Lam, Steven Her, Sam Chang		
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)			Steven Su, Huang, Chao-Li, Chester Chiang		
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)			Lin, Shu-Chun		
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)			-		
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)			-		
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)			-		
NT\$100,000,000 and above			-		
Total			7 people		

Note 1: The names of the president and vice presidents have been presented separately and the payment amount has been disclosed in a summary manner. Directors who are also concurrently a president or vice president shall be listed in this table and the above Tat 1.	Note 5: The total pay to the company's president or vice president from all companies in the consolidated statements shall be disclosed.
Note 2: Salary, additional pay, and severance pay received by the president or vice president in 2019.	Note 6: Range of remuneration paid to the president and vice presidents, and their names.
Note 3: Indicates the benefits received by the president and vice presidents, including bonuses, additional pay, stipends, car, etc. in 2019. Vice President Chester Chiang and President Steven Su's cars are rented (starting in July 2015) at NT\$120,600 per month. The salary expenses recognized in accordance with IFRS 2 Share-based payment, including obtaining employee stock options, restricted stock awards, and participating in capital increase by cash by acquiring shares, shall also be included in the remuneration.	Note 7: The number of people, names of, and total paid and range of remuneration paid to each president and vice president from all companies in the consolidated statements).
Note 4: Refers to the employee remuneration received by the President and Vice Presidents (including stocks and cash), which is the 2019 employee remuneration distribution proposed by the Board of Directors (without the resolution of the shareholders' meeting) in 2020; the proposed distribution amount is calculated based on the actual distribution ratio in 2018, and has been filled out in the table	Note 8: Calculated based on the after-tax net income and the consolidated net income of NT\$2,531,146,000 of the consolidated statement of 2019.
	Note 9: a. The amount of remuneration the president or vice president of the Company receives from investees other than subsidiaries of the company shall be clearly indicated in this field. b. If the president and vice presidents of the company receive the remuneration related investees other than subsidiaries, the remuneration received by the president and vice presidents from the investees other than subsidiaries shall be incorporated into the column E column in the remuneration range table and the column's name shall be changed to "All reinvestment entities". c. Remuneration refers to pay, compensation (including compensation distributed to employees, directors and supervisors) and remuneration for conducting business received by the Company's president and vice presidents who serve as directors, supervisors or managerial officers at subsidiaries other than investee companies.
	* The remuneration disclosed in this table is different from the income concept of the Income Tax Act. Thus, the purpose of this table is for information disclosure, not for tax purposes.

4. Names of managerial officers that received employee bonuses and status of the distribution

May 1, 2019 Unit: NT\$ Thousand

	Title	Name	Amount of stock bonus (Note)	Amount of cash bonus (Note)	Total	Percentage of total bonuses to net profit after tax (%)
Managerial Officers	Director and President	Huang, Chao-Feng	-	22,502	22,502	0.89%
	CTO	Sam Chang				
	VP of the Financial Management Division	Joyce Lam				
	VP of Sales	Chester Chiang				
	VP of Sales	Steven Su				
	VP of Supply Chain Management	Lin, Shu-Chun				
	Special assistant at the Administration Center	Steven Her				

Note: Refers to the employee remuneration received by the president and vice presidents (including stocks and cash), which is the 2019 employee remuneration distribution proposed by the Board of Directors (without the resolution of the shareholders' meeting) in 2020; the proposed distribution amount is calculated based on the actual distribution ratio in 2018.

5. The names, positions, and total number of shares received by the top ten employees who received employee bonuses

Name	Title	Cash dividend (NT\$ Thousands)	Stock dividends (Shares)
Lin, Shu-Chun	Vice President	27,391	-
Lin, Shih-Chieh	President		
Sam Chang	CTO		
Chester Chiang	Vice President		
Steven Su	Vice President		
Huang, Chao-Li	President		
Joyce Lam	Vice President		
He, Chun-Yuan	Vice President		
Cheng, Yong	Director		
Ken Soh	Vice President		

Note: Cash dividends and stock dividends in 2019 are distributed from 2018 earnings.

6. The Company shall disclose the remuneration to individual directors and supervisors in the event of any one of the following conditions:

- (1). If a net loss appeared in financial statements in the most recent three years, disclose the remuneration to individual directors and supervisors. However, this does not apply if there was a net profit after tax in the stand alone financial statements for the most recent year that is sufficient to cover the loss: None.
- (2). If the shareholding ratio of directors was insufficient for three consecutive months in the most recent year, disclose the remuneration to individual directors. If the shareholding ratio of supervisors was insufficient for three consecutive months in the most recent year, disclose the remuneration to individual supervisors: None.
- (3). If the average pledging ratio of directors and supervisors was greater than 50% in any three months in the most recent year, disclose the remuneration to directors and supervisors with pledging ratio greater than 50% in each month: None.
- (4). If the total remuneration to all directors and supervisors on the financial report exceeds 2% of after-tax net profit, and the remuneration to individual directors or

supervisors exceeds NT\$15 million, disclose the remuneration to individual directors or supervisors: None.

- (5).The TWSE/TPEX-listed company was excluded from evaluation due to being rated in the lowest bracket in the most recent Corporate Governance Evaluation, or trading method was changed, trading was suspended, the company was delisted, or other situations that occurred in the most recent year and up to the annual report publication date approved by the Corporate Governance Evaluation Committee: None.
- (6).The average annual salary of full time non-managerial staff of a TWSE/TPEX-listed company did not reach NT\$500,000 in the most recent year.
- 7.Compare the percentage of after-tax net profit distributed by the Company and all companies on the consolidated financial statements as remuneration to the Company's directors, supervisors, president, and vice presidents in the most recent two years, and describe the policy, standard, and composition of remuneration, procedures to determining remuneration, and the connection to business performance and future risks.

(1) Amount of remuneration to the Company's directors, supervisors, president, and vice presidents in the most recent two years as a percentage of after-tax net profit

Title	2018 The amount of remuneration to the Company's directors, supervisors, president, and vice presidents from the Company and all companies on the consolidated financial statements as a percentage of after-tax net profit		2018 The amount of remuneration to the Company's directors, supervisors, president, and vice presidents from the Company and all companies on the consolidated financial statements as a percentage of after-tax net profit	
	The Company	All companies on the consolidated financial statements	The Company	All companies on the consolidated financial statements
Director	4.40%	4.95%	3.98%	4.00%
Supervisor				
President and Vice President				

Note 1: The proposed 108 earnings distribution was approved by the Board of Directors. The percentage of remuneration to after-tax net profit in this field is only an estimate.

- (2).Remuneration of directors and supervisors is handled in accordance with the Company's Articles of Incorporation. We established a Remuneration Committee on December 28, 2011, and the Remuneration Committee established the Directors and Supervisors' Remuneration Management Regulations on January 1, 2014, which was submitted to the Board of Directors and approved after discussion. The regulations are used to evaluate and distribute reasonable remuneration to directors and supervisors. The policy for remuneration to the president and vice president sets forth a salary structure with a base pay, meal allowance, supervisory differential pay, and no company car benefits. Procedures for determining remuneration are based on academic background, experience, performance, and seniority, and also take into consideration the standards of peers in the industry, as well as the Company's overall business performance, the industry's future business risks, and development trends.

iv. Corporate Governance Status

(I) Status of Board Operations

The 18th-term Board of Directors met 2 times (A) and the 19th-term Board of Directors met 4 times (A) in the most recent year (2019), attendance of directors is as follows:

Attendance of 18th-term directors:

Title	Name	Attendance (voting	Attendance	Attendance (voting and	Notes

		and non-voting) in person B	by proxy	non-voting) in person rate (%) [B / A]	
Chairperson	Liao, Lu-Lee	2	0	100%	
Vice Chairperson	Wei, Wen-Chieh	2	0	100%	
Director	Lin, Shu-Chun	2	0	100%	
Director	Lin, Shih-Chieh	2	0	100%	
Director	Huang, Chao-Li	2	0	100%	
Independent Director	Huang, Lin-Ming	2	0	100%	
Independent Director	Duh, Edward Shaw-Yau	2	0	100%	

Attendance of 19th-term directors:

Title	Name	Attendance (voting and non-voting) in person B	Attendance by proxy	Attendance (voting and non-voting) in person rate (%) [B / A]	Notes
Chairperson	Liao, Lu-Lee	4	0	100%	
Vice Chairperson	Wei, Wen-Chieh	4	0	100%	
Director	Lin, Shu-Chun	3	0	75%	
Director	Lin, Shih-Chieh	4	0	100%	
Director	Huang, Chao-Li	4	0	100%	
Representative of Institutional Director	Liao, Keng-Pin	4	0	100%	Representative of Tong Qian Investment Co., Ltd.
Independent Director	Ke, Chun-Hui	4	0	100%	
Independent Director	Wu, Hui-Huang	4	0	100%	
Independent Director	Yu, Jih-Hsin	4	0	100%	

Other important matters to be recorded:

- i. If independent directors have a dissenting or qualified opinion on matters listed in Article 14-3 of the Securities and Exchange Act, and there are records or a written statement of the Board of Directors' resolutions, specify the date of the Board meeting, session, contents of the agenda item, the opinions of all independent directors, and the Company's response to independent directors' opinions: The contents of resolutions are provided in pages 51-56 of the Annual Report. All matters listed in Article 14-3 of the Securities and Exchange Act were passed as proposed by all independent directors without objection.
- ii. Specify the name of the director, agenda item, reason for recusal, and participation in voting of directors who recused themselves from agenda items they have a conflict of interest:
 - (1) 21st Meeting of the 18th-term Board of Directors on February 26, 2019
 Agenda: Proposal to adjust the 2018 year-end bonus for managers.
 Directors who recused themselves due to conflict of interest: Directors Lin, Shu-Chun, Lin, Shih-Chieh, and

Huang, Chao-Li.

Reason for recusal and participation in voting:

Directors Lin, Shu-Chun, Lin, Shih-Chieh, and Huang, Chao-Li (managerial officers) had a conflict of interest and recused themselves and did not participate in the vote in accordance with Article 206 of the Company Act.

Voting results: Passed as proposed without objection after the chairperson inquired all directors and independent directors with voting rights.

- (2) 21st Meeting of the 18th-term Board of Directors on February 26, 2019

Agenda: Proposal to adjust the fixed salary of managers of the Company in 2019.

Directors who recused themselves due to conflict of interest: Directors Lin, Shu-Chun, Lin, Shih-Chieh, and Huang, Chao-Li.

Reason for recusal and participation in voting:

Directors Lin, Shu-Chun, Lin, Shih-Chieh, and Huang, Chao-Li (managerial officers) had a conflict of interest and recused themselves and did not participate in the vote in accordance with Article 206 of the Company Act.

Voting results: Passed as proposed without objection after the chairperson inquired all directors and independent directors with voting rights.

- (3) 21st Meeting of the 18th-term Board of Directors on February 26, 2019

Agenda: Director, supervisor, and manager 2018 performance evaluation results and the contents and amount of salary and remuneration.

Directors who recused themselves due to conflict of interest: Directors Lin, Shu-Chun, Lin, Shih-Chieh, and Huang, Chao-Li.

Reason for recusal and participation in voting:

Directors Lin, Shu-Chun, Lin, Shih-Chieh, and Huang, Chao-Li (managerial officers) had a conflict of interest and recused themselves and did not participate in the vote in accordance with Article 206 of the Company Act.

Voting results: Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance with voting rights.

- (4) 22nd Meeting of the 18th-term Board of Directors on April 25, 2019

Agenda: Proposal to lend NT\$80,000,000 to Biotest Medical Corp.

Directors who recused themselves due to conflict of interest: Vice Chairperson Wei, Wen-Chieh, Director Lin, Shu-Chun, Director Lin, Shih-Chieh, and Director Huang, Chao-Li.

Reason for recusal and participation in voting:

Directors Lin, Shu-Chun, Lin, Shih-Chieh, and Huang, Chao-Li had a conflict of interest due to being shareholders of Biotest Medical Corp.,

and recused themselves and did not participate in the vote in accordance with Article 206 of the Company Act.

Voting results: Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance with voting rights.

- (5) 22nd Meeting of the 18th-term Board of Directors on April 25, 2019

Agenda: Proposed amount of manager and employee remuneration in 2018.

Directors who recused themselves due to conflict of interest: Directors Lin, Shu-Chun, Lin, Shih-Chieh, and Huang, Chao-Li.

Reason for recusal and participation in voting:

Directors Lin, Shu-Chun, Lin, Shih-Chieh, and Huang, Chao-Li (managerial officers) had a conflict of interest and recused themselves and did not participate in the vote in accordance with Article 206 of the Company Act.

Voting results: Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance with voting rights.

- (6) The 2nd meeting of the 19th-term Board of Directors on July 26, 2019

Agenda: Proposal to appoint members of the 4th-term Remuneration Committee.

Directors who recused themselves due to conflict of interest: Independent Directors Yu, Jih-Hsin, Wu, Hui-Huang, Ke, Chun-Hui.

Reason for recusal and participation in voting:

and recused themselves and did not participate in the vote in accordance with Article 206 of the Company Act.

Voting results: Passed as proposed without objection after the chairperson inquired all directors in attendance with voting rights.

- (7) The 2nd meeting of the 19th-term Board of Directors on July 26, 2019

Agenda: Proposed remuneration of the 1st-term Audit Committee.

Directors who recused themselves due to conflict of interest: Independent Directors Yu, Jih-Hsin, Wu, Hui-Huang, Ke, Chun-Hui.

Reason for recusal and participation in voting:

and recused themselves and did not participate in the vote in accordance with Article 206 of the Company Act.
Voting results: Passed as proposed without objection after the chairperson inquired all directors in attendance with voting rights.

(8) The 3rd meeting of the 19th-term Board of Directors on October 24, 2019

Agenda: Proposed list of managers and number of shares in the issuance of restricted stock awards in 2019.

Directors who recused themselves due to conflict of interest: Directors Lin, Shu-Chun, Lin, Shih-Chieh, and Huang, Chao-Li.

Reason for recusal and participation in voting:

Directors Lin, Shu-Chun, Lin, Shih-Chieh, and Huang, Chao-Li (managerial officers) had a conflict of interest and recused themselves and did not participate in the vote in accordance with Article 206 of the Company Act.

Voting results: Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance with voting rights.

(9) The 4th meeting of the 19th-term Board of Directors on December 26, 2019

Agenda: Proposal to donate NT\$1,280,000 to a related party in 2020.

Directors who recused themselves due to conflict of interest: Chairperson Liao, Lu-Lee, Vice Chairperson Wei, Wen-Chieh, and Independent Director Wu, Hui-Huang recused themselves.

Reason for recusal and participation in voting:

and recused themselves and did not participate in the vote in accordance with Article 206 of the Company Act.

Voting results: Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance with voting rights.

iii. TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	From January 1, 2019 to December 31, 2019	Individual Board members	Self-evaluation by Board members	1. Understanding of the Company's goals and mission. 2. Understanding of directors' duties. 3. Participation in the operation of the company. 4. Maintaining internal relationships and communication. 5. The professional and continuing education of directors. 6. Internal control. 7. Others.
		Board of Directors	Board of Directors self-evaluation	1. Participation in the operation of the company. 2. Improvement of the quality of the board of directors' decision making. 3. Composition and structure of the Board of Directors. 4. Selection and continuing education of directors. 5. Internal control. 6. Others.

iv. Goals for enhancing Board functions in the current year and most recent year (such as establishing an Audit Committee and increasing information transparency) and evaluation of implementation status:

- (1) We established the Regulation and Procedure for Board of Directors Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and disclosed information on attendance of directors in Board meetings on the MOPS, as well as major resolutions of the Board of Directors on the Company website.
- (2) Directors received 91 hours of continuing education in 2019.

Note 1: If the director or supervisor is a legal person, disclose the name of shareholders and its representative.

Note 2: (1) If a director or supervisor is separated before the end of the year, specify the date of separation in the remarks.

and calculate actual attendance rate (%) based on the number of Board meetings convened during the director or supervisor's term and actual attendance.

- (2) If directors or supervisors are reelected before the end of the year, list new and old directors and supervisors, and specify if the director or supervisor is old, new, or reelected and the reelection date in the remarks. Actual attendance rate (%) is calculated based on the number of Board meetings convened during the director or supervisor's term and actual attendance.

(II) Operations of the Audit Committee or participation of supervisors in Board operations

The Audit Committee currently comprises 3 independent directors who are responsible for reviewing the fair presentation of the Company's financial statements, the appointment (dismissal) and independence of accountants, the effective implementation of internal controls, the Company's compliance with related laws and rules, and control of the Company's existing or potential risks. The committee's main responsibilities are as follows:

- (1) Establishment or amendments to the internal control system according to Article 14-1 of the Securities and Exchange Act.
- (2) Assessment of the effectiveness of the internal control system.
- (3) Establishment or amendments to asset acquisition/disposal procedures, derivative trading procedures, procedures on loans to others, endorsement and guarantee procedures, and other procedures of major financial consequences as specified in Article 36-1 of the Securities and Exchange Act.
- (4) Matters in which a director is an interested party.
- (5) Asset transactions or derivatives trading of a material nature.
- (6) Loans of funds, endorsements, or provision of guarantees of a material nature.

2019 Audit Committee meetings

There were 3 Board meetings (A) in the most recent year (2018), attendance is as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A)	Remarks
Independent Director	Yu, Jih-Hsin	3	-	100%	
Independent Director	Wu, Hui-Huang	3	-	100%	
Independent Director	Ke, Chun-Hui	3	-	100%	

Other matters that require reporting:

Other matters that require reporting:

- i. Items specified in Article 14-5 of the Securities and Exchange Act: All matters were approved by the majority of all Audit Committee members and submitted to the Board of Directors for approval. There were no matters not approved by the Audit Committee but approved by two thirds or more of all Board members.
- ii. Besides the matters above, other resolutions adopted with the approval of two-thirds or more of all directors, without having been passed by the Audit Committee: None.
- iii. If independent directors recused from themselves from an agenda item in which they have a conflict of interest, specify the name of the independent director, agenda item, reason for recusal, and participation in voting:
 - (1) December 26, 2019, 3rd meeting of the 1st-term Audit Committee
 Agenda item: Please discuss the proposal to donate NT\$1,280,000 to a related party in 2020.
 Directors who recused themselves due to conflict of interest: Independent Director Wu, Hui-Huang.
 Reason for recusal and participation in voting:
 Independent Director Wu, Hui-Huang recused himself and did not participate in the vote in accordance with Article 206 of the Company Act.
 Voting results: Passed as proposed without objection after the chairperson inquired all members in attendance with voting rights.
- iv. Communication between independent directors and the chief internal auditor and CPAs (must include material matters of communication, methods, results relating to the Company's financial reports and business conditions):
 - (I) The internal audit department irregularly submits audit reports to independent directors for review, and the chief internal auditor reports major findings in audits to the Board of Directors. A meeting is called whenever there is a material event.
 - (II) The accountant complies with SAS No. 39 "Communications with Those Charged with Governance" and Letter Tai-Cai-Zheng-Liu-Zi No. 0930105373 from the Securities and Futures Bureau dated March 11, 2004. Information on governance matters audited in the Company's consolidated financial statements (annual, including stand alone financial statements) each quarter during the planning and completion phase is summarized for communication with the Audit Committee in writing or face-to-face.
 - (III) Independent directors have channels for directly communicating with the chief internal auditor and CPAs. The chief internal auditor will report audit items and major findings to the Audit Committee and Board of Directors. Communication in 2018 and up to the annual report publication date are as follows, and are also provided on the company website:
<http://www.merry.com.tw/page/company/directors.aspx?kind=6>

Independent directors and internal audit supervisor:	
Date	Main Points of Communication
2019.02.26 (Board of Directors) 21st meeting of the 18th-term Board of Directors	1. Audit report and internal control system deficiencies review report. 2. Prepared the Company's 2018 Statement of Internal Control System.
2019.04.25 (Board of Directors) 22nd meeting of the 18th-term Board of Directors	1. Audit report and internal control system deficiencies review report.
2019.07.26 (Audit Committee) 1st meeting of 1st-term	1. Audit report and internal control system deficiencies review report.
2019.10.24 (Audit Committee) 2nd meeting of 1st-term	1. Audit report and internal control system deficiencies review report.
2019.12.26 (Audit Committee) 3rd meeting of 1st-term	1. Audit report and internal control system deficiencies review report.
2020.02.27 (Audit Committee) 4th meeting of 1st-term	1. Audit report and internal control system deficiencies review report. 2. Prepared the Company's 2019 Statement of Internal Control System.
Independent Directors and CPA:	
2019.12.26 (Board of Directors)	1. Annual audit plan: (1) The role and responsibilities of the accountant/governance unit. (2) Audit plan. (3) Independence of the accountant 2. Annual audit conclusion: (1) Major findings in the audit. (2) Audit report (including key audit items) draft. (3) Independence of the accountant
Note:	
* If a supervisor is separated before the end of the year, specify the date of separation in the remarks, and calculate actual attendance rate (%) based on the supervisor's actual attendance.	
* If supervisors are reelected before the end of the year, list new and old supervisors, and specify if the supervisor is old, new, or reelected and the reelection date in the remarks. Actual attendance rate (%) is calculated based on actual attendance during the supervisor's term.	

(III) Board of Directors Performance Evaluation:

- i. The Board of Directors passed the "Merry Electronics Co., Ltd. Director Performance Evaluation Regulations" in 2017. Director performance evaluations are conducted at the end of the year, and must be conducted by an external unit at least once every three years.

Subjects evaluated include the overall performance of the Board of Directors (functional committees) and individual Board members. Internal Board performance evaluation items are divided into five aspects:

- (1). Participation in the operation of the company.
- (2). Improvement of the quality of the board of directors' decision making.
- (3). Composition and structure of the Board of Directors.
- (4). The selection and continuing education of directors.
- (5). Internal control.

- ii. Self-evaluation items for the performance of Board members are divided into six aspects:

- (1). Understanding of the Company's goals and mission.
- (2). Understanding of directors' duties.
- (3). Participation in the operation of the company.
- (4). Maintaining internal relationships and communication.
- (5). The professional and continuing education of directors.
- (6). Internal control.

Suitable indicators for the two types of performance evaluations above shall be established based on the Company's operations and requirements.

iii. 2019 Board Performance Self-Evaluation Results

- (1). Year evaluated: 2019
- (2). Director performance self-evaluation:

Self-evaluation of directors	Achieving rate	Results
Liao, Keng-Pin	96.00%	Exceeds standards

Wu, Hui-Huang	96.00%	Exceeds standards
Yu, Jih-Hsin	100.00%	Exceeds standards
Ke, Chun-Hui	100.00%	Exceeds standards
Liao, Lu-Lee	100.00%	Exceeds standards
Wei, Wen-Chieh	96.00%	Exceeds standards
Lin, Shu-Chun	96.00%	Exceeds standards
Lin, Shih-Chieh	96.00%	Exceeds standards
Huang, Chao-Li	100.00%	Exceeds standards

(3). Board of Directors performance self-evaluation:

Self-evaluation of directors	Achieving rate	Results
Board of Directors	100.00%	Exceeds standards

Note: (1). If the achieving rate of all indicators averages 90% or above (inclusive), the director "Exceeds standards".

(2). If the achieving rate of all indicators averages 80% or above (inclusive), the director "Meets standards".

(3). If the achieving rate of all indicators averages under 80%, the director "Requires improvement".

(4). Board member self-evaluation results: All results were "Exceeds standards."

(III). Status of corporate governance and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation Item	Implementation status (Note 1)		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
i. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	Yes		The Board of Directors passed the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" November 12, 2014 and provides access to it on the Company website.
ii. Shareholding structure & shareholders' rights			
(I) Does the company establish internal operating procedures for handling shareholder suggestions, questions, complaints or litigation and handled related matters accordingly?	Yes		(I) The Company established the "Procedures for Handling Internal Material Information", provides dedicated personnel such as the spokesperson and vice-spokesperson and their e-mails, and also provides communication channels on the Company website for communication with shareholders and stakeholders. There is also an exclusive website for shareholders with dedicated personnel to handle shareholders' recommendations, questions, disputes, and litigation.
(II) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	Yes		(II) The Company has a list of the major shareholders and ultimate controller of major shareholders of its controlling company, and reports changes in shareholding of insiders (directors, supervisors, managers, and shareholders with over 10% shares) on the MOPS, which was designated by the Securities and Futures Institute, in accordance with Article 25 of the Securities and Exchange Act.
(III) Does the company establish and implement risk management and firewall systems within its conglomerate structure?	Yes		(III) The personnel, assets, and financial management authority are clearly separated between the Company and affiliated enterprises. We established the "Insider Trading Regulations" and specified subsidiary supervision operations with auditors that periodically supervise the implementation status.
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	Yes		(IV) The Company established a "Code of Ethical Conduct" and "Procedures for Handling Internal Material Information" applicable to directors, supervisors, managers, and employees; information is irregularly updated and promoted. Pursuant to Article 37 of the Company's Corporate Governance Best Practice Principles, Board members shall fulfill their fiduciary duties and exercise the due care of a good administrator, and show a high level of self-discipline and caution when exercising their authority.
iii. Composition and duties of the board of directors			
(I) Does the board of directors develop and	Yes		(I) Gender equality is emphasized in the composition of Board members,

Evaluation Item	Implementation status (Note 1)		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
implement a diversified policy for the composition of its members?			
(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and Audit Committee?	Yes		who have the knowledge, skills, and literacy required for performing their duties. The Company also complies with this principle in implementation. Furthermore, two Board members are female. (II) We established a Remuneration Committee on 2011/12/28 and established an Audit Committee on 2019/6/19. Other corporate governance operations are handled by their respective departments. We currently do not have any other functional committees, but will establish them when needed.
(III) Does the company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?	Yes		(III) We periodically review Board functions and are gradually raising the degree of corporate governance. We established Board Performance Evaluation Regulations and evaluation methods on 2017/12/28.
(IV) Does the company regularly evaluate the independence of CPAs?	Yes		(IV) Our Financial Management Division evaluates the independence of the CPA each year, and submitted results to the Board of Directors on 2019/12/26. Please refer to Note 3 for evaluation items.

Evaluation Item	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
IV. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?	Yes		1. We have a dedicated corporate governance unit: Financial Management Division: Conducts self-evaluations in accordance with articles containing the word "shall" in the "Corporate Governance Evaluations and Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" according to the instructions of the competent authority, and assists departments in implementing corporate governance evaluation indicators announced by the competent authority and complying with related laws and regulations. Prepares the agenda and related materials for the Company's shareholders' meetings, Board meetings, and functional committee meetings, compiles meeting minutes, and handles announcements, reporting, and change of registration within the specified period in accordance with the law. Upload and maintain information on the Company's Chinese website, and disclose information on the Company's financial position, business operations, and corporate governance results. Handles shareholder communication and services in a timely manner (including explaining the Company's issues and providing data). (2) Human Resources Division: Response for the Remuneration Committee and related affairs. (3) Public Relations Section: Responsible for the overall CSR policy, system, or related management guidelines, and proposes and implements action plans. The Board of Directors passed the Corporate Social Responsibility Best Practice Principles in December 2014. Implementation status is irregularly reported to the chairperson through different channels each year. (4) Administration Center: The Chairperson's Office is responsible for formulating the ethical corporate management policy and prevention plans to achieve sound ethical corporate management. The Board of Directors passed the "Ethical Corporate Management Best Practice Principles" in December 2014. Auditing units supervise and audit ethical corporate management at any time, and the Chairperson's Office reports the implementation status to the Board of Directors on an annual basis. 2. Implementation status: Responsible units carry out corporate governance related affairs in accordance with related laws and regulations. Responsible units are operating normally and comply related laws and Company regulations.	Complies with the Corporate Governance Best-Practice Principles. No discrepancy.
v. Does the Company have communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), a stakeholder section on the Company website, and properly respond to important CSR issues of concern	Yes		We established an official website and have a "Stakeholder Communication Section" under "Corporate Social Responsibility"; e-mails are provided for stakeholder communication; we also have a hotline and mailbox for employees, suppliers, or other stakeholders to file reports or complaints of unethical conduct or violations of the law. Information on stakeholder	Complies with the Corporate Governance Best-Practice Principles. No discrepancy.

Evaluation Item	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
to stakeholders?			communication is as follows: - Media/Investor related: Section Chief Li E-mail: merry_pr@merry.com.tw Tel: 04-23590811#111223 - Employee/Recruitment related: Miss Liu E-mail: merry_resume_db@merry.com.tw Tel: 04-23590811 - Community (EHS related): Miss Su E-mail: jesmin_su@merry.com.tw Tel: 04-23590811#111277	
vi. Does the company designate a professional shareholder service agency to deal with shareholder affairs?	Yes		The Company hired a professional stock transfer agency to handle affairs related to holding the shareholder's meeting, information on the agency is provided below: Name: KGI Securities Stock Affairs Department Address: 5F, No. 2, Sec. 1, Chongqing S. Rd., Taipei City Tel: 02-23892999 Website: http://www.kgiworld.com.tw	Complies with the Corporate Governance Best-Practice Principles. No discrepancy.
vii. Information disclosure	Yes		(I) The Company website (http://www.merry.com.tw/page/investor/index.aspx) has an "Investor Relations" section that discloses information on the Company's financial position, business operations, and corporate governance. (II) Other information disclosure methods used by the Company: - The Company website has a Chinese and English version investors section. - We established the Procedures for Handling Internal Material Information and have a spokesperson or acting spokesperson to handle disclosures. We have an "Investors Section" on the Company website where contact information of the spokesperson and acting spokesperson is provided. - The Financial Management Division is responsible for collecting and disclosing Company information. - Information on investor conferences we organized or were invited to attend can be accessed on our website, and is also uploaded to the	Complies with the Corporate Governance Best-Practice Principles. No discrepancy.

Evaluation Item	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(III) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	Yes		MOPS in accordance with regulations of the Taiwan Stock Exchange. We announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit: (1) 2019 Q1 financial statements: Announced on April 26, 2019 (2) 2019 Q2 financial statements: Announced on July 26, 2019 (3) 2019 Q3 financial statements: Announced on October 25, 2019 (4) 2019 financial statements: Announced on February 28, 2020 (5) Operating revenue each month is announced before the prescribed time limit.	
viii. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	Yes		1. With regard to employee rights and employee care, we established an Employee Welfare Committee in accordance with the law, established a pension scheme, enroll employees in group insurance, provide employees with numerous benefits measures, established the Employee Suggestion Box Management Regulations, and organize new employee forums each quarter for two-way communication and opinion exchange with the chairperson, helping employees better understand Merry Electronics. Our official website has an Investor Section, which provides the telephone number and e-mail of the spokesperson, deputy spokesperson, and IR personnel. 4. Customer and supplier relationship: We actively maintain close relationships with customers and suppliers, and continue to invest in customer-oriented R&D of advanced technologies, so as to meet the needs of customers for innovation and change. We also encourage suppliers to meet environmental requirements, sign a commitment to integrity, and provide feedback for quality issues, actively fulfilling CSR for a green planet. 5. Stakeholders' rights: The Company maintains various forms of interaction with stakeholders in daily operations. The official website provides e-mails to establish effective and diverse communication channels with all stakeholders. Information is disclosed in accordance with regulations of the competent authority to achieve full transparency, and financial statement related information is periodically updated. 6. We established Risk Management Regulations to create a risk management	Complies with the Corporate Governance Best-Practice Principles. No discrepancy.

Evaluation Item	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons																					
	Yes	No	Summary																						
			culture and provide access to the regulations on the Company website. 7. The Company's directors and supervisors continue to participate in corporate governance seminars organized by the competent authority, and we will continue to arrange continuing education. The Company discloses continuing education of directors and supervisors on the MOPS. Please refer to Note 4 for details. 8. Directors and supervisors all actively attended Board meetings and signed in. If there was concern that a conflict of interest in an agenda item would damage the Company's interests, directors did not participate in the vote. 9. The Company purchases liability insurance for directors and supervisors, and prevents the risk of negligence from severely damaging the Company and shareholders' interests. The Board of Directors approved the extension of liability insurance for directors on Saturday, December 26, 2020. Insurance enrollment is as follows: <table><tr><th>Insuree</th><th>Insurance company</th><th>Insurance amount</th><th>Policy period</th></tr><tr><td>All directors</td><td>AIG Singapore</td><td>US\$10,000,000</td><td>October 17, 2019 to October 17, 2020</td></tr></table> 10. Please refer to Note 5 for continuing education and training of managers related to corporate governance. 11. Domestic and overseas certifications obtained by financial and auditing personnel of the Company: Certificates obtained by the Financial Management Division: CPA; Taiwan) : 1 person; CPA; USA) : 1 person; CISA: 1 person; CFM: 1 person; CMA: 1 person; CFP: 1 person; QIA: 1 person; CIA: 1 person. 12. Board diversity The Board of Directors has 9 members, including 1 female director. In addition to gender equality and diversity, the management ability, leadership and decision-making of Board members is also considered when selecting Board members, so as to implement the policy of Board member diversity. <table><tr><th rowspan="2">Name of director</th><th rowspan="2">Gender</th><th colspan="3">Professional knowledge and skills</th></tr><tr><th>Business management</th><th>Leadership and decision-making</th><th>Industry knowledge</th></tr><tr><td></td><td></td><td></td><td></td><td>Finance/Accounting</td></tr></table>	Insuree	Insurance company	Insurance amount	Policy period	All directors	AIG Singapore	US\$10,000,000	October 17, 2019 to October 17, 2020	Name of director	Gender	Professional knowledge and skills			Business management	Leadership and decision-making	Industry knowledge					Finance/Accounting	
Insuree	Insurance company	Insurance amount	Policy period																						
All directors	AIG Singapore	US\$10,000,000	October 17, 2019 to October 17, 2020																						
Name of director	Gender	Professional knowledge and skills																							
		Business management	Leadership and decision-making	Industry knowledge																					
				Finance/Accounting																					

Evaluation Item	Implementation status (Note 1)					Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons	
	Yes	No	Summary				
				t	g		c
			Liao, Lu-Lee	Male	V	V	
			Wei, Wen-Chieh	Male	V	V	
			Lin, Shih-Chieh	Male	V	V	
			Lin, Shu-Chun	Female	V	V	V
			Huang, Chao-Li	Male	V	V	V
			Liao, Keng-Pin	Male	V	V	V
			Ke, Chun-Hui	Male	V	V	V
			Yu, Jih-Hsin	Male	V	V	V
			Wu, Hui-Huang	Male	V	V	V
			13. We take information disclosure very seriously and disclose information, both regularly and irregularly, on the MOPS or Company website. Material information (revenue) is announced in both Chinese and English, so that investors can gain immediate access to important information on the Company's business condition.				
		14. The Company's information security policy is: To protect the Company's information assets from internal, external, accidental, or intentional threats; to ensure the lawfulness, completeness, and confidentiality of information; to further provide safe, stable, and efficient information services. The Company also established an information security framework to manage information security risks: (1). Information security risk structure: a. We have installed firewall equipment and specified the port of servers providing external services. All other ports are blocked to strengthen the security of servers providing external services.					

Evaluation Item	Implementation status (Note 1)		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
			Summary b. We have installed an IPS and all incoming network packets must be filtered and verified by the IPS before entering the intranet, ensuring the security of internal servers. c. Each quarter, we commission an information security company to analyze IPS events and propose solutions for abnormal events. d. Every six months, we commission an information security company to conduct vulnerability scans of servers that provide external services (such as: Company website, etc.), and immediately patch any vulnerabilities in the servers. e. In the future, we will continue to strengthen our information security, establish a joint security mechanism, and cultivate excellent information security talent. (2). Information security policy: a. All employees comply with the Company's Information Security Management Regulations, which is periodically reviewed and revised to comply with current information security regulations. b. The anti-virus software on employees' computers is updated on a daily basis, and the operating system is patched on a monthly basis to ensure the security of Company servers. (3). Specific management plans: Every year, we actively evaluate and purchase information security insurance, so that an information security company will be immediately available when a major information security event occurs to reduce our losses. 15. With regard to the Company's intellectual property policy and management goals, the Company implemented the Taiwan Intellectual Property Management System (TIPS) in April 2019 to protect and maintain intellectual property rights. We will optimize the TIPS to maintain the freedom of our operations and also maintain competitive advantages through constant innovation. We have also implemented the following policy: (1) Maintain the freedom of operations: Integrate intellectual property rights management into the R&D process, establish risk sampling points, and complete the search and analysis of 15 patents. (2) Raise employees' awareness of intellectual property rights protection: Provide R&D units with at least 6 hours of training related to intellectual property rights; Provide basic intellectual property rights training for 100% of new employees. Provide better protection for intellectual property and build a high value intellectual property portfolio: Increase the number of patent applications by 20%; Classify trade secrets and produce at least 5 explanation forms.

Evaluation Item	Implementation status (Note 1)		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	
ix. Taiwan Stock Exchange Corporation	Yes		1. Evaluation and self-evaluation results: (1) We received ratings of A and above in the Public Listed Company Information Disclosure Evaluation between 2005 and 2014. (2) We ranked in the top 35% of companies in the Corporate Governance Evaluation System in 2015 and 2016. (3) We ranked in the top 50% of companies in the Corporate Governance Evaluation System in 2017 and 2018. (4) We ranked in the top 35% of companies in the Corporate Governance Evaluation System in 2019 and 2020. (5) Every year we conduct a self-evaluation to determine the cause of our corporate governance not reaching standards. 2. Main deficiencies: We make improvements on deficiencies in various aspects of implementation each period. 3. Improvement status: We established the Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles, and Corporate Social Responsibility Best Practice Principles, and make improvements on any deficiencies. We currently have not found any major deficiencies that require improvement. Complies with the Corporate Governance Best-Practice Principles. No discrepancy.

Note 1: Provide a brief description regardless of whether "Yes" or "No" was selected.

Note 2: The corporate governance self-evaluation report is a report on the Company's corporate governance self-evaluation items that were evaluated by the Company.

Note 3: Checklist for assessing the independence of the CPA and Joint CPA Firm.

Independence and Competence	
Item	
1	Do the services provided by the CPA, members of the Joint CPA Firm, and members of other alliances comply with independence requirements?
2	Is the Company paying any audit fees, referral fees, or commission to the CPA or the Joint CPA Firm?
3	Is the CPA a director or independent director at the Company or an affiliated enterprise?
4	Is the CPA a shareholder of the Company or an affiliated enterprise?
5	Is the CPA receiving any wages from the Company or an affiliated enterprise?
6	Has the CPA provided auditing services to the Company for five consecutive years?
7	Did the CPA verify that the Joint CPA Firm complies with independence regulations?
8	Did partners of the Joint CPA Firm or members of the audit team (within one year after being relieved of the position) hold the position of director, manager, or other position at the Company that has significant influence on audits?
9	Does the CPA's Joint CPA Firm have a business relationship with the Company?
10	Does the CPA's Joint CPA Firm have any ongoing or potential lawsuits with the Company?
11	Does the Company have any unpaid audit fees from the previous year?
12	Are financial statements for the first three quarters completed within 45 days after the quarter ends or are annual financial statements completed within 3 months after the year ends?
13	Do the CPA's frequently interact with the Company's managers (internal auditors, etc.) and are records of these interactions retained?

14	Periodically update the Company on tax and securities management laws and the IFRS?
15	Communicate and respond to questions?
16	Assist in communication and coordination with the competent authority?
17	Punished by the competent authority or CPA association or in accordance with Article 37, Paragraph 3 of the Securities and Exchange Act?
18	Has knowledge of the industry that the Company is in?
19	Are audits conducted in accordance with the Generally Accepted Auditing Standards and Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants?
20	Uses the position of accountant to engage improper competition?

Note 4: Continuing education of directors and supervisors is shown in the table below:

Start and end of the current term of directors and supervisors: 2019/06/19~2022/06/18

Title	Name	Date of appointment	Date of first appointment	Date of continuing education		Organizer	Course Name	Hours	Does continuing education comply with regulations (Note 1)	Remarks
				Start	End					
Chairperson	Liao, Lu-Lee	2019/06/19	2000/09/11	2017/02/22	2017/02/22	Taiwan Institute of Directors	2017 Global Economic Trends and the Impact of Black Swans	3.0	Yes	
				2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	
				2017/07/26	2017/07/26	Taiwan Institute of Directors	2017 Annual Meeting of Taiwan Institute of Directors Major Decisions Made by the Board of Directors Over the Past Decade and Outlooks	3.0	Yes	
				2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
				2018/04/26	2018/04/26	Taiwan Corporate Governance Association	Strategies and Key Performance Indicators	3.0	Yes	
				2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
				2019/06/26	2019/06/26	Taiwan Institute of Directors	2019 Annual Meeting of Taiwan Institute of Directors - A + Corporation X Shareholder Value	4.0	Yes	
				2019/10/24	2019/10/24	Taiwan Corporate Governance Association	5G Digital Communications and IoT Principles and Applications	3.0	Yes	
				2020/02/20	2020/02/20	Taiwan Institute of Directors	Corporate Growth Strategy, Innovation and Breakthrough	3.0	Yes	
				2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	
Director	Wei, Wen-Chieh	2019/06/19	2000/09/11	2017/04/28	2017/04/28	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Family Business Successors	3.0	Yes	
				2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
				2018/04/26	2018/04/26	Taiwan Corporate Governance Association	Strategies and Key Performance Indicators	3.0	Yes	
				2018/09/06	2018/09/06	Business Council for Sustainable Development of Taiwan	Connection between Corporate Social Responsibility and Trade - Sustainable Supply Chain Management	3.0	Yes	
				2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
				2019/10/24	2019/10/24	Taiwan Corporate Governance Association	5G Digital Communications and IoT Principles and Applications	3.0	Yes	
				2019/11/29	2019/11/29	Taiwan Investor Relations Institute	Strategies and Practices for Transferring Offshore Funds Back to Taiwan and Anti-tax Evasion Management Practices and Concepts	3.0	Yes	
				2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Blockchain Principles and Applications	3.0	Yes	
				2017/09/27	2017/09/27	Taiwan Academy of Banking and Finance	Corporate Governance Lectures (3 sessions)	3.0	Yes	
				2017/09/29	2017/09/29	Taiwan Institute of Directors	Major Board Strategy Five - Merger and Acquisition Strategies for Corporate Growth and Practices Sharing	3.0	Yes	
Supervisor	Liao, Ben-Lin	2016/06/29	2000/09/11	2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
				2018/01/10	2018/01/10	Securities & Futures Institute	Regulatory compliance of insiders when trading stock of public and non-public listed companies	3.0	Yes	
				2018/01/24	2018/01/24	National Innovation and Entrepreneurship Association	Corporate Merger and Acquisition Practices Course	7.5	Yes	
				2019/03/21	2019/03/21	Accounting Research and Development Foundation	Practices in Response to the Employee Reward System in the Latest Amendment to the Company Act	3.0	Yes	
				2019/05/15	2019/05/15	Taiwan Stock Exchange and Taipei Exchange	ESG Investment and Promotion Forum	3.0	Yes	
				2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	
				2017/09/15	2017/09/15	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Corporate Sustainability	3.0	Yes	
Director	Lin, Shih-Chieh	2019/06/19	2007/06/13	2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	

Title	Name	Date of appointment	Date of first appointment	Date of continuing education		Organizer	Course Name	Hours	Does continuing education comply with regulations (Note 1)	Remarks
				Start	End					
Director	Lin, Shu-Chun	2019/06/29	2007/06/13	2018/04/26	2018/04/26	Taiwan Corporate Governance Association	Strategies and Key Performance Indicators	3.0	Yes	
				2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
				2019/10/24	2019/10/24	Taiwan Corporate Governance Association	5G Digital Communications and IoT Principles and Applications	3.0	Yes	
				2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Blockchain Principles and Applications	3.0	Yes	
				2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	
				2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
				2018/04/26	2018/04/26	Taiwan Corporate Governance Association	Strategies and Key Performance Indicators	3.0	Yes	
				2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
				2019/10/24	2019/10/24	Taiwan Corporate Governance Association	5G Digital Communications and IoT Principles and Applications	3.0	Yes	
				2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Blockchain Principles and Applications	3.0	Yes	
Director	Huang, Chao-Li	2019/06/19	2016/06/29	2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	
				2017/04/28	2017/04/28	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Family Business Successors	3.0	Yes	
				2017/10/13	2017/10/13	Taiwan Stock Exchange Corporation	2017 Mr. Hsu Yuen-Tung Memorial Financial and Economic Forum	6.0	Yes	
				2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
				2018/04/26	2018/04/26	Taiwan Corporate Governance Association	Strategies and Key Performance Indicators	3.0	Yes	
				2018/09/19	2018/09/19	Taiwan Corporate Governance Association	[Summit] 14th International Forum on Corporate Governance	6.0	Yes	
				2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
				2019/10/24	2019/10/24	Taiwan Corporate Governance Association	5G Digital Communications and IoT Principles and Applications	3.0	Yes	
				2019/11/08	2019/11/08	Securities & Futures Institute	2019 Insider Trading Prevention Meeting	3.0	Yes	
				2019/11/21	2019/11/21	Taiwan Stock Exchange	Promotion Event on the Effective Utilization of Board Functions	3.0	Yes	
Supervisor	Cho, Sheng-Chung	2016/06/29	2000/09/11	2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Blockchain Principles and Applications	3.0	Yes	
				2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	
				2017/09/14	2017/09/14	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Corporate Sustainability	3.0	Yes	
				2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
				2018/04/26	2018/04/26	Taiwan Corporate Governance Association	Strategies and Key Performance Indicators	3.0	Yes	
				2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
				2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	
				2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
				2018/04/26	2018/04/26	Taiwan Corporate Governance Association	Strategies and Key Performance Indicators	3.0	Yes	
				2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
Supervisor	Hung, Yun-Chung	2016/06/29	2000/09/11	2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	
				2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
				2018/04/26	2018/04/26	Taiwan Corporate Governance Association	Strategies and Key Performance Indicators	3.0	Yes	
				2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
				2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	
				2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
				2018/04/26	2018/04/26	Taiwan Corporate Governance Association	Strategies and Key Performance Indicators	3.0	Yes	
				2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
				2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	
				2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
Representative of institutional director	Liao, Keng-Pin	2019/06/19	2016/01/22	2018/04/26	2018/04/26	Taiwan Corporate Governance Association	Strategies and Key Performance Indicators	3.0	Yes	
				2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
				2019/06/26	2019/06/26	Taiwan Institute of Directors	2019 Annual Meeting of Taiwan Institute of Directors - A + Corporation X Shareholder Value	4.0	Yes	
				2019/10/24	2019/10/24	Taiwan Corporate Governance Association	5G Digital Communications and IoT Principles and Applications	3.0	Yes	

Title	Name	Date of appointment	Date of first appointment	Date of continuing education		Organizer	Course Name	Hours	Does continuing education comply with regulations (Note 1)	Remarks
				Start	End					
Independent Director	Huang, Lin-Ming	2016/06/29	2007/08/21	2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Blockchain Principles and Applications	3.0	Yes	
				2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	
				2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
				2018/04/26	2018/04/26	Taiwan Corporate Governance Association	Strategies and Key Performance Indicators	3.0	Yes	
				2018/10/04	2018/10/04	Business Council for Sustainable Development of Taiwan	Connection between Corporate Social Responsibility and Trade - Sustainable Supply Chain Management	3.0	Yes	
Independent Director	Duh, Edward Shaw-Yau	2016/06/29	1995/01/18	2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
				2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	
				2017/09/15	2017/09/15	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Corporate Sustainability	3.0	Yes	
				2017/09/29	2017/09/29	Taiwan Institute of Directors	Major Board Decisions Five - Merger and Acquisition Strategies for Corporate Growth and Practices Sharing	3.0	Yes	
				2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
Independent Director	K e, Chun-Hui	2019/06/19	2019/06/19	2018/09/27	2018/09/27	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop	3.0	Yes	
				2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
				2019/10/04	2019/10/04	Taiwan Stock Exchange	ESG Investment Forum	2.0	Yes	
				2019/10/18	2019/10/18	Taiwan Corporate Governance Association	Corporate Governance and Securities and Exchange Act	3.0	Yes	
				2019/10/24	2019/10/24	Taiwan Corporate Governance Association	5G Digital Communications and IoT Principles and Applications	3.0	Yes	
Independent Director	Wu, Hui-Huang	2019/06/19	2019/06/19	2019/11/21	2019/11/21	Taiwan Stock Exchange	Promotion Event on the Effective Utilization of Board Functions	3.0	Yes	
				2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Blockchain Principles and Applications	3.0	Yes	
				2019/04/29	2019/04/29	Taiwan Corporate Governance Association	Corporate Governance and Securities and Exchange Act	3.0	Yes	
				2019/06/26	2019/06/26	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop	3.0	Yes	
				2019/10/24	2019/10/24	Taiwan Corporate Governance Association	5G Digital Communications and IoT Principles and Applications	3.0	Yes	
Independent Director	Yu, Jih-Hsin	2019/06/19	2019/06/19	2019/10/28	2019/10/28	Taiwan Corporate Governance Association	Responsibilities of Directors and Risk Management Under the Latest Corporate Governance Blueprint	3.0	Yes	
				2019/11/07	2019/11/07	Taiwan Corporate Governance Association	Trade Secret Protection and Corruption Detection and Prevention Practices	3.0	Yes	
				2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Blockchain Principles and Applications	3.0	Yes	
				2019/10/24	2019/10/24	Taiwan Corporate Governance Association	5G Digital Communications and IoT Principles and Applications	3.0	Yes	
				2019/11/08	2019/11/08	Securities & Futures Institute	2019 Insider Trading Prevention Meeting	3.0	Yes	
Independent Director	Yu, Jih-Hsin	2019/06/19	2019/06/19	2019/12/03	2019/12/03	Taiwan Corporate Governance Association	Analysis of the World's Top Ten Risks in 2019	3.0	Yes	
				2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Blockchain Principles and Applications	3.0	Yes	

Note 1: Refers to whether it complies with the number of hours, scope of continuing education, continuing education system, arrangement of continuing education, and disclosures specified in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.

Note 5: Continuing education of managerial officers

Title	Name	Date of continuing education		Organizer	Course Name	Hours	Does continuing education comply with regulations (Note 1)	Remarks
		Start	End					
VP of Supply Chain	Lin,	2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	

Title	Name	Date of continuing education		Organizer	Course Name	Hours	Does continuing education comply with regulations (Note 1)	Remarks
		Start	End					
Management	Shu-Chun	2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
		2018/04/26	2018/04/26	Taiwan Corporate Governance Association	Strategies and Key Performance Indicators	3.0	Yes	
		2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
		2019/10/24	2019/10/24	Taiwan Corporate Governance Association	5G Digital Communications and IoT Principles and Applications	3.0	Yes	
		2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Blockchain Principles and Applications	3.0	Yes	
		2017/04/27	2017/04/27	Taiwan Corporate Governance Association	The Impact of Five Global Trends on Taiwan and Companies	3.0	Yes	
		2017/04/28	2017/04/28	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Family Business Successors	3.0	Yes	
		2017/10/13	2017/10/13	Taiwan Stock Exchange Corporation	2017 Mr. Hsu Yuen-Tung Memorial Financial and Economic Forum	6.0	Yes	
		2017/10/26	2017/10/26	Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practices and Case Analysis	3.0	Yes	
		2018/04/26	2018/04/26	Taiwan Corporate Governance Association	Strategies and Key Performance Indicators	3.0	Yes	
President	Huang, Chao-Li	2018/09/19	2018/09/19	Taiwan Corporate Governance Association	[Summit] 14th International Forum on Corporate Governance	6.0	Yes	
		2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Employee Reward Strategies and Tools	3.0	Yes	
		2019/10/24	2019/10/24	Taiwan Corporate Governance Association	5G Digital Communications and IoT Principles and Applications	3.0	Yes	
		2019/11/08	2019/11/08	Securities & Futures Institute	2019 Insider Trading Prevention Meeting	3.0	Yes	
		2019/11/21	2019/11/21	Taiwan Stock Exchange	Promotion Event on the Effective Utilization of Board Functions	3.0	Yes	
		2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Blockchain Principles and Applications	3.0	Yes	
		2019/03/11	2019/03/20	Accounting Research and Development Foundation	Continuing education course for accounting officers of issuers, securities firms, and securities exchanges	30.0	Yes	
		2019/05/03	2019/05/03	Taiwan Corporate Governance Association	Practices of Audit Committee Operations	3.0	Yes	
		2019/05/10	2019/05/10	Securities & Futures Institute	2019 Insider Trading Prevention Meeting	3.0	Yes	
		2019/10/24	2019/10/24	Taiwan Corporate Governance Association	5G Digital Communications and IoT Principles and Applications	3.0	Yes	
Accounting, Finance, and Corporate Governance Supervisors	Joyce Lam	2019/11/01	2019/11/01	Taiwan Stock Exchange Corporation	Promotion Event on the Effective Utilization of Board Functions	3.0	Yes	
		2019/11/05	2019/11/05	Taiwan Corporate Governance Association	Human Resources Strategy in Mergers and Acquisition from the Perspective of Directors and Supervisors	3.0	Yes	
		2019/11/27	2019/11/27	Taiwan Corporate Governance Association	[Summit] 15th International Forum on Corporate Governance – Obligations of Directors in Financial Statements, and the Active Role of Global Institutional Investors in Strengthening the Corporate Governance Ecosystem	6.0	Yes	
		2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Blockchain Principles and Applications	3.0	Yes	
		2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Blockchain Principles and Applications	3.0	Yes	

(IV) If the Company established an Remuneration Committee, disclose its composition, duties, and operations:

To strengthen corporate governance and the Company's remuneration system for directors, supervisors, and managers, we established a Remuneration Committee in accordance with Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, and also established a Remuneration Committee Charter.

The Committee performs the following duties in accordance with the law and loyalty, and submits proposals to the Board of Directors for discussion:

- A. To establish and conduct regular review of the policies, systems, standards, and structures for performance appraisal and remuneration of the Company's directors, supervisors and managers.
- B. Periodically evaluate and establish the remuneration of directors, supervisors, and managers.
- C. Other cases submitted to the Board of Directors for resolution.

1. Members of the Remuneration Committee:

Identity (Note 1)	Qualifications	Has at least five years work experience and the following professional qualifications			Compliance with independence (Note 2)										Concurrently serves as a member of the Remuneration Committee of other public listed companies Number of companies	Remarks (Note 3)
		Lecturer or above at the department of business administration, law, finance, accounting, or a field required by the Company's business at a public or private college	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Wu, Hui-Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Independent Director	Ke, Chun-Hui		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	Yu, Jih-Hsin	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-

Note 1: Please fill in director, independent director, or other in identity.

Note 2: If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "✓" in the corresponding boxes:

- Not an employee of the Company or its affiliated enterprise.
- Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- Not a director, supervisor, or managerial officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

Note 3: If the member's identity is a director, please describe whether if the member complies with Paragraph 5, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

2. Operations of the Remuneration Committee:

- (1) The Remuneration Committee was established on December 28, 2011 with three members.
- (2) 3rd-term Committee Members: From June 29, 2016 to June 19, 2019. The Remuneration Committee convened 2 meetings (A) in the most recent year.
- (3) Current term of office: From June 19, 2019 to June 18, 2022. In the most recent year (2019) the Remuneration Committee convened 2 meetings (A), and the members' qualifications and attendance are as follows:

The 3rd-term and current term Remuneration Committee convened 2 meetings (A) in 2019, qualifications and attendance of committee members are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remarks
3rd-term Committee Member	Wu, Hui-Huang	2	0	100%	
3rd-term Committee Member	Huang, Lin-Ming	2	0	100%	
3rd-term Convener	Duh, Edward Shaw-Yau	2	0	100%	
4th-term Committee Member	Ke, Chun-Hui	2	0	100%	
4th-term Committee Member	Yu, Jih-Hsin	2	0	100%	
4th-term Convener	Wu, Hui-Huang	2	0	100%	
Other matters that require reporting:					
i. If the Board of Directors does not accept or revises the Remuneration Committee's recommendation, specify the date of the Board meeting, session, contents of the agenda item, resolution of the Board of Directors, and the Company's response to the Remuneration Committee's opinions (if the remuneration passed by the Board of Directors is higher than the recommendation of the Remuneration Committee, specify the discrepancy and reason): None.					
ii. If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the dissenting opinion of members: None.					

Note: (1) If a Remuneration Committee member is separated before the end of the year, specify the date of separation in the remarks, and calculate actual attendance rate (%) based on the number of meetings convened during the Remuneration Committee's term and actual attendance.

- (2) If the Remuneration Committee is reelected before the end of the year, list new and old Remuneration Committee members, and specify if the member is old, new, or reelected and the reelection date in the remarks. Actual attendance rate (%) is calculated based on the number of Remuneration Committee meetings convened during the member's term and actual attendance.

3. The dates, agenda items, and resolutions adopted by Remuneration Committee meetings in the most recent year, and actions taken in response to the opinions of the Remuneration Committee are as follows:

Remuneration Committee	Agenda and follow-up	Resolution	The Company's handling of the opinions of the Remuneration Committee
2019.02.26	The Company plans to adjust the 2018 year-end bonus for managers.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance

Remuneration Committee	Agenda and follow-up	Resolution	The Company's handling of the opinions of the Remuneration Committee
	The Company plans to adjust the fixed salary of managers in 2019.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
	Director, supervisor, and manager 2018 performance evaluation results and the contents and amount of salary and remuneration.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
	Director, supervisor, and manager 2018 performance evaluation results and the contents and amount of salary and remuneration.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
2019.04.25	Proposal to amend the Director, Supervisor, and Manager Management Regulations. [Reports]	Reports	Reports to the Board of Directors
	The Company's issuance of restricted stock awards in 2019.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
	Proposed amount of manager and employee remuneration in 2018.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
2019.10.24	Proposal to revise the Regulations for Issuance of Restricted Stock Awards in 2019.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
	Proposed list of managers and number of shares in the issuance of restricted stock awards in 2019.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
	Proposed adjustment to the amount of manager and employee remuneration in 2018.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
2019.12.26	Proposed salary for new manager Liang, Kun-Tang.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
	Proposal to review the 2019 year-end bonus for managers.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
	Proposal to review the fixed salary adjustment for managers of the Company in 2020.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
2019.12.26	Proposal to establish the appropriation ratio of remuneration for employees and directors for preparing monthly financial statements in 2020	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
	Proposal to review the Remuneration Committee's 2020 work plan.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
2020.02.27	Proposal to revise the Rules for Board of Directors Performance Evaluations.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance

Remuneration Committee	Agenda and follow-up	Resolution	The Company's handling of the opinions of the Remuneration Committee
	Proposal to amend the Company's Remuneration Committee Charter.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
	Proposed total remuneration to directors and employees in 2019.	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
	Director and manager 2019 performance evaluation results and the contents and amount of salary and remuneration	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance
	Please discuss the proposal to suspend the fixed salary adjustment for managers of the Company in 2020. [Extraordinary motions]	Approved by all committee members	Submitted to the Board of Directors and approved by all directors in attendance

(V) Fulfillment of Corporate Social Responsibility

Evaluation Item		Implementation status (Note 1)		Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	
i. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?		Yes		Complies with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies. No discrepancy.
ii. Has the company established a fully (or partially) dedicated unit to promote CSR? Does the Board of Directors authorize the senior management to handle such matters and report its implementation to the Board of Directors?		Yes		Complies with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies. No discrepancy.
iii. Developing a Sustainable Environment (I) Has the Company established a suitable environmental management system based on the characteristics of the industry?		Yes		Complies with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies. No discrepancy.

Evaluation Item	Implementation status (Note 1)			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
(II) Is the Company committed to improving the efficiency of various resources and utilizing renewable materials to reduce the environmental impact?	Yes		packaging materials are 100% recyclable to contribute to protecting Earth's environment. (II) All of our products use recyclable materials with a recycling rate reaching 85% and above, while 100% of packaging materials are recycled. When appropriate, we use renewable materials for design, procurement, and manufacturing to contribute to the protection of Earth's environment.	
(III) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	Yes		(III) The greenhouse effect changed Earth's landscape and ecology, and climate anomalies have increased the frequency of typhoons, floods, and droughts, which will increase our operating risks, such as: security investments, insurance, and accommodation evaluation costs. The Company compiles a report on its GHG inventory each year. The process and results of compiling the report allow us to accurately determine our GHG emissions. We hope to dedicate future efforts to reducing GHG emissions and slow global warming, fulfilling our responsibility as a member of the global village. Both companies and Earth can achieve sustainability. Strategy for responding to climate change or managing GHG: 1. R&D or integrate water conservation technology to lower the demand on water resources. 2. Strive to reduce GHG, label carbon footprint, and develop carbon neutralization and reduction technologies.	
(IV) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission, water use reduction, and other waste management?	Yes		(IV) Since we began compiling our GHG inventory, we have gathered statistics of emissions each year, put up reminders to turn off the light and save water in the Company, and recycled domestic waste that is processed by a qualified recycling company. We also plan to build a rainwater collection system to lower our demand on water resources.	
iii. Social issues (I) Has the Company formulated management policies and procedures in accordance with	Yes		(I) We established the following human rights policy in accordance with labor laws and regulations and the International Bill of Human Rights:	Complies with the Corporate Social Responsibility

Evaluation Item	Implementation status (Note 1)		Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
relevant laws and regulations as well as the International Bill of Human Rights?		Summary (Note 2) 1. Equal employment opportunities (1) The Company provides equal employment opportunities at all of its workplaces. (2) The Company strives to provide all people with equal employment opportunities, regardless of: race; skin color; religion; gender; age; marital status; sexual orientation; nationality; citizenship; disability; retired veteran; any other group protected by R.O.C. or local laws. (3) The policy above is applicable to all terms and conditions of employment, including but not limited to hiring, placement, promotion, termination, lay off, recall, transfer, leave, remuneration, and training. Merry Electronics Co., Ltd. and its subsidiaries and all business locations comply with the code of conduct to prohibit discrimination. 2. Discrimination and harassment (1) Discrimination and harassment is not tolerated in the workplace. (2) We ensure that all employees work in a safe, equal, fair, dignified, and highly respected environment. We do not tolerate any discrimination or harassment. Discrimination and harassment is usually in the form of offensive speech or physical actions against individuals, and hurt or is offensive to the individual. This includes but is not limited to direct requests for sex, insults, offensive jokes, slander, and creating an unfriendly work environment. (3) We try to maintain confidentiality and immediately conduct thorough investigations into discrimination and harassment incidents. If an act of discrimination or harassment is verified, we will immediately take appropriate action. Furthermore, we prohibit any one from retaliating or punishing employees who file complaints. 3. Safe working conditions. (1) We are committed to ensuring the health and safety of all employees (2) We ensure that all employees work in a safe and healthy	Best-Practice Principles for TWSE/TPEX Listed Companies. No discrepancy.

Evaluation Item	Implementation status (Note 1)		Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
			environment. It is necessary to strictly abide by applicable professional, health, and safety laws and the wording and spirit of public policy that it represents. Comply with health and safety laws, regulations, and risk management work instructions or procedures. Ensure the safety of the Company's work environment. (3) The Company does not allow any act of violence, threat of violence, act of making threats, and hostility against another individual or group, and has established related management methods. With regard to work environment safety and health, we implemented related management systems in our management activities according to EICC requirements, and obtained ISO14001, OHSAS18001, and TOSHMS certifications. (II) We established the Employee Remuneration Distribution Regulations and Employee Shareholding Trust Management Regulations to give full play to employees' potential, achieve budget goals, and improve business performance. These regulations stipulate that the Company's profits are to be shared with all employees to achieve sustainable development, attract and encourage outstanding talent, and maintain our profitability in the long run. With regard to the leave system, employees are entitled to leave in accordance with the Labor Standards Act, and we also provide paid volunteer leave and leave for the wedding of siblings. Providing more leave options for employees. (III) For labor safety and health related systems and management systems, besides establishing the scope of implementation in accordance with the Labor Safety and Health Act of the local government, we established a safety and health management system and EHS related management procedures in compliance with OHSAS 18001, including EHS management manual, operating procedures, and related manuals. These provide a direction for compliance with EHS plans, and we ensure the safety and health of employees in the work environment through clear regulations and requirements of the management system. All employees are required to complete safety and health related training courses in accordance with regulations.
(II) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	Yes		
(III) Has the Company provided employees with a safe and healthy working environment, and routinely implemented safety and health education for employees?	Yes		

Evaluation Item	Implementation status (Note 1)			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
			1. The implementation status in 2018 is as follows: - Carried out and passed OHSAS 18001 and TOSHMS certifications. - We perform regular "operating environment inspection," "medical check-up," and "special medical check-up" to maintain employee health. - We regularly organize disaster prevention drills to properly take precautionary measures and the correct safety protection measures in the event of an emergency. 2. Factories have full-time occupational health personnel, physicians visit factories each month to provide on-site services and provide employees with the convenience of health consultation and referral, examining environmental safety and providing improvement recommendations. 3. We regularly organize health promotion activities and blood donations and care for employees' physical and mental health. 4. We have sufficient first aid kits to ensure personnel receive first aid when there is an accident. 5. We regularly mail health information and information on epidemics, and announce it on the employee website for employees to irregularly access the information.	
(IV) Has the Company established an effective career developmental plan for its employees?	YES		(IV) The Company has a Human Resource Development Section in the Human Resources Division, which is a dedicated unit with dedicated personnel to plan the development of employees' abilities over their career. The head of each unit meets with employees face to face each year to discuss their career plans and development.	
(V) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures?	YES		(V) We have personnel in specialized departments to handle the process to ensure compliance with relevant laws and regulations, and compliant procedures for stakeholders were announced on the Company website.	

Evaluation Item	Implementation status (Note 1)			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary (Note 2)	
(VI) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety, and labor rights, and what is its implementation status?	YES		(VI) The Group implemented numerous environmental management system and hopes that suppliers will take it as seriously as we do. We thus used environmental and social responsibility standards to screen new suppliers, and require new suppliers to sign an environmental protection statement, social responsibility commitment, and commitment to not use conflict minerals.	
v. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	Yes		We voluntarily prepare a CSR report and disclose implementation results, strategies, and goals for key CSR issues based on the GRI Standards Core Options. We completed our 2018 CSR Report, which was assured by SGS Taiwan Ltd. to be in compliance with AA1000AS (2008) Type 1 moderate level assurance, and are currently preparing our 2019 CSR Report. Please download related reports from our official website – CSR section.	Complies with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies. No discrepancy.
vi. If the Company established Corporate Social Responsibility Best Practice Principles in accordance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies, describe its operations and discrepancies: There are no significant differences, please refer to pages 38-40 of the annual report for implementation status.				
vii. Other important information helpful in understanding CSR operations: Please refer to page 70 (to be updated) of the annual report for the Company's spirit of CSR. Several important activities of the Company to fulfill its CSR are briefly described below: Please refer to page 70 (to be updated) of the annual report for the Company's spirit of CSR. Several important activities of the Company to fulfill its CSR are briefly described below:				
1. Cultivation of electroacoustics talent: As the leading electroacoustics company in Taiwan, Merry has shouldered the responsibility of enhancing Taiwan's competitiveness in the global electroacoustics industry. In light of the lack of electroacoustics education resources in Taiwan, which has made it difficult to cultivate talent, Merry began investing resources in 2016, sparing no effort in talent cultivation for the industry's sustainability. (1) Industry-academia collaboration mechanism: Collaboration with domestic universities include establishing an electroacoustics masters program at Feng Chia University and electroacoustics laboratories in Feng Chia University and Da-Yeh University				

Evaluation Item	Implementation status (Note 1)		Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
(2) Rewards for outstanding talent: We provide technology talent cultivation allowances and organized the Electroacoustics Paper Award to encourage outstanding students to enter the field of electroacoustics. See pages 70-71 (to be updated) of the annual report for details. 2. Long-term sponsors of Taiwan Reading and Culture Foundation: (1) Promotion of the "Library of Love": The "Library of Love" has been an important resource for school teachers to promote reading in groups and getting children into the habit of reading since 2015. We sponsor dozens of teacher workshops each year to guide junior high school and elementary school teachers to learn from the best formats for book clubs, training them into reading mentors to promote the culture of reading. We organized 116 reading promotion sessions (including teacher workshops, community promotion, and student extension reading) in 2019. (2) Music Promotion Lecture Tour: We further encouraged schools and teachers who are promoting group reading to bring chamber music performances (National Taiwan Symphony Orchestra) into their campus, and lead children to appreciate classical music from a young age. A total of 40 sessions were held in 2019. (3) Becoming a good judge of talent in children lecture: The lecture communicates the concept of "diverse wisdom, adaptive teaching," and provides teachers and parents with a basis for discovering talent, different teaching and upbringing approaches, so that every child can develop the gift that was bestowed on them. A total of 22 sessions were held in 2019. (4) Illustrated book group reading for children with hearing impairment: We worked together with teachers and students at the Department of Speech Language Pathology and Audiology, Chung Shan Medical University to help children with hearing impairment to begin reading at a younger age and develop better reading and writing skills; a total of 9 sessions were held in 2019. 3. Promotion of popular science education: (1) We began organizing engineer week science education activities with IBM in 2014, and led corporate volunteers into the campuses of Taichung Municipal Taichung First Senior High School and Taichung Municipal Wen-Hua Senior High School for a DIY creative science contest with high school students. (2) This year we organized a cross-school contest for the first time. We invited 20 winning teams from senior high (vocational) schools from northern, central, and southern Taiwan to compete in a cross-school contest in Taichung. 4. Local care: (1) Taiwan's March of Blessing: We sponsored the production of "Taiwan's March of Blessing" by a classical music station, and interviewed extraordinary people around Taiwan to transfer positive energy. The program broadcasted the touching stories of 26 interviewees, including Harp Hunter, The Can – Grass Book House, and the Garden of Hope Foundation, in 2019. (2) We organize 2 blood donation events every year and encouraged employees to donate blood. 5. Participation in charity and welfare: (1) Corporate volunteer system: We provide employees with 2 days of paid volunteer leave each year, encouraging them to actively participate in charity and welfare. We help match them with organizations that need volunteers to provide employees with service opportunities. (2) Sponsored Hondao Seniors on Broadway: We also recruited volunteers to participate in making eco-friendly soap. (3) The Shenzhen volunteer team coordinates with local governments in providing community services, such as directing traffic, cleaning the environment, and planting trees. Volunteers also help clean nursing homes and care for the elderly.		Summary (Note 2)	

Evaluation Item	Implementation status (Note 1)		Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
6. Supporting art and culture activities: We sponsored multiple arts and culture performances and charity concerts to make society better and more beautiful.			

Note 1: If "Yes" was selected, please describe important policies, strategies, measures, and implementation status; If "No" was selected, please explain the reason and describe future policies, strategies, and measures.

Note 2: If the Company has prepared a CSR report, summaries may be replaced by how to find the information and the page number on the CSR report.

Note 3: The principle of materiality means that ESG issues have a material effect on the Company's investors and other stakeholders.

(VI) The Company's implementation of ethical corporate management and measures adopted:

Evaluation Item	Implementation status		Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
i. Establishment of ethical corporate management policy and approaches			
(I) Does the Company specify its ethical corporate management policy and practices in regulations and public documents, and does the Board of Directors and management actively comply with the ethical corporate management policy?	Yes		(I) We have established Ethical Corporate Management Best Practice Principles, and incorporated the ethical corporate management policy into regulations and systems during the first phase to implement the ethical corporate management concepts of sincerity, integrity, diligence, thrift, and endurance.
(II) Does the company establish mechanisms for preventing unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	Yes		(II) On this basis, we established the Merry Business Practice and Professional Ethics Code based on the Ethical Corporate Management Best Practice Principles, providing a guideline for the conduct of employees, directors, and supervisors. We also established Ethical Corporate Management Operating Procedures, which specifies the operating procedures of plans to prevent unethical conduct, penalties for violations, and grievance mechanisms, and carry out the procedures accordingly.
(III) Did the company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?	Yes		(III) We periodically promote the corporate culture of ethical corporate management to employees. According to the Merry Business Practice and Professional Ethics Code, when there is concern about a conflict of interests between employees and external personnel in business activities, the conflict is reported. We also require external vendors to sign a commitment to CSR to prevent the risk of unethical conduct. Furthermore, taking into consideration characteristics of the ODM industry and Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles, we established and implemented the Intellectual Property Rights Management Regulations to prevent unethical conduct with relatively high risk of infringing on trade secrets, trademark rights, patent rights, copyright, and other intellectual property rights.
ii. Implementation of ethical corporate management			Complies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. No discrepancy.

Evaluation Item	Implementation status		Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
(I) Does the Company evaluate the ethical conduct record of counterparts, and does it include an ethical conduct clause in contracts signed with the counterpart?	Yes		(I) We require suppliers to sign a commitment to integrity, which states that the raw materials and products they provide comply with environmental regulations. We also require suppliers to comply with the EICC and fulfill their CSR, such as anti-corruption, anti-bribery, and prohibition of child labor. We periodically audit suppliers and require suppliers to audit and require their suppliers to comply with ethical corporate management. (II) The corporate governance manager is responsible for carrying out ethical corporate management work, and reports implementation results to the Board of Directors once a year (the most recent report was on 2019/12/19). The audit unit supervises implementation results and reports the implementation status to the Board of Directors. Contents are as follows: (1) Assist in incorporating the values of integrity and ethics into the Company's business strategies, and establish anti-corruption measures to ensure ethical corporate management in coordination with laws and systems. (2) Periodically analyze and assess the risk of unethical conduct within the scope of business, and establish plans for preventing unethical conduct. Establish SOPs and Code of Conduct in each plan for related tasks. (3) Plan the internal organization and responsibilities, and establish supervision and balance mechanisms for operating activities in the scope of business with relatively high risk of unethical conduct. (4) Implement and coordinate promotion and training related to the policy of integrity. (5) Plan the whistleblower system to ensure the effectiveness of implementation. (6) Assist the Board of Directors and managers in inspecting and evaluating whether or not preventive measures are effectively implemented for ethical corporate management, periodically evaluate the compliance of related business processes, and prepare reports.
(II) Did the company establish a dedicated unit under the board of directors to promote ethical corporate management, and periodically (once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?	Yes		Complies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. No discrepancy.

Evaluation Item	Implementation status		Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
(III) Does the company establish policies to prevent conflict of interests, provide appropriate channels for filing related complaints and implement the policies accordingly?	Yes		(III) We set forth the policy to prevent conflict of interest in the Merry Business Practice and Professional Ethics Code, and provide suitable communication channels.
(IV) Did the Company implement ethical corporate management and establish an effective accounting system and internal control system, and is it periodically audited by an internal audit unit or accountant?	Yes		(IV) Our accounting system was established and implemented in accordance with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, and Regulations Governing the Preparation of Financial Reports by Securities Issuers. Our internal control system was established and implemented in accordance with the Regulations Governing the Establishment of Internal Control Systems by Public Companies. Our internal audit unit periodically audits the accounting system and internal control system and reports to the Board of Directors.
(V) Does the company regularly hold internal and external educational trainings on ethical corporate management?	Yes		(V) The Merry Business Practice and Professional Ethics Code, EICC, and ethical corporate management policies and plans are introduced during new employee orientation, so that employees will fully understand our determination and policy to implement ethical corporate management and prevent unethical conduct. The Company had 114 new employees in 2019. The new employees were required to receive 1 hour of basic legal training and received a total of 114 hours of training; training participation rate was 100%. We organized four training sessions on ethical corporate management for current employees, and contents included insider trading, trade secrets, and confidentiality. A total of 378 employees received 418 hours of training. Furthermore, the legal affairs unit irregularly e-mails employees information related to ethical corporate management.
iii. Operation of whistleblowing system (I) Does the company establish concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?	Yes		(一) We set up the e-mail rlittrpts@merry.com.tw and whistleblower hotline 04-2359-0811#118000 according to the Ethical Corporate Management Operating Procedures, and assigned the Ethical Corporate Management Promotion Team to handle reports from stakeholders regarding unethical or illegal conduct.
(II) Does the Company have standard operating procedures for	Yes		(二) Our Ethical Corporate Management Operating Procedures
			Complies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. No discrepancy.

Evaluation Item	Implementation status		Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
investigating whistleblowing cases and related confidentiality mechanisms? (III) Does the company provide proper whistleblower protection?	Yes		specifies investigation procedures for whistleblower cases and related confidentiality mechanisms. (三) Our Ethical Corporate Management Operating Procedures specifies that personnel responsible for handling whistleblower cases must produce a written statement of maintaining the whistleblower's identity and contents of the report confidential. We are also committed to protecting whistleblowers from being mistreated.
iv. Enhancing information disclosure (I) Does the Company disclose the contents and implementation results of its Ethical Corporate Management Best Practice Principles on its website and MOPS?	Yes		(一) We have disclosed or Ethical Corporate Management Best Practice Principles and related regulations on our website to achieve information transparency for corporate governance. We periodically promote the information and maintain smooth whistleblower channels. However, we have not yet received any reports on violation of ethical corporate management.
v. If the Company established Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, describe its operations and discrepancies: Our Ethical Corporate Management Operating Procedures were established in accordance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies. There are no discrepancies with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.			Complies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. No discrepancy.
vi. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: (e.g., review and amendment of the Ethical Corporate Management Best Practice Principles)			
(I) Merry and Shareholders Merry has always attached great importance to shareholders equity. Merry continues to develop its core business in electroacoustics to maintain its competitiveness, and has always maintained a sound financial constitution. Thanks to the collective efforts of our employees, we have maintained steadily good business performance, despite the impact from the financial crisis and pressure from rapidly rising raw material prices, significant fluctuations in the international exchange market, and rising interest rates. Our goal is to build a high yield company and comply with the announcements of the Taiwan Stock Exchange. Merry's website has an investor section that provides business information, financial reports, corporate governance information, information on stock prices and dividends, and investor conferences for investors to reference. We strive to provide complete, immediate, accurate, and transparent information to protect shareholders equity and create company value.			
(II) Merry and Customers (1) We provide products, quality, and services that meet customers' needs through source management. (2) We invest in R&D every year to encourage innovation, and also consider the connection with customers' products to create new business opportunities. (3) Being customer-oriented has enabled to gain the trust of our customers and build long-term relationships. (4) Hazardous substances are prohibited in our product design and manufacturing process, and our products must meet national requirements on hazardous substance			

Evaluation Item	Implementation status		Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
restrictions. (5) Raw materials suppliers must have documents to prove that the raw materials meet customers and regulatory requirements, and must accept auditing by customers. (III) Merry and Suppliers (1) Our goal is to work together with suppliers in business. (2) Suppliers sign a commitment to integrity to ensure the raw materials and products they provide comply with environmental regulations, and that they comply with professional ethics, such as anti-corruption, anti-bribery, and prohibition of child labor. (3) We periodically audit suppliers and require suppliers to audit and require their suppliers to comply with CSR. (4) Chemicals and hazardous substances are processed by a licensed supplier in accordance with the law, and we periodically audit the legitimacy of suppliers, requiring suppliers to provide qualification documents as proof. Please refer to the Company website for related information http://www.merry.com.tw/			

(VII) If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information:

Please refer to the MOPS http://mops.twse.com.tw/mops/web/index/corporate_governance, or the Company website <http://www.merry.com.tw/Investor/Rules>.

(VIII) Disclose other material information that will benefit understanding of the Company's corporate governance status:

1. We established a corporate governance section on the Company website to disclose corporate governance regulations and information.
 2. To establish good mechanisms for handling and disclosing internal material information, we established the Procedures for Handling Internal Material Information, promoted the procedures to directors, managers, and employees, and announced it on the Company website for access by directors, managers, employees, investors, and stakeholders.
- See the Company website for details <http://www.merry.com.tw/Investor/Rules>.

(IX) Status of implementation of internal control system

1. Statement of Declaration on Internal Control

Merry Electronics Co., Ltd.
Internal Control System Statement

Date: February 27, 2020

In 2019, the Company conducted an internal audit of its internal control system and hereby declares the following:

- 一、The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the company has already established such a system. aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of reporting, and compliance with applicable laws and regulations.
- 二、There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- 三、The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications, and 5. monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.
- 四、The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.
- 五、Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2019 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.
- 六、This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- 七、This statement was passed by the Board of Directors on February 26, 2020, with none of the 9 attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Merry Electronics Co., Ltd.

Chairperson: Liao, Lu-Lee

President: Huang, Chao-Li

2. Accountant engaged by the Company to examine its internal control system: None.
- (X) If any penalties are imposed on the Company and its personnel or punishments are imposed by the Company on personnel in violation of internal control system regulations in the past year and up to the date of report, and the results of the penalty may have a material effect on shareholders equity or stock price, specify the contents of the penalty, major deficiencies and improvement: None
- (XI) Important resolutions adopted in shareholders meetings and Board of Directors' meetings and implementation status in the past year and up to the date of report:
1. Shareholder meetings: The annual general meeting was held on Wednesday, June 19, 2019.

Type of meeting	Date	Major resolutions	Resolution	Implementation status
Annual General Meeting	2019/6/19	1. Acknowledged the 2018 business report, financial statements, and consolidated financial statements.	Agenda items 1-11: Passed as proposed by all shareholders in attendance without objection.	Implemented according to resolutions.
		2. Acknowledged the proposed distribution of 2018 earnings.		Implemented according to resolutions. Record date: 2019/08/30. Cash dividend payment date: 2019/09/06.
		3. Proposed amendment to the Articles of Incorporation.		Implemented according to resolutions.
		4. Proposed amendment to the Procedures for Acquisition and Disposal of Assets.		Implemented according to resolutions.
		5. Proposed amendment to the Procedures for Lending Funds to Others.		Implemented according to resolutions.
		6. Proposed amendment to the Procedures for Endorsement and Guarantee.		Implemented according to resolutions.
		7. Proposed amendment to the Rules Governing the Election of Directors.		Implemented according to resolutions.
		8. Proposed amendment to the Rules of Procedure for the Shareholders' Meeting.		Implemented according to resolutions.
		9. Proposal to issue restricted stock awards.		Implemented according to resolutions.
		10. Election of the 19th-term directors.		Election result: List of elected directors 1. Director: Liao, Lu-Lee, Wei, Wen-Chieh, Huang, Chao-Li, Lin, Shu-Chun, Lin, Shih-Chieh, and Tong Qian Investment Co., Ltd. (representative: Liao, Keng-Pin). 2. Independent Directors: Yu, Jih-Hsin, Wu, Hui-Huang, Ke, Chun-Hui 3. Registration approved in Letter Jing-Shang-Shou-Zi No. 10801091440 from the Ministry of Economic Affairs dated July 19, 2019.
		11. Discuss the proposal to remove the non-compete clause for new directors.		Implemented according to resolutions.

2. Board of Directors

Type of meeting	Date	Major resolutions	Results of resolutions	Implementation status

Board of Directors	2019/02/26	1. Proposed 2018 Statement of Internal Control System.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		2. Proposal to swap shares in the amount of NT\$9,420,000 with OOOOOOOOOO and to sign a share swap agreement	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		3. Proposal to purchase property in Taichung Export Processing Zone from OOOOOOOO at the price of NT\$72,016,800.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		4. Proposed 2018 business report, financial statements, and consolidated financial statements.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		5. Proposed distribution of 2018 earnings.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		6. Proposed assessment of the independence of the CPA and Joint CPA Firm.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		7. Proposal to set 2019/3/3 (Sunday) as the record date for the Company to buy back new shares from restricted stock awards for capital reduction.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		8. Proposal for second-layer subsidiary MHFC to appoint the president of Austar Hearing Science & Technology (Xiamen) Co., Ltd. and its subsidiaries LA&A and Austar Hearing Science & Technology (Zhangzhou) Co., Ltd.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		9. Proposal to change the president appointed by third-layer subsidiary MHFM for its investment in Xiamen Etimbre Hearing Technology Co., Ltd.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		10. Proposal to amend the MES Seal Use and Management Regulations.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		11. Proposal to revise the R&D Cycle Internal Control in the MES Regulations.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.

		12. Proposal to adjust the 2018 year-end bonus for managers.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		13. Proposal to adjust the fixed salary of managers of the Company in 2019.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		14. Proposed total remuneration to directors, supervisors, and employees in 2018.	Passed as proposed without objection after the chairperson inquired all directors and independent directors (5 in total) in attendance with voting rights.	Implemented according to resolutions.
		15. Director, supervisor, and manager 2018 performance evaluation results and the contents and amount of salary and remuneration.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		16. Proposal to elect the 19th-term directors.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		17. Proposal to remove non-compete clause for new directors (including independent directors) of the Company.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		18. Proposal of the time, place, and agenda of the 2019 annual general meeting, and the use of electronic voting.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
Board of Directors	2019/04/25	1. Proposal to appoint CFO Joyce Lam as the corporate governance manager.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		2. Proposal to appoint and re-appoint directors, supervisors, and important managers of the Company's subsidiaries and second-tier subsidiaries.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		3. Proposal to change the purpose of investing in oooooo Co., Ltd.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance with voting rights.	Implemented according to resolutions.
		4. Proposal to lend NT\$80,000,000 to Biotech Medical Corp.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.

	5. Proposal to provide guarantee for the loan to HSBC Bank Canada of Sonavox Canada Inc.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
	6. Proposal to set 2019/4/30 as the record date for the Company to buy back new shares from restricted stock awards for capital reduction in 2019 Q1.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
	7. Proposal to set 2019/5/1 as the record date for new shares converted from the second batch of unsecured corporate bonds in Taiwan.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
	8. Proposal to apply for financial institution loan limit and financial derivative trading limit.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
	9. Propose to revise the Company's Corporate Social Responsibility Best Practice Principles.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and submitted to the shareholders meeting (2019/6/19).
	10. Proposal to revise the Company's Ethical Corporate Management Best Practice Principles.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and submitted to the shareholders meeting (2019/6/19).
	11. Proposal to revise the Company's Code of Ethical Conduct.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and submitted to the shareholders meeting (2019/6/19).
	12. Proposal to revise the Company's Articles of Incorporation.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and submitted to the shareholders meeting (2019/6/19). Change of registration was approved in Letter Jing-Shou-Shang-Zi No. 10801108180 from the Ministry of Economic Affairs dated 2019/8/6.
	13. Proposal to revise the Company's Procedures for Acquisition and Disposal of Assets.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and submitted to the shareholders meeting (2019/6/19).
	14. Proposal to revise to the Company's Procedures for Lending Funds to Others.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and submitted to the shareholders meeting (2019/6/19).
	15. Proposal to revise to the Company's Procedures for Endorsement and Guarantee.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and submitted to the shareholders meeting (2019/6/19).

		16. Proposal to revise the Company's Rules Governing the Election of Directors.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and submitted to the shareholders meeting (2019/6/19).
		17. Proposal to revise the Company's Rules of Procedure for the Shareholders' Meeting.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and submitted to the shareholders meeting (2019/6/19).
		18. Proposal to revise the Company's Internal Control System Audit Procedures.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		19. Proposal to revise the Company's Budget Management Regulations.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		20. Proposal to revise the Company's Regulation and Procedure for Board of Directors Meetings.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		21. Proposal to revise the Company's Notes Management Regulations.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		22. Proposal to revise the Company's Corporate Governance Best Practice Principles.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		23. Proposal to revise the Company's Stock Affairs Management Regulations	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		24. Proposal to establish the Company's Audit Committee Charter.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		25. Proposal to issue restricted stock awards in 2019.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance with voting rights.	Implemented according to resolutions and submitted to the shareholders meeting (2019/6/19). Approved by the FSC in Letter Jin-Guan-Zheng-Fa-Zi No. 1080330902 dated 2019/9/16.
		26. Proposed amount of manager and employee remuneration in 2018.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		27. Proposal to amend the Director, Supervisor, and Manager Management Regulations.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.

Board of Directors		28. Proposed list of candidates for the Company's 19th-term directors.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and submitted to the shareholders meeting (2019/6/19).
		29. Proposal to add new agenda for the 2019 shareholders' meeting.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
	2019/7/26	1. Proposal for an additional director to be appointed for Austar Hearing Science & Technology (Xiamen) Co., Ltd.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Change of registration was completed on 2019/9/10 and added a new director Lin, Shih-Chieh. The current Board structure of Austar Hearing Science & Technology (Xiamen) Co., Ltd. is as follows: Chairperson Lin, Shu-Chun, Director Huang, Chao-Li, and Director Lin, Shih-Chieh. Supervisor Joyce Lam and President Hsu, Peng-Cheng. The current shareholder structure of Austar Hearing Science & Technology (Xiamen) Co., Ltd. is as follows: Fulicare Medical Technology (Suzhou) Co., Ltd.: 68.5% Fulicare Co., Ltd.: 31% Ma, Kuei-Lin: 0.5%
		2. Proposal to appoint a new manager for Merry Electronics (U.S.A.) Co., Ltd.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Change of registration was completed on 2019/8/7 and Yang, Chao-Yu was appointed as the CFO and Secretary.
		3. Proposal to set 2019/7/31 as the record date for the Company to buy back new shares from restricted stock awards for capital reduction in 2019Q2.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Change of registration approved by the MOEA on 2019/8/19. Letter Jing-Shou-Shang-Zi No. 10801114290
		4. Proposal to set 2019/8/1 as the record date for new shares converted from the second batch of unsecured corporate bonds in Taiwan.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Change of registration approved by the MOEA on 2019/8/19. Letter Jing-Shou-Shang-Zi No. 10801114290
		5. Proposal to set August 30, 2019 as the record date for distribution of 2018 earnings for cash dividends.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	The dividend was adjusted to NT\$8.49765795 on 2019/8/7 and dividends were distributed on 2019/9/6.
		6. Proposal to apply for financial institution credit limit and foreign exchange financial derivative trading limit.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		7. Proposal to abolish the Company's Merger and Acquisition Special Committee Charter.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.

		8. Proposal to revise the Company's Regulations for Share Buyback and Transfer to Employees.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		9. Proposal to revise the Company's Regulations for Related-party Transactions.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		10. Proposal to appoint members of the 4th-term Remuneration Committee.	Passed as proposed without objection after the chairperson inquired all directors in attendance with voting rights.	Implemented according to resolutions.
		11. Proposed remuneration of the 1st-term Audit Committee.	Passed as proposed without objection after the chairperson inquired all directors in attendance with voting rights.	Implemented according to resolutions.
Board of Directors	2019/10/24	1. Proposal to establish the 2020 audit plan.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		2. Proposal to appoint directors, chairperson, and president of Biotest Medical Corp.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions. Change completed.
		3. Proposal to appoint new secretary for Indigo Enterprises Inc.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions. Change completed.
		4. Proposal to set 2019/11/1 as the record date for the Company to buy back new shares from restricted stock awards for capital reduction in 2019 Q3.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions. Change completed. Change approved by the MOEA on 2019/11/29 in Letter No. 10801166420.
		5. Proposal to set 2019/11/2 as the record date for new shares converted from the second batch of unsecured corporate bonds in Taiwan in 2019 Q3.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions. Change completed. Change approved by the MOEA on 2019/11/29 in Letter No. 10801166420.
		6. Proposed organizational adjustment of second-layer subsidiary Fulicare Co., Ltd. to purchase 100% shares of Xiamen Etimbre Hearing Technology Co., Ltd. From Fulicare Medical Technology (Suzhou) Co., Ltd. at the price of RMB500,000, and cash capital increase in the amount of RMB4,000,000 of Xiamen Etimbre Hearing Technology Co., Ltd.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance. Independent Director Ke, Chun-Hui held a qualified opinion on data preparation and check points for the cash capital increase.	Implemented according to resolutions.
		7. Proposal for cash capital increase in the amount of US\$2,040,000 of subsidiary Merry Healthcare Co., Ltd. and Fulicare Co., Ltd.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		8. Proposal to provide guarantee for the loan to SEAS Fabrikker AS.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.

		9. Proposal to lend NT\$100,000,000 to Biotest Medical Corp.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		10. Proposal to lend NT\$200,000,000 (or equivalent amount of foreign currency) to Merry Electronic (Thailand) Co., Ltd.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		11. Proposal to apply for financial institution credit limit and foreign exchange financial derivative trading limit.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		12. Proposal to revise the Regulations for Issuance of Restricted Stock Awards in 2019.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		13. Proposed list of managers and number of shares in the issuance of restricted stock awards in 2019.	Passed as proposed without objection after the chairperson inquired all directors in attendance with voting rights.	Implemented according to resolutions. Completed the issuance of new shares. Change approved by the MOEA on 2019/11/29 in Letter No. 10801166420.
		14. Proposed adjustment to the amount of manager and employee remuneration in 2018.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
Board of Directors	2019/12/26	1. Proposal to formulate the 2020 business plan.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		2. Proposal to prepare the 2020 budget.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		3. Proposal to donate NT\$1,280,000 to a related party in 2020.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance with voting rights.	Implemented according to resolutions.
		4. Proposed 2019 CSR implementation results and 2020 implementation plan.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		5. Proposal to apply for financial institution loan limit and financial derivative trading limit.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		6. Proposal to provide endorsement and guarantee for credit limit of Biotest Medical Corp. at financial institutions.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.

		7. Proposal to evaluate the independence and competence of accountants in 2020 and the appointment and remuneration to CPAs in 2020 and 2021.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		8. Proposal to review the Audit Committee's 2020 work plan.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		9. Proposed construction on the Company's land at Wenshan Section, Nantun District, Taichung City at the cost of NT\$191,500,000.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		10. Proposed salary for new manager OOO.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		11. Proposal to review the 2019 year-end bonus for managers.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		12. Proposal to review the fixed salary adjustment for managers of the Company in 2020.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Salary adjustments in 2020 were suspended due to the recent outbreak of COVID-19.
		13. Proposed appropriation ratio of remuneration for employees and directors in 2020.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		14. Proposal to review the Remuneration Committee's 2020 work plan.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
Board of Directors	2020/2/27	1. Proposed 2019 Statement of Internal Control System.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		2. Proposed total remuneration to directors and employees in 2019.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and reported during a shareholders meeting.
		3. Proposed 2019 letter to shareholders, business report, financial statements, and consolidated financial statements.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and reported and acknowledged during a shareholders meeting.
		4. Proposed distribution of 2019 earnings.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and acknowledged during a shareholders meeting.
		5. Proposed change of CPA due to the CPA firm's internal rotation mechanism.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.

	6. Proposal for the Company to invest no more than US\$12,240,000 in setting up the joint venture Merry Luxshare (Vietnam) Co., Ltd. (provisional name) with Luxshare Group in Vietnam.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
	7. Proposed cash capital increase in the amount of NT\$130,000,000 by subsidiary Biotest Medical Corp.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Biotest Medical Corp. canceled its cash capital increase.
	8. Proposal to set 2020/2/29 as the record date for the Company to buy back new shares from restricted stock awards for capital reduction in 2019 Q4.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions; approved by the MOEA on 2020/3/26.
	9. Proposal to set 2020/3/1 as the record date for new shares converted from the second batch of unsecured corporate bonds in Taiwan.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions; approved by the MOEA on 2020/3/26.
	10. Proposal to apply for financial institution loan limit and financial derivative trading limit.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
	11. Proposal to revise the Company's Rules of Procedure for the Shareholders' Meeting.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and discussed during a shareholders meeting.
	12. Proposal to revise the Company's Code of Ethical Conduct.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and reported during a shareholders meeting.
	13. Proposal to revise the Company's Ethical Corporate Management Best Practice Principles.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and reported during a shareholders meeting.
	14. Proposal to revise the Company's Investment Cycle Internal Control.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
	15. Proposal to revise the Company's Financing Cycle Internal Control.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
	16. Proposal to revise the Company's Regulation and Procedure for Board of Directors Meetings.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
	17. Proposal to revise the Company's Procurement and Payment Cycle Internal Control.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
	18. Proposal to revise the Rules for Board of Directors Performance Evaluations.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.

		19. Proposal to amend the Company's Remuneration Committee Charter.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		20. Director and manager 2019 performance evaluation results and the proposed contents and amount of salary and remuneration.	Passed as proposed without objection after the chairperson inquired all directors in attendance with voting rights.	Implemented according to resolutions and reported during a shareholders meeting.
		21. Proposal of the time, place, and agenda of the 2020 annual general meeting, and the use of electronic voting.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
Board of Directors	2020/04/30	1. Proposal to change the Company's investment amount to no more than US\$20,400,000 in setting up the joint venture Merry Luxshare (Vietnam) Co., Ltd. (provisional name) with Luxshare Group in Vietnam.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		2. Proposal to apply for financial institution loan limit and financial derivative trading limit.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		3. Proposal to revise the Regulations for Financial Statements Preparation.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.
		4. Proposal to issue restricted stock awards in 2020.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions and discussed during a shareholders meeting.
		5. Proposal to add new agenda for the 2020 shareholders' meeting.	Passed as proposed without objection after the chairperson inquired all directors and independent directors in attendance.	Implemented according to resolutions.

(XII) Dissenting or qualified opinion of Directors or Supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report:

Agenda: Proposed organizational adjustment of second-layer subsidiary Fulicare Co., Ltd. to purchase 100% shares of Xiamen Etimbre Hearing Technology Co., Ltd. From Fulicare Medical Technology (Suzhou) Co., Ltd. at the price of RMB500,000, and cash capital increase in the amount of RMB4,000,000 of Xiamen Etimbre Hearing Technology Co., Ltd. Independent Director Ke, Chun-Hui held a qualified opinion on data preparation and check points for the cash capital increase.

(XIII) Resignation and dismissal of managerial officers related to the financial report (including chairperson, president, chief accounting officer, chief financial officer, chief internal auditor, corporate governance supervisor, and R&D supervisor) in the past year and up to the date of report: None.

(XIV) Procedures for handling internal material information:

The Company established these procedures in 2008 for compliance by all employees and insiders when handling internal material information, so as to avoid information leakage and ensure the consistency and correctness of information disclosed to the public. These Procedures are available on the Company website <http://www.merry.com.tw/Investor/Rules>.

v. Information on fees to CPA

Fees to CPA

Information on Brackets of Fees to CPA

Name of accounting firm	Name of CPA	Audit period	Remarks
PwC Taiwan	Wang, Yu-Juan	2019.01.01-2019.12.31	
	Xu, Jian-Ye		

Unit: NT\$ thousand

Fees classification		Audit fee	Non-audit fee	Total
Range of amount				
1	Less than NT\$2,000	-	-	-
2	NT\$2,000,000 (inclusive) to NT\$4,000,000	-	-	-
3	NT\$4,000,000 (inclusive) to NT\$6,000,000	-	5,884	5,884
4	NT\$6,000,000 (inclusive) to NT\$8,000,000	-	-	-
5	NT\$8,000,000 (inclusive) to NT\$10,000,000	9,084	-	9,084
6	NT\$10,000,000 (inclusive) or above	-	-	-

1. If non-audit fees account for one fourth or more of audit fees paid to certifying accountants, the accounting firm, and its affiliates, disclose the amount of audit and non-audit fees and the contents of non-audit services.

Information on fees to CPA

Unit: NT\$ thousand

Name of accounting firm	Name of CPA	Audit fee	Non-audit fee					Audit period	Remarks
			System design	Industrial and commercial registration	Human Resources	Other (Note 2)	Subtotal		
PwC Taiwan	Wang, Yu-Juan	9,084	0	288	-	5,596	5,884	2019.01.01-2019.12.31	Note 2: Tax expenses NT\$3,436,000&other NT\$2,160,000.
	Xu, Jian-Ye								

Note 1: If the Company replaced the accountant or accounting firm in the current year, separately list the audit period and provide the reason for replacement in the remarks, and disclose the audit and non-audit fees paid.

Note 2: Please list non-audit fees by services. If "Other" non-audit fees reaches 25% of total non-audit fees, specify the services in the remarks.

2. If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year, the amounts of the audit fees before and after the replacement and the causes shall be disclosed: None.
3. If the audit fees were reduced more than 15% from that of the prior year, the reduction amount, percentage and reasons for the reduction of audit fees shall be disclosed: None.

vi. Information on the replacement of CPA:

None.

vii. If the Chairperson, President and Financial or Accounting Managerial Officer of the Company had worked for the CPA's accounting firm or the affiliate in the past year, disclose the name, title, and duration at the CPA's accounting firm or affiliate: None.

viii. Share transfer by directors, supervisors, managerial officers and shareholders holding more than 10% equity and changes to share pledging by them in the past year and up to the date of report. If the counterparty of share transfer or pledge is a related party, disclose the name of the counterparty and the number of shares

transferred or pledged by the Company, directors, supervisors, managers and shareholders holding more than 10% shares:

Changes in shareholding of directors, supervisors managers, and major shareholders

April 30, 2020 Unit: shares

Title	Name	2019		The current year up to April 30	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairperson	Liao, Lu-Lee	(44,732)	—	(10,000)	—
Vice Chairperson	Wei, Wen-Chieh	147,756	—	—	—
Director and Vice President	Lin, Shu-Chun	(39,932)	—	—	—
Director	Lin, Shih-Chieh	10,800	—	—	—
Director and President	Huang, Chao-Li	25,575	—	—	—
Director	Tong Qian Investment Co.,Ltd.	1,109,248	—	729,000	—
Representative of institutional director	Liao, Keng-Pin	484	—	—	—
Independent Director	Wu, Hui-Huang	0	—	—	—
Independent Director	Yu, Jih-Hsin	0	—	—	—
Independent Director	Ke, Chun-Hui	0	—	—	—
Vice President	Chester Chiang	18,775	—	—	—
Vice President	Steven Su	4,500	—	—	—
Vice President (Note 1)	Steven Her	9,000	—	—	—
CTO (Note 2)	Sam Chang	15,482	—	—	—
Financial Management Division Vice President (Note 3)	Joyce Lam	4,200	—	—	—
Vice President	Liang, Kun-Tang	0	—	—	—

Note: The Company does not have any shareholders with more than 10% shares.

Note 1: Steven Her assumed the position of vice president on October 12, 2017.

Note 2: Sam Chang assumed the position of CTO on July 1, 2018.

Note 3: Joyce Lam assumed the position of VP of the Financial Management Division on September 17, 2018.

Note 4: Liang, Kun-Tang assumed the position of vice president on December 2, 2019

Share transfer information

April 30, 2020, Unit: shares

Name (Note 1)	Reason for share transfer (Note 2)	Transaction Date	Trading counterpart	Relationship between trading counterpart and the Company, directors, supervisors, managers, and shareholders with more than 10% shares	Number of shares	Transaction Price
Huang, Chao-Li	Trust	2019/12/16	CTBC Bank Co., Ltd. Trust	N/A	15,000	—

Name (Note 1)	Reason for share transfer (Note 2)	Transaction Date	Trading counterpart	Relationship between trading counterpart and the Company, directors, supervisors, managers, and shareholders with more than 10% shares	Number of shares	Transaction Price
Lin, Shih-Chieh	Trust	2019/12/16	Account	N/A	15,000	—
Sam Chang	Trust	2019/12/16		N/A	15,000	—
Lin, Shu-Chun	Trust	2019/12/16		N/A	15,000	—
Joyce Lam	Trust	2019/12/16		N/A	10,000	—
Chester Chiang	Trust	2019/12/16		N/A	10,000	—
Steven Su	Trust	2019/12/16		N/A	10,000	—

Note 1: Fill in the names of Company directors, supervisors, managers, and shareholders with more than 10% shares.

Note 2: Fill in acquisition or disposal.

Share pledge information:

None

ix. Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree):

Shareholder register as of April 21, 2020, Unit: shares

Name (Note 1)	Shareholding		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree). (Note 3)		Notes
	Number of shares	Shareholding ratio (Note 2)	Number of shares	Shareholding ratio (Note 2)	Number of shares	Shareholding ratio (Note 2)	(or name)	Relationship	
Cathay Life Insurance Co., Ltd.	11,084,748	5.31%	—	—	—	—	N/A	N/A	N/A
Wei, Wen-Chieh	9,318,523	4.47%	139,426	0.07%	150,000	0.07%	N/A	N/A	N/A
Yuanta/P-shares Taiwan Dividend Plus ETF Account	8,264,072	3.96%	—	—	—	—	N/A	N/A	N/A
Tong Qian Investment Co.,Ltd.	5,112,179	2.45%	—	—	—	—	N/A	N/A	N/A
Liao, Lu-Yin	3,520,459	1.69%	—	—	—	—	Liao, Lu-Lee	Brother	Kinship within the second degree
PGIA International Composite Stock Price Index under the custody of JPMorgan Chase Bank	3,484,144	1.67%	—	—	—	—	N/A	N/A	N/A

Name (Note 1)	Shareholding		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree). (Note 3)		Notes
	Number of shares	Shareholding ratio (Note 2)	Number of shares	Shareholding ratio (Note 2)	Number of shares	Shareholding ratio (Note 2)	(or name)	Relationship	
ADIA Investment Account under the Custody of JPMorgan Chase Bank	3,472,000	1.66%	—	—	—	—	N/A	N/A	N/A
Liao, Lu-Lee	3,411,243	1.64%	618,215	0.30%	—	—	Liao, Lu-Yin	Brother	Kinship within the second degree
Investment Account of Swedbank Robur Global Impact Fund under the custody of JPMorgan Chase Bank	3,000,000	1.44%	—	—	—	—	N/A	N/A	N/A
Vanguard Stock Index Account under the custody of JPMorgan Chase Bank Taipei Branch	2,822,901	1.35%	—	—	—	—	N/A	N/A	N/A

Note: The number of shares listed include the number of shares under trust with discretion reserved.

Note 1: List all of the top ten shareholders. For institutional shareholders, list the name of institutional shareholders and their representatives

(Not applicable because other top ten shareholders are not companies).

Note 2: Shareholding percentage refers to the total percentage of shares held under own name or the name of spouse, minor children, or others.

Note 3: Shareholders listed above include legal persons and natural persons, and their relationships must be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

x. The shareholding of the Company, Director, Supervisor, Managerial Officers and an enterprise that is directly or indirectly controlled by the Company in the invested company, and total shareholding percentage.

Total shareholding percentage

Friday, May 1, 2020 Unit: 1,000 shares %

Invested company (Note 1)	Investment by the Company		Investments from directors, supervisors, managerial officers and their directly or indirectly controlled enterprises		Combined investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
MERRY ELECTRONICS (HK) CO., LTD.	25,658	100.00	-	-	25,658	100.00

MERRY ELECTRONICS (THAILAND) CO., LTD.	5,060	99.99	-	-	5,060	99.99
MERRY ELECTRONICS (U.S.A.) CO., LTD.	999	99.90	-	-	999	99.90
Leohab Enterprise Co., Ltd. (Note 2)	13,395	30.91	3,451	7.96	16,846	38.87
DANNY DYNAMICS LIMITED	48,005	100.00	-	-	48,005	100.00
MERRY ELECTRONICS (SINGAPORE) PTE.LTD.	800	100.00	-	-	800	100.00
MERRY HEALTHCARE CO., LTD.	24,979	100.00	-	-	24,979	100.00
Biotest Medical Corp.	9,000	100.00	-	-	9,000	100.00
Universal Capital Inverstment Limited	5	100.00	-	-	5	100.00
MERRYTECH(HK)CO., LIMITED	48,000	100.00	-	-	48,000	100.00
FULICARE CO.,LTD.	-	96.64	-	-	-	96.64
INDIGO ENTERPRISE INC.	-	70.00	-	-	-	70.00
SONAVOX CANADA INC.	-	100.00	-	-	-	100.00
SONAVOX CANADA HOLDING	-	100.00	-	-	-	100.00
SEAS FABRIKKER AS	-	100.00	-	-	-	100.00
Merry Electronics (Shenzhen) Co., Ltd.	-	100.00	-	-	-	100.00
Merry Electronics (Suzhou) Co., Ltd.	-	49.00	-	-	-	49.00
Merry Electronics (Shanghai) Co., Ltd.	-	49.00	-	-	-	49.00
Perfect Fortune Electric Wire & Cable (Shenzhen) Co., Ltd.	-	18.33	-	-	-	18.33
Youshun Electric Wire & Cable Co., Ltd.	-	18.33	-	-	-	18.33
Merry Electronics (Huizhou) Co., Ltd.	-	49.00	-	-	-	49.00
Fulicare Medical Technology (Suzhou) Co., Ltd.	-	96.64	-	-	-	96.64
Merry Electronics (Guangdong) Co., Ltd.	-	49.00	-	-	-	49.00
Suzhou Meisheng Electronic Co., Ltd.	-	70.00	-	-	-	70.00
Xiamen Etimbre Hearing Technology Co., Ltd.	-	96.16	-	-	-	96.16
Austar Hearing Science & Technology (Xiamen) Co., Ltd.	-	96.16	-	-	-	96.16
LA&A	-	96.16	-	-	-	96.16
Austar Hearing Science & Technology (Zhangzhou) Co., Ltd.	-	96.16	-	-	-	96.16
Fulicare Medical Instruments (Xiamen) Co., Ltd.	-	96.16	-	-	-	96.16

Note 1: Equity method is employed.

Note 2: Includes shareholding by representatives of institutional shareholders Tong Qian Investment Co.,Ltd. and Shande Investment Co., Ltd.

IV. Fundraising

i. Capital and Shareholding

(I) Source of capital and process

Types of shares issued by the Company in the past year and up to the date of report

As of April 21, 2020 Unit: shares

Shares Type	Authorized capital			Notes
	Outstanding shares (Note)	Unissued shares	Total	
Ordinary shares	208,622,247	191,377,753	400,000,000	Listed stock

Note: The Company issues ordinary shares and does not have any preferred shares.

The most recent registration of capital increase was approved by the MOEA on March 26, 2019.

The number of ordinary shares is 208,622,247 and number of outstanding shares is 208,622,247.

Information for shelf registration

Type of security	Expected issuance amount		Amount issued		Purpose of portion issued and expected benefits	Time the remaining portion is expected to be issued	Notes
	Total number of shares	Amount Approved	Number of shares	Price			
-	-	--	208,622,247	-	-	-	-

May 1, 2020

(yyyy) (mm)	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		Shares acquired by non-cash assets	Others
		Shares (thousands)	Amount (NT\$ Thousands)	Shares (thousands)	Amount (NT\$ Thousands)	Sources of capital			
1975.12	200	15	3,000	7.5	1,500	Cash investment, Establishment		None	None
1977.01	200	15	3,000	15	3,000	Cash capital increase in the amount of NT\$1,500,000		None	None
1981.12	200	45	9,000	45	9,000	Cash capital increase in the amount of NT\$6,000,000		None	None
1984.12	100	190	19,000	190	19,000	Cash capital increase in the amount of NT\$10,000,000		None	None
1985.12	100	290	29,000	290	29,000	Cash capital increase in the amount of NT\$10,000,000		None	None
1987.09	100	510	51,000	510	51,000	Cash capital increase in the amount of NT\$22,000,000		None	None
1988.12	100	710	71,000	710	71,000	Cash capital increase in the amount of NT\$20,000,000		None	None
1989.11	10	10,000	100,000	10,000	100,000	Cash capital increase in the amount of NT\$29,000,000		None	None
1990.06	10	13,600	136,000	13,600	136,000	Cash capital increase in the amount of NT\$21,000,000, capital increase by undistributed earnings in the amount of NT\$15,000,000		None	None
1991.03	10	16,640	166,400	16,640	166,400	Capital increase by capital surplus in the amount of NT\$30,400,000		None	None
1991.07	10	30,080	300,800	20,000	200,000	Cash capital increase in the amount of NT\$20,000,000, capital increase by undistributed earnings in the amount of NT\$13,600,000		None	Note 1
1993.01	10	30,080	300,800	26,000	260,000	Cash capital increase in the amount of NT\$20,000,000, capital increase by undistributed earnings in the amount of NT\$20,000,000, capital increase by capital surplus in the amount of NT\$20,000,000		None	Note 2
1993.07	10	30,080	300,800	28,080	280,800	Capital increase by undistributed earnings in the amount of NT\$13,000,000, and capital increase by capital surplus in the amount of NT\$7,800,000		None	Note 3
1995.07	10	44,544	445,440	33,696	336,960	Capital increase by undistributed earnings in the amount of NT\$37,908,000, and capital increase by capital surplus in the amount of NT\$18,252,000		None	Note 4
1996.11	10	44,544	445,440	41,044	410,447	Capital increase by undistributed earnings in the amount of NT\$23,587,200, and cash capital increase in the amount of NT\$49,900,000		None	Note 5
1997.07	10	48,600	486,000	45,560	455,596	Capital increase by undistributed earnings in the amount of NT\$45,149,190		None	Note 6
1998.01	10	81,998	819,981	56,950	569,495	Capital increase by undistributed earnings in the amount of NT\$91,119,280, and capital increase by capital surplus in the amount of NT\$22,779,820		None	Note 7
1999.07	10	81,998	819,981	62,973	629,728	Capital increase by undistributed earnings in the amount of NT\$48,842,920, and capital increase by capital surplus in the amount of NT\$11,389,910		None	Note 8
2000.06	10	101,998	1,019,981	69,668	696,688	Authorized capital changed to 1,019,981,000, and capital increase by undistributed earnings in the amount of NT\$58,144,340		None	Note 9
2000.10	10	101,998	1,019,981	76,369	763,689	Capital increase by capital surplus in the amount of NT\$8,816,200		None	Note 10
2001.05	10	157,126	1,571,262	95,780	957,801	Cash capital increase in the amount of NT\$67,000,000		None	Note 11
2002.06	10	157,126	1,571,262	107,880	1,078,802	Capital increase by undistributed earnings in the amount of NT\$194,112,590 (including employee bonuses in the amount of NT\$10,827,230)		None	Note 12
2003.07	10		1,571,262		1,102,031	Capital increase by undistributed earnings in the amount of NT\$39,779,020 (including employee bonuses in the amount of NT\$6,064,410) Capital increase by capital surplus in the amount of NT\$81,221,560		None	Note 13

		157,126	1,571,262	110,203	employee benefits)	7,211,202 shares increased from earnings (includes 599,008 shares in employee benefits), and 1,866,907 shares from overseas convertible corporate bonds	None	Note 14
2004.06	10	157,126	1,571,262	119,281	1,192,813			
2004.11	10	157,126	1,571,262	123,003	1,230,037	3,722,418 shares from overseas convertible corporate bonds	None	Note 15
2005.01	10	157,126	1,571,262	126,550	1,265,501	3,546,347 shares from overseas convertible corporate bonds	None	Note 16
2005.05	10	157,126	1,571,262	129,367	1,293,670	2,816,959 shares from overseas convertible corporate bonds	None	Note 17
2005.08	10	157,126	1,571,262	131,781	1,317,816	2,414,544 shares from overseas convertible corporate bonds	None	Note 18
2005.11	10	157,126	1,571,262	131,882	1,318,822	100,604 shares from overseas convertible corporate bonds	None	Note 19
2006.04	10	157,126	1,571,262	132,385	1,323,852	503,030 shares from overseas convertible corporate bonds	None	Note 20
2006.08	10	300,000	3,000,000	143,944	1,439,447	11,559,428 shares increased from earnings (includes 637,646 shares in employee benefits)	None	Note 21
2007.09	10	300,000	3,000,000	159,089	1,590,896	15,144,956 shares increased from earnings (includes 847,967 shares in employee benefits)	None	Note 22
2011.01	10	300,000	3,000,000	159,103	1,591,036	14,000 new shares issued from employee stock options	None	Note 23
2011.04	10	300,000	3,000,000	159,127	1,591,272	23,500 new shares issued from employee stock options	None	Note 24
2011.09	10	300,000	3,000,000	157,935	1,579,350	Capital reduction by 1,192,042 treasury shares	None	Note 25
2012.08	10	300,000	3,000,000	165,831	1,658,318	7,896,755 shares increased from earnings	None	Note 26
2013.01	10	300,000	3,000,000	165,849	1,658,498	18,000 new shares issued from employee stock options	None	Note 27
2013.04	10	300,000	3,000,000	165,856	1,658,568	7,000 new shares issued from employee stock options	None	Note 28
2013.05	10	300,000	3,000,000	166,019	1,660,193	162,500 new shares issued from employee stock options	None	Note 29
2013.08	10	300,000	3,000,000	175,980	1,759,805	9,961,160 shares increased from earnings	None	Note 30
2013.11	10	300,000	3,000,000	176,216	1,762,165	236,000 new shares issued from employee stock options	None	Note 31
2014.08	10	300,000	3,000,000	185,027	1,850,273	8,810,825 shares increased from earnings	None	Note 32

2017.04	10	300,000	3,000,000	186,604	1,866,044	Issued 1,542,000 shares in restricted stock awards and unsecured corporate bonds issued in Taiwan for the first time were converted to 35,165 new shares	N/A	Note 33
2017.05	10	300,000	3,000,000	194,403	1,944,033	Unsecured corporate bonds issued in Taiwan for the first time were converted to 7,798,821 new shares	N/A	Note 34
2017.07	10	300,000	3,000,000	194,844	1,948,443	Issued 458,000 shares in restricted stock awards and canceled 17,000 new shares converted from restricted stock awards	N/A	Note 35
2017.08	10	300,000	3,000,000	197,733	1,977,334	Unsecured corporate bonds issued in Taiwan for the first time were converted to 2,889,057 new shares	N/A	Note 36
2017.12	10	300,000	3,000,000	200,297	2,002,969	Canceled 41,000 new shares converted from restricted stock awards Unsecured corporate bonds issued in Taiwan for the first time were converted to 2,604,511 new shares	N/A	Note 37
2018.02	10	300,000	3,000,000	200,493	2,004,929	Issued 1,542,000 shares in restricted stock awards	N/A	Note 38
2018.04	10	300,000	3,000,000	200,809	2,008,090	Canceled 19,700 new shares converted from restricted stock awards Unsecured corporate bonds issued in Taiwan for the first time were converted to 335,846 new shares	N/A	Note 39
2018.05	10	300,000	3,000,000	200,767	2,007,670	Canceled 42,000 new shares converted from restricted stock awards	N/A	Note 40
2018.10	10	300,000	3,000,000	198,878	1,988,784	Retired 1,867,000 treasury shares Canceled 21,600 new shares converted from restricted stock awards	N/A	Note 41
2018.11	10	300,000	3,000,000	199,701	1,997,012	Canceled 55,220 new shares converted from restricted stock awards Issued 878,000 shares in restricted stock awards	N/A	Note 42
2019.02	10	300,000	3,000,000	203,701	2,037,012	Issued 4,000,000 new shares	N/A	Note 43
2019.03	10	300,000	3,000,000	203,662	2,036,625	Canceled 38,700 new shares converted from restricted stock awards	N/A	Note 44
2019.05	10	300,000	3,000,000	205,457	2,054,565	Canceled 21,800 new shares converted from restricted stock awards The second batch of unsecured corporate bonds issued in Taiwan was converted to 1,815,819 new shares	N/A	Note 45
2019.08	10	400,000	4,000,000	205,457	2,054,565	Application to increase authorized capital to 400,000 (thousand shares)	N/A	Note 46
2019.08	10	400,000	4,000,000	206,586	2,065,855	Canceled 142,500 new shares converted from restricted stock awards The second batch of unsecured corporate bonds issued in Taiwan was converted to 1,271,482 new shares	N/A	Note 47
2019.11	10	400,000	4,000,000	207,879	2,078,791	Canceled 2,800 new shares converted from restricted stock awards Issued 813,000 shares in restricted stock awards The second batch of unsecured corporate bonds issued in Taiwan was converted to 483,410 new shares	N/A	Note 48
2020.03	10	400,000	4,000,000	208,622	2,086,222	Canceled 571,300 new shares converted from restricted stock awards The second batch of unsecured corporate bonds issued in Taiwan was converted to 1,314,413 new shares	N/A	Note 49

Note 1: Approved in letter (80) Tai-Cai-Zeng (1) No. 01078 from the Securities and Futures Bureau, Ministry of Finance dated May 31, 1991.

Note 2: Approved in letter (81) Tai-Cai-Zeng (1) No. 02385 from the Securities and Futures Bureau, Ministry of Finance dated November 2, 1992.

Note 3: Approved in letter (82) Tai-Cai-Zeng (1) No. 30792 from the Securities and Futures Bureau, Ministry of Finance dated July 24, 1993.

Note 5: Approved in letter (85) Tai-Cai-Zeng (1) No. 65041 from the Securities and Futures Bureau, Ministry of Finance dated November 4, 1996.

Note 7: Approved in letter (87) Tai-Cai-Zeng (1) No. 45774 from the Securities and Futures Bureau, Ministry of Finance dated May 25, 1998.

Note 9: Approved in letter (89) Tai-Cai-Zeng (1) No. 48800 from the Securities and Futures Bureau, Ministry of Finance dated June 7, 2000.

Note 11: Approved in letter (90) Tai-Cai-Zeng (1) No. 132515 from the Securities and Futures Bureau, Ministry of Finance dated May 28, 2001.

Note 13: Approved in letter (01) Tai-Cai-Zeng (1) No. 0920129202 from the Securities and Futures Bureau, Ministry of Finance dated July 1, 2003.

Note 14: Approved in letter Tai-Cai-Zeng-Di-Yi No. 0930126460 from the Securities and Futures Commission dated June 15, 2004 and letter Jing-Shou-Shang-Zi No. 09301147350 from the Ministry of Economic Affairs dated August 17, 2004.

Note 15: Approved in letter Jing-Shou-Shang-Zi No. 09301202250 from the Ministry of Economic Affairs dated November 4, 2004.

Note 17: Approved in letter Jing-Shou-Shang-Zi No. 09401075910 from the Ministry of Economic Affairs dated May 2, 2005.

Note 19: Approved in letter Jing-Shou-Shang-Zi No. 09401227580 from the Ministry of Economic Affairs dated November 21, 2005.

Note 21: Approved in letter Jing-Shou-Shang-Zi No. 09501181980 from the Ministry of Economic Affairs dated August 18, 2006.

Note 23: Approved in letter Jing-Shou-Shang-Zi No. 10001017690 from the Ministry of Economic Affairs dated January 27, 2011.

Note 25: Approved in letter Jing-Shou-Shang-Zi No. 10001214470 from the Ministry of Economic Affairs dated September 14, 2011.

Note 26: Approved in letter Jin-Guan-Zheng-Fa-Zi No. 1010031057 from the Financial Supervisory Commission dated July 12, 2012 and letter Jing-Shou-Shang-Zi No. 10101169110 from the Ministry of Economic Affairs dated August 15, 2012.

Note 27: Approved in letter Tai-Zheng-Shang-Yi-Zi No. 10200013881 from the Taiwan Stock Exchange dated January 22, 2013 and letter Jing-Shou-Shang-Zi No. 10201008590 from the Ministry of Economic Affairs dated January 15, 2013.

Note 28: Approved in letter Tai-Zheng-Shang-Yi-Zi No. 1020007064 from the Taiwan Stock Exchange dated April 18, 2013 and letter Jing-Shou-Shang-Zi No. 10201062870 from the Ministry of Economic Affairs dated April 10, 2013.

Note 29: Approved in letter Tai-Zheng-Shang-Yi-Zi No. 1020010350 from the Taiwan Stock Exchange dated May 31, 2013 and letter Jing-Shou-Shang-Zi No. 10201096500 from the Ministry of Economic Affairs dated May 24, 2013.

Note 30: Approved in letter Jin-Guan-Zheng-Fa-Zi No. 1020025121 from the Financial Supervisory Commission dated June 28, 2013 and letter Jing-Shou-Shang-Zi No. 10201162920 from the Ministry of Economic Affairs dated August 12, 2013.

Note 31: Approved in letter Tai-Zheng-Shang-Yi-Zi No. 1020025089 from the Taiwan Stock Exchange dated December 4, 2013 and letter Jing-Shou-Shang-Zi No. 10201240710 from the Ministry of Economic Affairs dated November 27, 2013.

Note 32: Approved in letter Jin-Guan-Zheng-Fa-Zi No. 1030025686 from the Financial Supervisory Commission dated July 7, 2014 and letter Jing-Shou-Shang-Zi No. 10301167070 from the Ministry of Economic Affairs dated August 20, 2014.

Note 33: Approved in letter Jing-Shou-Shang-Zi No. 10601032740 from the Ministry of Economic Affairs dated April 11, 2017.

Note 35: Approved in letter Jing-Shou-Shang-Zi No. 10601098600 from the Ministry of Economic Affairs dated July 17, 2017.

Note 4: Approved in letter (84) Tai-Cai-Zeng (1) No. 38515 from the Securities and Futures Bureau, Ministry of Finance dated June 30, 1995.

Note 6: Approved in letter (86) Tai-Cai-Zeng (1) No. 46434 from the Securities and Futures Bureau, Ministry of Finance dated June 16, 1997.

Note 8: Approved in letter (88) Tai-Cai-Zeng (1) No. 54020 from the Securities and Futures Bureau, Ministry of Finance dated June 11, 1999.

Note 10: Approved in letter (89) Tai-Cai-Zeng (1) No. 83422 from the Securities and Futures Bureau, Ministry of Finance dated October 16, 2000.

Note 12: Approved in letter (90) Tai-Cai-Zeng (1) No. 0910133087 from the Securities and Futures Bureau, Ministry of Finance dated June 19, 2002.

Note 16: Approved in letter Jing-Shou-Shang-Zi No. 09401017770 from the Ministry of Economic Affairs dated January 31, 2005.

Note 18: Approved in letter Jing-Shou-Shang-Zi No. 09401158890 from the Ministry of Economic Affairs dated August 16, 2005.

Note 20: Approved in letter Jing-Shou-Shang-Zi No. 09501075860 from the Ministry of Economic Affairs dated April 27, 2006.

Note 22: Approved in letter Jing-Shou-Shang-Zi No. 09601220240 from the Ministry of Economic Affairs dated September 6, 2007.

Note 24: Approved in letter Jing-Shou-Shang-Zi No. 10001061910 from the Ministry of Economic Affairs dated April 6, 2011.

Note 34: Approved in letter Jing-Shou-Shang-Zi No. 10601063720 from the Ministry of Economic Affairs dated May 20, 2017.

Note 36: Approved in letter Jing-Shou-Shang-Zi No. 10601119010 from the Ministry of Economic Affairs dated August 21, 2017.

Note 37: Approved in letter Jing-Shou-Shang-Zi No. 10601162830 from the Ministry of Economic Affairs dated December 6, 2017.
 Note 39: Approved in letter Jing-Shou-Shang-Zi No. 10701033830 from the Ministry of Economic Affairs dated April 2, 2018.
 Note 41: Approved in letter Jing-Shou-Shang-Zi No. 10701129790 from the Ministry of Economic Affairs dated October 22, 2018.
 Note 43: Approved in letter Jing-Shou-Shang-Zi No. 10801014680 from the Ministry of Economic Affairs dated February 13, 2019.
 Note 45: Approved in letter Jing-Shou-Shang-Zi No. 10801057520 from the Ministry of Economic Affairs dated May 27, 2019.
 Note 47: Approved in letter Jing-Shou-Shang-Zi No. 10801091440 from the Ministry of Economic Affairs dated August 19, 2019.
 Note 49: Approved in letter Jing-Shou-Shang-Zi No. 10901043090 from the Ministry of Economic Affairs dated March 26, 2020.

Note 38: Approved in letter Jing-Shou-Shang-Zi No. 10701013730 from the Ministry of Economic Affairs dated February 8, 2018.
 Note 40: Approved in letter Jing-Shou-Shang-Zi No. 10701057780 from the Ministry of Economic Affairs dated May 30, 2018.
 Note 42: Approved in letter Jing-Shou-Shang-Zi No. 10701142290 from the Ministry of Economic Affairs dated November 15, 2018.
 Note 44: Approved in letter Jing-Shou-Shang-Zi No. 10801029990 from the Ministry of Economic Affairs dated March 25, 2019.
 Note 46: Approved in letter Jing-Shou-Shang-Zi No. 10801108180 from the Ministry of Economic Affairs dated August 6, 2019.
 Note 48: Approved in letter Jing-Shou-Shang-Zi No. 10801166420 from the Ministry of Economic Affairs dated November 29, 2019.

(II) Shareholders

Shareholders

Shareholder register as of April 21, 2020 Unit: shares

Shareholders Quantity	Government institutions	Financial institution	Other institutions	Individuals	Foreign institutions and foreigners	Total
Number of people	-	42	230	39,744	203	40,219
Number of shares held	-	31,403,967	17,938,878	113,536,758	45,742,644	208,622,247
Shareholding ratio	-	15.05%	8.59%	54.43%	21.93%	100%

Note: Primary TWSE/TPEx-listed companies shall disclose the shareholding percentage of Chinese shareholders. Chinese shareholders refer to individuals, legal persons, organizations, and other institutions in China and any branches created outside China specified in Article 3 of the Measures Governing Investment Permit to the People of the Mainland Area.

(III) Shareholding Distribution Status

Shareholding Distribution Status

Shareholder register as of April 21, 2020 Unit: shares

Shareholding range	Number of shareholders	Shares held (shares)	Shareholding ratio
1 to 999	11,806	746,301	0.36%
1,000 to 5,000	24,965	44,627,015	21.39%
5,001 to 10,000	2,019	15,434,334	7.40%
10,001 to 15,000	504	6,317,387	3.03%
15,001 to 20,000	307	5,610,039	2.69%
20,001 to 30,000	229	5,739,840	2.75%
30,001 to 40,000	104	3,712,795	1.78%
40,001 to 50,000	58	2,665,107	1.28%
50,001 to 100,000	101	7,310,286	3.50%
100,001 to 200,000	46	6,765,705	3.24%
200,001 to 400,000	23	6,791,056	3.26%
400,001 to 600,000	15	7,907,543	3.79%
600,001 to 800,000	11	7,726,923	3.70%
800,001 to 1,000,000	4	3,423,566	1.64%
1,000,001 or more	27	83,844,350	40.19%
Total	40,219	208,622,247	100%

Note: The Company issues ordinary shares and does not have any preferred shares.

(IV) List of major shareholders: Top ten shareholders

List of major shareholders

Shareholder register as of April 21, 2020 Unit: shares

Name of major shareholder	Shares held (shares)	Shareholding ratio
Cathay Life Insurance Co., Ltd.	11,084,748	5.31%
Wei, Wen-Chieh	9,318,523	4.47%
Yuanta/P-shares Taiwan Dividend Plus ETF Account	8,264,072	3.96%
Tong Qian Investment Co., Ltd.	5,112,179	2.45%
Liao, Lu-Yin	3,520,459	1.69%
PGIA International Composite Stock Price Index under the custody of JPMorgan Chase Bank	3,484,144	1.67%
ADIA Investment Account under the Custody of JPMorgan Chase Bank	3,472,000	1.66%

Liao, Lu-Lee	3,411,243	1.64%
Investment Account of Swedbank Robur Global Impact Fund under the custody of JPMorgan Chase Bank	3,000,000	1.44%
Vanguard Stock Index Account under the custody of JPMorgan Chase Bank Taipei Branch	2,822,901	1.35%

Note: The number of shares listed include the number of shares under trust with discretion reserved.

(V) Stock price, net worth, earnings, dividends and related information for the previous two years:

Unit: NT\$

Item \ Year		2018	2019	The current year up to March 31, 2020 (Note 8)
Stock price (Note 1)	Highest	206.50	197.50	171.00
	Lowest	112.00	120.00	114
	Average (Note 1)	150.19	159.50	146.01
Net worth per share (Note 2)	Before distribution	50.48	61.50	48.83
	After distribution	41.48	Undistributed	Undistributed
Earnings per share	Weighted average shares	197,147,000 shares	203,745,000 shares	206,589,000 shares
	Earnings per share (Note 3)	10.47	12.51	0.23
Dividends per share	Cash dividends	8.49765795	7.7095	-
	Stock dividends	-	-	-
		-	-	-
	Accumulated unpaid dividend (Note 4)	-	-	-
Return analysis	Price-earnings ratio (Note 5)	14.34	12.75	-
	Price-dividend ratio (Note 6)	17.46	20.69	-
	Cash dividend yield (Note 7)	5.73%	4.83%	-

* If there is surplus or capital reserve to increase capital allocation, the market price and cash dividend information retrospectively adjusted based on the number of shares shall be disclosed.

Note 1: The year's high and low market prices of common stock are provided, and the average price for the year is computed based on the year's transaction amount and volume.

Note 2: Please use the number of outstanding shares at the end of the year and distribution decided by the shareholders' meeting in the following year.

Note 3: If adjustments must be made due to stock dividends, list the EPS before and after adjustment.

Note 4: If the conditions of securities issuance stipulate that dividends not distributed in the current year may be distributed when there is a profit, disclose the cumulative amount of dividends not distributed up to the current year.

Note 5: Price-earnings ratio = Year's average per share closing price / earnings per share.

Note 6: Price-dividend ratio = Year's average per share closing price / cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / year's average per share closing price.

Note 8: Fill in net worth per share and EPS data for the most recent quarter that was already audited by the accountant. Fill in data for the current year up to the date of report for remaining fields.

Note 9: Our 2018 earnings distribution was discussed and approved in the shareholders' meeting on June 19, 2019. Cash dividends in the amount of NT\$1,751,419,000, i.e., NT\$8.6 per share will be distributed to shareholders. However, when dividends were being distributed in 2018, the number of outstanding shares was affected by the first batch of unsecured convertible corporate bonds issued in Taiwan, buyback and cancellation of new shares from restricted stock awards, and transfer of treasury shares to employees. Hence, the cash dividend was adjusted to NT\$8.49765795 per share.

Note 1: The average market price is calculated based on the transaction volume and transaction amount.

Note 2: The amount of 2018 earnings to be distributed was reviewed by the Board of Directors, but has not yet been resolved by the shareholders' meeting.

(VI) Dividend policy and implementation status:

1. We are in a volatile industry environment and are currently in the stable growth phase of the corporate life cycle. We consider our future capital expenditure budget or capital

requirements, as well as the need to use earnings for capital requirements, when deciding the amount of earnings retained or distributed and the amount of cash dividends.

2. The Company's net profit, if any, shall first be allocated for paying profit-seeking enterprise income tax and making up the deficit of previous years. Ten percent of the remaining profit shall be allocated as legal reserve. However, this is not required is the amount of legal reserve has reached the Company's paid-in capital. The remaining profit, along with the accumulated undistributed earnings for the previous year, shall be booked as the accumulated distributable earnings. The Board of Directors of shall propose an earnings distribution for resolution by the shareholders' meeting.
3. In the earnings distribution proposed by the Board of Directors, the total amount of dividends shall be 30-80% of cumulative distributable earnings, in which cash dividends shall be at least 5% of the total amount of dividends. Whether all or a part of dividends and bonuses are paid in cash shall be decided by a majority vote in a Board meeting with at least two thirds of directors in attendance, and the decision shall be reported during a shareholders' meeting.
4. To encourage employees and the management team, if the Company makes a profit that year, the Company shall appropriate: I. 5-10% for employee remuneration; II. No more than 2% for directors' remuneration. However, a sum shall be set aside in advance to pay down any outstanding cumulative losses. The percentage allocated for remuneration of employees and directors and whether employee remuneration is paid in stock or cash shall be decided by a majority vote in a Board meeting with at least two thirds of directors in attendance, and the decision shall be reported during a shareholders' meeting. The Company's employee remuneration may also be distributed to employees of companies controlled by the Company according to the criteria set forth by the Board of Directors or employees of subsidiaries.

5. Dividend distribution to be proposed to the shareholders' meeting:

Proposal for the distribution of Merry Electronics Co., Ltd. 2019 earnings

Item	Amount (NTD)
Undistributed earnings at the beginning of the period	1,231,718,186
Adjusted undistributed retained earning from previous years	1,231,718,186
Minus: Adjusted retained earnings in 2019 (pension actuarial costs)	(12,021,406)
Plus: Adjusted retained earnings in 2019 – Adjusted using the equity method and through other comprehensive income	66,133,597
Adjusted undistributed earnings	1,285,830,377
Plus: 2019 after-tax net profit (1)	2,548,611,884
Minus: 10% allocated to statutory reserve (1)*10%	(260,272,408)
Plus (Minus): Reversal (Provision) of special reserve	0
Cumulative distributable earnings (2)	3,574,169,854
Distribution Items:	
Minus: Cash dividend to shareholders (2019 earnings)	(1,608,376,434)
Total undistributed earnings at the end of the period	1,965,793,419

Note: The proposed distribution of 2019 earnings was only reviewed by the Board of Directors and still needs to be approved in the annual general meeting.

6. Provide an explanation when a material change to the dividend policy is expected:
None.

(VII) The effects of the stock dividends proposed by the annual general meeting on the Company's business performances and earnings per share: Not applicable because there are no stock dividends

Unit: NT\$ Thousands (only EPS is in NT\$)

Item		Year	2019 (Estimate)
Beginning paid-in capital			1,996,625
Stock and cash dividends for the current year	Cash dividend per share		NT\$7.7095 (Note 1)
	Stock dividend per share from capital increase by earnings		None
	Stock dividend per share from capital increase by capital surplus		None
Changes in business performance	Operating profits		N/A (Note 2)
	Percentage of increase (decrease) in operating profits compared with the same period last year		
	After-tax net profit		
	Percentage of increase (decrease) in after-tax net profit compared with the same period last year		
	Earnings per share		
	Percentage of increase (decrease) in EPS compared with the same period last year		
Pro forma EPS and PE ratio	Annual average rate of return (reciprocal of annual average PE ratio)		N/A (Note 2)
	If capital increase by earnings is distributed as cash dividends	Pro forma EPS	
		Pro forma annualized average rate of return	
	If capital increase by capital surplus is not carried out	Pro forma EPS	
		Pro forma annualized average rate of return	
	If capital increase by capital surplus and earnings is distributed as cash dividends	Pro forma EPS	
		Pro forma annualized average rate of return	

Note 1: The amount distributed in 2019 has not yet been resolved by the shareholders' meeting

Note 2: According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, we are not required to disclose and have not prepared 107 financial forecasts. Hence, the information was not disclosed.

(VIII) Remuneration of employees, directors and supervisors

- Percentages or ranges of remuneration of employees, directors, and supervisors under the Articles of Incorporation.

The Company's net profit, if any, shall first be allocated for paying business tax and making up the deficit of previous years. Ten percent of the remaining profit shall be allocated as legal reserve. Special reserve may be allocated to meet the operational requirements. The remaining profit, along with the accumulated undistributed earnings for the previous year, shall be booked as the accumulated distributable earnings. The Board of Directors of shall propose an earnings distribution for resolution by the shareholders' meeting. In the earnings distribution proposed by the Board of Directors, the total amount of dividends shall be 30-80% of cumulative distributable earnings, in which cash dividends shall be at least 5% of the total amount of dividends.

To encourage employees and the management team, if the Company makes a profit that year, the Company shall appropriate: i. 5-10% for employee remuneration; ii. No more than 2% for directors' remuneration. However, a sum shall be set aside in advance to pay down any outstanding cumulative losses.

Whether employee remuneration is paid in stock or cash shall be decided by a majority vote in a Board meeting with at least two thirds of directors in attendance, and the decision shall be reported during a shareholders' meeting.

Employee remuneration paid in stock or cash may also be distributed to employees of

- subsidiaries.
2. Basis for estimating the amount of remuneration of employees, directors and supervisors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period.
None.
 3. Remuneration distribution proposed by the board of directors:
 - (1) Employee, director and supervisor remuneration will be distributed in cash or stocks. In case of any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses should be disclosed.
 - A. Employee remuneration proposed to be distributed in cash: NT\$205,175,987
 - B. Employee remuneration proposed to be distributed in stock: NT\$0
 - C. Proposed director and supervisor remuneration: NT\$68,391,996
 - D. There was no difference in the proposed remuneration of employees, directors, and supervisors and the expenses recognized in 2018.
 - (2) The proposed amount of employee bonus to be paid in stocks out of the current company-level financial report in terms of the sum of net profit after tax and employee bonus.
 - A. Proposed employee stock bonus: 0 shares.
 - B. The proposed employee stock bonus represented 0% of the current year's after-tax profit.
 - C. The proposed employee stock bonus represented 0% of the current year's employee bonus.
 - (3) EPS after taking into consideration the proposed distribution of employee, director and supervisor remuneration
 - A. NT\$7.7095 per share
 - (4) EPS after taking into consideration the proposed distribution of employee remuneration (calculated using market price)
N/A.
 4. Distribution of employee, director, and supervisor remuneration from earnings in the previous year
Related information on the distribution of employee bonuses and director and supervisor remuneration from earnings in the previous year (2018) is provided below:

Unit: NT\$ Thousand; Thousand shares

	Actual distributed amount resolved by the shareholders meeting	Proposed distribution originally approved by the Board of Directors	Difference	Reason for difference
i. Distribution:				
1. Employee cash bonus	162,732	162,732	—	—
2. Employee stock bonus	—	—	—	—
(1) Number of shares	—	—	—	—
(2) Amount	—	—	—	—
(3) as a percentage of closing outstanding shares	—	—	—	—
3. Director and supervisor remuneration	54,244	54,244	—	—
ii. EPS related information:				
1. Earnings per share	10.47	10.47	—	—

- (IX) Share buyback by the Company in the past year and up to the date of report:

May 1, 2019

Batch of buyback	First (Batch) (Note)	Second (Batch)
Purpose of buyback	Encourage employees and increase employee engagement	Encourage employees and increase employee engagement
Duration of buyback	From 2008/7/10 to 2008/9/8	From 2015/6/15 to 2015/8/14
Price range of buyback	No more than NT\$90 and no less than NT\$41	No more than NT\$98 and no less than NT\$41
Type and number of shares bought back	1,500,000 ordinary shares	2,269,000 ordinary shares
Amount of shares bought back	NT\$76,938,000	NT\$103,058,000
Number of shares retired and transferred	Transferred 307,958 shares; Retired 1,192,042 shares	Transferred 402,000 shares; Retired 1,867,000 shares
Cumulative number of the Company's shares held	0	0
Cumulative number of the Company's shares held as a percentage of current outstanding shares (%)	0%	0%

Note: Registration of capital reduction approved in letter Jing-Shou-Shang-Zi No. 10001214470 from the Ministry of Economic Affairs dated September 14, 2011.

Note: Registration of capital reduction approved in letter Jing-Shou-Shang-Zi No. 10701129790 from the Ministry of Economic Affairs dated October 22, 2018.

ii. Issuance of corporate bonds

Issuance of corporate bonds

Type of Corporate Bonds (Note 2)	First (batch) Unsecured corporate bonds issued overseas	First (batch) Unsecured corporate bonds issued in Taiwan	Second (batch) Unsecured corporate bonds issued in Taiwan
Date of issue	2004/01/06	2015/01/29	2018/12/11
Par value	US\$1,000	NT\$100,000 each	NT\$100,000 each
Place of issue and trading (Note 3)	Issued overseas and listed and traded in Luxembourg	Taipei Exchange	Taipei Exchange
Issue price	101%	100.5%	100.5%
Total amount	US\$30,000,000	NT\$1,500,000,000	NT\$3,000,000,000
Interest Rate	0%	0%	0%
Term	5 years Maturity date: 2009/1/6	3 years Maturity date: 2018/1/29	3 years Maturity date: 2021/12/11
Guarantor agency	—	—	—
Trustee	J.P. Morgan	Mega International Commercial Bank Trust Department	JihSun Bank
Underwriting institution	Polaris Securities (Hong Kong) Limited, Polaris Capital (Asia) Limited	KGI Securities	Fubon Securities Co., Ltd.
Certified lawyer	Minfu Attorneys-at-Law Chang, Shu-Hsuan, Attorney-at-law	Handsome Attorneys-at-Law Chiu, Ya-Wen, Attorney at Law	Handsome Attorneys-at-Law Chiu, Ya-Wen, Attorney at Law
CPA	PwC Taiwan Yang, Ming-Chin and Hung, Shu-Hua, CPA	PwC Taiwan Yang, Ming-Chin and Hung, Shu-Hua, CPA	PwC Taiwan Xu, Jian-Ye and Wang, Yu-Chuan, CPA
Repayment method	Redeemed at face value upon maturity	Repaid in cash at 100.5% of face value (real rate of return is 0.165%)	Repaid in cash at face value upon maturity
Outstanding principal	US\$0 (All converted to ordinary	NT\$0 (All converted on	NT\$2,289,500,000 (As of April 21, 2019)

	shares on 2006/3/13)	2018/1/26)	
Terms of redemption or advance repayment	a. After corporate bonds are issued for one full year, if the closing price of ordinary shares at the Taiwan Stock Exchange converted to USD is above 130% of the conversion price (converted at the fixed rate of 34.03 to USD based on negotiations on the pricing day) for 20 consecutive business days, the issuer may issue a redemption notice to bond holders within 10 days, and redeem all or a portion of bonds at face value within 80 days after giving notice. b. When over 90% of corporate bonds are redeemed, bought back, or conversion right is exercised, the issuer may redeem all or a portion of bonds at face value. c. If the issuer must pay additional interest expense or cost increases due to changes in tax laws of the R.O.C., the issuer may redeem all bonds in circulation at face value.	(I) From the following day after this convertible bond is issued for one full month (March 1, 2015) to 40 days before its maturity (December 20, 2017), if the closing price of ordinary shares at the stock exchange reaches 30% (inclusive) or above of the conversion price for 30 consecutive business days, the Company may send a "bond recall notice" with a one-month deadline (the period is calculated starting on the date the notice is mailed, and the deadline is the bond recall record date) via registered mail to creditors (based on the list of creditors five business days before the bond recall notice is mailed, an announcement will be made for other investors who obtain this bond through trading or other methods afterwards) within 30 business days. The Company will send a request to Taipei Exchange to make an announcement, and will recall this convertible bond from the holder at face value in cash within five days after the bond recall record date. The bond recall record date may not be within the period when conversion is suspended. (II) From the following day after this convertible bond is issued for one full month (March 1, 2015) to 40 days before its maturity (December 20, 2017), if the amount of convertible bonds still in circulation is lower than 10% of the total amount issued, the Company may send a "bond recall notice" with a one-month	(I) From the following day after this convertible bond is issued for three full month (March 12, 2019) to 40 days before its maturity (November 1, 2021), if the closing price of ordinary shares reaches 30% (inclusive) or above of the conversion price for 30 consecutive business days, the Company may send a "bond recall notice" with a one-month deadline (the period is calculated starting on the date the notice is mailed, and the deadline is the bond recall record date; the period may not be within the period conversion is suspended according to Article 9) via registered mail to creditors (based on the list of creditors five business days before the bond recall notice is mailed, an announcement will be made for other investors who obtain this bond through trading or other methods afterwards) within 30 business days. The redemption price is the face value of this bond, which will be redeemed in cash. The Company will send a request to Taipei Exchange to make an announcement. When executing the recall request, the Company shall recall this convertible bond from the holder at face value in cash within five days after the bond recall record date. (II) From the following day after this convertible bond is issued for three full months (March 12, 2019) to 40 days before its maturity (November 1, 2021), if the amount of convertible bonds still

		deadline (the period is calculated starting on the date the notice is mailed, and the deadline is the bond recall record date) via registered mail to creditors (based on the list of creditors five business days before the bond recall notice is mailed, an announcement will be made for other investors who obtain this bond through trading or other methods afterwards). The Company will send a request to Taipei Exchange to make an announcement, and will recall this convertible bond from the holder at face value in cash within five days after the bond recall record date. The bond recall record date may not be within the period when conversion is suspended. (III) If creditors do not send a written response to the Company's stock transfer agency (effective upon delivery, or based on the postmark date if it is mailed) before the bond recall record date specified on the "bond recall notice", the Company will redeem the bonds at face value in cash on the maturity date.	in circulation is lower than 10% of the total amount issued, the Company may send a "bond recall notice" with a one-month deadline (the period is calculated starting on the date the notice is mailed, and the deadline is the bond recall record date) via registered mail to creditors (based on the list of creditors five business days before the bond recall notice is mailed, an announcement will be made for other investors who obtain this bond through trading or other methods afterwards). The redemption price is the face value of this bond, which will be redeemed in cash. The Company will send a request to Taipei Exchange to make an announcement and exercise its redemption right. When executing the recall request, the Company shall recall this convertible bond from the holder at face value in cash within five days after the bond recall record date. (III) If creditors do not send a written response to the Company's stock transfer agency (effective upon delivery, or based on the postmark date if it is mailed) before the bond recall record date specified on the "bond recall notice", the Company will redeem the bonds at face value in cash within five business days after the bond recall record date.
Restriction clauses (Note 4)	—	—	—
Names of credit rating agency, rating date, rating of corporate bonds	—	—	—

Other rights attached	Amount converted (exchanged or subscribed) to ordinary shares, GDRs, or other negotiable securities up to the date of annual report publication	Holders of the first batch of unsecured corporate bonds issued overseas have converted US\$30,000,000 to 14,970,809 ordinary shares.	Holders of the first batch of unsecured corporate bonds issued in Taiwan have converted NT\$1,500,000,000 to 13,663,400 ordinary shares.	Holders of the second batch of unsecured corporate bonds issued in Taiwan have converted NT\$710,500,000 to 4,858,124 ordinary shares.
	Issuance and Conversion (Exchange or Subscription) Regulations	Refer to the Issuance and Conversion Regulations.	Regulations for Issuance and Conversion of the First Batch of Unsecured Corporate Bonds in Taiwan.	Regulations for Issuance and Conversion of the Second Batch of Unsecured Corporate Bonds in Taiwan.
Issuance and conversion, exchange or subscription regulations, potential dilution caused by issuance conditions, and effect on shareholders' equity		—	—	—
Name of custodial institution		—	—	—

Note 1: Corporate bond issuance includes corporate bonds offered to the public and through private placement. Corporate bonds offered to the public refer to those that are already effective (approved). Corporate bonds offered through private placement refer to those that were already approved by the Board of Directors.

Note 2: The number of fields adjusted based on the actual number of times.

Note 3: Fill in overseas corporate bonds.

Note 4: If the distribution of cash dividends and external investments are restricted, or if a certain asset ratio must be maintained.

Information on Convertible Corporate Bond

Type of Corporate Bonds (Note 1)		First (batch) Unsecured corporate bonds issued overseas			First (batch) Unsecured corporate bonds issued in Taiwan			Second (batch) Unsecured corporate bonds issued in Taiwan	
Item	Year	2005 years	2006 years	The current year up to May 1, 2017	2015 years	2016 years	2017 years	2019 years	The current year up to April 21, 2020 (Note 4)
	Market price of convertible corporate bond (Note 2)	—	—	—	—	—	—	—	—
Conversion price		NT\$67.65	NT\$67.65	—	NT\$116.10 Effective Date 2015/7/18	NT\$110.9 Effective Date 2016/8/13	NT\$105.7 Effective Date 2017/7/17	NT\$147.7 Effective Date 2019/1/18	NT\$139.30 Effective Date 2019/8/30
Date of issuance and conversion price		2004/1/6 and NT\$72	2004/1/6 and NT\$72	—	2015/1/29 and NT\$125	2015/01/29 and NT\$125	2015/1/29 and NT\$125	2018/12/11 NT\$148	2018/12/11 NT\$148

Method for fulfilling conversion obligation (Note 3)	Request conversion to new ordinary shares in accordance with relevant laws and regulations.

Note 1: The number of fields adjusted based on the actual number of times.

Note 2: If overseas corporate bonds are traded in multiple places, separately list the place where they are traded.

Note 3: Deliver current shares or issue new shares.

Note 4: Fill in data for the current year up to the date of report.

Information on Exchangeable Corporate Bond:

The Company has not issued any exchangeable corporate bonds.

Summary Report on Issuance of Corporate Bonds

April 21, 2020

Expected Fundraising and Issuance Amount	US\$30,000,000	NT\$1,500,000,000	NT\$3,000,000,000
Total amount issued (include date of issuance and issuance amount)	Date of issuance: 2004/1/6; Issuance amount: US\$30,000,000	Date of issuance: 2015/1/29; Issuance amount: NT\$1,500,000,000	Date of issuance: 2018/12/11; Issuance amount: NT\$3,000,000,000
Shelf registration balance	US\$0 (All converted to ordinary shares on 2006/3/13)	NT\$631,200,000	NT\$2,289,500,000 (As of April 21, 2020)
Bonds were not issued on some of the dates	N/A	N/A	N/A

iv. Information on Warrant Bonds: N/A

v. Issuance of preferred shares and preferred shares with warrants by the Company in the past year and up to the date of report: None.

vi. Issuance of global depositary receipts (GDR) in the past year and up to the date of report: None.

Vii. Exercise of employee stock option plan (ESOP):

(I) Exercise of employee stock option plan (ESOP)

April 30, 2019

Employee stock warrants (Note 1)	First (Batch) Employee stock option (Note 4)	Second (Batch) Employee stock option (Note 4)
Date of approval by competent authorities	2007/12/13	2008/05/02
Date of issue (Note 3)	2007/12/26	2008/08/29
No. of units issued	2,000,000	750,000 (Note 6)
Number of shares subscribable as a percentage of total outstanding shares	1.25715%	0.45175%
Duration of stock option	2009/12/26~2012/12/25	2010/08/29~2013/08/28
Method of performance (Note 2)	Issuance of new shares	Issuance of new shares
Vesting schedule and quota (%)	50% subscribable after two years; 75% subscribable after three years; 100% subscribable after four years;	50% subscribable after two years; 75% subscribable after three years; 100% subscribable after four years;
Number of shares from exercised stock options	0	461,000 shares
Amount of exercised stock options	0	NT\$18,232,950
Amount of unexercised stock options	1,140,000 Expired	289,000 (Note 6) Expired
Price per share of unexercised stock options	62.5	37.2
Units unexercised as a percentage of total outstanding shares (%)	0.687 %	0.262%

Impact on shareholder equity	These employee stock options may be exercised in batches two years after issuance, and dilution of shareholders' equity is limited at only 0.687% of current ordinary shares.	These employee stock options may be exercised in batches two years after issuance, and dilution of shareholders' equity is limited at only 0.1487% of current ordinary shares. (Note 5)

Note 1: Employee stock option certificates include public offering and private placement of employee stock option certificates. Publicly offered employee stock option certifications refer to those that are already effective (approved). Employee stock option certificates offered through private placement refer to those that were already approved by the Board of Directors.

Note 2: The number of fields adjusted based on the actual number of times.

Note 3: Specify if current shares are delivered or new shares are issued.

Note 4: Separately list different dates of issuance.

Note 5: Clearly indicate if private placement was used.

(II) The names of managers and top ten employees that obtained employee stock options: Not applicable.

vi. Restricted stock awards:

(I) Restricted stock awards

April 30, 2019

Types of restricted stock awards (Note 1)	First (batch) of restricted stock awards in 2016		First (batch) of restricted stock awards in 2017		First (batch) of restricted stock awards in 2019
Date of approval by competent authorities	Thursday, August 18, 2016		Wednesday, November 29, 2017		Monday, September 16, 2019
Date of issuance (Note 2)	Friday, February 24, 2017	Monday, June 26, 2017	Monday, January 22, 2018	Wednesday, November 28, 2018	Saturday, November 2, 2019
Number of shares from restricted stock awards	1,542,000 shares	458,000 shares	196,000 shares	878,000 shares	813,000 shares
Issue price	NT\$10 per share		NT\$10 per share (bonus shares)		NT\$10 per share (bonus shares)
Number of restricted shares issued as a percentage of current outstanding shares	1.09%		0.43%		0.39%
Vesting conditions of restricted stock awards	5.6.1. Employees' personal performance must reach a B rating (inclusive) or above after receiving restricted stock awards; Employees do not meet vesting conditions if their performance rating is lower than B. 5.6.2. The Company will use operating revenue or net operating profit on the consolidated financial statements for the most recent year after the vesting period expires as the basis for determining Company performance: (1) Year 1: The Company's operating revenue grows 8% or more (inclusive) compared with the previous year. (2) Year 2: The Company's after tax net profit grows 10% or more (inclusive) compared with the previous year. (3) Year 3: The Company's after tax net profit grows 10% or more (inclusive) compared with the previous year.		5.6.1. Employees' personal performance must reach a B rating (inclusive) or above after receiving restricted stock awards; Employees do not meet vesting conditions if their performance rating is lower than B. 5.6.2. The Company will use operating revenue and net operating profit on the consolidated financial statements for the most recent year after the vesting period expires as the basis for determining Company performance: (1) Year 1: The Company's operating revenue grows 10% or more (inclusive) compared with the previous year. (2) Year 2: The Company's adjusted operating profit grows 10% or more (inclusive) compared with the previous year. (3) Year 3: The Company's adjusted operating profit grows 10% or more (inclusive) compared with the previous year.		5.6.1. Employees' personal performance must reach a B rating (inclusive) or above after receiving restricted stock awards; Employees do not meet vesting conditions if their performance rating is lower than B. 5.6.2. The Company will use operating revenue or after-tax net profit on the consolidated financial statements for the most recent year after the vesting period expires as the basis for determining Company performance: (1). Year 1: The Company's after tax net profit grows 10% or more (inclusive) compared with the previous year. (2). Year 2: The Company's after tax net profit grows 10% or more (inclusive) compared with the previous year. (3). Year 3: The Company's after tax net profit grows 10% or more (inclusive) compared with the previous year.

	(4) After-tax net profit refers to the "net income attributable to owners of the parent in the current period" on financial statements certified by a CPA. (5) Vesting conditions are deemed as not met if the Company's performance does not meet the conditions above. 5.6.3. The highest percentage employees are eligible for based on their years of service when the individual performance conditions in 5.6.1. and company performance conditions in 5.6.2. are both met are as follows: (1) 30% of shares one year after receiving restricted stock awards; (2) 30% of shares two years after receiving restricted stock awards; (3) 40% of shares three years after receiving restricted stock awards.		(4) The adjusted operating profit refers to the operating profit on financial statements certified by a CPA plus non-operating profits related to the Company's business. (5) Vesting conditions are deemed as not met if the Company's performance does not meet the conditions above. 5.6.3. The highest percentage employees are eligible for based on their years of service when the individual performance conditions in 5.6.1. and company performance conditions in 5.6.2. are both met are as follows: (1). 30% of shares one year after receiving restricted stock awards; (2). 30% of shares two years after receiving restricted stock awards; (3). 40% of shares three years after receiving restricted stock awards.		(4). After-tax net profit refers to the "net income attributable to owners of the parent in the current period" on financial statements certified by a CPA. (5). Vesting conditions are deemed as not met if the Company's performance does not meet the conditions above. 5.6.3. The highest percentage employees are eligible for based on their years of service when the individual performance conditions in 5.6.1. and company performance conditions in 5.6.2. are both met are as follows: (1). 30% of shares one year after receiving restricted stock awards; (2). 30% of shares two years after receiving restricted stock awards; (3). 40% of shares three years after receiving restricted stock awards.
Restricted rights of restricted stock awards	5.9.1. Employees shall immediately put restricted stock awards issued by the Company into the custody of the trust company designated by the Company. Employees may not request the restricted stock awards be returned for any reason or in any way. 5.9.2. Restricted stock awards may not be sold, pledged, transferred, given to others, or disposed of in any way before the vesting conditions are met. 5.9.3. The trust company shall attend, make proposals, comment, vote, and exercise other shareholder rights on behalf of employees at shareholders' meetings before the vesting conditions are met.		5.9.1. Employees shall immediately put restricted stock awards issued by the Company into the custody of the trust company designated by the Company. Employees may not request the restricted stock awards be returned for any reason or in any way. 5.9.2. Before vesting conditions are met, restricted shares are not eligible for stock and cash dividends or subscription to cash capital increase. 5.9.3. Restricted stock awards may not be sold, pledged, transferred, given to others, or disposed of in any way before the vesting conditions are met. 5.9.4. The trust company shall attend, make proposals, comment, vote, and exercise other shareholder rights on behalf of employees at shareholders' meetings before the vesting conditions are met.		5.9.1. Employees shall immediately put restricted stock awards issued by the Company into the custody of the trust company designated by the Company. Employees may not request the restricted stock awards be returned for any reason or in any way. 5.9.2. Before vesting conditions are met, restricted shares are eligible for stock and cash dividends or subscription to cash capital increase. 5.9.3. Restricted stock awards may not be sold, pledged, transferred, given to others, or disposed of in any way before the vesting conditions are met. 5.9.4. The trust company shall attend, make proposals, comment, vote, and exercise other shareholder rights on behalf of employees at shareholders' meetings before the vesting conditions are met.
Custody of restricted stock awards	Restricted stock awards subscribed to by employees in accordance with these Regulations are placed in a trust until vesting conditions are met. Shares will be transferred from the trust account to employees' personal account within 1 month after meeting vesting conditions.		Restricted stock awards allocated to employees in accordance with these Regulations are placed in a trust until vesting conditions are met. Shares will be transferred from the trust account to employees' personal account within 1 month after meeting vesting conditions.		Restricted stock awards allocated to employees in accordance with these Regulations are placed in a trust until vesting conditions are met. Shares will be transferred from the trust account to employees' personal account within 1 month after meeting vesting conditions.
Handling restricted stock awards allocated or subscribed to by employees who fail to meet vesting conditions	If employees who subscribe to restricted stock awards in accordance with these Regulations fail to meet vesting conditions, the shares will be bought back at the issue price and retired.		If employees who are allocated restricted stock awards in accordance with these Regulations fail to meet vesting conditions, the shares will be taken back without compensation and retired.		If employees who are allocated restricted stock awards in accordance with these Regulations fail to meet vesting conditions, the shares will be taken back without compensation and retired.
Number of	690,300 shares	172,900 shares	88,800 shares	49,500 shares	0

restricted shares taken back or bought back					
Number of shares with restrictions lifted	851,700 shares	128,700 shares	49,200 shares	255,900 shares	0
Number of shares with restrictions not yet lifted	0 shares	156,400 shares	58,000 shares	572,600 shares	813,000 shares
Number of shares with restrictions not yet lifted as a percentage of current outstanding shares (%)	0.8%				
Impact on Shareholders' Equity	Dilution of the Company's future EPS is limited, so there is no material impact on shareholder equity.				

Note 1: The number of fields adjusted based on the actual number of times.

Note 2: Separately list different dates of issuance.

(II) The names of managers and top ten employees that obtained restricted stock awards

(1) Issued on February 24, 2017

Title (Note 1)	Name	Shares obtained through restricted stock awards	Shares obtained through restricted stock awards as a percentage of current outstanding shares (Note 4)	Restrictions that were lifted (Note 2)				Number of unrestricted shares as a percentage of current outstanding shares (Note 4)			
				Number of unrestricted shares	Issue price	Issuance amount (NT\$ Thousands)	Number of unrestricted shares as a percentage of current outstanding shares (Note 4)	Number of unrestricted shares	Issue price	Issuance amount (NT\$ Thousands)	Number of restricted shares as a percentage of current outstanding shares (Note 4)
Managerial Officers	President	Huang, Chao-Li	139,000	83,400	NT\$10 per share	834	0.04%	55,600	NT\$10 per share	556	0.03%
	VP of Supply Chain Management	Lin, Shu-Chun									
	Chief Strategy Officer	Steven Su									
	VP/Chief Technology Officer	Sam Chang									
	VP of Sales	Chester Chiang									
	President/Chief Financial Officer	Joyce Lam									
	Special Assistant	Steven Her									
Employee (Note 3)	Director	Zhong, Hua-Xue (Note 5)	241,000	132,600	NT\$10 per share	1,326	0.06%	108,400	NT\$10 per share	1,084	0.05%
	VP of affiliate	Chiang, Yong-Le									
	President of subsidiary	Lin, Shih-Chieh									
	Senior Manager	Zhang, Chao-Sen									
	Director	Chen, Wen-Chuan									
	Vice President (Note 5)	Chen, Wei-Ming (Note 6)									
	Director	Liu, Shu-Chen									
	Director Deputy	Jin, Jing-Guo Chen									

	Manager	Chun-Pin											
	Deputy Director	Li, Kuo-Hsu											
	Senior Manager	Lin, Hsing-Ju											
	Manager	Chen, Chen-I											

Note 1: Disclose the names and titles of managers and employees (specify if the individual was separated or deceased), but the number of restricted stock awards they received or subscribed to may be disclosed in the form of a summary.

Note 2: The number of fields adjusted based on the actual number of issuances.

Note 3: The top ten employees that received the most restricted stock units refers to employees other than managers.

Note 4: The number of current outstanding shares refers to the data registered with the Ministry of Economic Affairs.

Note 5: The separation of Zhong, Hua-Xue became effective on April 1, 2020.

Note 6: Separation of Chen, Wei-Ming effective from 2017/9/1.

(2) Issued on Monday, June 26, 2017

Title (Note 1)	Name	Shares obtained through restricted stock awards	Shares obtained through restricted stock awards as a percentage of current outstanding shares (Note 4)	Restrictions that were lifted (Note 2)			Number of restricted and unrestricted shares as a percentage of current outstanding shares (Note 4)				
				Number of unrestricted shares	Issue price	Issuance amount (NT\$ Thousands)	Number of unrestricted shares	Issue price	Issuance amount (NT\$ Thousands)	Number of restricted shares as a percentage of current outstanding shares (Note 4)	Number of unrestricted shares as a percentage of current outstanding shares (Note 4)
Managerial Officers	President	Huang, Chao-Li									
	VP of Supply Chain Management	Lin, Shu-Chun									
	Chief Strategy Officer	Steven Su									
	VP/Chief Technology Officer	Sam Chang	66,000	19,800	NT\$10 per share	198	19,800	NT\$10 per share	462	0.009%	0.009%
	VP of Sales	Chester Chiang									
	Vice President/Chief	Joyce Lam									

	Financial Officer																			
	Special Assistant	Steven Her																		
Employee (Note 3)	President of subsidiary	Lin, Shih-Chieh																		
	Senior Manager	Huang, Kuo-Tai (Note 5)																		
	Deputy Director	Liao, Chong-Xi																		
	Deputy Manager	Chen, Chun-Pin																		
	Director	Liu, I-Chang																		
	Deputy Director	Liao, Yu-Fang																		
	Deputy Director	Wang, Tzu-Jung																		
	Senior Officer – Authorized Deputy Manager	Huang, Lan-Ting																		
	Senior Manager	Tseng, Yao-Hui																		
	Deputy Manager	Hsu, Yung-Tsung																		
	Deputy Manager	Chao, Chih-Feng																		
	Deputy Manager	Chen, Yu-Hsiang																		
Note 1: Disclose the names and titles of managers and employees (specify if the individual was separated or deceased), but the number of restricted stock awards they received or subscribed to may be disclosed in the form of a summary.																				

Note 2: The number of fields adjusted based on the actual number of issuances.

Note 3: The top ten employees that received the most restricted stock units refers to employees other than managers.

Note 4: The number of current outstanding shares refers to the data registered with the Ministry of Economic Affairs.

Note 5: Separation of Huang, Kuo-Tai effective from 2019/3/23.

(3) Issued on Monday, January 22, 2018

Title (Note 1)	Name	Shares obtained through restricted stock awards	Shares obtained through restricted stock awards as a percentage of current outstanding shares (Note 4)	Restrictions that were lifted (Note 2)			Number of restricted shares as a percentage of current outstanding shares (Note 4)						
				Number of unrestricted shares	Issue price	Issuance amount (NT\$ Thousands)	Number of unrestricted shares as a percentage of current outstanding shares (Note 4)	Number of restricted shares	Issue price	Issuance amount (NT\$ Thousands)	Number of unrestricted shares as a percentage of current outstanding shares (Note 4)		
Managerial Officers	President	Huang, Chao-Li											
	VP of Supply Chain Management	Lin, Shu-Chun											
	Chief Strategy Officer	Steven Su											
	VP/Chief Technology Officer	Sam Chang											
	VP of Sales	Chester Chiang											
	Vice President/Chief Financial Officer	Joyce Lam											
	Special Assistant	Steven Her											
Employee (Note 3)	President of subsidiary	Hsu, Chang-Fu (Note 5)											
	President of subsidiary	Lin, Shih-Chieh											
	Manager	Yuen, Shih-Man											
	Senior Manager	Wu, Chun-Kuan (Note 6)											
	Senior Manager	Chung, Wen-Hao											
	Deputy Director	Liu, Yung-Hsiang											
	Deputy Director	Wang, Chih-Shan (Note 7)											

[illegible]

Note 1: Disclose the names and titles of managers and employees (specify if the individual was separated or deceased), but the number of restricted stock awards they received or subscribed to may be disclosed in the form of a summary.

Note 2: The number of fields adjusted based on the actual number of issuances.

Note 3: The top ten employees that received the most restricted stock units refers to employees other than managers.

Note 4: The number of current outstanding shares refers to the data registered with the Ministry of Economic Affairs.

Note 5: The separation of Zhong, Hua-Xue became effective on April 1, 2020.

(4) Issued on Saturday, November 2, 2019

	Title (Note 1)	Name	Shares obtained through restricted stock awards	Shares obtained through restricted stock awards as a percentage of current outstanding shares (Note 4)	Restrictions that were lifted (Note 2)				Number of restricted shares as a percentage of current outstanding shares (Note 4)			
					Number of unrestricted shares	Issue price	Issuance amount (NT\$ Thousands)	Number of unrestricted shares as a percentage of current outstanding shares (Note 4)	Number of restricted shares	Issue price	Issuance amount (NT\$ Thousands)	Number of restricted shares as a percentage of current outstanding shares (Note 4)
Managerial Officers	President	Huang, Chao-Li										
	VP of Supply Chain Management	Lin, Shu-Chun										
	Chief Strategy Officer	Steven Su										
	CTO	Sam Chang										
	VP of Sales	Chester Chiang										
	Vice President/Chief Financial Officer	Joyce Lam										
	Special Assistant	Steven Her										
	Deputy Director	Cheng, Hsuan-Yin										
Employee (Note 3)	President of subsidiary	Lin, Shih-Chieh										
	VP of Sales	Ken Soh										
	Manager	Zhang, Chao-Sen										
	Director	Jin, Jing-Guo										
	VP of affiliate	Chiang, Yong-Le										
	Senior Manager	Tseng, Yao-Hui										
	Director	Liu, I-Chang										
	Deputy Director	Tung, Chiu-Yun										
	Deputy Manager	Chen, Yu-Wen										

vii. Mergers, acquisitions or issuance of new shares due to acquisition of shares of other companies in the past year and up to the date of report: None.

viii. Financing plans and implementation:

(I) Contents of the original plan to issue the first batch of unsecured corporate bonds in Taiwan:

1. Date of approval and document number of the Financial Supervisory Commission, Executive Yuan: Jin-Guan-Zheng-Fa-Zi No. 10300495811 dated December 15, 2014.
2. Date of approval and document number of Taipei Exchange: Zheng-Gui-Zai-Zi No. 1040400043 dated January 28, 2015.
3. Capital required for project NT\$1,500,000,000
4. Source of funds: The first batch of unsecured convertible corporate bonds issued in Taiwan has a face value of NT\$100,000, 3-year maturity, coupon rate of 0%, and issued at 100.5% of face value. Total amount issued is NT\$1,507,500,000, and bonds can be converted to ordinary shares of the Company after one full month until maturity. All payments were received as of January 27, 2015. The Company's own funds will be used if the capital allocation plan has insufficient funding.
5. Original fund utilization plan, expected progress, and potential benefits:
 - (1). Fund utilization plan and expected progress

Unit: NT\$ Thousand

Project Item	Expected Completion Date	Total funding required (Note 1)	Expected fund use progress			
			2015			
			Q1	Q2	Q3	Q4
Increase working capital	2015 Q1	1,379,500	1,379,500	-	-	-
Reinvestment – Merry Huizhou	2015 Q4	153,000	134,700	2,452	6,079	9,769
Reinvestment – Merry Thailand	2015 Q2	475,000	434,323	40,677	-	-
Total		2,007,500	1,948,523	43,129	6,079	9,769

(2). Expected benefits before change of plan:

A. Increase working capital

We plan to use NT\$1,379,500,000 to increase our working capital, which will not only increase the stability of our long-term funds, but also prevent increasing interest expenses from taking out a loan from the bank. Using an interest rate of 1.45% for calculations, we plan to use the funds raised in the first quarter of 2015 to increase our working capital. Hence, we expect to reduce interest expenses by NT\$18,336,000 in 2015, and will reduce interest expenses by NT\$20,003,000 each year thereafter.

B. Reinvestment – Merry Huizhou

We plan to invest the NT\$153,000,000 in Merry Huizhou, which we indirectly hold 100% shares of. The funds will be used to make the final payment of NT\$39,600,000 for factory construction, and NT\$113,400,000 will be used to increase working capital. Total funding required for factory construction is estimated at NT\$364,150,000, in which NT\$324,550,000 was obtained through a cash capital increase and the funds of Merry Huizhou. The total amount of funding required for factory construction and to increase working capital is NT\$477,550,000. Furthermore, we use the triangle trade approach to marketing. Hence, this investment in Merry Huizhou will have a positive effect on our overall net profit. As of 2014, no benefits have been obtained from the

investment in the new factory because construction began in September 2012. The new factory is expected to begin production in 2015 and begin providing benefits. The payback period is expected be 6.71 years to 2019.

C. Reinvestment – Merry Thailand

We plan to invest NT\$475,000,000 in Merry Thailand, which we indirectly hold 99.99% shares of. The funds will be used to make the final payment of NT\$393,647,000 for factory construction, and NT\$81,353,000 will be used to purchase machinery and equipment. Total funding required for factory construction is estimated at NT\$598,786,000, in which NT\$205,139,000 was obtained through a cash capital increase. The total amount of funding required for factory construction and to purchase machinery and equipment for Merry Thailand is NT\$680,139,000. Furthermore, we use the triangle trade approach to marketing. Hence, this investment in Merry Thailand will have a positive effect on our overall net profit. The new factory is expected to begin mass production in April 2015 and begin providing benefits. The balance sheet for the investment in 2015-2022 is shown in the table below. If depreciation is considered and investments begin in March 2014, the payback period is expected be 7.96 years to 2022.

(II) Contents of the revised plan to issue the first batch of unsecured corporate bonds in Taiwan:

1. Capital required for project NT\$1,753,561,000.
2. Source of funds:
 - A. The first batch of unsecured convertible corporate bonds issued in Taiwan has a face value of NT\$100,000, 3-year maturity, coupon rate of 0%, and issued at 100.5% of face value. Total amount issued is NT\$1,507,500,000, and bonds can be converted to ordinary shares of the Company after one full month until maturity. All payments were received as of January 27, 2015.
 - B. The original fund utilization plan was NT\$2,007,500,000, in which NT\$1,507,500,000 will be raised externally and NT\$500,000,000 will be provided from self-owned funds. The change was a reduction of NT\$253,939,000 from self-owned funds.
3. Approved by the Board of Directors on: Thursday, February 25, 2016.
4. Reported to the shareholders' meeting on: Not required to be reported to the shareholders' meeting because the amount of change did not reach 20% or above.
5. Information provided on the reporting website designated by the Financial Supervisory Commission on: Thursday, February 25, 2016.
6. Reason for change:

Merry Huizhou used its own funds and bank loan to pay for the factory construction and provide working capital, resulting in lower demand on capital increase. Merry Thailand's purchase orders and business condition has not meet expectations, and we will reevaluate whether to continue contracting out factory construction based on its purchase orders. Machinery and equipment were purchased from an affiliate, and reduced the amount of funds needed to purchase machinery and equipment. Based on the reasons above, we changed our plan to issue the first batch of unsecured convertible corporate bonds in Taiwan in 2014, and reduced the capital increase plan not yet completed by subsidiaries. In the future, we will propose capital increases to the Board of Directors based on the business condition and funding requirements of subsidiaries.
7. Revised fund utilization plan, implementation status, and potential benefits:
 - (1). Implementation of the revised fund utilization plan

Unit: NT\$ Thousand

Project Item	Total funding of original plan	Total funding of revised plan	Implementation status in the quarter before the report date

			Actual amount used	Progress (%)
Increase working capital	1,379,500	1,379,500	1,379,500	100.00%
Reinvestment – Merry Huizhou	153,000	126,907	126,907	100.00%
Reinvestment – Merry Thailand	475,000	247,154	247,154	100.00%
Total	2,007,500	1,753,561	1,753,561	100.00%

(2). Reason for differences in expected benefits before and after the change and comparison:

- A. Increase working capital
Completed according to the original plan and there were no changes in expected benefits.
- B. Reinvestment – Merry Huizhou
This investment plan was already concluded, so there was no change in expected benefits.
- C. Reinvestment – Merry Thailand: This investment plan was already concluded.
 - a. Before change of plan: Total loss from the investment in 2015-2022 is estimated at NT\$512,155,000 plus depreciation. If the investment is made in March 2014, the payback period is expected be 7.96 years to 2022.
 - b. After change of plan: Total loss from the investment in 2015-2022 is estimated at NT\$278,802,000 plus depreciation. If the investment is made in March 2014, the payback period is expected be 8.25 years to 2022.

(III) If the progress or benefits from the change do not meet expectations, explain the reason, effect on shareholders' equity, and improvement plan.

1. Implementation status: Completed in 2016 Q1
2. Actual benefits obtained
 - (1) Increase working capital
We increased our working capital by NT\$1,379,500,000 as planned in the first quarter of 2015. Using an interest rate of 1.45% for calculations, we expect to reduce interest expenses by NT\$20,003,000 each year.
 - (2) Reinvestment – Merry Huizhou
Actual production and sales of headset products by Merry Huizhou in the first quarter of 2016 were both 2,054,000 pcs, reaching 6.13% of the expected volume in 2016. Consolidated after-tax net profit of Merry Huizhou and the Company increased NT\$12,296,000 due to triangle trade, achieving 15.33% of the consolidated after-tax net profit of NT\$80,185,000 originally expected in 2016. With regard to achieving the expected volume, actual production and sales were both relatively low mainly due headsets being impacted by the saturation of the smartphone market; smartphone sales of the end customers affected purchase orders for products; new products of some customers are still in the pilot production phase. Production and sales of entertainment headsets at Merry Huizhou did not meet expectations, resulting in overall production and sales being lower than expectations. With regard to profits, the rate of achievement of actual consolidated after-tax net profit was relatively low. This was mainly due to production and sales of Merry Huizhou not meeting expectations, relatively low utilization, and new product pilot production expenses, which resulted in a negative gross margin. Merry Huizhou also recognized year-end bonus expenses, which resulted in relatively high net operating loss.
 - (3) Reinvestment – Merry Thailand
Actual production and sales of headset products by Merry Thailand in the first quarter of 2016 were both 1,170,000 pcs, reaching 21.65% of the revised expected volume in 2016. Consolidated after-tax net profit of Merry Thailand and the Company increased NT\$1,625,000 due to triangle trade, achieving 9.62% of the consolidated after-tax net profit of NT\$16,899,000 expected in 2016. With regard to achieving the expected volume, actual production and sales were both relatively low mainly due current headset products of customers being impacted by the

business cycle and competition, resulting in sales not meeting expectations. With regard to profits, the rate of achievement of actual consolidated after-tax net profit was relatively low. This was mainly due to operating expenses of Merry Thailand and operating expenses shared by Merry Electronics being higher than expectations, which resulted in relatively low consolidated after-tax net profit.

- (IV) Contents of the plan to issue the second batch of unsecured corporate bonds in Taiwan:
1. Date of approval and document number of the Financial Supervisory Commission, Executive Yuan: Jin-Guan-Zheng-Fa-Zi No. 10703414091 dated Monday, November 26, 2018.
 2. Date of approval and document number of Taipei Exchange: Zheng-Gui-Zai-Zi No. 10700324962 dated December 6, 2018.
 3. Capital required for project NT\$3,000,000,000.
 4. Source of funds:
 - (1) 4,000,000 new shares will be issued with face value of NT\$10 per share and an issue price temporarily set at NT\$122 per share to raise NT\$488,000,000 in a cash capital increase.
 - (2) The second batch of 30,000 unsecured convertible corporate bonds issued in Taiwan has a face value of NT\$100,000, will be issued at 100.5%-101.00% of face value, 3-year maturity, and coupon rate of 0%. Total amount issued is NT\$3,030,000,000.
 - (3) Method for handling insufficient or additional funds raised: The Company's own funds or a bank loan will be used if amount of funds raised is insufficient. If the amount of funds raised exceeds the plan, the additional amount will be used to increase working capital.
 5. Original fund utilization plan, expected progress, and potential benefits:
 - (1). Fund utilization plan and expected progress

Unit: NT\$ Thousand

Project Item	Expected Completion Date	Total funding required	Expected fund use progress
			2019 Q1
Repayment of bank loan	2019 Q1	3,518,500	3,518,000
Total		3,518,500	3,518,000

- (2). Expected benefit:

In the fundraising plan, NT\$3,518,000,000 will be used to repay bank loans, which will reduce interest expenses. Using an interest rate of 0.67%-0.83% on the bank loan, this is expected to reduce interest expenses by NT\$26,466,000 each year, preventing interest on loans from reducing profits. Furthermore, it will improve the company's financial structure, lower its dependence on banks, and increase the flexibility of capital allocation. As holders of corporate bonds begin to convert their bonds into ordinary shares, it will benefit the company's financial structure and liquidity, enhance the company's growth competitiveness, and benefit the company's overall business development.
3. Impact on shareholders' equity and improvement plan:

From the perspective of diluting shareholders' equity, financing through bank loans does not increase capital stock, so there are no concerns about dilution. Before creditors make a request to exercise their conversion right, convertible corporate bonds do not dilute shareholders' equity. Creditors may choose to exercise their conversion right at a more favorable time point in the period available for conversion. Hence, it defers the dilution of shareholders' equity. In terms of the dilution effect resulting from different financing tools (assuming that current shareholders do not participate in cash capital increase or purchase convertible corporate bonds), the effect from small to large is bank loans, convertible corporate bonds, and cash capital increase. For the current cash capital increase 10% is first allocated for employee subscription and 10% is allocated for public offering in accordance with the law. The remaining shares are provided for subscription by shareholders on the shareholders register on the ex-dividend date according to their shareholding percentage, and the remaining amount is offered to the public. If external investors convert these to

ordinary shares, it will have a greater dilution effect. Financing through cash capital increase and issuance of convertible corporate bonds will effectively reduce and defer the dilution of shareholders' equity, so there should not be a material effect on shareholders' equity.

4. Analysis of changes in our current assets, current liabilities, and total liabilities, interest expenses, operating revenue, and EPS is as follows:

Unit: NT\$ thousand
(only EPS is in NT\$)

Item \ Year		2019	2018	Percentage of change%
Current assets		15,093,477	21,640,870	-30.25%
Current liabilities		8,963,745	16,177,542	-44.59%
Total liabilities		12,797,178	20,252,149	-36.81%
Interest expenses		81,319	48,453	67.83%
Operating revenue		36,397,793	35,494,808	2.54%
Earnings per share		12.51	10.47	19.48%
Financial structure	Debts Ratio (%)	49.94	66.77	-25.21%
	Long-term fund to fixed assets ratio (%)	729.40	704.43	3.54%

Analysis data is as follows:

- (1) Current assets, current liabilities, and total liabilities: Mainly due to the increase in revenue in 2019, which led to the decrease in cash and accounts receivable; accounts payable also decreased as well.
- (2) Increase in earnings per share: The increase in net profit compared with last year was mainly due to the change in product structure, which led to an increase in operating revenue and EPS.
- (3) Increase in debt ratio: Mainly due to the significant decrease in debt ratio caused by short-term loans in 2019.

V. Business Overview

.i. Business Activities

(I) Business scope

1. Content: Our scope of business is as follows:

- (1) CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
- (2) CC01070 Telecommunication Equipment and Apparatus Manufacturing
- (3) CC01080 Electronic Parts and Components Manufacturing
- (4) CC01110 Computers and Computing Peripheral Equipments Manufacturing
- (5) CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
- (6) CF01011 Medical Materials and Equipment Manufacturing
- (7) F108031 Wholesale of Drugs, Medical Goods
- (8) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
- (9) I103060 Management Consulting Services
- (10) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Percentage of sales revenue: The Company's main products and revenue distribution in 2019:

Main products and services	Merry Taiwan (%)
Headset	0.16
Speakers	37.17
Entertainment Products	58.02
Other Electronics Products	4.65
Total	100.00

3. The Company's current products: Headphone, wireless earphone, speaker, microphone and assistive listening device, power bank, wireless charger, and portable storage system.

4. New products under development: Our future direction for technological development is as follows

- (1) Speakers: Headsets, smart speakers, and speakers required for high-end audiovisual systems.
- (2) MEM microphone: Packaging technology.
- (3) Accessories:
 - A. Audio headset
 - B. Gaming headset
 - C. Sports headset
 - D. Smart headsets for sleeping and healthcare
- (4) Smart power storage system
- (7) Medical/Healthcare

(II) Industry Overview

The Company mainly manufactures speakers, handfree headsets, power banks, assistive listening devices, entertainment headsets, portable speakers, and bluetooth earphones. These products are extensively applied in the consumer market, including laptops, tablet PCs, mobile phones, TVs, wearable devices, and smart home appliances.



1. Current trends and outlook of the industry:

Overview of the four major terminal markets served by Merry: First, in the **headset market**, Statista projects global headset shipment to increase from 380 million headsets in 2018 to 400 million headsets in 2019. Future Market Insights further pointed out that CAGR in 2018-2028 is 8%. The main source of growth momentum will be from TWS headsets. Apple's AirPods was a huge success, and Huawei's Freebuds and Honor FlyPods also showed rapid development. Xiaomi launched a series of new headsets in 2019Q1, and the ultra high price-performance ratio has driven its significant growth in the wearable device market. Intelligence Research Group expects global TWS headset shipments to show rapid growth in 2018-2020, reaching 65 million headsets, 100 million headsets, and 150 million headsets, respectively. The penetration of TWS headsets is expected to continue increasing as the audio quality and functionality of wireless headsets continues to improve.

With regard to the rise of **smart speakers/voice assistants** in recent years, Canalys expects the number of smart speakers installed worldwide to increase 82% from 114 million in 2018 to 208 million in 2019. Voice assistants will become an important for home assistance, healthcare, and government services. Canalys also pointed out that the installation of smart speakers worldwide will reach 400 million 2021 and surpass tablet PCs. Furthermore, Gartner expects 50% of home appliances will have a virtual personal assistant (VPA) interface by 2021. This shows that VPAs will no longer be confined to smart speakers, and will play an important role in daily life scenarios at home, in your car, or at the office. This will also create more business opportunities for MEMS microphone manufacturers, and AI will be incorporated in the near future for even more diverse product developments.

With regard to **assistive listening devices**, Grand View Research estimated the global population with hearing impairment at 477 million in 2019, and average wearing rate of assistive listening devices worldwide at approximately 26%. The OTC assistive listening device bill in 2020 will allow people with mild and moderate hearing impairment to directly purchase assistive listening devices over-the-counter, and will

not need the diagnosis of an audiologist/hearing aid dispenser. From a demand perspective, this trend will significantly reduce the cost owning an assistive listening device and increase the wearing rate of assistive listening devices. From a supply perspective, this will allow manufacturers of high-end consumer headset to have the opportunity to enter a market that has been dominated by a small number of assistive listening device manufacturers for many years. Since the assistance of an audiologist/hearing aid dispenser is no longer required, assistive listening device manufacturers will need to develop online hearing tests, online hearing aid dispensing, and other software service processes for users to freely operate. We can also foresee the application of even more sensors in assistive listening devices, and cloud computing will be utilized to develop value-added services based on signals from the sensors, such as heart rate detection and fall detection for elderly care.

As for **wearable devices**, Gartner expects the end consumer market for wearable devices to reach US\$52 billion in 2020, up 27% compared to the US\$41 billion in 2019, and will further reach US\$63 billion in 2021. Wearable devices include smart watches, head mounted display, headsets (smart headsets), sports watches, wristbands, and smart clothing. Smart watches and headsets are the top products in terms of shipments in 2020 and estimated at 86 million and 70 million, respectively. Apple's AirPods lead the headset market, and Samsung's Galaxy Buds, Xiaomi's AirDots, and Bose's SoundSport Free all have an advantage in the market. Other products provided by Nuheara, Microsoft, and Starkey emphasize the gain provided by their products. The market penetration of wearable devices is determined by the accuracy of sensors, algorithm, micro, and personal information protection. Especially micro, Gartner predicts that micro technologies will allow wearers to barely notice the existence of about 10% of wearable devices before 2023.

Looking towards 2020, from electroacoustics to batteries, from sensing devices to system integration/assembly, from physical electroacoustics to algorithm electroacoustics, and from single sensor to multiple sensor integration, Merry will continue to be supported by growing demand in the four application markets, and expects growth potential for sales in 2020.

2. Product Trends

- (1) Receiver: Thin, low Fo.
- (2) Speakers: Thin, high sensitivity, broadband, high power.
- (3) Microphone: Micro, smart, and combination with other sensors.
- (4) Headset: High quality stereo headset, metallic design, multiple colors, bluetooth stereo headset, Wi-Fi stereo headset, physiological sensing ability and smart, and true wireless transmission.
- (5) External portable speaker: Focus on the development of wired, bluetooth, and Wi-Fi smart speakers.

3. Relationships with suppliers in the industry's supply chain

The electroacoustics industry consists of downstream terminal brand companies, electroacoustics accessories and components OEM, and mid and up-stream IC, plastics, metal, and wire manufacturers.

Upstream	Midstream	Downstream
Magnets	Wires	ICT manufacturers
Communications passive components	Metal stamping	Entertainment accessories manufacturers
Communications IC	Plastic injection	

Plastic	Surface treatment	
Metal		

4. Competition

Unlike the ICT industry dominated by only a few oligopolists, the electroacoustics industry many competitors. Some competitors are public listed companies while others a small and medium enterprises. Merry is an electroacoustics accessories and components design and manufacturing company that has been in the industry for four decades. We are among the industry's leaders with a few Japanese and Chinese competitors. In the future, we will establish a more stable development platform for the electroacoustics industry through strategic alliances and vertical integration.

(III) Overview of Technology and R&D

1. R&D expenses in the past year and up to the date of report: R&D expenses in 2019 and the first quarter of 2020 were NT\$1,305,385,000 and NT\$311,855,000 accounting for 4% and 6% of revenue, respectively.
2. Technologies and products successfully developed in the past year and up to the date of report:
 - (1) Modification of current products: Active noise cancellation, micro, MEM microphone packaging structure, and wired/wireless charging technology platform.
 - (2) New product and technology development:
 - A. Bluetooth headset.
 - B. Development of advanced touch sensor functions.
 - C. Integrated pulse sensor.
 - D. Wireless charging and fast charging.
 - E. Portable power storage system.
3. Future research and development plan:
 - (1) Head motion tracking and immersive experience.
 - (2) Integrated voice assistant in accessories.
 - (3) Artificial intelligence algorithm.
 - (4) Sleep research.
 - (5) Comply with laws and regulations on healthcare products and product registration.
 - (6) Smart power storage system for smart homes.
 - (7) Micro multi-sensor module.
 - (8) Wireless charging + voice assistant equipment required for wearable products.
 - (9) Application of acoustics in healthcare.

(IV) Long- and Short-Term Business Development Plans

1. Short-term plan

- (1) Headset market: Focus on audio, gaming, and sports headset requirements. Let the hardware platform of Merry headsets become linked to more physiological information and control signals to create a new user experience.
- (2) Develop large potential customers other than major customers in the ICT terminal product applications market, which has large volume but slowing growth rate, so as to maintain R&D and production at a superior scale.
- (3) For wireless speakers/smart speakers, we will integrate high-end European and American speaker components, system design, and Asian manufacturing efficiency, and propose solutions that combine components, assembly, and system integration for different types of customers.

2. Long-term plan

- (1) Marketing policy
 - A. We separately target the different market demand in the five key markets of the electroacoustics business, namely audio, gaming, enterprise, wellness, and home audio.
 - B. Wireless chargers for batteries are integrated with multi-functional accessories of VPAs to meet the charging demand of wearable/hearable devices.
 - C. Microphone: AI microphones allow VPA applications to expand from smart speakers to automobile, headset, and office scenarios.
- (2) Production policy
 - A. Southbound expansion: Continue to invest in production bases in Southeast Asia to give consideration to both electroacoustics industrial cluster and international political and economic risk.
 - B. Digital transformation: Plan the flexible decision-making ability necessary for smart manufacturing, so as to reduce the fluctuation in demand on human resources, and increase the flexibility of customer services.
 - C. Healthcare product certification factory: Serves as an important foundation stone for Merry to enter the field of healthcare products.
- (3) Research and development policy
 - A. Micro: Allows more functions to fit into the same product and space to provide a richer user experience.
 - B. Ergonomics: Transforms research on physical properties, materials, and sensors into product design principles.
 - C. Smart electroacoustics platform: Combines the cloud computing, algorithms, and AI technologies needed in the body signal collection, processing, and inference process.
 - D. Integration of battery and electroacoustics: We combined our expertise in electroacoustics and batteries to realize use scenarios for technology products that combine batteries, microphones, and speakers.

ii. Market, production and sales overview

(I) Market analysis

1. Main sales regions and market share of products

Our products are mainly exported to Asia, Europe, and America, and we collaborate with major companies worldwide in product development. Among our main products, we are the global leader in entertainment headsets, and major smartphone manufacturers and entertainment accessories manufacturers around the world are all among our important customers. Only a few competitors are public listed companies in China and Japan. Merry has secured a stable place in the industry.

2. The future supply and demand situation and growth of the market

As described above, the terminal market served by Merry includes the headset market with growing demand, and global headset shipments increased from 380 million headsets in 2018 to 400 million headsets in 2019. Future Market Insights further pointed out that CAGR in 2018-2028 is 8%. Furthermore, Gartner expects 50% of

home appliances will have a virtual personal assistant (VPA) interface by 2021. This shows that VPAs will no longer be confined to smart speakers, and will play an important role in daily life scenarios at home, in your car, or at the office. This will also create more business opportunities for MEMS microphone manufacturers. The overall consumer market's demand on electroacoustics products is on an upward trajectory.

The OTC assistive listening device bill in 2020 will allow people with mild and moderate hearing impairment to directly purchase assistive listening devices over-the-counter, and will not need the diagnosis of an audiologist/hearing aid dispenser. From a demand perspective, this trend will significantly reduce the cost of owning an assistive listening device and increase the wearing rate of assistive listening devices.

However, from a supply perspective, besides competitors from Taiwan, Japan, and China, more and more large consumer electronics manufacturers are also entering the electroacoustics industry, driving both supply and demand in the industry.

3.Competitive niches:

(1)Provide customers with one-stop service to strengthen partnerships with customers
Merry has a complete product system and products with diverse specifications. Our product line covers receivers, speakers, headsets, microphones, bluetooth headsets, external portable speakers, and battery packs. This enables us to meet customers' diverse demands, so they can purchase everything they need in one stop. We have technologies and experience in the R&D of electroacoustics products and process modification. Facing the diverse and immediate demands of customers, this allows us to release products with corresponding specifications in a timely manner and seize market opportunities.

(2)A wealth of R&D and manufacturing experience, technology and talent-oriented business philosophy

Merry has accumulated years of experience in the R&D and production of electroacoustics products. We independently cultivate talent and also actively engage in academic exchanges with domestic colleges in the field of electroacoustics, in hopes of attracting outstanding talent. The product development and production process involves meticulous and complicated procedures, which create high demand on highly experienced specialists. Hence, we have attached great importance to independent talent cultivation over the years, and also attract outstanding talent to join us. We hope to secure our competitiveness and leadership by improving the quality and increasing the quantity of talent.

(3)Vertical integration, high self-sufficiency, and fast delivery

To provide products with the specifications needed by downstream customers, we begin development at the same time customers beginning designing their product, which increases the compatibility with customers' products. We also assist customers with acoustic space design to achieve the optimal sound effects and meet customers' needs.

We have carried out the vertical integration of our material production capabilities, which has shortened the lead time and lowered the cost of products. We use simulation software in the development of products, and estimate the required scale for mass production based on design, tooling, and process. This allows us to quickly respond to customers' needs and provide a sample for verification in the

design process, shortening the product development period.

4.SWOT analysis of the electroacoustics industry's long-term development and response measures

<u>Opportunities</u>		<u>Threats</u>	
(1) Smartphones and tablet PCs increased the demand on thin high functioning speakers	(1) Price competition from Chinese and Korean companies has created growingly severe market competition	(1) Price competition from Chinese and Korean companies has created growingly severe market competition	(1) Price competition from Chinese and Korean companies has created growingly severe market competition
(2) Increased demand in emerging markets	(2) Major companies entering the electroacoustics industry through merger and acquisition have further increased competition	(2) Major companies entering the electroacoustics industry through merger and acquisition have further increased competition	(2) Major companies entering the electroacoustics industry through merger and acquisition have further increased competition
(3) The arrival of an aging society in Taiwan has expanded the assistive listening device market	(3) Slowing growth of China's market	(3) Slowing growth of China's market	(3) Slowing growth of China's market
(4) Rise of wearable products	(4) Labor shortage, rising wages and raw material prices in China, and the US-China trade war increased the cost of exporting products from China.	(4) Labor shortage, rising wages and raw material prices in China, and the US-China trade war increased the cost of exporting products from China.	(4) Labor shortage, rising wages and raw material prices in China, and the US-China trade war increased the cost of exporting products from China.
(5) Growing maturity of cloud, big data, and artificial intelligence technologies			
<u>Strengths</u>		<u>Weaknesses</u>	
(1) Our main customers are major smartphone manufacturers and entertainment accessories manufacturers around the world. Our brand is recognized by major multinational companies.	(1) Insufficient supply of electroacoustics talent from the education system, and technological development is independently carried out	(1) Insufficient supply of electroacoustics talent from the education system, and technological development is independently carried out	(1) Insufficient supply of electroacoustics talent from the education system, and technological development is independently carried out
(2) Global logistics provide VMI service to strategic customers	(2) Learning curve when entering the wearable device, medical products, and new markets	(2) Learning curve when entering the wearable device, medical products, and new markets	(2) Learning curve when entering the wearable device, medical products, and new markets
(3) Sound financial structure and steady financial policy lower operating risks			
(4) Provide customers with one-stop service			
(5) Capacity of multiple factories (including Southeast Asia) lowers global political and economic risks			
(6) Business partner in China is rapidly expanding capacity and has strong management ability			

5.Response measures:

- (1)Develop electroacoustics products that determine mainstream specifications in emerging applications markets.
- (2)Continue to improve supply chain management performance and improve cost structure.
- (3)Increase production efficiency through automation.
- (4)Work together with complementary companies to expand product lines and increase the level of vertical and horizontal integration.
- (5)Work together with renowned domestic and foreign universities in strengthening talent cultivation for the electroacoustics industry.
- (6)Continue to develop IoT products, such as wearable devices and smart home appliances.
- (7)Utilize the strengths of business partners and work together in build a strong management team.

(II) Important applications and manufacturing processes of major products

1. Important applications of major products

Main Product	Purpose or function
Headset	Handfree headset, earphones, wireless stereo headsets, and bluetooth headsets for mobile phones, tablet PC, smartphones, multimedia computers,etc.

Speakers	Speakers for mobile phones, smartphones, multimedia computers, mobile phone earphone, NB, tablet PC, e-books, etc.
Medical/Healthcare	People with hearing impairment can use wired or wireless assistive listening devices to help them communicate.
Power bank	Provides an external power source for smartphones, tablet PCs, and other 3C devices.
Entertainment headset Portable speakers	Provides excellent acoustic performance through wired or wireless connection to smartphones, tablet PCs, notebooks, and other audio input devices.

2. Production process

Our main product is speakers. The product assembly process is summarized below:

(I) Speakers

Bind the top plate and plastic frame → Bind the magnet and plastic frame → Bind the lower plate and plastic frame → Bind the PC plate → Bind the cloth skin → Bind the coil and diaphragm → Bind the coil and diaphragm with the plastic frame → Weld the coil's output line → Short circuit, broken line test → Glue output line → Affix period stamp → Complete

(II) Handfree headset

Plastic case + Speaker + Wires (and plug molding) assembly → Complete

(III) Supply status of primary raw materials

Our main raw materials are electronics, metal, and plastics. Our main suppliers have grown steadily over the past three years, and we purchase main raw materials from several suppliers with stable supply. Hence, we have an abundant supply of raw materials.

(IV) List of key clients:

- Names of customers who accounted for more than 10% of the Merry Electronics' sales in the last two years, sales as a percentage of total sales, and reason for changes:

Item	2019				2018				2020 up to Q1			
	Name	Amount	As a percentage of net sales [%]	Relationship with issuer	Name	Amount	As a percentage of net sales [%]	Relationship with issuer	Name	Amount	As a percentage of net sales [%]	Relationship with issuer
1	A26	11,744,903	32.27%	None	A26	14,116,651	39.77%	None	A30	2,590,969	50.05%	None
2	A30	11,598,275	31.87%	None	A30	8,300,890	23.39%	None	A26	743,398	14.36%	None
3	A35	2,065,525	5.67%	None	A6	3,000,101	8.45%	None	A25	351,226	6.78%	None
	Other	10,989,090			Other	10,077,166			Other	1,491,070		
	Net sales	36,397,793			Net sales	35,494,808			Net sales	5,176,663		

- Names of customers who accounted for more than 10% of the Merry Electronics' purchase in the last two years, purchase as a percentage of total purchases, and reason for changes:

Item	2019				2018				2020 up to Q1			
	Name	Amount	As a percentage of net sales [%]	Relationship with issuer	Name	Amount	As a percentage of net sales [%]	Relationship with issuer	Name	Amount	As a percentage of net sales for the entire year [%]	Relationship with issuer
1	D4	12,143,560	32.27%	None	D4	8,671,426	39.77%	None	D4	2,161,683	48.70%	None
2	D6	4,055,885	31.87%	None	D6	4,813,401	23.39%	None	D6	783,754	17.66%	None
	Other	12,797,854			Other	19,768,509			Others	1,493,257		

Net sales	28,997,299		Net sales	29,845,675		Net sales	4,438,694	

(V) Output volume and value for the last two years

Unit: NT\$ Thousand/Thousand products

Output volume and value Main Products	Year	2019			2018		
		Production capacity	Output volume	Output value	Production capacity	Output volume	Output value
Headset		406	406	58,293	1,790	1,790	112,012
Speakers		173,447	173,447	13,529,252	119,627	119,627	9,353,033
Entertainment Products		19,888	19,888	21,119,537	28,355	28,355	23,783,920
Other Electronics Products		49,274	49,274	1,690,712	47,882	47,882	2,245,843
Total		243,015	243,015	36,397,793	197,654	197,654	35,494,808

(VI) Sales volume and value for the last 2 years:

Unit: NT\$ Thousand/Thousand products

Sales volume and value Main Products	Year	2019				2018			
		Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Headset		0	21	406	58,272	0	4	1,790	112,008
Speakers		3	254	172,635	12,723,865	7	191	119,619	9,352,841
Entertainment Products		5	19,619	19,883	21,099,918	8	8,400	28,347	23,775,520
Other Electronics Products		628	15,366	48,646	2,480,406	176	27,437	47,707	2,218,406
Total		636	35,260	241,570	36,362,533	191	36,033	197,463	35,458,775

iii. Information of employees in last two years and up to the date of report (including number of employees, average number of years with the company, average age, and education)

Year		2019	2018	108 年 03 月 31 日 109 年 03 月 31 日
Number of employees	Direct employees	7,017	8,247	7,023
	Indirect employees	4,747	4,497	4,497
	Total	11,764	12,744	11,520
Average age		29.15	34.84	30.25
Average years of service		2.67	3.95	2.66
Academic qualification (%)	Ph.D	0.10%	0.10%	0.10%
	Master's	2.60%	2.00%	3.00%
	Bachelors Degree	16.60%	16.50%	24.7%
	Senior High School	14.7%	15.80%	25.1%
	Senior High School and below	66.00%	65.60%	47.1%

iv. Information on environmental protection expenses

Losses sustained due to environmental protection (including compensation and violations of environmental protection laws found in environmental protection inspection results, specify the date of the penalty, letter number, article violated, provision violated, details of the penalty) in the most recent year and up to the printing date of the annual report, and disclose current

and future estimated amount and response measures; if it cannot be reasonably estimated, describe the facts that it cannot be reasonably estimate:

We did not sustain any losses due to environmental pollution in the most recent year and up to the annual report publication date.

v. Employer/employee relations

(I) The implementation status of employee benefit measures, continuing education, training, retirement system, labor-management agreements, and employee rights protection measures:

1. Employee benefits measures and implementation status:

(1) Benefits measures implemented by the Company:

- A. Remuneration of employees: Remuneration for employees is allocated based on the Company's business condition according to each employee's position, performance, and seniority.
- B. Year-end bonus: Year-end bonuses are allocated based on the Company's business condition according to the performance evaluation of each employee.
- C. Annual salary adjustment: The margin of salary adjustment takes into consideration the Company's business condition, economic growth rate, price index, salary adjustments in the industry, and individual performance. Salary adjustments are made based on the Company's business situation.
- D. Labor Insurance: Employees are enrolled in labor insurance from their on-board date in accordance with the law.
- E. National Health Insurance: Employees are enrolled in the National Health Insurance from their on-board date in accordance with the law.
- F. Group insurance: Employees are enrolled in group insurance from their on-board date to provide coverage in the event of an accident. We purchase overseas travel insurance for employees on business trips. We increased the insurance amount of group insurance for employees stationed overseas and also purchased medical insurance for them.
- G. Regular medical check-up: We provide employees with annual medical check-ups free of charge, which is better than regulatory requirements.
- H. Labor Day gifts: We give each employee a gift on Labor Day, and also give seniority rewards to employees who have been at the company for 5, 10, 15, 20, 25, 30, 35 years or longer (inclusive) and model employee awards to outstanding employees.
- I. Employees are given special leave days after serving at the company for six months.
- J. Employee health center: Provides employees with recreational, exercise, and fitness facilities.
- K. Employee recreation center: Provides employees with a place to eat, rest, attend seminars, receive training, and release stress.
- L. Employee breastfeeding room: Provides a warm and comfortable environment for female employees.
- M. Our factories provide an excellent work environment with central air conditioning.
- N. We hire visually impaired masseuses to provide employees with massage services, providing disabled persons with work opportunities and a channel for employees to relax their body and mind.
- O. Employees and their children are eligible to apply for Merry's employee/children scholarships as an encouragement for good academic performance and conduct performance.
- P. Family day: We used our creativity in offering measures and systems that are

better than the regulatory requirement, creating a friendly work environment for employees to work efficiently with peace of mind, taking care of employees and their families, and attracting and retaining outstanding talent. We hope to thus bring out their potential at work, increase their engagement and satisfaction, and increase our overall productivity. Activities organized in 2019 include: Three sessions of creative dessert courses and four sessions of leather, wooden chopsticks, and coaster DIY courses for parents and children. Activities were held in Taipei, Hsinchu, and Taichung. A total of 172 participants (including employees' family members).

- (2) Benefits measures implemented by the Employee Welfare Committee:
 - A. Annual company trip: The Employee Welfare Committee organizes annual company trips in Taiwan or flexibly allows employees to organize annual company trips by themselves for greater diversity and abundance of activities.
 - B. Marriage and funeral subsidies, birthday gift certificates, bonuses during the three holidays, and scholarships for children.
 - C. Club activities: To encourage employees to exercise, we provided guidance to and subsidized the badminton club, basketball club, dance club, and yoga club. A variety of entertainment activities are regularly organized each year, such as: Family day, members day, Chinese New Year greetings, Mid-autumn Festival barbecue, factory anniversary, year-end party, and department gatherings.
2. Employee education and training:

The Company provides employees with necessary education and training based on the business policy and business development requirements, and established the Education and Training Implementation Regulations. Training is provided based the Company, department, and employee's requirements, and employees are required to provide training for others or reports after receiving training, so as to improve the Company and employees' work capacity or abilities.

 - (1) Classroom course: Regularly organized by the Company
 - A. New employee training: Besides introducing work contents, this training provides employees with the necessary work awareness and attitude at the Company, and helps them understand the Company's business philosophy and related systems.
 - B. Level-specific training: Level-specific training plans are formulated for job levels and positions to develop required management abilities, perception, communication, and leadership ability. Training methods include internal training and participating in courses offered by external training institutions.
 - C. Specialized training: Enhances specialized knowledge, skills and standards required by employees of each department to improve their work performance and organizational functions. Training methods include internal training and participating in courses offered by external training institutions.
 - D. Language training plan: Language training plans and online language training plans are implemented for R&D personnel based on needs for the Company's business growth, so as to improve the ability of R&D personnel to communicate with foreign customers.
 - E. Teacher training courses: To strengthen the promotion and implementation of internal education and training courses, personnel with development potential or expertise are selected within the Company to receive internal teacher training, which allow us to expand internal education and training and improve the professional competencies of employees.
 - F. General education courses: To improve employees' ability in the work process,

HR organizes general education courses based on the annual training plans proposed by each department, e.g. organizational communication, problem analysis, and problem solving courses.

(2) Online learning:

- A. We prepared teaching materials for online learning courses, providing employees with learning opportunities that are not constrained by time and place.
- B. Overseas factories work together with external training institutions in providing the flexible learning channel of online courses.

(3) We commissioned an academic research institute to conduct a preliminary study and jointly develop and cultivate talent, forming a strategic alliance with industries related to the technology. We also provide employees with the opportunity to participate in courses of the academic research institute, which allow them to combine their practical experience with theoretical knowledge.

(4) Employee training in 2019:

Unit: NT\$			
Course contents	Time of training	No. of hours	Outgoing Amount
Internal and External Training Courses	2019.01~2019.12	12,710	1,869,847
Total			1,869,847

(5) Further education on financial information and related certificates obtained from the competent authority:

Department	Name	Organizer	Certificate obtained
Financial Management Division	Joyce Lam	Accounting Research and Development Foundation	Continuing education course for accounting officers of issuers, securities firms, and securities exchanges
	Ke, Shu-Chen	Accounting Research and Development Foundation	Continuing education course for accounting officers of issuers, securities firms, and securities exchanges
Auditing	Zheng, Shu-Fei	Accounting Research and Development Foundation	Strengthening the three lines of defense and Board operating mechanisms (including reporting).
	Zheng, Shu-Fei	Accounting Research and Development Foundation	Compliance auditing practices of independent directors and Audit Committee required by the competent authority.

PS. The personnel listed above obtained qualification certificates from the courses

3. Pension scheme and its implementation status:

- (1) We established a pension scheme in accordance with the Labor Standards Act and related regulations in 1987, and also established a Labor Retirement Reserve Supervisory Committee, which was approved by Taichung City Government. We contribute 5.1% of employees' monthly salary to their Labor Pension Fund account at the Bank of Taiwan Trust Department. Labor Retirement Reserve Supervisory Committee meetings are held on a quarterly basis to further institutionalize labor pension operations.
- (2) Starting in July 2005, we began contributing 6% of employees' monthly salary to their personal account at the Bureau of Labor Insurance in accordance with the Labor Pension Act.

4. Employee code of conduct and ethics: Regulates employee conduct and ethics

- (1) The tasks and responsibilities of each department, regulations for the management of appointment, human resources management procedures, regulations for attendance management, employee reward and punishment regulations, employee performance evaluation regulations, trade secrets control regulations, regulations on subsidies for company clubs and workshops, and sexual harassment prevention regulations regulate employee conduct.
- (2) We established the "Merry Business Practice and Professional Ethics Code" for all managers and employees of Merry and subsidiaries. It mainly stipulates that when

there is any conflict, violation or incompatibility between local laws, the Company's (or subsidiaries) Article of Incorporation, work rules, or any form of contract or agreement signed by the Company, the provision that takes precedent in the code will be followed and that the Company is obligated to comply. Its main points are as follows:

- A. To protect the Company's assets and resources.
- B. How to use e-mail, Internet, intranet, telephone, and other forms of communication.
- C. Avoidance of conflicting interests.
- D. Serving as the director of another company.
- E. Confidential data.
- F. Accurate records and disclosures.
- G. Concern about accounting, auditing, and data disclosures.
- H. The retention and handling of Company documents and records.
- I. Media, public, and government inquiries.
- J. Political behavior and donations.
- K. Equal employment opportunities.
- L. Discrimination and harassment.
- M. Safe working conditions.
- N. Drugs and alcohol.
- O. Compliance with the law, regulations, and rules.
- P. The Securities and Exchange Act and trading with insiders.
- Q. Protection of intellectual property.
- R. Authorization to sign contracts.
- S. Gifts, meals, services, and entertainment.
- T. Punishments for violations.
- U. Problems and how to report matters of concern and violations.
- V. Legal notices.

(II) We did not sustain any losses due to labor-management disputes (including labor inspection results found in violation of the Labor Standards Act) in the most recent year and up to the annual report publication date.

(III) Protection measures taken to ensure a safe working environment and maintain employees' personal safety:

1. We established management regulations for various environmental protection measures such as waste storage management, occupational safety and health, and occupational accident prevention and handling, so as to maintain employees' personal safety and prevent environmental pollution.
2. Establishment of management procedures for preparations and emergency response measures for major disasters and emergencies:
We are prepared for any matters that may impact the environment or are safety hazards, so that we may immediately respond when a disaster occurs. We also established an emergency response team, and established the tasks and responsibilities of organizations and employees, operating standards, and handling procedures.
3. We regularly clean and sterilize the environment in factories to ensure the health and hygiene of employees in the workplace.
4. We established safety and health work rules and management regulations in accordance with the Enforcement Rules of the Occupational Safety and Health Act and management requirements of OHSAS18001 and TOSHMS, in order to provide a safe work environment, prevent occupational accidents from occurring, and protect labor safety and health. All employees and non-employees working in workplaces of the

Company are required to comply with the safety and health work rules and management regulations.

5. To ensure the safety of employees in the workplace, we implement automated inspection and management by wandering around to ensure safety when using equipment or instruments. We perform regular "operating environment monitoring," "medical check-up," and "special medical check-up" to maintain employee health. We enhanced employee safety and health education and training to raise safety awareness, and regularly organize disaster prevention drills in hopes of properly taking precautionary measures and the correct safety protection measures in the event of a disaster.
6. We enroll employees in group insurance to provide coverage for employees that are in an accident.
7. We organize fire safety and occupational safety and health seminars to raise employees' awareness of fire safety and occupational safety and health.
8. We hired occupational safety personnel and occupational health physicians to provide employees with healthcare and emergency care, occupational illness and injury, and infectious disease management, physical exams, medical check-ups and results analysis, health guidance, health promotion, suitable assignments, and reinstatements.

vi. Important contracts (supply/sales contracts, technical cooperation contracts, construction contracts, long-term loan contracts, and other important contracts that are sufficient to affect shareholders' equity that are still valid as of the annual report publication date or expired in the most recent year):

Nature of contract	The Parties	Commencement date/expiration date	Content	Restriction clauses
Outsourcing agreement	Tatung University	2019/01/01~2020/12/31	Industry-academia collaboration in R&D and applications	None
Outsourcing agreement	Feng Chia University	2018/07/01~2020/06/01	Industry-academia collaboration in R&D and applications	shall abide by confidentiality obligations
Service agreement	Hsieh Wen-Tong and Lou Chia-I Architects	2018/06/29~	Commissioned the counterpart to design and supervise the construction of a new office.	None
Service agreement	Hsieh Wen-Tong and Lou Chia-I Architects	2018/10/18~	Commissioned the counterpart to design and supervise factory construction.	None
Service agreement	Consul General Construction Co., Ltd.	2019/06/25-2020/09/29	Contracted the counterpart to reinforce and renovate the parking lot	None
Service agreement	Consul General Construction Co., Ltd.	2019/08/23-2019/10/15	Contracted the counterpart to reinforce electromechanical and fire safety equipment of the parking lot	None
Service agreement	Consul General Construction Co., Ltd.	2019/12/26-2022/09/30	Contracted the counterpart to construct a new office building	None

Service agreement	Eastern-shine Electrical and Plumbing Co., Ltd.	2019/12/26-2022/09/30	Contracted the counterparty for electrical and plumbing installation at the new office building	None
Purchase agreement	Biotest Medical Corp.	2019/02/26~201906/21	Purchased remaining shares of the counterparty and made it a wholly owned subsidiary.	None

vii. Corporate Social Responsibility

(I) Summary of Corporate Social Responsibility

As the global leader in electroacoustics, we expect ourselves to be an honest, woke company with integrity. Companies are public instruments and Merry has dedicated years of effort to fulfill its commitment to corporate social responsibility (CSR), taking action to achieve our mission to positively impact society through our economic responsibility, legal responsibility, ethical responsibility, environmental responsibility, and charity responsibility.

Merry's CSR project mainly covers corporate governance, employee care, environmental sustainability, and charity and welfare.

Corporate Governance	
Honesty and integrity have been the core values of Merry since its establishment, and "sincerity, integrity, diligence, thrift, and endurance" are unchanging traditions when facing changes in the internal and external environment. We seek constant innovation in product and business models in hopes of achieving sustainable development. Merry shows high ethical standards through its employees, customers, and investors.	
■ Implemented corporate governance in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" of the Taiwan Stock Exchange ■ Established Corporate Social Responsibility Best Practice Principles ■ Established a Remuneration Committee ■ Established business practice and professional ethics code	
Care for employees	
Employees are our most important partner in business. Merry strives to provide employees with a work environment where they can have peace of mind, and helps employees achieve work-life balance. Employees gain salaries, professional development, friendship, and charity through the guidance of supervisors who serve as their teacher and friend.	
■ Provide employees with a healthy and safe work environment with gender equality ■ A variety of employee education and training courses are provided based on the TTQS (Taiwan TrainQuali System) ■ Provide various benefits plans to help employees achieve work-life balance ■ Organize new employee forums each quarter for two-way communication and opinion exchange with the chairperson, helping employees more quickly identify with Merry	
Environmental sustainability	
We have systems in place to strictly control employee education and training and implementation methods under various green policies for environmental protection and sustainable development. During product design, we incorporate the concept of 3R and ECO design, and use carbon reduction and waste reduction as management standards, striving to lower emissions and energy consumption to achieve environmental sustainability.	
■ Comply with requirements of the RoHS, HF, WEEE, and REACH ■ Implement Merry's green supply chain management and green system management ■ Compile Merry's GHG inventory and implement energy conservation and carbon reduction plans ■ All factories passed the ISO 14064 GHG certification ■ Passed the hazardous substance process management system QC080000 certification	
Charity and Welfare	
The common good of society is our philosophy in charity and welfare. Merry encourages	

employees to actively care for communities and give back to society, sowing even more seeds of charity.

- Continue to promote the culture of reading and art and culture activities to make society better and more beautiful
 - Sponsored the "Library of Love" and "Library of Love Touring Workshop"
 - Sponsored the production of "Taiwan's March of Blessing" and an audio book by a classical music station
 - Arts and culture promotion, sponsor arts and culture performance and charity concerts
 - Participate in social welfare and encourage employees to actively care and give back to society
 - Implement the volunteer leave system to lead employees to become volunteers
 - Create opportunities for employees to become volunteers and match them with different organizations in need of volunteers
 - Promote industry-academia collaboration, and spare no effort in the cultivation of electroacoustics talent for Taiwan
- Establish an electroacoustics masters program and electroacoustics laboratory
Organize the Merry electroacoustics paper award and electroacoustics impact forum
Provide Merry electroacoustics research scholarships
Organize Merry electroacoustics technology forums

(II) Organize Merry electroacoustics new talent awards:

To inspire and encourage youth in Taiwan to engage in R&D and creative applications in the field of electroacoustics, and drive the upgrade and development of electroacoustics technologies, Merry Electronics Co., Ltd. organized selections for the Electroacoustics Paper Award, Electroacoustics Practice Award, and Industrial Design Award. The awards are given to outstanding electroacoustics talent and increase interactions between industry and academia.

Merry is one of the world's main manufacturers of mobile phone parts such as telecom microphones and receivers. We have an international marketing network, production bases, and powerful research and development abilities. Employees uphold the traditions of sincerity, integrity, diligence, thrift, and endurance in delivering beautiful sound that enrich people's lives. We strive to become a comprehensive supplier for communications and entertainment electroacoustics products around the world, and possess excellent development potential. Over the years, we have not only dedicated our efforts in the field of electroacoustics, but also spared no effort in the promotion of art and culture activities and giving back to society. We are also actively involved in industry-academia collaboration to support electroacoustics talent cultivation. We organized the first Merry Electroacoustics Paper Award in 2010, and this is the ninth year we have given out the award. We added the Electroacoustics Practice Award and Industrial Design Award in 2014, which were then combined into the Electroacoustics New Talent Award, actively encouraging students to engage in electroacoustics research and development. We have received excellent feedback for the awards.

The event accepts entries from students graduating from bachelor/masters/doctoral programs in July each year, and has attracted many students who studied electroacoustics products. Award winning works were selected through a rigorous and fair preliminary review and second review by a panel of judges formed by college professors and industry experts. Award winning students and their advisors received a prize and trophy. The Electroacoustics Paper Award and a total prize of NT\$550,000 was presented to 5 award winners in 2018.

(III) Implementation of industry-academia collaboration mechanisms:

1. We participate in campus job fairs and presentations of domestic colleges and provide job opportunities for graduates to join Merry.

2. We promoted the electroacoustics technology forum in domestic colleges with an electroacoustics department. We also engaged in academic and technology exchanges with graduate students in electroacoustics technology, and shares new knowledge and the latest development trends in electroacoustics technology in the industry, so as to elevate electroacoustics expertise and research ability in Taiwan, while providing job opportunities for graduates to join Merry.
3. For college students with excellent academic and conduct performance, we began providing allowances in 2011 and carried out exchanges, cultivation, and recruitment of these students to join Merry after they graduate, cultivating them into outstanding talent that will contribute what they learned to the industry. It is for this reason that we established the Regulations for Industry-Academia Collaboration in Technology Talent Cultivation.
4. We provide domestic college students with part-time work opportunities during summer and winter vacation and weekdays. These allow students to apply what they learn in school in the industry, and increase the capabilities of electroacoustics technologies, preparing students for working in the electroacoustics industry in the future.
5. Application for R&D alternative service: In coordination with our steady development of electroacoustics technologies, we apply for several R&D alternative service positions each year for application by students that intend to enter the field of electroacoustics.
6. Overseas factory automation talent internship and cultivation plan: We provide half-year and one-year internship opportunities to students who intend to find automation related work in overseas factories. Besides having supervisors with an expertise in automation to assist in the internships, we also provide interns with high salaries and allowances, free meals and accommodations, plane tickets back to Taiwan, and paid leave to visit family. We hope that these students will join our automation teams at overseas factories after they graduate.

viii. Industry-specific Key Performance Indicators (KPI):

- (I) Number of R&D personnel: The total number of R&D personnel all factories at the end of 2019 was 803.
- (II) Patent application: We filed 806 patent applications and currently have 201 effective patents; 145 patent applications are being processed; 460 patents have expired.
- (III) CO2 emission:

Unit: Metric ton of CO₂

Region \ Year	2019	2018
Scope1	446	2,542
Scope2	17,196	19,208
Total emission	17,642	25,675
Domestic	727	719
Overseas	16,915	24,956

- (III) Water consumption and total weight of waste:

Unit: Metric ton of CO₂

Region \ Year	2019	2018
Water consumption	5,487 m3	6,160 m3
Total weight of waste	14.4 tons	14.4 tons

(Weight of waste is the contract weight)

VI. Financial Overview

i. Condensed balance sheet and statement of comprehensive income for the most recent five years

(I) Condensed balance sheet and statement of comprehensive income - IFRS

1. Condensed consolidated balance sheet - IFRS

Unit: NT\$ Thousand

Item	Year	Financial statements for the past five years					Financial information for the current year up to March 31, 2020 (Note 3)
		2015	2016	2017	2018	2019	
Current assets		7,327,852	10,557,078	17,156,216	21,640,870	15,093,477	14,874,051
Property, plant and equipment (Note 2)		2,840,113	1,307,610	1,593,478	1,988,191	2,285,093	2,260,918
Intangible assets		234,276	300,956	328,534	1,552,242	1,502,776	1,474,446
Other assets		983,467	3,195,320	7,280,509	5,150,273	6,914,224	5,902,611
Total Assets		11,385,708	15,360,964	26,358,737	30,331,576	25,795,570	24,512,026
Current liabilities	Before distribution	3,693,363	6,407,330	12,035,053	16,177,542	8,963,745	10,207,870
(Note 2)	After distribution	4,285,450	8,143,868	15,178,891	19,321,380	註 3	Undistributed
Non-current liabilities		1,882,241	2,008,373	619,450	4,074,607	3,833,433	3,963,877
Total liabilities	Before distribution	5,575,604	8,415,703	12,654,503	20,252,149	12,797,178	14,171,747
(Note 2)	After distribution	6,167,691	10,152,241	15,798,341	23,395,987	註 3	Undistributed
Equity attributable to owners of parent		5,796,752	6,945,180	13,704,152	9,930,816	12,833,977	10,185,873
Capital		1,850,273	1,866,045	2,004,721	1,996,625	2,086,684	2,085,944
Capital surplus		1,342,694	1,523,507	2,985,304	2,789,111	3,870,105	3,857,609
Retained earnings	Before distribution	2,438,103	3,858,685	5,738,283	4,998,048	5,849,354	4,340,793
(Note 2)	After distribution	1,846,016	2,122,147	2,594,445	1,854,210	註 3	Undistributed
Other interests		268,740	-199,999	3,074,587	147,032	1,027,834	-98,473
Treasury stock		-103,058	-103,058	-98,743	-	-	-
Non-controlling interests		13,352	81	82	148,611	164,415	154,406
Total equity (Note 2)	Before distribution	5,810,104	6,945,261	13,704,234	10,079,427	12,998,392	10,340,279
	After distribution	5,218,017	5,208,723	10,560,396	6,935,589	Note 3	Undistributed

Note 1: Includes land value appreciation in the amount of NT\$11,997,000 after reappraisal in 1996.

Note 2: The amount of 2018 earnings to be distributed was reviewed by the Board of Directors, but has not yet been resolved by the shareholders' meeting. Hence, the distributed amount was not listed.

Note 3: At the time this annual report was published, data for the most recent quarter was already audited by the accountant.

2. Condensed consolidated statement of comprehensive income - IFRS

Unit: NT\$ Thousand

Item	Year	Financial statements for the past five years					Financial information for the current year up to March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Operating revenue		12,240,234	16,939,274	26,678,810	35,494,808	36,397,793	5,176,663
Gross profit		2,394,886	3,366,079	4,660,834	4,725,068	5,039,919	556,354
Operating income/loss		852,514	1,653,389	2,572,377	2,303,133	2,235,352	-44,958
Non-operating income and expense		-39,214	816,917	1,684,883	423,116	1,010,845	87,308
Net income before tax		813,300	2,470,306	4,257,260	2,726,249	3,246,197	42,350
Net income from continuing operations		665,226	2,011,146	3,622,209	2,060,849	2,531,146	40,564
Income (loss) on Discontinued Operations		-	-	-	-	-	-
Net profit of the term (loss)		665,226	2,011,146	3,622,209	2,060,849	2,531,146	40,564
Other consolidated income of the term (net value after tax)		50,884	-291,884	3,307,089	-2,583,113	926,128	-1,107,828
Total comprehensive income of the term		716,110	1,719,262	6,929,298	-522,264	3,457,274	-1,067,264
Net income attributable to owners of		641,305	2,011,140	3,622,205	2,064,265	2,548,612	47,381

the parent-						
Net income attributable to non-controlling interests	23,921	6	4	-3,416	-17,466	-6,817
Total Comprehensive income attributable Owners of the Parent	690,386	1,719,504	6,929,297	-514,200	3,466,522	-1,057,255
Total Comprehensive income attributable to Non-controlling Interests	25,724	-242	1	-8,064	-9,248	-10,009
Earnings per share	3.48	11	18.94	10.47	12.51	0.23

Note 1: At the time this annual report was published, data for the most recent quarter was already audited by the accountant.

3. Individual condensed balance sheet - IFRS

Unit: NT\$ Thousand

Item	Year	Financial statements for the past five years				
		2015	2016	2017	2018	2019
Current assets		4,191,632	7,580,798	13,211,303	14,908,899	9,786,915
Property, plant and equipment (Note 2)		78,832	71,590	448,242	761,523	770,937
Intangible assets		171,676	294,727	315,860	277,570	287,174
Other assets (Note 2)		5,264,249	5,981,563	10,152,721	9,780,734	12,180,275
Total Assets		9,706,389	13,928,678	24,128,126	25,728,716	23,025,301
Current liabilities	Before distribution	2,071,152	5,029,229	9,831,979	11,823,186	6,599,919
	After distribution	2,663,239	6,765,767	12,975,817	14,967,024	Note 2
Non-current liabilities		1,838,485	1,954,269	591,995	3,974,714	3,591,405
Total liabilities	Before distribution	3,909,637	6,983,498	10,423,974	15,797,900	10,191,324
	After distribution	4,501,724	8,720,036	13,567,812	18,941,738	Note 2
Equity attributable to owners of parent		5,796,752	6,945,180	13,704,152	9,930,816	12,833,977
Capital		1,850,273	1,866,045	2,004,721	1,996,625	2,086,684
Capital surplus		1,342,694	1,523,507	2,985,304	2,789,111	3,870,105
Retained earnings	Before distribution	2,438,103	3,858,685	5,738,283	4,998,048	5,849,354
	After distribution	1,846,016	2,122,147	2,594,445	1,854,210	Note 2
Other interests		268,740	-199,999	3,074,587	147,032	1,027,834
Treasury stock		-103,058	-103,058	(98,743)	-	-
Total equity	Before distribution	5,796,752	6,945,180	13,704,152	9,930,816	12,833,977
	After distribution	5,204,665	5,208,642	10,560,314	6,786,978	Note 2

Note 1: Includes land value appreciation in the amount of NT\$11,997,000 after reappraisal in 1996.

Note 2: The amount of 2019 earnings to be distributed was reviewed by the Board of Directors, but has not yet been resolved by the shareholders' meeting. Hence, the distributed amount was not listed.

4. Condensed individual statement of comprehensive income - IFRS

Unit: NT\$ Thousand

Item	Year	Financial statements for the past five years				
		2015	2016	2017	2018	2019
Operating revenue		10,578,633	15,617,796	24,316,279	30,438,179	30,648,815
Gross profit		1,498,566	2,182,598	3,269,857	2,612,459	3,011,026
Operating income/loss		708,904	1,235,054	1,906,016	1,279,191	1,628,025
Non-operating income and expense		43,150	1,165,098	2,268,499	1,216,044	1,518,007
Net income before tax		752,054	2,400,152	4,174,515	2,495,235	3,146,032
Net income from continuing operations		641,305	2,011,140	3,622,205	2,064,265	2,548,612
Income (loss) on Discontinued Operations		-	-	-	-	-
Net profit of the term (loss)		641,305	2,011,140	3,622,205	2,064,265	2,548,612
Other consolidated income of the term (net value after tax)		49,081	-291,636	3,307,092	-2,578,465	917,910
Total comprehensive income of the term		690,386	1,719,504	6,929,297	-514,200	3,466,522
Net income attributable to owners of the parent		641,305	2,011,140	3,622,205	2,064,265	2,548,612
Net income attributable to non-controlling interests		-	-	-	-	-
Total Comprehensive income attributable Owners of the Parent		690,386	1,719,504	6,929,297	-514,200	3,466,522
Total Comprehensive income attributable to Non-controlling Interests		-	-	-	-	-
Earnings per share		3.48	11	18.94	10.47	12.51

(V) Names of auditors and opinions

Year	Name of CPA:	Audit opinion
2015	Hung, Shu-Hua and Yang, Ming-Chin	Modified unqualified opinion
2016	Yang, Ming-Chin and Hung, Shu-Hua	Unqualified opinion
2017	Wang, Yu-Juan and Xu, Jian-Ye	Unqualified opinion
2018	Wang, Yu-Juan and Xu, Jian-Ye	Unqualified opinion
2019	Wang, Yu-Juan and Xu, Jian-Ye	Unqualified opinion

ii. Financial analysis for the most recent five years and reasons for changes in financial ratios in the most recent two years

1. Merry Group - IFRS

Item (Note 2)		Year	Financial analysis of the last five years					As of March 31, 2020
			2015	2016	2017	2018	2019	
Financial structure (%)	Debts Ratio		48.97	54.79	48.01	66.77	49.94	57.82
	Long-term Fund to Property, Plant and Equipment		270.38	684.73	860.02	704.43	729.40	632.67
Liquidity %	Current Ratio		198.41	164.77	142.55	133.77	167.10	145.71
	Quick Ratio		157.47	146.14	124.24	114.49	143.42	124.09
	Times interest earned		35.44	83.47	159.67	57.27	42.04	3.89
Operating ability	Average Collection Turnover (Times)		4.50	5.46	5.28	4.50	5.10	1.07
	Average days of collection		81.11	66.84	69.12	81.11	71.56	341.12
	Average Inventory Turnover (Times)		7.10	9.82	12.79	11.31	11.39	2.02
	Average Payables Turnover (Times)		3.86	3.09	3.37	3.06	3.31	0.57
	Average days of sales		51.40	37.16	28.53	32.27	32.04	180.69
	Property, Plant and Equipment Turnover (Times)		4.41	8.17	18.39	19.82	17.04	2.28
	Total Assets Turnover (Times)		1.15	1.27	1.28	1.25	1.29	0.21
Profitability	Return on assets ratio (%)		6.20	17.89	19.89	7.41	11.02	0.17
	Return on equity (%)		10.83	31.53	35.08	17.44	22.24	0.35
	Pre-tax income to paid-in capital ratio (%) (Note 7)		43.96	133.48	212.36	136.54	155.57	2.03
	Net profit ratio (%)		5.24	11.87	13.58	5.81	6.95	0.78
	Earnings Per Share (NT\$)		3.48	11.00	18.94	10.47	12.51	0.23
Cash flows	Cash flow ratio (%)		39.41	47.93	16.96	10.79	46.25	-0.02
	Cash flow adequacy ratio (%)		128.17	201.28	154.65	73.97	152.97	-152.97
	Cash reinvestment ratio (%)		4.55	40.48	3.58	-10.18	16.47	-14.00
Leverage	Operating leverage		1.42	1.18	1.08	1.13	1.18	2.33
	Financial leverage		1.03	1.02	1.01	1.02	1.04	0.75
Reasons for changes exceeding 20% in financial ratios in the most recent two years are as follows:								
(I) Financial structure: The decrease in long-term fund to property, plant and equipment ratio was mainly due to the decrease in short-term loans, which resulted in total liabilities becoming lower than the previous year.								

Note 1: Please refer to "3. Merry Group - Financial Accounting Standards in Taiwan" for our financial ratios from 2009 to 2011. Consolidated financial statements for each year were all audited by a CPA.

Note 2: Calculation formulas such as the one below shall be listed at the end of this table:

1. Financial structure

(1) Debt-to-asset ratio = total liabilities / total assets.

(2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net amount of real estate properties, plants and equipment.

2. Liquidity

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.

(3) Time interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability

(1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.

(2) Average collection period = 365 / receivables turnover.

(3) Inventory turnover ratio = cost of goods sold / average amount of inventory.

(4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.

(5) Average days of sales = 365 / inventory turnover.

(6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.

(7) Fixed assets turnover = net sales / average gross assets.

4. Profitability

(1) Return on assets = [net income + interest expense (1 – tax rate)] / average total assets.

(2) ROE = income after tax/net average equity.

(3) Net margin = net income / net sales.

(4) EPS = (income belonging to owner of parent company - stock dividend of preferred stocks)/weighted average number of issued shares.
(Note 4)

5. Cash flows

(1) Cash flow ratio = new cash flows from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.

(3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Leverage:

(1) Operating leverage = (net operating revenues - current operating cost and expense)/operating profit (Note 6).

(2) Financial leverage = operating profit/(operating profit - interest expense).

Note 3: Pay attention to the following matters when using the formula above for calculating EPS:

1. Based on the weighted average number of ordinary shares and not the number of outstanding shares at the end of the year.

2. The period of shares from cash capital increase or treasury stock must be taken into consideration when calculating the weighted average number of shares.

3. When calculating EPS in previous years or half years after capital increase by earnings or capital surplus, adjustments must be made according to the ratio of capital increase and the duration does not need to be considered.

4. If preferred stock is non-convertible cumulative preferred stock, the dividends (regardless of whether it is distributed) shall be deducted from after-tax net income or added to after-tax net loss. If the preferred stock is non-cumulative and there is after-tax net income, dividends on preferred stock shall be deducted from after-tax net profit. In case of a loss, then no adjustment is necessary.

Note 4: Pay attention to the following matters during cash flow analysis:

1. Net cash flows from operating activities refers to the net cash flows from operating activities in the cash flow statement.

2. Capital expenditure refers to the cash outflows from capital investments each year.

3. Inventory increase is only calculated when the amount at the end of the period is greater than the beginning of the period, and is calculated at zero if inventory decreases at the end of the year.

4. Cash dividends include cash dividends on ordinary shares and preferred shares.

5. Gross amount of property, plant, and equipment refers to the total amount of property, plant and equipment before cumulative depreciation is deducted.

Note 5: Issuers must divide operating costs and operating expenses into fixed and variable based on their properties. If it involves estimates or subjective judgment, make sure it is reasonable and consistent.

Note 6: The Company's shares are issued without face value or where the face value is not equal to NT\$10, the calculation of paid-in capital ratio is based on equity attributable to parent company shareholders on the balance sheets.

2. Merry Electronics - IFRS

Item (Note 2)		Year	Financial analysis of the last five years				
			2015	2016	2017	2018	2019
Financial structure (%)	Debts Ratio		40.28	50.14	43.20	61.40	44.26
	Long-term Fund to Property, Plant and Equipment		9,685.45	12,431.13	3,189.38	1,826.02	2,130.57
Liquidity %	Current Ratio		202.38	150.73	134.37	126.10	148.29
	Quick Ratio		195.30	147.24	125.75	120.74	135.68
	Times interest earned		33.87	99.07	280.51	80.93	50.63
Operating ability	Average Collection Turnover (Times)		4.56	5.78	5.30	4.65	5.27
	Average days of collection		80.01	63.16	68.85	78.49	69.25
	Average Inventory Turnover (Times)		17.51	22.33	10.30	36.47	35.70
	Average Payables Turnover (Times)		6.56	4.79	3.73	3.71	4.22
	Average days of sales		20.85	16.35	35.42	10.00	10.22
	Property, Plant and Equipment Turnover (Times)		131.57	207.65	93.55	50.32	40.00
	Total Assets Turnover (Times)		1.19	1.32	1.28	1.22	1.26
Profitability	Return on assets ratio (%)		7.40	17.19	19.10	9.66	12.41
	Return on equity (%)		10.83	31.57	35.08	17.47	22.39
	Pre-tax income to paid-in capital ratio (%) (Note 7)		40.65	128.62	208.23	124.97	150.77
	Net profit ratio (%)		6.06	12.88	14.90	6.78	8.32
	Earnings Per Share (NT\$)		3.48	11.00	18.94	10.47	12.51
Cash flows	Cash flow ratio (%)		65.36	50.73	24.24	1.30	46.80
	Cash flow adequacy ratio (%)		534.46	1,129.15	214.6	116.22	253.61
	Cash reinvestment ratio (%)		3.65	13.39	3.12	-22.01	8.34
Leverage	Operating leverage		1.05	1.04	1.03	1.06	1.05
	Financial leverage		1.03	1.02	1.01	1.03	1.04

Note 1: Please refer to "4. Merry Electronics - Financial Accounting Standards in Taiwan" for our financial ratios from 2009 to 2011. Financial statements for each year were all audited by a CPA.

Note 2: Calculation formulas such as the one below shall be listed at the end of this table:

1. Financial structure
 - (1) Debt-to-asset ratio = total liabilities / total assets.
 - (2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net amount of real estate properties, plants and equipment.
2. Liquidity
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.
 - (3) Time interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
 - (1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
 - (2) Average collection period = 365 / receivables turnover.
 - (3) Inventory turnover ratio = cost of goods sold / average amount of inventory.
 - (4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.
 - (5) Average days of sales = 365 / inventory turnover.
 - (6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.
 - (7) Fixed assets turnover = net sales / average gross assets.
4. Profitability
 - (1) Return on assets = [net income + interest expense (1 - tax rate)] / average total assets.
 - (2) ROE = income after tax/net average equity.
 - (3) Net margin = net income / net sales.
 - (4) EPS = (income belonging to owner of parent company - stock dividend of preferred stocks)/weighted average number of issued shares. (Note 4)
5. Cash flows
 - (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
 - (3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)
6. Leverage:
 - (1) Operating leverage = (net operating revenues - current operating cost and expense)/operating profit (Note 6).
 - (2) Financial leverage = operating profit/(operating profit - interest expense).

Note 3: Pay attention to the following matters when using the formula above for calculating EPS:

1. Based on the weighted average number of ordinary shares and not the number of outstanding shares at the end of the year.
2. The period of shares from cash capital increase or treasury stock must be taken into consideration when calculating the weighted average number of shares.
3. When calculating EPS in previous years or half years after capital increase by earnings or capital surplus, adjustments must be made according to the ratio of capital increase and the duration does not need to be considered.
4. If preferred stock is non-convertible cumulative preferred stock, the dividends (regardless of whether it is distributed) shall be deducted from after-tax net income or added to after-tax net loss. If the preferred stock is non-cumulative and there is after-tax net income, dividends on preferred stock shall be deducted from after-tax net profit. In case of a loss, then no adjustment is necessary.

Note 4: Pay attention to the following matters during cash flow analysis:

1. Net cash flows from operating activities refers to the net cash flows from operating activities in the cash flow statement.
2. Capital expenditure refers to the cash outflows from capital investments each year.
3. Inventory increase is only calculated when the amount at the end of the period is greater than the beginning of the period, and is calculated at zero if inventory decreases at the end of the year.
4. Cash dividends include cash dividends on ordinary shares and preferred shares.
5. Gross amount of property, plant, and equipment refers to the total amount of property, plant and equipment before cumulative depreciation is deducted.

Note 5: Issuers must divide operating costs and operating expenses into fixed and variable based on their properties. If it involves estimates or subjective judgment, make sure it is reasonable and consistent.

Note 6: The Company's shares are issued without face value or where the face value is not equal to NT\$10, the calculation of paid-in capital ratio is based on equity attributable to parent company shareholders on the balance sheets.

iii. Supervisors' review report on the most recent financial report

Merry Electronics Co., Ltd.
Audit Committee's review report

We have reviewed the 2019 Business Report and earnings distribution sent by the Board of Directors, as well as the financial statements and consolidated financial statements that were audited and certified by CPA Wang, Yu-Juan and Xu, Jian-Ye, and did not find any inconsistencies. We have thus prepared this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

Merry Electronics Co., Ltd. 2019 Annual General Meeting

Merry Electronics Co., Ltd.

Convener of the Audit Committee: Ke, Chun-Hui

Thursday, February 27, 2020

- IV. Financial statements of the most recent year: See pages 104-194 for details
- V. Financial statements of the most recent year audited and certified by the CPA: See pages 195-287 for details
- vi. The impact of the financial difficulties of the Company and the affiliated companies, if any, on the Company's financial position in the past year and as of the printing date of the annual report:
The Company and its affiliated enterprises did not encounter any financial difficulty in 2019 and up to the date of report.
- vii. Achievement of financial forecasts in the most recent two years:
N/A.

VII. Review and analysis of the financial status, financial performance, and risk management

i. Financial position

Unit: NT\$ Thousand; %

Item	Year	2019	2018	Difference	
				Amount	%
Current assets		15,093,477	21,640,870	-6,547,393	-30.25
Property, plant and equipment		2,285,093	1,988,191	+296,902	+14.93
Intangible assets		1,502,776	1,552,242	-49,466	-3.19
Other assets		6,914,224	5,150,273	+1,763,951	+34.25
Total Assets		25,795,570	30,331,576	-4,536,006	-14.95
Current liabilities		8,963,745	16,177,542	-7,213,797	-44.59
Non-current liabilities		3,833,433	4,074,607	-241,174	-5.92
Total liabilities		12,797,178	20,252,149	-7,454,971	-36.81
Capital		2,086,684	1,996,625	+90,059	+4.51
Capital surplus		3,870,105	2,789,111	+1,080,994	+38.76
Retained earnings		5,849,354	4,998,048	+851,306	+17.03
Other interests		1,027,834	147,032	+880,802	+599.05
Treasury stock		0	0	0	100
Non-controlling interests		164,415	148,611	+15,804	+10.63
Equity attributable to owners of parent		12,833,977	9,930,816	+2,903,161	+29.23
Total equity		12,998,392	10,079,427	+2,918,965	+28.96

Note: Retained earnings include statutory reserve and special reserve.

Analysis of changes reaching 20% or amount reaching NT\$10 million:

- (1) Current assets and total assets: Mainly due to the decrease in net sales resulting in the decrease in accounts receivable, which caused a decrease in current assets. The decrease in cash and cash equivalents was due to the decrease in time deposits, which was the reason for the decrease in total assets.
- (2) Total liabilities: Mainly due to the decrease in short-term loans, which resulted in total liabilities becoming lower than the previous year.
- (3) Other equity: Mainly due to adjustments to the valuation of equity instruments at fair value through other comprehensive income.

ii. Financial performance

(I) Comparative analysis of financial performance

Unit: NT\$ Thousand; %

Item	Year	2019	2018	Increase (Decrease)	Percentage of increase (decrease) %
Operating revenue		36,397,793	35,494,808	+902,985	+2.54
Gross profit		5,039,919	4,725,068	+314,851	+6.66
Operating income/loss		2,235,352	2,303,133	-67,781	-2.94
Non-operating income and expense		1,010,845	423,116	+587,729	+138.90
Net income before tax		3,246,197	2,726,249	+519,948	+19.07
Net income from continuing operations		2,531,146	2,060,849	+470,297	+22.82
Net income		2,531,146	2,060,849	+470,297	+22.82
Other consolidated income/loss (net value after tax)		926,128	-2,583,113	+3,509,241	+135.85
Total comprehensive income of the term		3,457,274	-522,264	+3,979,538	+761.98
Net income attributable to owners of the parent		2,548,612	2,064,265	+484,347	+23.46
Net income attributable to non-controlling interests		-17,466	-3,416	-14,050	-411.30
Total Comprehensive income attributable Owners of the Parent		3,466,522	-514,200	+3,976,722	+779.44
Total Comprehensive income attributable to Non-controlling Interests		-9,248	-8,064	-1,184	-14.68

Reasons for changes reaching 20%:

1. Non-operating income and expense: Due to the increase in shipments by subsidiaries using the equity method.
2. Other comprehensive income (loss): The increase compared with the same period last year was due to the valuation of equity instruments at fair value through other comprehensive income.
3. Net income attributable to owners of the parent, total comprehensive income attributable owners of the parent: Due to the valuation of equity instruments at fair value through other comprehensive income

- (II) Projected sales in the coming year and its basis, and the main factors for the continued growth or decline of sales:

Overview of the terminal market served by Merry:

Headset market:

Statista projects global headset shipment to increase from 380 million headsets in 2018 to 400 million headsets in 2019. Future Market Insights further pointed out that CAGR in 2018-2028 is 8%.

The main source of growth momentum will be from TWS headsets. Apple's AirPods was a huge success, and Huawei's Freebuds and Honor FlyPods also showed rapid development. Xiaomi launched a series of new headsets in 2019Q1, and the ultra high price-performance ratio has driven its significant growth in the wearable device market. Intelligence Research Group expects global TWS headset shipments to show rapid growth in 2018-2020, reaching 65 million headsets, 100 million headsets, and 150 million headsets, respectively. The penetration of TWS headsets is expected to continue increasing as the audio quality and functionality of wireless headsets continues to improve.

Smart speakers/VPAs:

Canalys expects the number of smart speakers installed worldwide to increase 82.4% from 114 million in 2018 to 208 million in 2019. VPAs will become an important channel for home assistance, healthcare, and government services.

Canalys also pointed out that the installation of smart speakers worldwide will reach 400 million 2021 and surpass tablet PCs.

Furthermore, Gartner expects 50% of home appliances will have a virtual personal assistant (VPA) interface by 2021. This shows that VPAs will no longer be confined to smart speakers, and will play an important role in daily life scenarios at home, in your car, or at the office. This will also create more business opportunities for MEMS microphone manufacturers, and AI will be incorporated in the near future for even more diverse product developments.

Assistive listening devices:

Grand View Research estimated the global population with hearing impairment at 477 million in 2019, and average wearing rate of assistive listening devices worldwide at approximately 26%. The OTC assistive listening device bill in 2020 will allow people with mild and moderate hearing impairment to directly purchase assistive listening devices over-the-counter, and will not need the diagnosis of an audiologist/hearing aid dispenser. From a demand perspective, this trend will significantly reduce the cost of owning an assistive listening device and increase the wearing rate of assistive listening devices. From a supply perspective, this will allow manufacturers of high-end consumer headset to have the opportunity to enter a market that has been dominated by a small number of assistive listening device manufacturers for many years.

Since the assistance of an audiologist/hearing aid dispenser is no longer required, assistive listening device manufacturers will need to develop online hearing tests, online hearing aid dispensing, and other software service processes for users to freely operate.

We can also foresee the application of even more sensors in assistive listening devices, and cloud computing will be utilized to develop value-added services based on signals from the sensors, such as heart rate detection and fall detection for elderly care.

Wearable devices:

Gartner expects the end consumer market for wearable devices to reach US\$52 billion in

2020, up 27% compared to the US\$41 billion in 2019, and will further reach US\$63 billion in 2021.

Wearable devices include smart watches, head mounted display, headsets (smart headsets), sports watches, wristbands, and smart clothing. Smart watches and headsets are the top products in terms of shipments in 2020 and estimated at 86 million and 70 million, respectively.

Apple's AirPods lead the headset market, and Samsung's Galaxy Buds, Xiaomi's AirDots, and Bose's SoundSport Free all have an advantage in the market. Other products provided by Nuheara, Microsoft, and Starkey emphasize the gain provided by their products.

The market penetration of wearable devices is determined by the accuracy of sensors, algorithm, micro, and personal information protection. Especially micro, Gartner predicts that micro technologies will allow wearers to barely notice the existence of about 10% of wearable devices before 2023.

Looking towards 2020, from electroacoustics to batteries, from sensing devices to system integration/assembly, from physical electroacoustics to algorithm electroacoustics, and from single sensor to multiple sensor integration, Merry will continue to be supported by growing demand in the four application markets, and expects growth potential for sales in 2020.

iii. Cash flows

(I) Analysis of cash flow changes in the current year:

Cash outflow for the entire year	Cash outflow for the entire year	Cash outflow for the entire year	Cash outflow for the entire year	Cash outflow for the entire year	
				投資計劃	理財計劃
8,512,129	4,225,165	1,922,266	6,589,863	-	-

(II) Liquidity analysis for the most recent two years:

Item \ Year	2019	2018	Percentage of increase (decrease) (%)
Cash flow ratio (%)	46.25	10.79	35.46
Cash flow adequacy ratio (%)	152.97	73.97	79
Cash reinvestment ratio (%)	16.47	-10.18	26.65
Reasons for changes:			
The decrease in cash reinvestment ratio was mainly due to the decrease in short-term loans.			

(III) Liquidity analysis for the coming year:

Unit: NT\$ Thousand

Beginning Cash Balance (1)	Net cash inflow from operating activities (2)	Cash outflow for the entire year (3)	Cash surplus (shortage) (1)+(2)+(3)	Remedial measures for cash deficit	
				Investment plan	Financial plan
6,589,863	2,128,883	579,676	9,298,422	-	-

1. Analysis of cash flow changes in the current year:

- (1) Operating activities: Mainly due to the increase in net profit compared with the same period last year, which resulted in the increase in net cash inflow compared with the same period last year.
- (2) Investing activities: Mainly due to the increase in net profit compared with the same period last year. The relatively high number of large investment projects resulting in a decrease in cash outflows compared with the same period year.

- (3) Financing activities: Mainly due to the decrease in short-term loans and convertible corporate bonds issued in 2019, which resulted in the increase in net cash outflows from financing activities.
2. Remedial measures for cash shortage and liquidity analysis: N/A.
- iv. Impact of major capital expenditures in recent years on the Company's financial position and business: N/A**
- v. Reinvestment policy in the most recent year, main reason for profit or loss, improvement plan, and investment plan for the coming year:**
The global economic trend is highly uncertain in 2020. Investment benefits will be carefully evaluated before implementing investment plans in the future, so as to create value for the Company and shareholders.
The reason for profits from reinvestments in the most recent year is the good business situation and increase in sales of investees. The reason for losses sustained by some investees is the decrease in purchase orders received in China and the increase in cost. Future efforts will be directed to increasing the amount of purchase orders to lower cost.
- vi. Risk analysis and assessment should be conducted for the following items in the most recent year and up to the date of report:**

- (I) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

1. The Company's interest and exchange gains or losses in 2019 are listed below:

Unit: NT\$ Thousand; %

Item	Year
	2019
Net exchange gain (loss)	-10,780
Net revenue	36,397,793
Pre-tax profit	3,246,197
Net exchange gain (loss) as a percentage of net operating revenue	-0.03
Net exchange gain (loss) as a percentage of pre-tax net profit	-0.33
Interest income	70,090
Interest income as a percentage of net operating revenue	0.19
Interest income as a percentage of pre-tax net profit	2.16
Interest expense	81,319
Interest expense as a percentage of net operating revenue	0.22
Interest expense as a percentage of pre-tax net profit	2.51

Source: Consolidated financial report audited and certified by a CPA.

- (1) Interest rate changes
- A. Our loans are measured at amortized cost. Interest rates are set each year based on the contract. Hence, we are exposed to the risk of future interest rate changes in the market.
- B. When interest rate rises or declines by 0.25% and all other things held equal, after-tax net-profit (loss) in 2019 and 2018 will decline or increase NT\$1,066,000 and NT\$9,507,000, respectively. This is mainly due to interest expense changing along with interest rates.
- (2) Exchange rate fluctuations
- A. The Group operates in multiple countries and therefore has currency risk from the functional currency, which are mainly USD, RMB, and HKD, used by the Company and its subsidiaries. Currency risk mainly comes from future transactions and assets and liabilities that are recognized.
- B. Our business involves several non-functional currencies (the Company's

functional currency is NTD, the functional currency of some subsidiaries is USD, RMB, and HKD), and is therefore affected by exchange rate fluctuations. Information on major foreign currency denominated assets and liabilities affected by exchange rate fluctuations are as follows:

The total amount of exchange gains or losses (including realized and unrealized) from the group's monetary items that are significantly affected by exchange rate fluctuations in 2019 and 2018 was a loss of NT\$10,780,000 and loss of NT\$28,321,000, respectively.

(3) Inflation

If inflation rises by 1%, the Company's expenses will increase NT\$20,885,000.

2. Future response measures:

(1) Response measures for interest rate changes

The Company's interest rate risk comes from liabilities generated by operating activities, and assets in time deposits and invested in bonds. To lower the interest rate risk of liabilities, the Company borrows long-term loans or issues convertible corporate bonds to meet the demand on capital expenditures. To lower the interest rate risk of assets, we allocate our funds in short-term time deposits and fixed income bonds, with good liquidity to ensure the safety of our funds while maintaining liquidity. We maintain close relationships with financial institutions to gain loans at preferential interest rates.

(2) Response measures for exchange rate fluctuations

The Company operates in multiple countries, and currency risk mainly comes from future transactions. Quotations provided to customers use relatively conservative exchange rates, so that exchange rate fluctuations will have a lower effect on the profits of purchase orders that are received. We hedge against foreign exchange exposure resulting from operations through foreign currency loans, cross currency swaps, forward exchange contracts, and options. We trade foreign exchange derivatives for hedging purposes, and established the "Procedure for the Acquisition or Disposal of Assets" in accordance with laws and regulations of the Securities and Futures Bureau to improve currency risk management in our financial operations and business.

(3) Response measures for inflation

Taiwan's consumer price index (CPI) increased 0.56% in 2019, so there are no concerns for deflation and there is no significant effect on cost and price. We will continue to monitor future inflation for cost control and quotations, and will make suitable adjustments.

(II) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures:

We have not engaged in high risk, high leverage investments in the past year. Please refer to pages 179 and 182 for lending to others and endorsement/guarantee. Derivatives traded in 2019 include forward exchange contracts and interest rate swaps to build a hedge position that avoids currency and interest rate risks from investments and loans. We carried out proper management and supervision based on the guidelines for acquisition and disposal of assets. Furthermore, we established the "Procedure for the Acquisition or Disposal of Assets" to specify the risk management system for trading derivatives. The above do not have any material negative impact on the Company's income.

(III) Future R&D projects, current progress of uncompleted R&D projects, R&D expenses that need to be invested, expected time to mass production, and main factors to the success of future R&D projects: Please refer to page 65:

(IV) The effect of changes in important domestic and foreign policies and laws on the

Company's financial position and business operations, and response measures:

All of our business operations comply with local policies and laws. We have a legal department that monitors changes in policies and laws and proposes prevention measures.

- (V) The effect of changes in technologies and industry on the Company's financial position and business operations, and response measures:

The Company strives to develop new products/technologies and cultivate technology talent in response to industry changes. The Strategic Planning Department under the Chairperson's Office periodically analyzes the industry and market to ensure that the Company keeps up with application trends in the market.

- (VI) Impact of corporate image change on risk management and response measures:

We have upheld the core values of "honesty and integrity" since the Company was founded, and attach great importance to fulfilling our corporate social responsibility. Corporate image related information is announced through the Company website, MOPS, Public Relations Section, and spokesperson.

- (VII) Expected benefits and potential risks of merger and acquisition: N/A.

- (VIII) Expected benefits and potential risks of capacity expansion: None.

- (IX) Risks associated with over-concentration in purchase or sale and response measures:

We are actively developing new products and customers to disperse our risk of sales. Furthermore, we are closely working together with core suppliers and are strategically developing new suppliers to ensure that we can satisfy the needs of our customers with respect to material quality/technology/price/delivery.

- (X) Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% interest on the Company, associated risks and response measures: None.

- (XI) The effect of changes in management right on the Company, risks, and response measures: N/A.

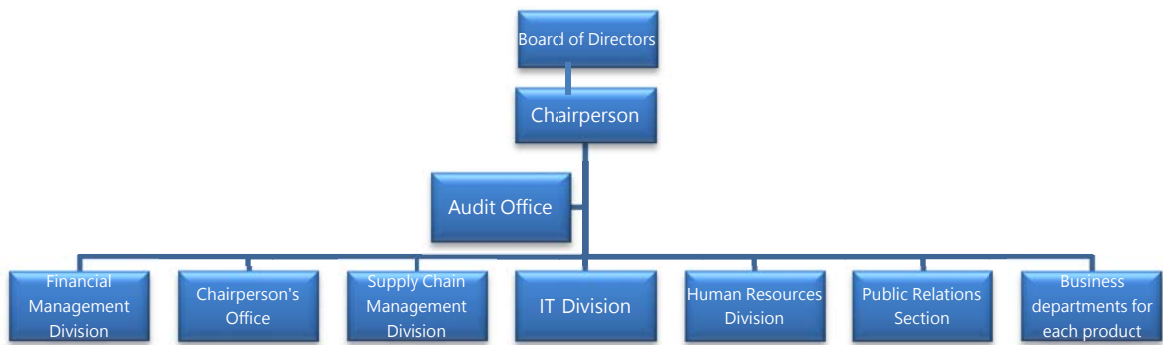
- (XII) For litigious and non-litigious events, if the result of major litigious, non-litigious events, or administrative disputes, either concluded or ongoing, involving the company and its directors, supervisors, president, de facto responsible person, major shareholders with more than 10% shares, or subsidiaries may have a material impact on shareholders' equity or stock prices, disclose the facts in contention, amount, start date of litigation, main parties involved, and progress up to the date of report: The Company is not involved in any major litigious, non-litigious events or administrative disputes. We do not have any information on individuals.

- (XIII) Other important risks and response measures: None

- (XIV) Structure of the risk management organization:

Functional units of Merry Electronics Co., Ltd. minimize potential risks in business through delegation of authority, risk transfer, process improvement, education and training, and audit system to ensure the Company's stable growth and to meet business goals.

The highest level supervisor of risk management is the chairperson, who implements the Company's overall risk management, and prevents potential losses within the Company's risk tolerance based on the business policy. Functional units are responsible for the identification, assessment, and response to risks. The Audit Office is responsible for overseeing risks and follow-up on subsequent improvement.



vii. Other important matters

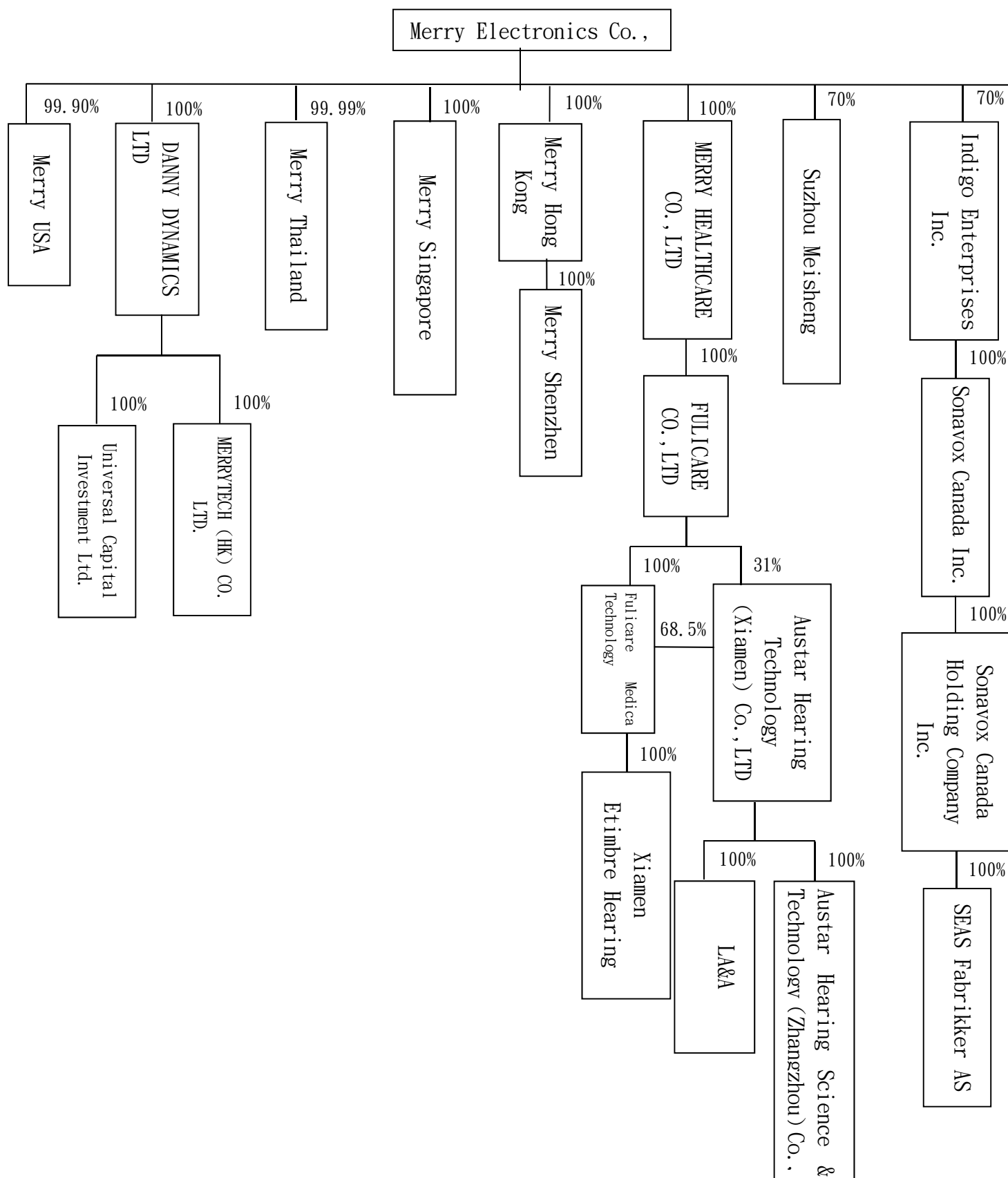
None.

VIII. Special notes

i. Information on affiliated enterprises:

April 30, 2020

(I) Investment holding structure:



- (II) 1. The existence of a controlling and subordinate relation concluded in accordance with Article 369-3 of the Company Act: N/A
2. Subordinate companies that the Company has direct or indirect control over the management of personnel, financial or business operations in accordance with Article 369-2 of the Company Act: N/A
- (III) Basic information on affiliated enterprises:

Name of company	Date of establishment	Address	Cost of investment (paid-in capital)	Main business or products
MERRY ELECTRONICS (U.S.A.) CO.,LTD	1987.11.25	890 HILLVIEW CT STE. 200 MILPITAS, CA 95035-4565	NT\$28,227,000	Technical and Marketing Support Services
MERRY ELECTRONICS (HK) CO.,LTD.	1988.09.01	Room 10, 2F, Block B, Shatin Industrial Center, No. 5-7, Yuen Shun Circuit, Shatin, New Territories, Hong Kong	NT\$98,113,000	Mainly engages in trade and provides affiliated enterprises with cargo delivery services
MERRY ELECTRONICS (THAILAND) CO.,LTD.	1988.12.13	221 MU 3 EXPORT PROCESSING ZONE I LEAM CHABANG INDUSTRY PARK EPZ 1 SRIRACHA	NT\$484,358,000	1. Production and sales of microphone and components, microphone components, telephone components, and electronic products, such as blood glucose meter, cooking machine, electronic oven, and electric appliance switch. 2. Purchases machinery, raw materials, and materials used for domestic and overseas production of products. 3. Production, assembly, sales, and import/export of machinery, equipment, and parts used in factories, including molds and parts.
Merry Electronics (Shenzhen) Co., Ltd.	1989.04.18	No. 48, Meibao Rd., Dalang Office, Longhua District, Shenzhen City, Guangdong Province	NT\$454,663,000	Production, wholesale, import/export, and related businesses of microphones, speakers, alarms, induction stove, electronic transmitter, electronic receiver, marker tube, blanket dryer, multimeter, safety fastener, moisture meter, thermometer, garden light, pH meter, window opener, earphones, handfree headset, charger, car charger, leather case, battery, fixed support, anemometer, hygrothermograph, bluetooth board, in-vehicle handfree device controller, bluetooth in-vehicle handfree device, in-vehicle applicable connector, bluetooth handfree device, and electronic product parts and peripherals, and providing technical services for the above products. Leasing own property, machinery, and equipment.
DANNY DYNAMICS LIMITED	2002.01.02	P.O. Box 3321, Road Town, Tortola, British Virgin Islands	NT\$1,479,925,000	General investment
Universal Capital Investment Limited	2002.01.25	TM Building, Pope Hennessy Street, Port Louis, Republic of Mauritius	NT\$151,000	General investment

MERRYTECH (HK) CO. LIMITED	2007.11.26	Room 1201, 12F, Connaught Building, 185. Wanchai Road, Wanchai, Hong Kong	NT\$1,393,940,000	General investment
MERRY ELECTRONICS (Singapore) PTE. LTD.	99.12.23	21, Bukit Batok Crescent, #21-79, WCEGA Tower, Singapore 568065	82,942 仟 元	1.ELECTRONICS-RELATED INDUSTRIAL DESIGN SERVICES 。 2.RETAIL SALE OF AUDIO AND VIDEO EQUIPMENT (EG RADIO AND TELEVISION SETS,SOUND REPRODUCING AND RECORDING EQUIPMENT) 。
MERRY HEALTHCARE CO., LTD.	2014.06.25	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O.Box 32052,Grand Cayman KY1-1208, Cayman Island	NT\$523,265,000	Sale of medical equipment
FULICARE CO., LTD.	2015.06.09	Porteallis TrustNet Chambers, P.O. Box 1225, Apia, Samoa.	NT\$454,953,000	General investment
Fulicare Medical Technology (Suzhou) Co., Ltd.	2015.08.05	No. 800, Kangyuan Rd., Xiangcheng Economic Development Zone, Suzhou City, Jiangsu Province	NT\$362,700,000	Development of class 1 and 2 medical devices, and the wholesale, retail, and import/export of class 1 and 2 medical devices; Equity investments; Wholesale, retail, and import/export of equipment, electronic products and components, instrument panels and auxiliary software/hardware, metal tools and parts, metal products and its raw materials (except for precious metals), wood products, paper products, textiles, office supplies, and daily necessities. Processing of self-owned brand products and provision of technical services.

Fulicare Medical Instruments (Xiamen) Co., Ltd.	2019.06.10	1F, 2F, 4F, and 5F, Building B8, Biomedical Industrial Park, No. 2064, Wengjiao W. Rd., Haicang District, Xiamen City.	NT\$302,250,000	Manufacturing of other medical devices and instruments; Manufacturing of other special purpose instruments; Manufacturing of other instrument panels; Electronic parts and components manufacturing; Manufacturing of other electronic equipment; Manufacturing of other special purpose equipment; Manufacturing of other products not listed; Wholesale of class 1 medical devices; Wholesale of class 2 medical devices; Retail of class 1 medical devices; Retail of class 2 medical devices; Wholesale of other machinery and equipment and electronics products; Retail of other electronics products; Retail of other products not listed; Wholesale of computers, software, and auxiliary equipment; Import/export of various products and technologies, except for products and technologies that companies restricted from operating or prohibited from importing/exporting by the government; Export of products manufactured by the Company and import of mechanical equipment, parts, and materials required by the Company, except for products and technologies prohibited by the government for sales or import/export; repair of other professional equipment not listed; Software development; IT consultation services; Promotion and application services for other technologies not listed.
Austar Hearing Science & Technology (Xiamen) Co., Ltd.	2003.09.27	Room 3013A, Xuanyelou, Venture Park, Xiamen Torch Hi-tech Zone	NT\$61,961,000	Manufacturing of other medical devices and instruments; Wholesale of class 1 medical devices; Wholesale of class 2 medical devices; Wholesale of other machinery and equipment and electronics products; Software development; Repair of other professional equipment not listed; Import/export of various products and technologies, except for products and technologies that companies restricted from operating or prohibited from importing/exporting by the government.
Austar Hearing Science & Technology (Zhangzhou) Co., Ltd.	2016.03.31	Yunling Industrial Development Zone, Yunxiao, Zhangzhou City, Fujian Province	NT\$42,550,000	The design, development, production, import/export, and wholesale of assistive listening devices and instruments, hearing testing equipment, and sound related rehabilitation instruments.

Xiamen LA&A Medical Devices Co., Ltd.	2012.09.26	Room 201-(2), No. 2, Gaoqinan Rd. (No. 12), Xiamen Area, Fujian Pilot Free Trade Zone, China	NT\$21,275,000	Retail of class 2 medical devices; Retail of class 3 medical devices; Wholesale of class 2 medical devices; Wholesale of class 3 medical devices; Retail of class 1 medical devices; Wholesale of class 1 medical devices; Wholesale of other machinery and equipment and electronics products; Retail of other electronics products; Import/export of various products and technologies.
Xiamen Etimbre Hearing Technology Co., Ltd.	2011.07.21	No. 38 and 39, 4F, Pacific Plaza, 329 Jiahe Road, Siming District, Xiamen City	NT\$2,128,000	Promotion and application services for other technologies not listed; Retail of class 1 medical devices; Retail of class 2 medical devices; Retail of class 3 medical devices; Wholesale of class 1 medical devices; Wholesale of class 2 medical devices; Wholesale of class 3 medical devices; Wholesale of other machinery and equipment and electronics products; Retail of other electronics products; Retail of other daily necessities; Retail of other cultural products; Repair of other daily use products not listed; Wholesale of other products not listed; Other services not listed.
Suzhou Meisheng Electronic Co., Ltd.	1998.02.25	Chaoyang Industrial Workshop, Chao Lake Industrial Park, Suzhou Xiangcheng Economic Development Zone	NT\$241,800,000	Production and sales of stereo amplifiers, audio equipment, speakers, and related products.
Indigo Enterprises Inc.	1988.04.02	Porteallis Chambers, P.O.Box 1225, Apia, Samoa	NT\$865,832,000	General investment.
Sonavox Canada	1999.04.01	81 Zenway Boulevard, Suite 25, Woodbridge, ON L4H 0S5	NT\$30,000	Receiving purchase orders, R&D, and appearance design of speakers and amplifiers.
SEAS Fabrikker AS	-	Ryggeveien 96, 1522 Moss, Norway	NT\$23,000	Production and sales of individual speakers.

Biotest Medical Corp.	2000.11.01	No. 7-3 and 9.3, Jianguo Rd., Tanxiu Village, Tanzi District, Taichung City	NT\$90,000,000	Precision Photographic Manufacturing, Instruments and Optical Equipment Manufacturing, Electric Appliance and Audiovisual Electric Products Manufacturing, International Trade, Wholesale of Precision Instruments, Telecommunication Equipment and Apparatus Manufacturing, Management Consulting Services, Medical Materials and Equipment Manufacturing, Other Photographic and Optical Instruments Manufacturing, Electronic Parts and Components Manufacturing, Electrical Machinery, Supplies Manufacturing, Wholesale of Drugs, Medical Goods, Computers and Computing Peripheral Equipments Manufacturing, Wholesale of Telecom Instruments, Restrained Telecom Radio Frequency Equipments and Materials Import, Restrained Telecom Radio Frequency Equipments and Materials Manufacturing, All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Fulicare Medical Instruments (Xiamen) Co., Ltd.	2019.06.10	1F, 2F, 4F, and 5F, Building B8, Biomedical Industrial Park, No. 2064, Wengjiao W. Rd., Haicang District, Xiamen City.	NT\$207,128,000	Manufacturing of other medical devices and instruments; Manufacturing of other special purpose instruments; Manufacturing of other instrument panels; Electronic parts and components manufacturing; Manufacturing of other electronic equipment; Manufacturing of other special purpose equipment; Manufacturing of other products not listed; Wholesale of class 1 medical devices; Wholesale of class 2 medical devices; Retail of class 1 medical devices; Retail of class 2 medical devices; Wholesale of other machinery and equipment and electronics products; Retail of other electronics products; Retail of other products not listed; Wholesale of computers, software, and auxiliary equipment; Import/export of various products and technologies, except for products and technologies that companies restricted from operating or prohibited from importing/exporting by the government; Export of products manufactured by the Company and import of mechanical equipment, parts, and materials required by the Company, except for products and technologies prohibited by the government for sales or import/export; Repair of other professional equipment not listed; Software development; IT consultation services; Promotion and application services for other technologies not listed; Other IT services not listed. Other technical services not listed.

(IV) Profile of directors, supervisors, and the president of affiliated enterprises:

Name of enterprise	Title	Name or Representative	Shares held	
			Shares (thousands)	Shareholding ratio
Merry Electronics (USA) Co., Ltd.	Director	Huang, Chao-Li (Appointed by Merry Electronics Co., Ltd.)	999	99.90%
	Director	Yang, Chao-You (Appointed by Merry Electronics Co., Ltd.)		
	CEO	Huang, Chao-Li		
	Treasurer	Zhong, Hua-Xue		
	Secretary	Zhong, Hua-Xue		
Merry Electronics (Hong Kong) Co., Ltd.	Director	Lin, Shih-Chieh (Appointed by Merry Electronics Co., Ltd.)	25,658	100.00%
	Director	Huang, Chao-Li (Appointed by Merry Electronics Co., Ltd.)		
Merry Electronics (Thailand) Co., Ltd.	Director	Huang, Chao-Li (Appointed by Merry Electronics Co., Ltd.)	5,060	99.99%
	Director	Lin, Shu-Chun (Appointed by Merry Electronics Co., Ltd.)		
Merry Electronics (Shenzhen) Co., Ltd.	Executive Director	Lin, Shih-Chieh (Appointed by Merry Electronics (Huizhou) Co., Ltd.)	-	100.00%
	President	Lin, Shih-Chieh		
	Supervisor	Joyce Lam		
DANNY DYNAMICS LIMITED	Director	Huang, Chao-Li (Appointed by Merry Electronics Co., Ltd.)	48,005	100.00%
Universal Capital Investment Limited	Director	Huang, Chao-Li (Appointed by Danny Dynamics Limited)	5	100.00%
MERRYTECH (HK) CO. LIMITED	Director	Huang, Chao-Li	48,000	100.00%
	Director	Lin, Shih-Chieh		
	Secretary of the Company	Lin, Shih-Chieh		
MERRY HEALTHCARE CO., LTD.	Director	Lin, Shu-Chun (Appointed by Merry Electronics Co., Ltd.)	-	100.00%
MERRY ELECTRONICS (SINGAPORE) PTE. LTD.	Director	Lin, Shu-Chun (Appointed by Merry Electronics Co., Ltd.)	-	100.00%
	Director	Ken Soh (Appointed by Merry Electronics Co., Ltd.)		
	Executive Director	Ken Soh		
FULICARE CO., LTD.	Director	Lin, Shu-Chun (Appointed by Merry Healthcare Co., Ltd.)	-	100.00%
Fulicare Medical Technology (Suzhou) Co., Ltd.	Director	Lin, Shu-Chun (Appointed by Fulicare Co., Ltd.)	-	100.00%
	Supervisor	Joyce Lam		
	President	Lin, Shu-Chun		
Fulicare Medical Instruments Technical Services (Suzhou) Co., Ltd.	Director	Lin, Shu-Chun (Appointed by Fulicare Co., Ltd.)	-	100.00%
	Supervisor	Huang, Chao-Li		
Austar Hearing Science & Technology (Xiamen) Co., Ltd.	Chairperson	Lin, Shu-Chun	-	99.50%
	Director	Huang, Chao-Li		
	Supervisor	Joyce Lam		
	President	Hsu, Peng-Cheng		
Xiamen Etimbre Hearing Technology Co., Ltd.	Executive Director	Lin, Shu-Chun	-	99.50%
	Supervisor	Joyce Lam		

	President	Hsu, Peng-Cheng		
Xiamen LA&A Medical Devices Co., Ltd.	Director	Lin, Shu-Chun	-	99.50%
	Supervisor	Joyce Lam		
	President	Hsu, Peng-Cheng		
Austar Hearing Science & Technology (Zhangzhou) Co., Ltd.	Executive Director	Lin, Shu-Chun	-	99.50%
	Supervisor	Joyce Lam		
	President	Hsu, Peng-Cheng		
Indigo Enterprise Inc.	Director	Yang, Ching-Yao	-	70.00%
	Director	Lin, Shu-Chun		
	Director	Ken Soh		
Sonavox Canada Holding Co., Inc.	Director	Yang, Ching-Yao	-	100.00%
	Director	Joseph Riggi		
	Director	Sam Chang		
	Director	Ken Soh		
	Secretary of the Board of Directors	Joyce Lam		
Sonavox Canada Inc.	Director	Yang, Ching-Yao	-	100.00%
	Director	Joseph Riggi		
	Director	Sam Chang		
	Director	Ken Soh		
	Secretary of the Board of Directors	Joyce Lam		
SEAS FABRIKKER	Chairperson	Sam Chang	-	100.00%
	Labor Director	Harvard Sollian		
	Director	Olav Mellum Arntzen		
Suzhou Meisheng Electronic Co., Ltd.	Chairperson	Lin, Shu-Chun	-	100.00%
	Director	Lin, Shih-Chieh		
	Director	Ken Soh		
	Director	Sam Chang		
	Supervisor	Joyce Lam		
	President	Yang, Mei-Ling		
Merry Electronics (Huizhou) Co., Ltd.	Chairperson	Feng Yun (Appointed by the Luxshare Group)	-	49.00%
	Director	Pai, Ju-Ching (Appointed by the Luxshare Group)		
	Vice Chairperson	Lin, Shih-Chieh (Appointed by Merry Electronics Co., Ltd.)		
	President	Feng Yun (Appointed by the Luxshare Group)		
	Supervisor	Joyce Lam		
Merry Electronics (Suzhou) Co., Ltd.	Chairperson	Li, Pin (Appointed by the Luxshare Group)	-	49.00%
	Vice Chairperson	Lin, Shu-Chun (Appointed by Merry Electronics Co., Ltd.)		
	Director	Tian, Yu-Ming (Appointed by the Luxshare Group)		
	Director	Zhang, Jun (Appointed by the Luxshare Group)		
	Director	Lin, Shih-Chieh (Appointed by Merry Electronics Co., Ltd.)		
	President	Li, Pin (Appointed by the Luxshare Group)		
	Supervisor	Joyce Lam		
Guangdong Luxshare & Merry Electronics Co., Ltd.	Chairperson	Feng Yun (Appointed by the Luxshare Group)	-	49.00%
	Vice Chairperson	Lin, Shih-Chieh (Appointed by Merry Electronics Co., Ltd.)		

	Director	Wang, Lai-Sheng (Appointed by the Luxshare Group)		
	President	Pai, Ju-Ching		
	Supervisor	Joyce Lam		
	Vice President	Lin, Shih-Chieh		
Biotest Medical Corp.	Director	Lin, Shih-Chieh	-	100.00%
Fulicare (Xiamen) Co., Ltd.	Director	Lin, Shu-Chun	-	100.00%
	Supervisor	Joyce Lam		
	President	Hsu, Peng-Cheng		

(V) Business overview of affiliated enterprises:

Name of company	Capital/ Invested Amount	Total Assets	Total liabilities	Net worth	Operating revenue	Operating profits	Profit or loss for the current period	Earnings per share (Note 1)
Merry Electronics (USA) Co., Ltd.	28,887	38,451	2,007	36,445	55,477	3,527	3,724	-
Merry Electronics (Hong Kong) Co., Ltd.	981,113	1,440,355	24,878	1,415,477	87,565	(14,959)	675,409	-
Merry Electronics (Thailand) Co., Ltd.	484,358	823,190	264,340	558,850	355,125	(8,333)	(11,855)	-
Merry Electronics (Shenzhen) Co., Ltd.	410,456	5,857,778	3,306,309	2,551,470	14,998,076	347,026	509,314	-
DANNY DYNAMICS LIMITED	1,479,925	2,904,253	-	2,904,253	-	-	506,553	-
UNIVERSAL CAPITAL INVESTMENT LIMITED	151	-	698	(698)	-	-	-	-
Merrytech (HK) Co., Ltd.	1,392,956	2,908,065	3,129	2,904,935	-	(493)	506,553	-
Merry Electronics (Singapore) Co., Ltd.	92,132	1,363,485	702,851	660,633	4,210,433	368,939	307,560	-
FULICARE CO., LTD.	454,913	589,190	-	589,190	-	(6,617)	(10,458)	-
Fulicare Medical Technology (Suzhou) Co., Ltd.	276,309	257,012	(111,738)	257,124	3	(5,060)	(6,764)	-
MERRY HEALTHCARE CO., LTD.	523,265	615,407	146,522	615,260	-	(208)	(7,757)	-
Austar Hearing Science & Technology (Xiamen) Co., Ltd.	57,089	331,908	260,863	71,045	413,454	10,544	30,537	-
Xiamen Etimbre Hearing Technology Co., Ltd.	2,153	4,241	9,744	(5,503)	6,169	(6,988)	(6,689)	-
LA&A	21,525	69,737	37,929	31,808	76,667	(3,204)	5,149	-
Austar Hearing Science & Technology (Zhangzhou) Co., Ltd.	57,089	36,001	4,700	31,302	27,231	11,130	9,505	-
Merry Electronics (Guangdong) Co., Ltd.	861,000	1,233,319	464,723	768,596	1,434,633	(124,356)	(68,202)	-
Indigo Enterprises Inc.	865,832	-19,460	14,424	(33,885)	-	-	(61,098)	-
Sonavox Canada Inc.	30	93,719	105,720	(12,001)	159,338	(21,140)	(23,508)	-

December 31, 2019 Unit: NT\$ Thousand

Sonavox Canada Holding Company Inc.	11,112	57,177	57,179	(2)	-	(1,815)	-
SEAS Fabrikker AS	23	66,386	17,370	49,016	127,038	(1,815)	-
Suzhou Meisheng Electronic Co., Ltd.	148,835	411,967	203,546	208,421	669,449	3,450	-
Fulicare (Xiamen) Co., Medical Instruments Ltd.	88,908	81,610	1,605	80,004	-	(9,981)	-
Biotech Medical Corp.	90,000	129,523	116,371	13,152	24,822	3,003	-

Note 1: Not applicable because the Company is a limited company.

(VI) Consolidated financial statements of affiliated enterprises:

Companies that are to be included in the consolidated financial statements in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as subsidiaries that are to be included in consolidated financial statements of the parent company in accordance with IFRS10 in 2019. All information on affiliated enterprises that must be disclosed in the consolidated financial statements was already disclosed in the abovementioned consolidated financial statements. Hence, we did not separately prepare consolidated financial statements of affiliated enterprises. Please refer to page 104.

(VII) Affiliation Report

Not applicable because the Company is not a subsidiary of other companies.

ii Private placement of securities in the most recent year and as of the printing date of the annual report:

Item	Private Placement of Negotiable Securities	
	First private placement in 2016 (Note 1) Date of issue: (yyyy/mm/dd) (The Investment Commission, MOEA denied subscription of the Company's shares by Hong Kong Luxshare Precision Limited on June 30, 2016. Hence, the company did not issue ordinary shares for private placement)	___ Private placement in ___ (Note 1) Date of issue: (yyyy/mm/dd)
Type of privately placed negotiable securities (Note 2)	Ordinary shares	
Date and amount approved in the shareholders' meeting	The extraordinary shareholders' meeting on January 22, 2016 pass the proposal for private placement of ordinary shares, which will issue 63,000,000 ordinary shares at face value of NT\$10 for cash	

(Note 3)	capital increase.	
Basis and reasonableness of price setting	The subscription price of the private placement is set is the average closing price of ordinary shares 1, 3, or 5 business days before the fixing date minus stock and cash dividends plus the stock price after capital reduction; or the average closing price of ordinary shares 30 business days before the fixing date minus stock and cash dividends plus the stock price after capital reduction. The higher price of the two options above is the reference price. The subscription price of the private placement may not be lower than 80% of the reference price. The fixing date is temporarily set at December 7, 2015, the date of the Board meeting during which cash capital increase via private placement was decided, the average closing price of ordinary shares for the 5 business days before the fixing date (the higher of the two options), i.e., NT\$65.48, was selected as the reference price. The basis for setting the reference price of ordinary shares for the private placement complies with the Directions for Public Companies Conducting Private Placements of Securities, and therefore should be reasonable. The price per ordinary share was set at no more than NT\$60 (91.63% of the reference price) for the private placement. However, the shareholders' meeting authorized the Board of Directors to determine the actual date for setting the actual price based on the principles above and the market condition at the time.	
Method for selecting designated persons (Note 4)	1. Subscribers for the private placement are limited to specific persons in Letter (91) Tai-Cai-Zeng (1) No. 10003455 from the Financial Supervisory Commission dated June 13, 2002 in accordance with Article 43-6 of the Securities and Exchange Act. 2. The subscriber that was selected was Hong Kong Luxshare Precision Limited (wholly-owned subsidiary of Luxshare Precision Limited). 3. Relationship of subscribers with the Company: None.	
Reason the private placement is necessary	1. Reason for not making a public offering: The need to bring in a strategic investor is to raise long-term capital within the shortest time possible. Private placement shares may not be freely transferred within three years, and therefore ensures the long-term cooperation between companies and strategic	

	investors. Hence, we decided to raise funds from a specific investor through private placement. 2. Private placement amount: The shareholders' meeting will be requested to authorize the Board of Directors to carry out the private placement of no more than 63,000,000 shares within one year after resolution of the shareholders' meeting. 3. Use of funds from private placement and expected benefits: The funds will be used to increase working capital and meet demands for long-term development. It is expected to enhance the Company's competitiveness, improving business performance, and positively affect the Company's stability and shareholders' equity.									
Date of payment was completed	--									
Information on Subscribers	Private placement subscriber (Note 5)	Qualifications (Note 6)	Subscription quantity	Relationship with the Company	Participation in Company operations	Private placement subscriber (Note 5)	Qualifications (Note 6)	Subscription quantity	Relationship with the Company	Participation in Company operations
	Hong Kong Luxshare Precision Limited	Subparagraph 2, Paragraph 1, Article 43-6 of the Securities and Exchange Act	63,000,000 ordinary shares	N/A	-					
Actual subscription (or conversion) price (Note 7)	The Investment Commission, MOEA denied subscription of the Company's shares by Hong Kong Luxshare Precision Limited on June 30, 2016. Hence, the company did not actually subscribe to shares.									
Difference between the actual subscription (or conversion) price and reference price (Note 7)										
Impact of private placement on shareholders (For example: Caused an increase in cumulative losses...)	1. The price per ordinary share in the private placement may not be lower than 80% of the reference price within 63,000,000 shares. The funds raised will be used to increase working capital and purchase production equipment. This will prevent the Company from being too dependent on bank loans, which increase the debt ratio and interest expenses and also increase financial risk. It also allows us to bring in strategic investors for most stable customers, securing our position in the									

	electroacoustics industrial chain, and ensuring the Company's continuous business development, which will increase profits and have a positive effect on shareholders equity. The subscription price of the private placement may not be lower than 80% of the reference price, which complies with related laws and regulations, and therefore has limited effect on shareholders equity. 2. Vertical integration of the funds, experience, brand, or distribution channels of strategic investors can be expected to improve our profitability, increase efficiency, and expand market scale. This will increase the Company's overall shareholders equity and have a positive effect on the Company's financial position and shareholder equity.	
Utilization of funds from private placement and project implementation progress	--	
Benefits obtained from the private placement	--	

Note 1: The number of fields adjusted based on the actual number of times. Specify if the private placement of negotiable securities was carried in batches.

Note 2: Fill in ordinary shares, preferred shares, convertible preferred shares, preferred shares with warrants, ordinary corporate bonds, convertible corporate bonds, corporate bonds with warrants, overseas convertible corporate bonds, global depositary receipts, and employee stock option certificates.

Note 3: Private placement of corporate bonds does not need to be passed by the shareholders' meeting; specify the date it was passed by the Board of Directors and amount.

Note 4: If subscribers have been determined for ongoing private placement cases, specify the name of subscribers and their relationship with the Company.

Note 5: The number of fields adjusted based on the actual number.

Note 6: Fill in Subparagraph 1, 2, or 3, Paragraph 1, Article 43-6 of the Securities and Exchange Act.

Note 7: Actual subscription (or conversion) price refers to the subscription (or conversion) price set during actual issuance of negotiable securities in the private placement.

iii. **Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None.**

iv. **Other supplemental information: None.**

IX. Occurrence of events that have a material impact on shareholders equity or stock prices specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act

Events that have a material impact on shareholders equity or stock prices specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the most recent year and up to the date of report: None.

**MERRY ELECTRONICS CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018**

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Merry Electronics Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

The key audit matters in relation to the consolidated financial statements for the year ended December 31, 2019 are outlined as follows:

Cut-off on sales revenue from distribution warehouses

Description

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

The Group recognises revenue upon delivery or pick-up of goods (the transfer of control of ownership) by customers at the warehouses. Warehouse sales revenue constitutes 32% of total operating revenue for the year ended December 31, 2019. The Group's revenue recognition is based on inventory movement records of warehouses based on the reports provided by warehouse custodians or bill of lading reports recorded on network platform. As the hubs are located in various locations and there are numerous custodians, the frequency and contents of statements provided by custodians vary, and customers are from different places, the process of revenue recognition contains numerous manual procedures, which would potentially result in inaccurate timing of revenue recognition and the discrepancy between physical inventory quantities in the hubs and quantities per accounting records. Thus, we consider the cut-off on sales revenue from distribution warehouses a key audit matter.

How our audit addressed the matter

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

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

C. Performed physical inventory count observation or confirmed the inventory quantities with hub custodian and agreed the results to accounting records.

Valuation of inventories

Description

Refer to Note 4(12) for accounting policies on inventory valuation, Note 5(1) for significant accounting estimates and assumptions related to inventory valuation, and Note 6(6) for details of allowance for inventory valuation losses. As of December 31, 2019, the balances of inventories and allowance for inventory valuation losses were NT\$2,300,204 thousand and NT\$182,672 thousand, respectively.

The Group has a high risk of incurring inventory valuation loss or obsolescence due to fluctuations in market demand and rapidly evolving technology. Further, the measurement of net realisable value of inventories involves subjective judgement resulting in a high degree of estimation uncertainty. Thus, we consider the allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

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

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

Other matter - parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Merry Electronics Co., Ltd. as at and for the years ended December 31, 2019 and 2018.

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

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

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

Those charged with governance, including independent directors and supervisors, are responsible for overseeing the Group’s financial reporting process.

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

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the consolidated financial statements,

whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Wang, Yu-Juan

Xu, Jian-Ye

For and on behalf of PricewaterhouseCoopers, Taiwan

February 27, 2020

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 report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2019		December 31, 2018			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	6,589,863	26	\$	8,512,129	28
1110	Financial assets at fair value through profit or loss - current	6(2)		16,913	-		166,048	1
1120	Current financial assets at fair value through other comprehensive income	6(3)		202,077	1		259,226	1
1150	Notes receivable, net			451	-		895	-
1170	Accounts receivable, net	6(4)		5,448,381	21		8,574,012	28
1180	Accounts receivable due from related parties, net	7		12,934	-		23,083	-
1200	Other receivables			49,485	-		75,386	-
1210	Other receivables - related parties	7		385,368	2		729,785	2
130X	Inventories	6(6)		2,117,532	8		3,074,672	10
1470	Other current assets	6(7)		270,473	1		225,634	1
11XX	Current Assets			15,093,477	59		21,640,870	71
Non-current assets								
1510	Financial assets at fair value through profit or loss - noncurrent	6(2)		21,301	-		18,174	-
1517	Non-current financial assets at fair value through other comprehensive income	6(3)		2,533,407	10		1,482,779	5
1550	Investments accounted for under equity method	6(8)		3,951,152	15		3,426,878	11
1600	Property, plant and equipment	6(9)		2,285,093	9		1,988,191	7
1755	Right-of-use assets	6(10)		155,434	1		-	-
1780	Intangible assets	6(11)		1,502,776	6		1,552,242	5
1840	Deferred income tax assets	6(29)		151,674	-		82,335	-
1900	Other non-current assets	6(12)		101,256	-		140,107	1
15XX	Non-current assets			10,702,093	41		8,690,706	29
1XXX	Total assets		\$	25,795,570	100	\$	30,331,576	100

(Continued)

MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(13)	\$ 470,890	2	\$ 4,753,434	16
2120	Financial liabilities at fair value through profit or loss - current	6(2)	11,799	-	6,976	-
2150	Notes payable		74	-	74	-
2170	Accounts payable		2,773,441	11	5,330,461	18
2180	Accounts payable - related parties	7	3,920,251	15	4,412,969	14
2200	Other payables	6(14)	973,026	4	1,171,824	4
2220	Other payables - related parties	7	137,703	-	37,410	-
2230	Current income tax liabilities	6(29)	258,597	1	293,442	1
2300	Other current liabilities	6(15)	417,964	2	170,952	-
21XX	Current Liabilities		8,963,745	35	16,177,542	53
Non-current liabilities						
2530	Corporate bonds payable	6(16)	2,229,959	9	2,882,721	10
2540	Non-current portion of borrowings	6(17)	62,000	-	-	-
2570	Deferred income tax liabilities	6(29)	956,478	4	702,341	2
2580	Non-current lease liabilities		88,694	-	-	-
2640	Accrued pension liabilities		86,295	-	85,930	-
2670	Other non-current liabilities, others		410,007	2	403,615	2
25XX	Non-current liabilities		3,833,433	15	4,074,607	14
2XXX	Total Liabilities		12,797,178	50	20,252,149	67
Equity attributable to owners of parent						
Share capital		6(20)				
3110	Share capital - common stock		2,086,684	8	1,996,625	7
Capital surplus		6(21)				
3200	Capital surplus		3,870,105	15	2,789,111	9
Retained earnings		6(22)				
3310	Legal reserve		1,745,768	7	1,539,341	5
3320	Special reserve		269,144	1	269,144	1
3350	Unappropriated retained earnings		3,834,442	15	3,189,563	11
Other equity interest		6(23)				
3400	Other equity interest		1,027,834	4	147,032	-
31XX	Equity attributable to owners of the parent		12,833,977	50	9,930,816	33
36XX	Non-controlling interest		164,415	-	148,611	-
3XXX	Total equity		12,998,392	50	10,079,427	33
Significant contingent liabilities and unrecognised contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		\$ 25,795,570	100	\$ 30,331,576	100

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

MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(24)	\$ 36,397,793	100	\$ 35,494,808	100
5000 Operating costs	6(6)	(31,357,874)	(86)	(30,769,740)	(86)
5900 Net operating margin		5,039,919	14	4,725,068	14
Operating expenses	6(27)(28)				
6100 Selling expenses		(397,602)	(1)	(350,439)	(1)
6200 General and administrative expenses		(1,101,580)	(3)	(968,491)	(3)
6300 Research and development expenses		(1,305,385)	(4)	(1,103,005)	(3)
6000 Total operating expenses		(2,804,567)	(8)	(2,421,935)	(7)
6900 Operating profit		2,235,352	6	2,303,133	7
Non-operating income and expenses					
7010 Other income	6(25)	383,263	1	240,595	-
7020 Other gains and losses	6(2)(3)(26)	44,344	-	(32,952)	-
7050 Finance costs		(81,319)	-	(48,453)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(8)	664,557	2	263,926	1
7000 Total non-operating income and expenses		1,010,845	3	423,116	1
7900 Profit before income tax		3,246,197	9	2,726,249	8
7950 Income tax expense	6(29)	(715,051)	(2)	(665,400)	(2)
8200 Profit for the year		\$ 2,531,146	7	\$ 2,060,849	6

(Continued)

MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(18)			
		(\$ 15,027)	-	(\$ 7,051)	-
8316	Total expenses, by nature	6(23)	3	(2,530,480)	(7)
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		-	(5,513)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(120)	-	1,410	-
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	1,134,934	3	(2,541,634)	(7)
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(23)		14,447	-
8367	Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income, net	6(23)		18,639	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(23)		(87,285)	-
8399	Income tax relating to the components of other comprehensive income	52,830	-	12,720	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss	(208,806)	-	(41,479)	-
8300	Total other comprehensive income (loss) for the year	\$ 926,128	3	(\$ 2,583,113)	(7)
8500	Total comprehensive income (loss) for the year	\$ 3,457,274	10	(\$ 522,264)	(1)
Profit (loss), attributable to:					
8610	Owners of parent	\$ 2,548,612	7	\$ 2,064,265	6
8620	Non-controlling interest	(17,466)	-	(3,416)	-
	Total Net Income	\$ 2,531,146	7	\$ 2,060,849	6
Comprehensive income (loss) attributable to:					
8710	Owners of the parent	\$ 3,466,522	10	(\$ 514,200)	(1)
8720	Non-controlling interest	(9,248)	-	(8,064)	-
	Total Comprehensive Income (Loss)	\$ 3,457,274	10	(\$ 522,264)	(1)
Basic earnings per share					
9750	Total basic earnings per share	\$ 12.51		\$ 10.47	
Diluted earnings per share					
9850	Total diluted earnings per share	\$ 11.54		\$ 10.35	

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

MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent								Non-controlling interest	Total equity	
	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Retained Earnings			Financial statements translation differences of foreign operations	Treasury stocks			Total
				Legal reserve	Special reserve	Unappropriated retained earnings					
Year 2018											
Balance at January 1, 2018		\$ 2,004,721	\$ 2,985,304	\$ 1,177,121	\$ 269,144	\$ 4,292,018	\$ 3,074,587	(\$ 98,743)	\$ 13,704,152	\$ 82	\$ 13,704,234
Effect of retrospective application and retrospective restatement		-	-	-	-	3,766	(3,766)	-	-	-	-
Balance at January 1 after adjustments		2,004,721	2,985,304	1,177,121	269,144	4,295,784	3,070,821	(98,743)	13,704,152	82	13,704,234
Profit (loss)		-	-	-	-	2,064,265	-	-	2,064,265	(3,416)	2,060,849
Other comprehensive loss		-	-	-	-	(11,154)	(2,567,311)	-	(2,578,465)	(4,648)	(2,583,113)
Total comprehensive income (loss)		-	-	-	-	2,053,111	(2,567,311)	-	(514,200)	(8,064)	(522,264)
Appropriations and distribution of 2017 earnings:											
Legal reserve		-	-	362,220	-	(362,220)	-	-	-	-	-
Cash dividends		-	-	-	-	(3,143,838)	-	-	(3,143,838)	-	(3,143,838)
Issuance of convertible bonds	6(16)	-	133,326	-	-	-	-	-	133,326	-	133,326
Convertible bonds converted to equity shares		1,409	13,565	-	-	-	-	-	14,974	-	14,974
Share-based payment	6(19)	9,165	120,515	-	-	-	(9,752)	13,944	133,872	-	133,872
Retirement of treasury shares		(18,670)	(66,129)	-	-	-	-	84,799	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income		-	-	-	-	346,726	(346,726)	-	-	-	-
Acquisition of additional equity in subsidiaries		-	(402,072)	-	-	-	-	-	(402,072)	-	(402,072)
Recognition of change in equity of associates in proportion to the Group's ownership		-	4,602	-	-	-	-	-	4,602	-	4,602
Recognition of non-controlling interests in subsidiaries		-	-	-	-	-	-	-	-	156,593	156,593
Balance at December 31, 2018		\$ 1,996,625	\$ 2,789,111	\$ 1,539,341	\$ 269,144	\$ 3,189,563	\$ 147,032	\$ -	\$ 9,930,816	\$ 148,611	\$ 10,079,427
Year 2019											
Balance at January 1, 2019		\$ 1,996,625	\$ 2,789,111	\$ 1,539,341	\$ 269,144	\$ 3,189,563	\$ 147,032	\$ -	\$ 9,930,816	\$ 148,611	\$ 10,079,427
Profit (loss)		-	-	-	-	2,548,612	-	-	2,548,612	(17,466)	2,531,146
Other comprehensive income (loss)		-	-	-	-	(12,022)	929,932	-	917,910	8,218	926,128
Total comprehensive income (loss)		-	-	-	-	2,536,590	929,932	-	3,466,522	(9,248)	3,457,274
Appropriations and distribution of 2018 earnings:											
Legal reserve		-	-	206,427	-	(206,427)	-	-	-	-	-
Cash dividends		-	-	-	-	(1,751,419)	-	-	(1,751,419)	-	(1,751,419)
Issuance of common stock for cash		40,000	408,000	-	-	-	-	-	448,000	-	448,000
Convertible bonds converted to equity shares	6(16)	48,851	636,587	-	-	-	-	-	685,438	-	685,438
Share-based payment	6(19)	1,208	25,256	-	-	-	18,974	-	45,438	-	45,438
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)	-	-	-	-	68,104	(68,104)	-	-	-	-
Recognition of change in equity of associates in proportion to the Group's ownership		-	11,151	-	-	-	-	-	11,151	-	11,151
Acquisition of non-controlling interests in subsidiaries		-	-	-	-	(1,969)	-	-	(1,969)	25,052	23,083
Balance at December 31, 2019		\$ 2,086,684	\$ 3,870,105	\$ 1,745,768	\$ 269,144	\$ 3,834,442	\$ 1,027,834	\$ -	\$ 12,833,977	\$ 164,415	\$ 12,998,392

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

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

		Year ended December 31	
	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,246,197	\$ 2,726,249
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation-Property, plant and equipment	6(9)	206,457	197,670
Depreciation-Right-of-use assets	6(9)(25)	73,295	-
Amortisation	6(11)(27)	132,426	94,691
Expected credit loss	12(2)	21,164	6,045
Amortisation on long-term rent prepaid		-	3,180
Share-based payments	6(19)	52,158	90,298
Treasury share-based payments		-	26,734
Compensation cost of cash capital increase reserved for employee preemption		-	3,993
Loss on financial assets or liabilities at fair value through profit or loss	6(2)	(6,834)	16,904
Share of profit of associates and joint ventures accounted for using equity method	6(8)	(664,557)	(263,926)
Interest income	6(25)	(70,090)	(58,430)
Dividend income	6(25)	(73,953)	(72,379)
Deferred income of government's compensation		(724)	(586)
Loss on disposal of property, plant and equipment	6(26)	3,552	798
Finance costs		79,093	48,453
Interest expense-lease liability	6(10)	2,226	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss	6(32)	158,903	276,558
Notes receivable, net		444	(910)
Accounts receivable		3,123,579	(1,809,613)
Other receivables		29,341	(22,457)
Other receivables - related parties		344,251	(455,747)
Inventories		917,132	(572,527)
Prepayments		55,086	16,904
Other current assets		45,051	649,227
Acquisition of financial assets at fair value through profit or loss - non-current		(3,127)	(18,174)
Changes in operating liabilities			
Notes payable		-	(1,304)
Accounts payable		(2,457,391)	878,273
Accounts payable - related parties		(482,284)	500,112
Other payables		(276,184)	(41,476)
Other payables - related parties		105,514	23,672
Other current liabilities		75,688	(56,974)
Decrease (increase) in net defined benefit		(14,662)	(32,921)
Cash inflow generated from operations		4,621,751	2,152,337
Interest received		70,428	61,714
Dividend income		73,953	72,379
Interest paid		(47,656)	(45,686)
Income taxes paid		(492,478)	(618,556)
Gain on valuation of disposal of financial assets at fair value through other comprehensive income		(833)	-
Net cash flows from operating activities		4,225,165	1,622,188

(Continued)

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

		Year ended December 31	
	Notes	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income	6(3)	\$ -	(\$ 332,429)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(32)	143,315	603,040
Acquisition of investments accounted for using equity method		-	(452,564)
Acquisition of property, plant and equipment	6(32)	(607,310)	(624,079)
Proceeds from disposal of property, plant and equipment		94,132	5,289
Acquisition of intangible assets	6(32)	(69,681)	(57,336)
Proceeds from disposal of intangible assets		-	1,154
Decrease (increase) in other financial assets		(3,215)	4,186
Decrease in guarantee deposits		9,630	(4,876)
Proceeds from disposal of subsidiary		(4,425)	-
Proceeds from disposal of subsidiary		<u>-</u>	<u>(1,106,733)</u>
Net cash flows used in investing activities		<u>(437,554)</u>	<u>(1,964,348)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(33)	(4,269,747)	2,582,573
Increase (decrease) in other non-current liabilities		7,430	(60,208)
Proceeds from issuance of bonds		-	3,015,000
Repayment of principal portion of lease liabilities	6(9)	(96,425)	-
Proceeds from long-term borrowings		62,000	-
Cash dividends paid		(1,751,419)	(3,143,838)
Employee purchase of treasury shares		-	13,944
Cancellation of restricted employee shares		(6,720)	(1,095)
Proceeds from issuance of shares		<u>448,000</u>	<u>-</u>
Net cash flows (used in) from financing activities		<u>(5,606,881)</u>	<u>2,406,376</u>
Effect of change in foreign currency exchange		<u>(102,996)</u>	<u>(38,226)</u>
Net (decrease) increase in cash and cash equivalents		(1,922,266)	2,025,990
Cash and cash equivalents at beginning of year		<u>8,512,129</u>	<u>6,486,139</u>
Cash and cash equivalents at end of year		\$ 6,589,863	\$ 8,512,129

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

MERRY ELECTRONICS CO., LTD AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on February 27, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

A. IFRS 16, ‘Leases’

(a) IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

(b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by \$245,942

thousand, increased 'lease liability' by \$197,151 thousand and increased/decreased retained earnings by \$48,791 thousand with respect to the lease contracts of lessees on January 1, 2019.

- (c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$956 thousand was recognised in 2019.
- (d) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 0.75% to 10.88%.
- (e) The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	207,433
Add: Lease payable recognised under finance lease by applying IAS 17 as at December 31, 2018		-
Less: Short-term leases	(	956)
Less: Low-value assets	(	1,056)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$	<u>205,421</u>
Incremental borrowing interest rate at the date of initial application		0.75%~10.88%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	<u>197,151</u>

(2) Effect of 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 the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

IFRSs 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
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets and liabilities at fair value through other comprehensive income measured at fair value.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

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B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2019	December 31, 2018	
MEHO	MERRY ELECTRONICS (HK) CO., LTD. ("MEST")	Trading of the same products as the Company's.	100.00%	100.00%	
MEHO	MERRY ELECTRONICS (THAILAND) CO.,LTD.("METC")	The same main business as the Company's.	99.99%	99.99%	
MEHO	MERRY ELECTRONICS (U.S.A.) CO.,LTD. ("MECA")	Agency sales of microphone and security system manufactured by affiliates.	99.90%	99.90%	
MEHO	DANNY DYNAMICS LIMITED("DDBV")	It is engaged in general investment business.	100.00%	100.00%	NOTE 4
MEHO	MERRY ELECTRONICS (SINGAPORE) PTE.LTD. ("MESG")	Manufacturing of other electronic components and circuit board.	100.00%	100.00%	
MEHO	MERRY HEALTHCARE CO., LTD. ("MHKY")	It is engaged in sales of medical device.	100.00%	100.00%	NOTE 8
MEHO	ASIAN ELITE INTERNATIONAL LTD.("MSCS")	Manufacturing and sales of speaker and amplifier.	70.00%	70.00%	NOTE 2
MEHO	Indigo Enterprise Inc.("INSA")	It is engaged in general investment business.	70.00%	70.00%	NOTE 2 、 9
MEHO	BIOTEST MEDICAL CORPORATION ("BTTT")	It is engaged in manufacturing of medical device.	100.00%	-	NOTE 19
MEST	MERRY ELECTRONICS (SHENZHEN)CO., LTD. ("MECL")	The same main business as the Company's.	100.00%	100.00%	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2019	December 31, 2018	
DDBV	Universal Capital Investment Limited ("UCMU")	It is engaged in general investment business.	100.00%	100.00%	
DDBV	MERRYTECH (HK) CO.LIMITED ("MTHK")	It is engaged in general investment business.	100.00%	100.00%	NOTE 6
INSA	Sonavox Canada Inc. ("SOCV")	Develop-to-order and appearance design of speaker and amplifier.	100.00%	100.00%	NOTE 2 、 5
SOCV	Sonavox Canada Holding. ("SOCA")	It is engaged in general investment business.	100.00%	100.00%	NOTE 2 、 10
SOCA	Seas Fabrikker ("SENM")	Manufacturing and sales of speaker monomer.	100.00%	100.00%	NOTE 2
MHKY	FULICARE CO., LTD. ("FUSA")	It is engaged in general investment business.	100.00%	100.00%	NOTE 11 、 20
FUSA	Fulicare Medical Instruments (Suzhou)Co.,Ltd ("FUCS")	It is engaged in manufacturing of medical device.	100.00%	100.00%	NOTE 12
FUSA	Fulicare Medical Instruments Technical Services (Suzhou)Co.,Ltd ("MHTS")	Providing medical device and technical service.	0.00%	100.00%	NOTE 13
FUSA	Fulicare Medical Instruments (Xiamen) Co.,Ltd ("FUCX")	It is engaged in manufacturing of medical device.	100.00%	-	NOTE 7
FUCS	Fulicare Medical Instruments (Suzhou)Co.,Ltd ("MHMI")	It is engaged in sales of medical device.	100.00%	100.00%	NOTE 12

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2019	December 31, 2018	
FUCS	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%	NOTE 3、15
FUSA、FUCS	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%	-	NOTE 3、16
ASCX	Austar Hearing Science And Technology (Zhangzhou) Co., Ltd. ("MHCZ")	It is engaged in manufacturing of hearing aid and acoustics for rehabilitation device.	100.00%	100.00%	NOTE 3、17
ASCX	Xiamen Laiyate Medical Devices Co., Ltd ("LACX")	It is engaged in research and development as well as technical sales of software functions for hearing aid.	100.00%	100.00%	NOTE 3、18

Note 1: The Group established the subsidiary, Fulicare Medical Instruments (Suzhou) Co., Ltd., in May 2018.

Note 2: The Group acquired Indigo Enterprise Inc. and Asian Elite International Ltd. in July 2018.

Note 3: The Group acquired 99.5% of shares in Austar Hearing Science And Technology (Xiamen) Co., Ltd. through jointly holding by MHFM and MHFC as well as acquired 100% of shares in Xiamen Etimbre Hearing Technology Co.LTD through MHFM.

Note 4: The Group amended abbreviation of 'DANNY DYNAMICS LIMITED' for the year, the former abbreviation was 'DANNY'.

Note 5: The Group amended abbreviation of 'Sonavox Canada Inc.' for the year, the former abbreviation was 'SECV'.

Note 6: The Group amended abbreviation of 'MERRYTECH(HK) CO.LIMITED' for the year, the former abbreviation was 'MTCH'.

Note 7: The Group established the subsidiary, Fulicare Medical Instruments (Xiamen) Co., Ltd., in June 10, 2019.

Note 8: The Group amended abbreviation of 'MERRY HEALTHCARE CO.,LTD' for the year, the former abbreviation was 'MHCH'.

Note 9: The Group amended abbreviation of 'Indigo Enterprises Inc.' for the year, the former abbreviation was 'IEAA'.

Note 10: The Group amended abbreviation of 'Sonavox Canada Holding.' for the year, the former abbreviation was 'SECH'.

Note 11: The Group amended abbreviation of 'FULICARE CO., LTD.' for the year, the former

abbreviation was ‘MHFC’.

Note 12: The Group amended abbreviation of ‘Fulicare Medical Instruments (Suzhou) Co., Ltd.’ for the year, the former abbreviation was ‘MHFM’.

Note 13: The liquidation of Fulicare Medical Instruments Technical Services (Suzhou) Co., Ltd was completed in May 2019.

Note 14: The liquidation of Fulicare Medical Instruments (Suzhou) Co., Ltd was completed in April 2019.

Note 15: The Group amended abbreviation of ‘ Xiamen Etimbre Hearing Technology Co.,Ltd’ for the year, the former abbreviation was ‘MHEH’.

Note 16: The Group amended abbreviation of ‘Austar Hearing Science &Technology (Xiamen) Co., Ltd’ for the year, the former abbreviation was ‘MHAT’.

Note 17: The Group amended abbreviation of ‘Zhangzhou Austar Hearing Science &Technology Co., Ltd’ for the year, the former abbreviation was ‘MHCZ’.

Note 18: The Group amended abbreviation of ‘Xiamen Laiyate Medical Devices Co., Ltd’ for the year, the former abbreviation was ‘MHLA’.

Note 19: In July 2019, Biotest Medical Corp. was merged with the Group.

Note 20: On December 27, 2018, the Board of Directors of the Group approved the software cooperation and issued new shares as reward.

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:

None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise,
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘Other gains and losses’.

B. Translation of foreign operations

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

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair

value, and recognises the gain or loss in profit or loss.

- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

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

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

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

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

(12) Inventories

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

(13) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5~60 years
Machinery and equipment	2~12 years
Transportation equipment	7~12 years
Office equipment	3~10 years
Others	1~10 years

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

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.
Lease payments are comprised of the fixed payments, less any lease incentives receivable.
The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.
 The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Leased assets/ operating leases (lessee)

Prior to 2018

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Intangible assets

- A. Computer software
Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 10 years.
- B. Goodwill
Goodwill arises in a business combination accounted for by applying the acquisition method.
- C. Intangible assets, mainly patent rights, trademark rights and business rights, are amortised on a straight-line basis over their estimated useful lives of 3 to 10 years.

(18) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

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

(19) Borrowings

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

(20) Notes and accounts payable

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

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

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

(22) Convertible bonds payable

- A. Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:
 - (a) The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
 - (b) The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

- (c) The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- (d) Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- (e) When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(23) Derecognition of financial liabilities

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

(24) Non-hedging and embedded derivatives

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

(25) Provisions

Provisions (including warranties, decommissioning, restructuring, onerous contracts, and contingent liabilities from business combinations, etc.) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

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

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

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

(27) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund their payments on the stocks, the Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(28) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences

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

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

(29) Share capital

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

(30) Dividends

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

(31) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells radio apparatus, communication devices, consumer electronics as well as electronic parts and components. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) The furniture is often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 30 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

- (c) A receivable is recognised when the goods are delivered as this is the point in time that the

consideration is unconditional because only the passage of time is required before the payment is due.

(32) Government grants

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

(33) Business combinations

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

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(34) Operating segments

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

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

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

(1) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. As of December 31, 2019, the Group recognised goodwill, net of impairment loss, amounted to \$937,379.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2019, the carrying amount of inventories was \$2,117,532.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	\$ 723	\$ 4,358
Checking accounts and demand deposits	4,445,967	4,663,889
Time deposits	774,145	3,224,030
Short-term paper	1,369,028	619,842
	<u>\$ 6,589,863</u>	<u>\$ 8,512,119</u>

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

B. The Group has no cash and cash equivalents pledged to others.

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

Items	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
- Funds	\$ -	\$ 51,262
- Non-hedging derivatives	14,138	6,176
- Stocks	169	108,949
- Call options of convertible bonds	2,290	4,200
Valuation adjustment	316	(4,539)
	<u>\$ 16,913</u>	<u>\$ 166,048</u>
Non-current items:		
- Funds	<u>\$ 21,301</u>	<u>\$ 18,174</u>

Items	December 31, 2019	December 31, 2018
Current items:		
Financial liabilities held for trading		
- Non-hedging derivatives	<u>\$ 11,799</u>	<u>\$ 6,976</u>

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

	Year ended December 31, 2019	Year ended December 31, 2018
Net gains on financial assets at fair value through profit or loss	\$ <u>69,428</u>	\$ <u>62,842</u>

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

December 31, 2019			
Derivative instruments	Contract amount (Notional principal)	Contract period	Contract price
Forward foreign exchange contract to sell	<u>USD 63,000 thousand</u>	2019/12/12~ 2020/2/27	NTD 30.017~30.310
Forward foreign exchange contract to buy	<u>USD 63,000 thousand</u>	2019/12/12~ 2020/2/27	NTD 29.935~30.220
December 31, 2018			
Derivative instruments	Contract amount (Notional principal)	Contract period	Contract price
Forward foreign exchange contract to sell	<u>USD 54,300 thousand</u>	2018/12/12~ 2019/1/29	NTD 30.649~30.756
Forward foreign exchange contract to buy	<u>USD 54,300 thousand</u>	2018/12/12~ 2019/1/29	NTD 30.709~30.811

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 December 31, 2019 and 2018, there was no uncollected proceeds.
Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2019	December 31, 2018
Current items:		
Debt instruments		
Closed-end fund	\$ -	\$ 50,000
Bonds	119,854	120,421
Valuation adjustment	867	3,855
	<u>120,721</u>	<u>174,276</u>
Equity instruments		
Stocks	76,080	83,834
Valuation adjustment	5,276	1,116
Total	<u>81,356</u>	<u>84,950</u>
	<u>\$ 202,077</u>	<u>\$ 259,226</u>
Non-current items:		
Equity instruments		
Listed stocks	775,130	748,154
Emerging stocks	-	40,106
Unlisted stocks	64,182	77,532
Total	839,312	865,792
Valuation adjustment	1,697,071	619,963
Accumulated impairment	(2,976)	(2,976)
	<u>\$ 2,533,407</u>	<u>\$ 1,482,779</u>

- A. The Group has elected to classify equity and debt investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$2,735,484 as at December 31, 2019 and 2018, respectively.
- B. During the year ended December 31, 2019, the Group repurchased bond investments at fair value of \$50,833 thousand due to the maturity of bonds and resulted in cumulative losses on disposal amounting to \$833 thousand (shown as other gains and losses). Aiming to satisfy its capital needs, the Company sold \$88,988 thousand of equity investments at fair value and resulted in cumulative gains on disposal amounting to \$68,104 thousand (transferred from other equity interest to unappropriated retained earnings) during the year ended December 31, 2019. During the year ended December 31, 2018, the Company redeemed the debt investment at fair value of \$156,192 thousand due to maturity of bond which resulted in cumulated gain on disposals was \$13,602 thousand (shown as other gains and losses). Aiming to satisfy the capital needs, the Company sold \$443,288 thousand of equity investment at fair value which resulted in cumulative gains on disposal amounting to \$346,726 thousand (transferred from other equity interest to unappropriated earnings) during the year ended December 31, 2018.

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

	2019	2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 1,150,648	(\$ 2,530,480)
Cumulative losses reclassified to retained earnings due to derecognition	(\$ 68,104)	(\$ 346,726)
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 2,111)	\$ 5,037
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to derecognition	(\$ 833)	\$ 13,602
Interest income recognised in profit or loss	\$ 4,922	\$ 6,190

D. As at December 31, 2019 and 2018, 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 \$2,735,484 and \$1,742,005, respectively.

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

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

G. The Company recognised interest income of \$4,922 and \$6,190 thousand on debt instruments held for the years ended December 31, 2019 and 2018, respectively.

(4) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable	\$ 5,477,888	\$ 8,619,080
Less: Allowance for uncollectible accounts	(29,507)	(9,349)
	<u>\$ 5,448,381</u>	<u>\$ 8,574,012</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2019	December 31, 2018
Not past due	\$ 5,425,988	\$ 8,398,276
Up to 30 days	11,003	184,170
31 to 90 days	19,593	754
91 to 180 days	8,674	161
Over 180 days	12,630	-
	<u>\$ 5,477,888</u>	<u>\$ 8,583,361</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, and January 1, 2018, the balances of receivables (including notes receivable) from contracts with customers amounted to \$5,477,888 thousand, \$8,619,080 thousand, and \$6,462,730 thousand, respectively.

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

D. The Company entered into a factoring agreement which has no right of recourse with Bank of America. As of December 31, 2019, there were no account receivable that were expected to be transferred (reclassified as financial assets at fair value through other comprehensive income). Please refer to Note 6(5) for information on transfers of financial assets.

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

(5) Transfer of financial assets

Transferred financial assets that are derecognised in their entirety

On October 2, 2019, the Group entered into a factoring agreement with Bank of America to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable. As of December 31, 2019, there was no amount that had been past due.

(6) Inventories

December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 872,722	(\$ 105,167)	\$ 767,555
Work in progress	224,109	(6,245)	217,864
Finished goods	1,203,373	(71,260)	1,132,113
	<u>\$ 2,300,204</u>	<u>\$ (182,672)</u>	<u>\$ 2,117,532</u>
December 31, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,535,690	(\$ 69,449)	\$ 1,466,241
Work in progress	481,447	(4,225)	477,222
Finished goods	1,188,465	(57,256)	1,131,209
	<u>\$ 3,205,602</u>	<u>(\$ 130,930)</u>	<u>\$ 3,074,672</u>

The cost of inventories recognised as expense for the year :

	Year ended December 31, 2019	Year ended December 31, 2018
Cost of goods sold	\$ 31,215,308	\$ 30,650,791
Loss on decline in market value	51,742	97,290
Loss on inventory retirement	90,904	21,226
Loss on physical inventory	(80)	433
	<u>\$ 31,357,874</u>	<u>\$ 30,769,740</u>

(7) Other current assets

	December 31, 2019	December 31, 2018
Input tax	\$ 139,180	\$ 128,781
Prepayment for purchases	14,689	22,300
Contract Asset	31,585	-
Others	85,019	74,553
	<u>\$ 270,473</u>	<u>\$ 225,634</u>

(8) Investments accounted for using equity method

A. Details are as follows :

	Years ended December 31,	
	2019	2018
Associates with Significant influence		
MERRY ELECTRONICS(SUZHOU)CO.,LTD (MECE)	\$ 2,842,636	\$ 2,422,186
Associates with Insignificant influence		
MERRY ELECTRONICS (HUIZHOU)CO.,LTD. (MECH)	666,377	525,324
Guangdong Luxshare & Merry Electronics Co., Ltd was established. (MEDG)	376,606	414,222
LEOHAB ENTERPRISE CO.,LTD. (LEOHAB)	66,395	64,030
MERRY ELECTRONICS (SHANGHAI)CO.,LTD MECS	(862)	1,116
	<u>\$ 3,951,152</u>	<u>\$ 3,426,878</u>

B. Gain or loss from Associates accounted for using equity method :

Investee	2019	2018
MECE	\$ 526,872	\$ 36,033
MECH	165,334	240,968
MEDG	(31,338)	(22,752)
LEOHAB	5,693	10,030
MECS	(2,004)	(353)
	<u>\$ 664,557</u>	<u>\$ 263,926</u>

C. Associates

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2019	December 31, 2018		
MECE	Mainland China	49.00%	49.00%	Holding more than 20% of voting right of stockholders	Equity method

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

Balance sheet

MERRY ELECTRONICS(SUZHOU)CO.,LTD			
		December 31, 2019	December 31, 2018
Current assets	\$	4,547,442	\$ 5,654,641
Non-current assets		6,646,976	6,997,805
Current liabilities	(	5,034,091)	(5,459,121)
Non-current liabilities	(	225,852)	(2,078,076)
Total net assets	\$	<u>5,934,475</u>	\$ <u>5,115,249</u>
Share in associate's net assets	\$	2,907,893	\$ 2,506,472
(Un)Realised Profits and Losses from Upstream(Sidestream) transactions	(	65,257)	(84,286)
Carrying amount of the associate	\$	<u>2,842,636</u>	\$ <u>2,422,186</u>

Statement of comprehensive income

MERRY ELECTRONICS(SUZHOU)CO.,LTD			
		Years ended December 31	
		2019	2018
Revenue	\$	12,490,913	\$ 9,159,172
Profit for the period from continuing operations	\$	1,036,414	\$ 1,204
Total comprehensive income	\$	1,036,414	\$ 1,204

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

Years ended December 31,			
		2019	2018
Gain or loss from associates accounted for using equity method & joint ventures	\$	137,685	\$ 227,893
Other comprehensive loss, net of tax	(	25,618)	(26,406)
Total comprehensive loss	(\$	<u>112,067</u>	(\$ <u>201,487</u>)

(9) Property, plant and equipment

Year ended December 31, 2019

Cost	Opening balance	Additions	Reductions	Transfers	Effect of foreign currency	
					exchange differences	Ending balance
Land	\$ 594,180	\$ -	\$ -	\$ -	2,095 \$	596,275
Land improvements	619	-	-	-	37	656
Buildings and structures	1,011,569	58,003 (	93,048)	45,605 (	5,369)	1,016,760
Machinery	1,207,962	375,607 (	74,479)	- (	37,073)	1,472,017
Transportation equipment	32,873	1,658 (	2,858)	- (	899)	30,774
Office equipment	225,472	27,927 (	5,910)	85)	4,804)	242,600
Others	126,302	26,045 (	12,976)	- (	3,298)	136,073
Unfinished construction	3,578	140,382	- (	11,265)	167)	132,528
Sub total	3,202,555	\$ 629,622 (\$	189,271)	\$ 34,255 (\$	49,478)	3,627,683
Accumulated amortization and impairment						
Land	\$ -	\$ -	\$ -	\$ -	\$ -	-
Land improvements	(423)	(130)	-	- (	27)	(580)
Buildings and structures	(397,541)	(30,071)	23,690 (	45,605)	10,334 (	439,193)
Machinery	(562,733)	(137,315)	47,771	-	15,682 (	636,595)
Transportation equipment	(16,165)	(4,245)	2,858	-	528 (	17,024)
Office equipment	(147,023)	(22,871)	5,398	4	3,212 (	161,280)
Others	(90,479)	(11,831)	11,870	-	2,522 (	87,918)
Sub total	(1,214,364)	(\$ 206,463)	\$ 91,587 (\$	45,601)	32,251 (\$	1,342,590)
Total	\$ 1,988,191				\$	2,285,093

Year ended December 31, 2018

Cost	Opening balance	First-time merger effects	Additions	Reductions	Effect of foreign currency	
					exchange differences	Ending balance
Land	\$ 288,086	\$ -	\$ 304,776	\$ -	\$ 1,318	\$ 594,180
Land improvements	596	-	-	-	23	619
Buildings and structures	985,725	-	15,319	36,182	(1,278)	1,011,569
Machinery	1,032,173	25,349	201,923	93	(13,237)	1,207,962
Transportation equipment	16,819	11,835	5,125	-	(495)	32,873
Office equipment	197,320	9,364	25,518	2,060	(1,773)	225,472
Others	105,031	15,604	12,470	1,363	(3,166)	126,302
Unfinished construction	-	1,083	2,495	-	-	3,578
Subtotal	2,625,750	\$ 63,235	\$ 567,626	\$ 39,698	\$ 18,608	3,202,555
Accumulated amortization and impairment						
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	(288)	-	(122)	-	(13)	(423)
Buildings and structures	(339,978)	-	(50,693)	(35,982)	(4,733)	(397,541)
Machinery	(477,946)	(13,123)	(113,792)	(31)	(6,917)	(562,733)
Transportation equipment	(9,697)	(3,880)	(2,593)	(397)	(217)	(16,165)
Office equipment	(126,457)	(5,972)	(21,543)	(1,158)	(1,182)	(147,023)
Others	(77,906)	(7,678)	(8,927)	-	(1,704)	(90,479)
Subtotal	(1,032,272)	\$ 30,653	\$ 197,670	\$ 37,568	\$ 14,740	(1,214,364)
Total	\$ 1,593,478					\$ 1,988,191

(10) Leasing arrangements — lessee

Effective 2019

- A. The Group leases various assets including land, buildings, machinery and equipment, business vehicles, multifunction printers. Rental contracts are typically made for periods of 1 to 30 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 carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Land	\$ 34,417	\$ 3,401
Buildings	111,662	63,565
Machinery and equipment	6,797	3,633
Transportation equipment	2260	1913
Office equipment	298	172
Other equipment	-	611
	<u>\$ 155,434</u>	<u>\$ 73,295</u>

- C. For the year ended December 31, 2019, the additions to right-of-use assets was \$49,111 thousand.
- D. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	<u>\$ 2,226</u>

- E. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$96,425 thousand.

(11) Intangible assets

Year ended December 31, 2019

Cost	Opening balance	First-time		Effect of foreign				
		merger effects	Additions	Reductions	Transfers	exchange differences	currency	Ending balance
Goodwill	\$ 931,678	\$ 5,701	\$ -	\$ -	\$ -	\$ -	-	\$ 937,379
Computer software	149,690	-	64,111	(3,455)	247,450	(	368)	457,428
Customer relationship	326,550	-	-	-	-	-	-	326,550
Trademarks	61,481	-	-	-	-	-	-	61,481
Technical skills	115,748	-	-	-	-	-	-	115,748
Others	7,027	9,000	4,011	-	17,201		56	37,295
Sub-total	1,592,174	\$ 14,701	\$ 68,122	(\$ 3,455)	\$ 264,651	(\$	312)	1,935,881
Accumulated amortization and impairment								
Patents	(\$ 100)	\$ -	(\$ 3,557)	\$ -	(17,201)	\$	3	(\$ 20,855)
Computer software	(4,160)	-	(56,137)	3,455	(247,450)	(	10)	(304,302)
Customer relationship	(21,582)	-	(44,064)	-	-	(	33)	(65,679)
Trademarks	(2,298)	-	(5,518)	-	-	-	218	(7,598)
Technical skills	(11,792)	-	(23,150)	-	-	-	271	(34,671)
Sub-total	(39,932)	\$ -	(\$ 132,426)	\$ 3,455	(\$ 264,651)	\$	449	(433,105)
Total	\$ 1,552,242							\$ 1,502,776

Year ended December 31, 2018

Cost	Opening balance	First-time merger effects	Effect of foreign currency			
			Additions	Reductions	exchange differences	Ending balance
Goodwill	\$ 139,735	\$ 791,789	\$ -	\$ -	154 \$	\$ 931,678
Patents	19,264	-	5,051 (	17,201) (	87)	7,027
Computer software	373,522	5,730	18,808 (	248,056) (	314)	149,690
Trademarks	-	61,481	-	-	-	61,481
Technical skills	-	115,748	-	-	-	115,748
Others	1,142	131	-	(1,154) (	119)	-
Sub-total	533,663	\$ 1,301,429	\$ 23,859	\$ 266,411) (\$	366)	1,592,174
Accumulated amortization and impairment						
Patents	(\$ 14,318)	\$ -	2,986) \$	17,201 \$	3 (\$	100)
Computer software	(190,811) (	5,170) (	56,488)	248,056	253 (	4,160)
Customer relationship	-	- (\$	21,311)	- (	271) (	21,582)
Trademarks	-	- (\$	2,331)	-	33 (	2,298)
Technical skills	-	- (	11,575)	- (	217) (	11,792)
Sub-total	(205,129) (\$	5,170) (\$	94,691)	\$ 265,257	199) (	39,932)
Total	\$ 328,534				\$	1,552,242

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

	Year ended December 31,		Year ended December 31,	
	2019		2018	
Operating costs	\$	13,959	\$	13,301
Selling expenses		13,671		5,514
Administrative expenses		66,190		42,592
Research and development expenses		38,606		33,284
	\$	132,426	\$	94,691

B. On September 1, 2005, the Group merged with HUGES HI-TECH INC., Thus, the transaction generated goodwill in the amount of \$139,735 thousand. In line with International Accounting Standard No. 36, goodwill acquired from a merger shall be tested for impairment every year.

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, the Company estimates a 10% year-on-year growth in sales as the Company will launch new products and improve its technology from 2020 to 2024, the estimation is based on the assumption that the Company is committed to developing and taking bluetooth orders and the experience of sale growths of 5%, 94%, 84%, 34% and 3% from 2015 to 2019, respectively. Management determined budgeted gross margin based on past performance and their expectations of market development. The weighted average growth rates used are consistent with the projection included in industry reports. The discount rate of 16.03% used was pre-tax and reflected specific risks relating to the relevant operating segments.

C. As of December 31, 2019, 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.

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 smart speaker orders, it expects 29%, 28%, 40%, 33% and 5% year-on-year growth in sales from 2020 to 2024 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 are consistent with the projection included in industry reports. The discount rate of 18.63% used was pre-tax and reflected specific risks relating to the relevant operating segments.

D. As of December 31, 2019, 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 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.

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 smart speaker orders, it expects 8%, 7%, 7%, 7% and 7% year-on-year growth in sales from 2019 to 2023 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 rates used are consistent with the projection included in industry reports. The discount rate of 15.60% used was pre-tax and reflected specific risks relating to the relevant operating segments.

- E. As of December 31, 2019, the Group merged with Biotest Medical Corp. and generated goodwill in the amount of \$5,701 thousand. Because the merged company has many certificates in manufacturing of medical instrument, the Group expects that the acquisition will expand the market benefit of health care personal sound amplification products. In line with International Accounting Standards No. 36, goodwill acquired from merger shall be tested for impairment every year.

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 estimation of cash flow is in line with the 5-year-financial budget which was assessed by the management. Because the Company is engaged in the hearing aids product orders, the development of new products and techniques were expected to enhance from 2020 to 2024. Thus the sales volume would grow at rates of 0%, 100%, 88%, 41% and 2%, comparing with the prior year.

Management determined budgeted gross margin based on past performance and their expectations of market development. The weighted average growth rates used are consistent with the projection included in industry reports. The discount rates used (14.13%) were pre-tax and reflected specific risks relating to the relevant operating segments.

(12) Other non-current assets

	Years ended December 31,	
	2019	2018
Prepayments for PP&E(including intangible asset)	\$ 72,863	\$ 55,634
Land access	-	48,791
Refundable deposits	17,577	19,004
Others	10,816	16,678
	<u>\$ 101,256</u>	<u>\$ 140,107</u>

- A. The subsidiary-MEST signed land use right contracts with an individual and ROOT LAND LIMITED for the use of the land in Sha Tin Dist. Hong Kong with terms of 25 and 58 years, respectively, in 1990 and 1995. All rentals had been paid on the contract dates.
- B. The subsidiary-MECL signed land use right contracts with the People's Republic of China for the use of the land in Bao'an District Shenzhen city with term of 50 years, in 1994, 2011 and 2015. All rentals had been paid on the contract dates.
- C. The Company acquired land and buildings in Taichung Industrial Park from SUNTEX MANUFACTURE CORP. in total prepayment amount of NT\$ 308,664 thousand for the purpose of office expansion as resolved at the meeting of the Board of Directors on February 26, 2018. The land and buildings were transferred and recognised under property, plant and equipment on April 2, 2018.

D. Details of amortisation on land access are as follows:

	Year ended December 31, 2018
Administrative expenses	\$ 3,180

Note: On January 1, 2019, the Group reclassified land use right to right-of-use asset. Please refer to Note 6(10) for details.

(13) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Credit loan	\$ 470,890	2.14%~4.79%	-
Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Credit loan	\$ 4,753,434	0.69%~4.13%	-

Interest expense recognised in profit or loss amounted to \$44,528 thousand and \$48,453 thousand for the years ended December 31, 2019 and 2018, respectively.

(14) Other payables

	Years ended December 31,	
	2019	2018
Payroll payable	\$ 308,353	\$ 384,657
Employee bonus payable	219,531	162,732
Payables on equipment (Including intangible assets)	77,952	51,240
Compensation due to directors and supervisors	68,392	54,244
Other accrued expenses	183,922	248,396
Other accrued expenses-non related parties	57,261	242,976
Others	57,615	27,579
	<u>\$ 973,026</u>	<u>\$ 1,171,824</u>

(15) Other current liabilities

	Years ended December 31,	
	2019	2018
Contract liability	\$ 105,438	\$ 26,111
Advance receipts	232,976	117,052
Lease liability - current	30,119	-
Other current liabilities	49,431	27,789
Total	<u>\$ 417,964</u>	<u>\$ 170,952</u>

(16) Bonds payable

	December 31, 2019	December 31, 2018
Bonds payable	\$ 2,289,500	\$ 3,000,000
Less: Discount on bonds payable	(59,541)	(117,279)
	<u>\$ 2,229,959</u>	<u>\$ 2,882,721</u>

A. The details of the second domestic unsecured convertible bonds issued by the Company on the 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 been approved the Company's second time raising and issuance of domestic unsecured corporate bonds. The bonds are for a total issuance amount of US\$3,015,000 million dollars 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 bondholders 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 the stop transfer period as specified in the terms of the bonds or the laws/regulations and 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, 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 December 31, 2019, the conversion price of convertible bonds was \$139.3 per share.
 - iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after one 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 the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (b) As of December 31, 2019, the bonds totalling \$710,500 thousand (face value) had been converted into 4,884 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 \$139.3 per share in line with the formula of the issuance article.
- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$101,750 thousand were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised 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.
- C. The details of the first domestic unsecured convertible bonds issued by the Company on January 29, 2015 are as follows:
- (a) The terms of the first domestic unsecured convertible bonds issued by the Company are as follows:
 - i. The competent authority has approved the Company's first time raising and issuance of domestic unsecured corporate bonds. The bonds are with a total issuance amount of US\$1,507,500 thousand dollars and a coupon rate of 0%, cover a 3-year period of issuance and a circulation period from January 29, 2015 to January 29, 2018, and will be redeemed

in cash at 100.5% of face value at the maturity date. The bonds were listed on the Taipei Exchange on January 29, 2015.

- ii. The bondholders 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 one month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations and 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, 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 December 31, 2017, the conversion price of convertible bonds was \$105.7 per share.
 - vi. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after one 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 one months of the bonds issue to 40 days before the maturity date.
 - v. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (b) As of January 31, 2018, the bonds were all converted.

- D. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$0 thousand were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 39 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	December 31, 2019
Long-term bank borrowings				
Secured borrowings	Borrowing period is from 2019/12/30 to 2024/12/15; interest is repayable monthly; principal is repayable in 36 installments from 2022/1/15.	0.63%	Promissory Note 、 Note	<u>\$ 62,000</u>

The subsidiary of the Company, BTTT, entered into a long-term loan contract with Taipei Fubon Bank in the total amount of \$500,000 thousand. As of December 31, 2019, the drawing amount was \$62,000 thousand.

Aforementioned contract regulates:

In the credit period, following financial ratio shall be maintained and the audited/reviewed financial statements shall be checked every semi-year:

- (a) Current ratio shall not lower than 100%;
- (b) Debt ratio shall not higher than 160%;
- (c) Interest coverage ratio shall not lower than 10.

The Group's audited consolidated financial statements of 2019 did not violate the restriction.

Note: The above mentioned secured borrowings were guaranteed by the Company's parent company.

(18) Pensions

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

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	\$ 140,594	\$ 125,392
Fair value of plan assets	(57,118)	(41,348)
Net defined benefit liability	<u>\$ 83,476</u>	<u>\$ 84,044</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Years ended December 31, 2019</u>			
Balance at January 1	\$ 125,392	(\$ 41,348)	\$ 84,044
Current service cost	284	-	284
Interest (expense) income	1,230	(404)	826
Past service cost	-	-	-
	<u>126,906</u>	<u>(41,752)</u>	<u>85,154</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,312)	(1,312)
Change in demographic assumptions	4	-	4
Change in financial assumptions	3,653	-	3,653
Experience adjustments	<u>12,682</u>	<u>-</u>	<u>12,682</u>
	<u>16,339</u>	<u>(1,312)</u>	<u>-</u>
Pension fund contribution	-	(16,705)	(16,705)
Paid pension	<u>(2,651)</u>	<u>(2,651)</u>	<u>-</u>
Balance at December 31	<u>\$ 140,594</u>	<u>(\$ 57,118)</u>	<u>\$ 83,476</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Years ended December 31, 2018</u>			
Balance at January 1	\$ 154,607	(\$ 42,475)	\$ 112,132
Current service cost	1,246	-	1,246
Interest (expense) income	1,512	(408)	1,104
Past service cost	<u>(2,706)</u>	<u>779</u>	<u>(1,927)</u>
	<u>154,659</u>	<u>(42,104)</u>	<u>112,555</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,070)	(1,070)
Experience adjustments	<u>8,121</u>	<u>-</u>	<u>8,121</u>
	<u>8,121</u>	<u>(1,070)</u>	<u>7,051</u>
Pension fund contribution	-	(1,336)	(1,336)
Paid pension	<u>(37,388)</u>	<u>3,162</u>	<u>(34,226)</u>
Balance at December 31	<u>\$ 125,392</u>	<u>\$ 41,348</u>	<u>\$ 84,044</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic

subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31, 2019	Year ended December 31, 2018
Discount rate	0.75%	1.00%
Future salary increases	3.00%	3.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(3,653)	3,800	3,706	(3,584)
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(3,331)	3,468	3,391	(3,275)

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

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

- (f) The Company expects to pay contribution for pension plan amounting to \$3,176 thousand in 2020.

- (g) As of December 31, 2019, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	2,921
1-2 year(s)		5,049
2-5 years		21,923
Over 5 years		122,460
	\$	<u>152,353</u>

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018, were \$29,017 thousand and \$26,435 thousand, respectively.

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(19) Share-based payment

The Company issued restricted stocks to employees as resolved at the meeting of Board of Directors on October 24, 2019, April 27, 2017 and May 9, 2016 with grant dates on November 2, 2019, October 26, 2018, December 29, 2017, June 16, 2017 and December 21, 2016, the relevant information is as follows:

A. For the years ended December 31, 2018 and 2017, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2016.12.21	1,542 units	3 years	Note
Restricted stocks to employees	2017.06.16	458 units	3 years	Note
Treasury stock transferred to employees	2017.10.30	95 units	-	-
Restricted stocks to employees	2017.12.29	196 units	3 years	Note
Treasury stock transferred to employees	2018.07.02	307 units	-	-
Restricted stocks to employees	2018.10.26	878 units	3 years	Note
Cash capital increase reserved for employee preemption	2018.12.28	363 units	-	-
Restricted stocks to employee	2019.11.02	813 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:

- 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%.
- For the employees who are currently working in the Company, whose services have reached 2 year 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%.
- For the employees who are currently working in the Company, whose services have reached 3 year 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%.
- 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 first restricted stocks to employees in 2016

	2019		2018	
	No. of	Weighted- average exercise price (in dollars)	No. of	Weighted- average exercise price (in dollars)
	options		options	
Options outstanding at January 1	542	\$ 10	1,037	\$ 10
Restricted stocks vested	(4)	10	(408)	10
Employee restricted shares retired	(538)	10	(87)	10
Options outstanding at December 31	<u>-</u>	10	<u>542</u>	10

(b) The second restricted stocks to employees in 2016

	2019		2018	
	No. of	Weighted- average exercise price (in dollars)	No. of	Weighted- average exercise price (in dollars)
	options		options	
Options outstanding at January 1	294	\$ 10	445	\$ 10
Restricted stocks granted to employees	-	-	(129)	10
Employee restricted shares retired	(134)	10	(22)	10
Options outstanding at December 31	<u>160</u>	10	<u>294</u>	10

(c) The first restricted stocks to employees in 2017

	2019		2018	
	No. of	Weighted- average exercise price (in dollars)	No. of	Weighted- average exercise price (in dollars)
	options		options	
Options outstanding at January 1	164	\$ -	196	\$ -
Restricted stocks granted to employees	(49)	-	-	-
Employee restricted shares retired	(7)	-	(32)	-
Options outstanding at December 31	<u>108</u>	-	<u>164</u>	-

(d) The second restricted stocks to employees in 2017

	2019		2018	
	No. of	Weighted- average exercise price (in dollars)	No. of	Weighted- average exercise price (in dollars)
	options		options	
Options outstanding at January 1	862	\$ -	-	\$ -
Restricted stocks granted to employees	-	-	878	-
Restricted stocks Vested	(251)	-	-	-
Employee restricted shares retired	(13)	-	(16)	-
Options outstanding at December 31	<u>598</u>	-	<u>862</u>	-

(e) The first restricted stocks to employees in 2019

	2019		2018	
	No. of	Weighted- average exercise price (in dollars)	No. of	Weighted- average exercise price (in dollars)
	options		options	
Options outstanding at January 1	-	\$ -	-	\$ -
Restricted stocks granted to employees	813	-	-	-
Employee restricted shares retired	-	-	-	-
Options outstanding at December 31	<u>813</u>	-	<u>-</u>	-

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	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
The first restricted stocks to employees in 2016	2016.12.21	125	10	-	-	-	-	115
The second restricted stocks to employees in 2016	2016.06.16	187	10	-	-	-	-	177
Treasury stock transferred to employees	2017.10.30	220	45.42	-	-	-	-	174.58
The first restricted stocks to employees in 2017	2017.12.29	194.5	0	-	-	-	-	194.5
Treasury stock transferred to employees	2018.07.02	132.5	45.42	-	-	-	-	87.08
The second restricted stocks to employees in 2017	2018.10.26	139.5	0	-	-	-	-	139.5
Cash capital increase reserved for employees preemption	2018.12.28	123	112	-	-	-	-	11
The first restricted stocks to employees in 2019	2019.11.02	150	0					150

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

	Year ended December 31, 2019	Year ended December 31, 2018
Equity-settled	\$ 52,158	\$ 121,025

(20) Share capital

A. As of December 31, 2019, the Company's authorised capital was \$4,000,000, 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 \$2,086,684 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:

	Years ended December 31,	
	2019	2018
At January 1	\$ 199,663	\$ 200,472
Employee restricted shares retired	(692)	(157)
Issuance of restricted shares to employees	813	1,074
Conversion of convertible bonds	4,884	141
Retirement of treasury share	-	(1,867)
Issuance of common stock for cash	4,000	-
At December 31	<u>\$ 208,668</u>	<u>\$ 199,663</u>

- (a) On April 27, 2017, the Board of Directors has resolved for the Company to issue employee restricted stocks (please refer to Note 6(16)). The issuance was approved by the regulatory authority on November 29, 2017 and effective on January 22, 2018 and with a subscription price of \$0 (in dollars) per share. The registrations were completed on February 26, 2018 and November 15, 2018 for ordinary shares issued of 196 thousand shares and 878 thousand shares, respectively. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.
- (b) On April 26, 2018 and October 25, 2018, the Board of Directors of the Company resolved to retire employee restricted share of 157,500 shares. The effective dates for the capital reduction were May 14, 2019 and October 25, 2018. The capital reduction through retirement of employee restricted shares was completed.
- (c) On April 25, 2019 and July 26, 2019, the Board of Directors of the Company resolved to retire employee restricted share of 692,200 shares. The effective dates for the capital reduction were April 30, 2019 and July 31, 2019. The capital reduction through retirement of employee restricted shares was completed.
- (d) On December 11, 2018, the Company issued the 2nd unsecured convertible bonds. As of December 31, 2019, the face value of those convertible bonds amounted to \$710,500, which had been converted into 4,884 thousand common shares. Please refer to Note 6(16) for further information.
- (e) In 2019, the Company increased its capital in cash amounting to \$448,000 thousand with an issuance price at 112 per share and premium at \$411,993 thousand. The effective date for the capital increase was set on January 18, 2019. The registration of the capital increase was completed on February 13, 2019.
- (f) On October 24, 2019, the Board of Directors of the Company resolved to issue employee restricted shares (please refer to Note 6(19)). The issuance was approved by the Competent Authority on September 16, 2019. The Company issued 813 thousand common shares with the effective date set on November 2, 2019. The subscription price is \$0 per share and the registration was completed. The employee restricted shares issued are subject to certain transfer restrictions before their vesting conditions are qualified. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.
- B. Treasury shares
- (a) Movements in the Company's treasury shares are as follows (in thousands):
Year 2019 : None.

Year ended December 31, 2018				
Reason for reacquisition	Number of shares at beginning	Additions	Reductions	Number of shares at end
Transferred to employees	2,174	-	(2,174)	-
(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.				
(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.				
(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.				
(e) The Company retired 1,867 thousand treasury shares which were repurchased from June 16 to August 14, 2015 for the purpose of transferring to employees as resolved at the meeting of the Board of Directors on July 26, 2018 with the capital reduction effective date set on September 28, 2018.				

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(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 capitalised 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.

	2019				
	Share premium	Share option	Employee restricted stocks	Others	Total
At January 1	\$ 2,376,147	\$ 137,319	\$ 256,324	\$ 19,321	\$ 2,789,111
Issuance of restricted shares to employees	-	-	113,820	-	113,820
Restricted stocks vested	45,123	-	(45,123)	-	-
Employee restricted stocks retired	-	-	(88,564)	-	(88,564)
Proceeds from issuance of convertible bonds	-	-	-	-	-
Ordinary shares converted from convertible bonds	668,163	(31,576)	-	-	636,587
Proceeds from issuing shares	411,993	(3,993)	-	-	408,000
Recognition of change in equity of associates in portion to the Company's ownership	-	-	-	11,151	11,151
At December 31	<u>\$ 3,501,426</u>	<u>\$ 101,750</u>	<u>\$ 236,457</u>	<u>\$ 30,472</u>	<u>\$ 3,870,105</u>

	2018				
	Share premium	Share option	Employee restricted stocks	Others	Total
At January 1	\$ 2,719,952	\$ 683	\$ 236,200	\$ 28,469	\$ 2,985,304
Issuance of restricted shares to employees	-	-	111,741	-	111,741
Restricted stocks vested	69,665	-	(69,665)	-	-
Employee restricted stocks retired	-	-	(21,952)	-	(21,952)
Proceeds from issuance of convertible bonds	-	133,326	-	-	133,326
Ordinary shares converted from convertible bonds	14,248	(683)	-	-	13,565
Proceeds from issuing shares	-	3,993	-	-	3,993
Treasury stock transferred to employees	-	-	-	26,733	26,733
Retirement of treasury share	(25,646)	-	-	(40,483)	(66,129)
Acquisition of additional share agreements in a subsidiary	(402,072)	-	-	-	(402,072)
Recognition of change in equity of associates in portion to the Company's ownership	-	-	-	4,602	4,602
At December 31	<u>\$ 2,376,147</u>	<u>\$ 137,319</u>	<u>\$ 256,324</u>	<u>\$ 19,321</u>	<u>\$ 2,789,111</u>

(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 shall account for at least 5% of the total dividends distributed.

- B. The Company's dividend policy is summarised below: as the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. In order to encourage employees and operation team, if the Company has any profit for the current year, the Company shall set aside 5% to 10% as employees' compensation and no more than 2% as directors' and supervisors' remuneration. The employees' compensation shall be distributed in the form of stock and cash by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors and report it in the shareholders' meeting. Employees entitled to receive stock or cash as compensation include employees of subsidiaries of the company meeting certain specific requirements.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 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 December 31, 2019, the balance of capital surplus as aforementioned was 269,144 thousand.
- E. The Company distributed cash dividends amounting to \$8.6 and \$16.44 per share, respectively, as resolved by the meeting of Board of Directors on June 19, 2019 and June 13, 2018. The abovementioned distribution of earnings for the years ended December 31, 2018 and 2017 was in agreement with those amounts proposed by the Board of Directors on February 26, 2019 and February 26, 2018.
- F. The appropriation of cash dividends of year 2019 as resolved by the Board of Directors on February 27, 2020 amounted to \$7.7.
- G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(28).

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(23) Other equity items

2019	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Cost of unearned employee compensation	Total
At January 1	(\$ 242,186)	\$ 3,244	\$ 609,874	(\$ 223,900)	\$ 147,032
Issuance of restricted shares to employees	-	-	-	-	-
Amortisation of employee restricted stocks	-	-	-	121,950	(121,950)
Employee restricted shares retired	-	-	-	52,158	52,158
Revaluation - gross	- (1,544)	1,544	1,150,081	88,766	88,766
Revaluation transferred to profit or loss - gross	- (833)	833	-	-	1,148,537
Revaluation transferred to retained earnings - gross	-	-	68,104	- (833)	833
Revaluation - tax	-	-	3,125	- (68,104)	68,104
Currency translation differences:					
- Group	(113,955)	-	-	- (113,955)	113,955
- Tax on Group	25,493	-	-	-	25,493
- Associates	(153,522)	-	-	- (153,522)	153,522
- Tax on associates	27,337	-	-	-	27,337
At December 31	(\$ 456,833)	\$ 867	\$ 1,688,726	(\$ 204,926)	\$ 1,027,834

2018	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	Unrealised gains (losses) from equity instruments measured at fair value through other comprehensive income	Unrealised gains (losses) on available-for-sale financial assets	Cost of unearned employee compensation	Total
At January 1	(\$ 186,716) \$	- \$	- \$	3,475,451 (\$	214,148) \$	3,074,587
Effects of simple retrospection	- (	15,395)	3,487,080 (	3,475,451)	- (	3,766)
Issuance of restricted shares to employees	-	-	-	- (	122,481) (	122,481)
Amortisation of employee restricted stocks	-	-	-	-	90,298	90,298
Employee restricted shares retired	-	-	-	-	22,431	22,431
Revaluation - gross	-	5,037 (	2,516,601)	-	- (	2,511,564)
Revaluation transferred to retained earnings – gross	-	- (	346,726)	-	- (	346,726)
Revaluation – associates	-	- (	13,879)	-	- (	13,879)
Revaluation – tax	-	-	-	-	-	-
Currency translation differences:						
- Group	19,095	-	-	-	-	19,095
- Tax on Group	(3,834)	-	-	-	- (	3,834)
- Associates	(87,285)	-	-	-	- (	87,285)
- Tax on associates	16,554	-	-	-	-	16,554
At December 31	(\$ 242,186) \$	3,244 \$	609,874 \$	- (\$	223,900) \$	147,032

(24) Operating revenue

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue from contracts with customers	<u>\$ 36,397,793</u>	<u>\$ 35,494,808</u>

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2019					
	Electronic devices				
	Taiwan	Shenzhen	Singapore	Others	Total
Total segment revenue	\$ 30,723,659	\$ 15,004,984	\$ 4,210,433	\$ 1,807,379	\$ 51,746,455
Revenue from internal segment transactions	(78,386)	(14,680,937)	(24,820)	(564,519)	(15,348,662)
Revenue from external customer contracts	<u>30,645,273</u>	<u>324,047</u>	<u>4,185,613</u>	<u>1,242,860</u>	<u>36,397,793</u>
Main Region					
Europe	10,883,812	122,367	3,534,768	269,605	14,810,552
US	16,775,583	2,370	414,243	563,203	17,755,399
Mainland china	1,406,833	177,939	173,319	364,505	2,122,596
Taiwan	511,482	15,899	-	825	528,206
Others	<u>1,067,563</u>	<u>5,472</u>	<u>63,283</u>	<u>44,722</u>	<u>1,181,040</u>
Total	<u>\$ 30,645,273</u>	<u>\$ 324,047</u>	<u>\$ 4,185,613</u>	<u>\$ 1,242,860</u>	<u>\$ 36,397,793</u>
Year ended December 31, 2018					
	Electronic devices				
	Taiwan	Shenzhen	Singapore	Others	Total
Total segment revenue	\$ 30,438,179	\$ 17,616,499	\$ 4,048,083	\$ 1,410,462	\$ 53,513,233
Revenue from internal segment transactions	(8,674)	(17,308,852)	(13,959)	(686,930)	(17,311,485)
Revenue from external customer contracts	<u>30,429,505</u>	<u>307,647</u>	<u>4,034,124</u>	<u>723,532</u>	<u>34,771,276</u>
Main Region					
Europe	11,997,550	117,279	3,401,556	161,059	15,677,444
US	14,811,909	1,569	570,385	274,358	15,658,221
Mainland china	2,291,548	181,106	-	284,988	2,757,642
Taiwan	399,809	286	-	825	400,920
Others	<u>928,689</u>	<u>7,407</u>	<u>62,183</u>	<u>2,302</u>	<u>1,000,581</u>
Total	<u>\$ 30,429,505</u>	<u>\$ 307,647</u>	<u>\$ 4,034,124</u>	<u>\$ 723,532</u>	<u>\$ 35,494,808</u>

B. Contract assets and liabilities :

	December 31, 2019	December 31, 2018	January 1, 2018
Contract assets	\$ 31,585	\$ -	\$ -
Contract liabilities	\$ 105,438	\$ 26,111	\$ 2,486

(25) Other income

	Years ended December 31,	
	2019	2018
Government grants	\$ 173,967	\$ 59,410
Dividend income	73,953	72,379
Interest income from bank deposits	70,090	52,239
Interest income from financial assets not at fair value through profit or loss	4,922	6,190
Sample income	25,810	15,631
Rent income	8,083	7,243
Other	26,438	27,503
Total	\$ 383,263	\$ 240,595

(26) Other gains and losses

	Years ended December 31,	
	2019	2018
Net gains on financial assets (liabilities) at fair value through profit or loss	\$ 69,428	\$ 62,842
Net currency exchange (losses) gain	(10,780)	(28,321)
Losses on disposal of property, plant and equipment	(3,552)	(798)
Gains / (losses) on disposals of investment	936	(13,602)
Other losses	(11,688)	(53,073)
Total	\$ 44,344	(\$ 32,952)

(27) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	\$ 2,729,703	\$ 2,930,132
Depreciation charge - property, plant and equipment	206,463	197,670
Depreciation charge - right of use asset	73,295	-
Amortisation charge (NOTE)	132,426	97,871
Total	\$ 3,141,887	\$ 3,225,673

Note: 2018 includes amortisation of land use right.

(28) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	\$ 2,206,825	\$ 2,475,688
Share-based payments	52,158	120,716
Labour and health insurance fees	59,380	51,151
Pension costs	131,464	119,876
Directors' remuneration	135,949	46,372
Other personnel expenses	143,827	116,329
	<u>\$ 2,729,603</u>	<u>\$ 2,930,132</u>

Note: For the years ended December 31, 2019 and 2018, the Group has 11,764 and 12,744 employees, respectively. From January 1, 2019 to June 19, 2019, there was 3 non-employee directors. After reelecting directors on June 19, 2019, there was 5 non-employee directors until December 31, 2019. For the year ended December 31, 2018, there was 4 non-employee directors.

- 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' and supervisors' remuneration. The ratio shall not be lower than 5~10% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.
- B. The details of employees' compensation and directors' and supervisors' remuneration of the Company are as follows:

	Years ended December 31,	
	2019	2018
Employees' compensation	\$ 205,176	\$ 162,732
Directors' and supervisors' remuneration	68,392	54,244
	<u>\$ 273,568</u>	<u>\$ 216,976</u>

The abovementioned amounts were recognised in wages and salaries.

Employees' compensation and directors' and supervisors' remuneration of 2018 as resolved at the Board of Directors' meeting were in agreement with those amounts recognised in the profit or loss of 2018.

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.

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(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2019	Year ended December 31, 2018
Current tax:		
Current tax on profits for the year	\$ 457,820	\$ 394,590
Tax on undistributed surplus earnings	4,763	11,008
Prior year income tax (over) underestimation	14,960	118,511
Total current tax	477,543	524,109
Deferred tax:		
Origination and reversal of temporary differences	237,508	141,291
Income tax expense	\$ 715,051	\$ 665,400

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

	2019	2018
Exchange differences changes on translation of foreign financial statements	(\$ 25,493)	\$ 3,834
Exchange differences changes on translation of foreign financial statements - associates	(27,337)	(16,554)
Changes in fair value of available-for-sale financial assets	3,125	-
Remeasurement of defined benefit obligations	(3,005)	(1,410)
	(\$ 52,710)	(\$ 14,130)

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2019	2018
Current tax:		
Tax calculated based on profit before tax and statutory tax rate	\$ 773,356	\$ 606,729
Expenses disallowed by tax regulation	(7,677)	401
Tax exempt income by tax regulation	(5,673)	(9,571)
Effect from investment tax credits	(65,287)	(58,991)
Tax on undistributed surplus earnings	4,763	11,008
Prior year income tax under (over) estimation	14,960	118,511
Others	609	(2,687)
Income tax expense	\$ 715,051	\$ 665,400

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

	2019			
	2019/1/1	Recognised in profit or loss	Recognised in other comprehensive income	2019/12/31
Deferred tax assets:				
- Temporary differences:				
Unrealised exchange loss	\$ 9,982	(\$ 6,045)	\$ -	\$ 3,937
Income tax expense	981	1,280	-	701
Remeasurement of defined benefit obligations	15,236	-	3,005	18,241
Allowance for bad debts	7,033	(633)	-	6,400
Unallocated appropriation of pension	193	(193)	-	-
Accumulated unused compensated absences	4,949	1,524	-	6,473
Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	13,718	10,570	-	24,288
Amortisation of discounts on corporate bonds	427	6,917	-	7,344
Cumulative translation adjustment of long-term	-	-	36,998	36,998
Others	29,816	17,476	-	47,292
Total	<u>\$ 82,335</u>	<u>\$ 29,336</u>	<u>\$ 40,003</u>	<u>\$ 151,674</u>
- Deferred tax liabilities				
Gain on overseas long-term investment	(\$ 58,227)	(\$ 284,530)	\$ -	(\$ 872,575)
Cumulative translation adjustment of long-term equity investments	(15,832)	-	15,832	-
Adjustment of land value increment tax	(800)	-	-	(800)
Unrealised loss/(gain) on valuation of financial instruments	(14,041)	527	(3,125)	(16,639)
Others	(83,441)	17,159	-	(66,282)
Total	<u>\$ 702,341</u>	<u>(\$ 266,844)</u>	<u>\$ 12,707</u>	<u>(\$ 956,478)</u>

	2018				
	Recognised in			Consolidation	2018/12/31
	2018/1/1	Recognised in profit or loss	other comprehensive income		
Deferred tax assets:					
- Temporary differences:					
Unrealised exchange loss	\$ 3,812	\$ 6,170	\$ -	\$ -	\$ 9,982
Income tax expense	131	-	-	850	981
Remeasurement of defined benefit obligations	13,826	-	1,410	-	15,236
Allowance for bad debts	5,913	1,120	-	-	7,033
Unallocated appropriation of pension	6,436	(6,243)	-	-	193
Unrealised impairment loss	595	(595)	-	-	-
Accumulated unused compensated absences	4,560	389	-	-	4,949
Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	2,779	10,646	-	293	13,718
Amortisation of discounts on corporate bonds	-	427	-	-	427
Investment tax credits	17,624	(17,624)	-	-	-
Others	3,966	3,152	-	22,698	29,816
Total	<u>\$ 59,642</u>	<u>(\$ 2,558)</u>	<u>\$ 1,410</u>	<u>\$ 23,841</u>	<u>\$ 82,335</u>
- Deferred tax liabilities					
Gain on overseas long-term investment	(\$ 447,279)	(\$ 140,948)	\$ -	\$ -	(\$ 588,227)
Cumulative translation adjustment of long-term equity investments	(28,552)	-	12,720	-	(15,832)
Adjustment of land value increment tax	(800)	-	-	-	(800)
Unrealised loss/(gain) on valuation of financial instruments	(16,256)	2,215	-	-	(14,041)
Others	-	-	-	(83,441)	(83,441)
Total	<u>(\$ 492,887)</u>	<u>(\$ 138,733)</u>	<u>\$ 12,720</u>	<u>(\$ 83,441)</u>	<u>(\$ 702,341)</u>

D. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

E. MERRY HEALTHCARE CO., LTD., TAIWAN BRANCH (CAYMAN) through 2017 have been

assessed and approved by the Tax Authority.

- F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(30) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,548,612	203,745	\$ 12.51
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,548,612	203,745	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,375	
Convertible bonds	27,669	17,874	
Employee restricted shares	-	308	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,576,281	223,302	\$ 11.54

Year ended December 31, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 2,064,265</u>	<u>197,147</u>	<u>\$ 10.47</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,064,265	197,147	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,610	
Convertible bonds	-	-	
Employee restricted shares	<u>-</u>	<u>669</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,064,265</u>	<u>199,426</u>	<u>\$ 10.35</u>

- A. 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.
- B. The number of weighted-average shares outstanding is calculated by considering the weighted-average number of treasury shares for the years ended December 31, 2019 and 2018.

(31) Business combinations

- A. On July 31, 2019, the Company acquired 94.2% of ordinary shares of BIOTEST MEDICAL CORPORATION in cash amounting to \$9,420 thousand and obtained the control over company. The company has multiple certifications in medical device manufactured. As a result of the acquisition, the Group is expected to increase its presence in the market and expand its market of personal sound amplifier.
- B. The following table summarises the consideration paid for BIOTEST MEDICAL CORPORATION and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>December 31, 2019</u>
Purchase consideration	
Cash paid	\$ 9,420
The fair value of previous controlled BIOTEST MEDICAL CORPORATION at the acquisition date	<u>5,220</u>
	<u>14,640</u>
Total identifiable net assets	
Carrying amount of increase on cash and cash equivalents of the subsidiary at acquisition	
Effect from changes of consolidated entities	
Cash	4,995
Prepayments	57,209
Other current assets	60
Intangible assets	9,000
Refundable deposits	60
Notes payable	(386)
Other payables	(62,000)
Identified net assets	<u>8,939</u>
Goodwill	<u>\$ 5,701</u>

C. Cash outflow generated from acquisitions

	<u>BTTT</u>
Cash paid	(\$ 9,420)
Plus: Carrying amount of cash when acquired	<u>4,995</u>
Effect of cash from business combination	<u>(\$ 4,425)</u>

- D. For the period from July 1, 2018 to December 31, 2018, Asian Elite International Ltd. and Indigo Enterprise Inc. jointly contributed operating revenue and profit before income tax in the amounts of \$595,533 thousand and \$18,870 thousand, respectively, since the Group merged with them on July 1, 2018. Had Asian Elite International Ltd. and Indigo Enterprise Inc. been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue increase by \$1,267,247 thousand and profit before income tax by \$39,481 for the year ended December 31, 2018.
- E. On July 1, 2018, the Company acquired 70% of ordinary shares of ASIAN ELITE INTERNATIONAL LTD. and Indigo Enterprise Inc. in cash amounting to \$945,560 thousand and obtained the control over these companies. Those companies are engaged in manufacturing,

sales, research and development of speaker and amplifier in the People's Republic of China, Canada and Norway. As a result of the acquisition, the Group is expected to increase its presence in these markets and expand its markets of smart speaker. The investment were carried out in two stages, the Company acquired 70% of shares in amount of US\$28,203 thousand at the first stage and acquired another 30% of shares in amount of US\$12,087 thousand at the second stage, the second stage payment will be made on maturity day during three years after the initial settlement date and the acquisition is completed unless the transferor refuses to transfer by written notice. According to relevant contract liabilities standard, the payment obligation of subsequent 30% of share was recognised (shown as 'Other non-current liabilities, others').

- F. The following table summarises the consideration paid for ASIAN ELITE INTERNATIONAL LTD. and Indigo Enterprise Inc. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>July 1, 2018</u>
Purchase consideration	
Cash paid	\$ 945,560
Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	<u>155,964</u>
	<u>1,101,524</u>
Total identifiable net assets	
Carrying amount of increase on cash and cash equivalents of the subsidiary at acquisition	
Effect from changes of consolidated entities	
Cash	157,208
Accounts receivable	293,228
Inventories	195,904
PP&E	25,057
Intangible assets	417,711
Other receivables	13,490
Prepayments	9,353
Other current assets	10,350
Deferred income tax asset	23,842
Other non-current assets	2,084
Accounts payable	(292,859)
Other payables	(217,441)
Deferred income tax liability	(83,460)
Other non-current liabilities	(34,587)
Identified net assets	<u>519,880</u>
Goodwill	<u>\$ 581,644</u>

- G. Cash outflow generated from acquisitions

	<u>INSA and MSCS</u>	<u>ASCX and ETCX</u>	<u>Total</u>
Cash paid	(\$ 945,560)	(\$ 338,606)	(\$ 1,284,166)
Plus: Carrying amount of cash when acquired	<u>157,208</u>	<u>20,225</u>	<u>177,433</u>
Effect of cash from business combination	<u>(\$ 788,352)</u>	<u>(\$ 318,381)</u>	<u>(\$ 1,106,733)</u>

- H. For the period from July 1, 2018 to December 31, 2018, Asian Elite International Ltd. and Indigo

Enterprise Inc. jointly contributed operating revenue and profit before income tax in the amounts of \$595,533 thousand and \$18,870 thousand, respectively, since the Group merged with them on July 1, 2018. Had Asian Elite International Ltd. and Indigo Enterprise Inc. been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue increased by \$1,267,247 thousand and profit before income tax by \$39,481, respectively, for the year ended December 31, 2018.

- I. On July 31, 2018, the Group acquired 99.5% of equity of Austar Hearing Science And Technology (Xiamen) Co., Ltd. and Xiamen Etimbre Hearing Technology Co. LTD for a cash consideration of \$338,606 thousand and obtained the control over them thereafter. Those investees are engaged in manufacturing, sales, research and development as well as related channel of hearing aid, hearing device and acoustics equipment. The Group expects that the merger will expand the operational scale and hearing aid devices market.
- J. The following table summarises the consideration paid for Austar Hearing Science And Technology (Xiamen) Co., Ltd. and Xiamen Etimbre Hearing Technology Co.LTD and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>July 31, 2018</u>
Purchase consideration	
Cash paid	\$ 338,606
Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	<u>629</u>
	<u>339,235</u>
Total identifiable net assets	
Carrying amount of increase on cash and cash equivalents of the subsidiary at acquisition	
Effect from changes of consolidated entities	
Cash	20,225
Accounts receivable	10,774
Inventories	61,967
Other receivables	4,521
Prepayments	2,066
Other current assets	1,839
Long-term investments in stocks	155
PP&E	7,525
Intangible assets	86,759
Other non-current assets	9,344
Due to banks	(7,157)
Accounts payable	(28,760)
Other payables	(25,559)
Other non-current liabilities	(14,609)
Identified net assets	<u>129,090</u>
Goodwill	<u>\$ 210,145</u>

- K. For the period from July 31, 2018 to December 31, 2018, Austar Hearing Science And

Technology (Xiamen) Co., Ltd. and Xiamen Etimbre Hearing Technology Co. LTD jointly contributed operating revenue and profit before income tax in the amounts of \$193,809 thousand and \$6,693 thousand, respectively, since the Group merged with them on July 31, 2018. Had Austar Hearing Science And Technology (Xiamen) Co. , Ltd and Xiamen Etimbre Hearing Technology Co. LTD been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue increased by \$398,333 thousand and profit before income tax by \$34,009, respectively, for the year ended December 31, 2018.

(32) Supplemental cash flow information

(2)

A. Investing activities with partial cash payments

	Years ended December 31	
	2019	2018
Purchase of property, plant and equipment	\$ 618,357	\$ 569,756
Add:		
Opening balance of payable on equipment	48,588	98,721
Ending balance of prepayments for equipment	41,911	23,588
Less:		
Beginning balance of prepayments for equipment	(23,588)	(19,398)
Ending balance of payable on equipment	(77,958)	(48,588)
Cash paid during the year	<u>\$ 607,310</u>	<u>\$ 624,079</u>
Years ended December 31,		
	2019	2018
Purchase of intangible assets	\$ 68,122	\$ 23,859
Add: Opening balance of payable	2,652	8,258
Ending balance of prepayments	30,953	32,046
Less: Opening balance of prepayments	(32,046)	(4,175)
Ending balance of payable	-	(2,652)
Cash paid during the year	<u>\$ 69,681</u>	<u>\$ 57,336</u>

B. Financing activities with no cash flow effects

	Years ended December 31,	
	2019	2018
Disposal of financial assets at fair value through profit or loss	\$ 158,903	(\$ 281,225)
Add: payment for prior period purchases during the year	-	-
purchases unpaid during the year	-	4,667
Net cash flows received during the year	<u>\$ 158,903</u>	<u>(\$ 276,558)</u>

C. Financial assets at fair value through other comprehensive income

	Years ended December 31,	
	2019	2018
Disposal of financial assets at fair value through other comprehensive income	(\$ 147,651)	(\$ 473,701)
Add: Uncollected proceeds from disposal during the year	4,335	-
Less: Collected proceeds from prior period disposal	-	(129,339)
Net cash flows received during the year	<u>(\$ 143,316)</u>	<u>(\$ 603,040)</u>

D. Financing activities with no cash flow effects:

	Years ended December 31,	
	2019	2018
Convertible bonds being converted to capital stocks	<u>\$ 48,851</u>	<u>\$ 1,409</u>

(33) Changes in liabilities from financing activities

	Short-term borrowings	Lease liability	Convertible bond	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2019	\$ 4,735,434	\$ -	\$ 2,882,721	\$ -	\$ 7,636,155
Changes in cash flow from financing activities	(4,269,747)	(96,425)	-	62,000	(4,304,172)
Impact of changes in foreign exchange rate	(12,797)	-	-	-	(12,797)
Changes in other non-cash items	-	215,238	(652,762)	-	(437,524)
At December 31, 2019	<u>\$ 470,890</u>	<u>\$ 118,813</u>	<u>\$ 2,229,959</u>	<u>\$ 62,000</u>	<u>\$ 2,881,662</u>

	Short-term borrowings	Convertible bond	Liabilities from financing activities-gross
At January 1, 2019	\$ 2,172,618	\$ -	\$ 2,172,618
Changes in cash flow from financing activities	2,582,573	3,015,000	5,597,573
Impact of changes in foreign exchange rate	(8,914)	-	(8,914)
Changes in acquisition of subsidiaries	7,157	-	7,157
Changes in loss of control in subsidiaries	-	-	-
Changes in fair value	-	-	-
Changes in other non-cash items	-	(132,279)	(132,279)
At December 31, 2019	<u>\$ 4,753,434</u>	<u>\$ 2,882,721</u>	<u>\$ 7,636,155</u>

(34) Government grants

- A. The subsidiary, MECL, entered into a subsidy agreement with Economy, Trade and Information Commission of Shenzhen Municipality for the year ended December 31, 2016, which agreed to subsidise the Company with the maximum of RMB 3 million to purchase equipment and computer software. As of December 2018, the Company received RMB 3 million (shown as other non-current liabilities) and was in the process of purchasing the equipment and computer software.
- B. For the year ended December 31, 2018, the subsidiary, MECL, applied for Entrepreneur Research and Development Funding Plan from the Science and Technology Innovation Committee of Shenzhen Municipality for the subsidies amounting to RMB 5 million thousand (NTD 22,360 thousand).
- C. For the year ended December 31, 2018, the subsidiary, MECL, applied for Strategic Emerging Industries and Support Plans for Future Industrial Development Special Funds for the subsidies amounting to RMB 2 million thousand (NTD 8,944 thousand).
- D. For the year ended December 31, 2018, the subsidiary, MECL, applied to Shenzhen economic and trade information commission for The doubling plan of technological transformation in shenzhen expands effective investment funds for industry, the grant amounted to RMB 12,720 thousand (NTD 54,760 thousand).
- E. For the year ended December 31, 2018, the subsidiary, MECL, applied to Shenzhen economic and trade information commission for The doubling plan of Longhua district industrial development special fund manufacturing industry development special fund, the grant amounted RMB 1,210 thousand (NTD 5,209 thousand).
- F. For the year ended December 31, 2018, the subsidiary, MECL, applied to Longhua District economic service bureau for Longhua district special fund for industrial development - loan interest subsidy, the grant amounted RMB 770 thousand (NTD 3,315 thousand).
- G. For the year ended December 31, 2018, the subsidiary, MECL, applied to Longhua district science and technology innovation bureau for Longhua district enterprise R&D investment in the first batch of funding, the grant amounted RMB3,282 thousand, it has received RMB1,969 thousand (NTD 8,477 thousand).
- H. For the year ended December 31, 2019, the subsidiary, MECL, applied for Subsidy plan for key industrial enterprises in Shenzhen to increase production and efficiency, the grant amounted RMB 3,000 thousand (NTD 13,709 thousand).
- I. For the year ended December 31, 2019, the subsidiary, MECL, applied for Shenzhen Longhua District industrial development special fund project, the grant amounted RMB 500 thousand (NTD 2,285 thousand).
- J. For the year ended December 31, 2019, the subsidiary, MECL, applied for Shenzhen foreign trade steady growth structural support plan, the grant amounted RMB 3,116 thousand (NTD 14,239 thousand).
- K. For the year ended December 31, 2019, the subsidiary, MECL, applied to economic service bureau of Longhua District for Shenzhen technology center Longhua District supporting funds, the grant amounted to RMB 2,000 thousand (NTD 8,610 thousand).
- L. For the year ended December 31, 2019, the subsidiary, MECL, applied to Economy, Trade and Information Commission of Shenzhen Municipality for Top 100 supporting funds, the grant amounted to RMB 1,000 thousand (NTD 4,305 thousand).
- M. For the year ended December 31, 2019 and 2018, the subsidiary, MECL, applied to Science and Technology Innovation Committee of Shenzhen Municipality for Enterprise research and development funding scheme, the grant amounted to RMB 1,744 thousand and 5,000 (NTD 7,508 thousand and 22,360 thousand), respectively.

7. RELATED PARTY TRANSACTIONS

<u>Name</u>	<u>Relationship</u>
MERRY ELECTRONICS(SUZHOU)CO.,LTD (MECE)	Affiliated company
MERRY ELECTRONICS (HUIZHOU)CO.,LTD.(MECH)	Affiliated company
MERRY ELECTRONICS (SHANGHAI)CO.,LTD(MECS)	Affiliated company
Guangdong Luxshare & Merry Electronics Co., Ltd.(MEDG)	Affiliated company
LEOHAB ENTERPRISE CO.,LTD.(LEOHAB)	Affiliated company
NEOCENE TECHNOLOGY CO.,LTD	Other related party
MERRY FULING CO.,LTD., TAIWAN BRANCH(MHNCTW)	Other related party

(1) Significant related party transactions

A. Operating revenue:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Sales of goods:		
MEDG	\$ 32,856	\$ 2,990
MECH	28,015	12,363
MECE	23,946	66,402
MECS	2,731	11,112
LEOHAB	2,478	3,058
Others	578	-
Total	<u>\$ 90,604</u>	<u>\$ 95,925</u>

The prices of goods sold to related parties are based on the different product's profitability and adjusted annually as there is no comparable transaction for the goods sold to the third parties. The credit terms to related parties are 60 days end of month and 30 to 120 days end of month to the third parties.

B. Purchases:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchases of goods		
MECE	\$ 12,149,308	\$ 8,754,589
MECH	4,050,323	4,800,765
MEDG	1,005,709	350,429
MHNCTW	6	-
Total	<u>\$ 17,205,346</u>	<u>\$ 13,905,783</u>

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 days end of month and 30 to 120 days end of month to the third parties.

C. Receivables from related parties:

	December 31, 2019	December 31, 2018
Accounts receivable		
MECH	\$ -	\$ 4,534
MECE	11,946	15,190
MECS	872	3,255
MEDG	107	104
MHNCTW	9	-
Total	<u>\$ 12,934</u>	<u>\$ 23,083</u>
Other receivables		
MECH	\$ 328,449	\$ 676,684
MECE	37,559	29,472
MEDG	18,926	-
Others	434	23,629
Total	<u>\$ 385,368</u>	<u>\$ 729,785</u>

Other receivables mainly were the purchases of raw materials on the behalf of Merry Electronics (Huizhou) Co., Ltd. for the years ended December 31, 2019 and 2018.

D. Payables to related parties:

	December 31, 2019	December 31, 2018
Accounts payable		
MECE	\$ 3,074,208	\$ 2,428,878
MECH	579,327	1,693,833
MEDG	266,710	290,258
MHNCTW	6	-
Total	<u>\$ 3,920,251</u>	<u>\$ 4,412,969</u>
Other payables		
MECE	\$ 91,481	\$ 37,339
Others	46,222	71
Total	<u>\$ 137,703</u>	<u>\$ 37,410</u>

Other payables mainly were mould developing expenses payment that MERRY ELECTRONICS(SUZHOU) CO., LTD paid on behalf of the parent company.

E. Property transactions:

(a) Disposal of property, plant and equipment:

	Year ended December 31, 2019	Year ended December 31, 2018
MECE	\$ 326	\$ -
MEDG	375	-
MECH	446	-
Total	<u>\$ 1,147</u>	<u>\$ -</u>

(b) Acquisition of property, plant and equipment:

	Year ended December 31, 2019	Year ended December 31, 2018
MECE	\$ 84,343	\$ -
MEDG	80,756	-
Total	<u>\$ 165,099</u>	<u>\$ -</u>

F. Loans to related parties

Please refer to table 1.

G. Provision of endorsements and guarantees

Please refer to table 2.

(2) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 117,777	\$ 111,094
Post-employment benefits	247	939
Share-based payments	18,635	13,706
	<u>\$ 136,659</u>	<u>\$ 125,739</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

	December 31, 2019	December 31, 2018
Property, plant and equipment	\$ 256,968	\$ 84,290
Intangible assets	186,405	26,344
	<u>\$ 443,373</u>	<u>\$ 110,634</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

To increase its international market competitiveness and increase its product plants abroad, the Company planned an investment in Vietnam. On February 27, 2020, the Board of Directors of the Company approved to establish a joint venture, Merry Li-Hsun (Vietnam) Co., Ltd. (temporary name), with Lanto Electronic Ltd. The Company will invest USD 12,240 and acquired 51% share equity.

12. OTHERS

(1) Capital management

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

The Company monitors capital by reassessing debt ratios periodically. The debt ratios as at December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Total debt	\$ 12,797,178	\$ 12,797,178
Total assets	25,795,570	25,795,570
Debt ratio	50%	50%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 38,214	\$ 184,222
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 2,614,763	\$ 1,567,729
Qualifying equity instrument	120,721	174,276
	<u>\$ 2,735,484</u>	<u>\$ 1,742,005</u>
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 6,589,863	\$ 8,512,129
Contract assets	31,585	-
Accounts receivable	5,461,315	8,597,095
Other receivables	434,853	805,171
Guarantee deposits paid	17,638	19,004
Derivative financial assets for hedging	<u>\$ 12,535,254</u>	<u>\$ 17,933,399</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through		
Financial liabilities held for trading	\$ 11,799	\$ 8,337
Financial liabilities at amortised cost		
Short-term borrowings	470,890	4,753,434
Notes payable	74	74
Accounts payable	6,693,692	9,743,430
Other accounts payable	1,110,729	1,209,234
Corporate bonds payable (including current portion)	2,229,959	2,882,721
Lease liability	118,813	-
Contract liability	105,348	26,111
Long-term borrowings	62,000	-
Deposits received	2,828	-
	<u>\$ 10,806,132</u>	<u>\$ 18,621,980</u>

B. Financial risk management policies

- 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.
- 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. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD 、RMB and HKD. Foreign exchange risk arises from future commercial transactions and recognised 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 and HKD). 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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B. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2019						
Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	Degree of variation	Effects on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
<u>Cash in banks</u>						
USD : NTD	45,571	29.9800	\$ 1,366,219	3%	\$ 40,987	\$ -
RMB : NTD	42,433	4.3050	182,674	3%	5,480	-
USD : HKD	8,549	7.7890	66,588	3%	1,998	-
HKD : NTD	1,060	3.8490	16,148	3%	484	-
USD : RMB	12,096	6.9640	362,638	3%	10,879	-
USD : THB	1,361	29.6890	41,235	3%	1,237	-
RMB : HKD	1,612	1.1185	7,136	3%	214	-
<u>Receivables</u>						
USD : HKD	671	7.8300	5,226	3%	157	\$ -
USD : NTD	157,140	29.9800	\$ 4,711,057	3%	\$ 141,332	-
USD : RMB	43,517	6.9640	1,304,640	3%	39,139	-
USD : THB	3,478	29.6890	104,270	3%	3,128	-
SGD : USD	2,435	0.7432	54,252	3%	1,628	-

December 31, 2019						
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis	
					Effects on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Non-monetary items</u>						
<u>Current financial investments at fair value through other comprehensive income</u>						
USD : NTD	3,033	29.9800	\$ 90,929	3%	\$ -	2,728
<u>Investments Accounted for Using Equity Method</u>						
USD : NTD	94,818	29.9800	\$ 2,842,636	3%	\$ -	85,279
HKD : NTD	172,906	3.8490	665,514	3%	-	19,965
RMB : NTD	87,480	4.3050	376,601	3%	-	11,298
<u>Financial liabilities</u>						
<u>Non-monetary items</u>						
<u>Bank loan</u>						
USD : NTD	1,600	30.7200	\$ 89,940	3%	\$ 2,698	\$ -
USD : RMB	3,971	6.8700	282,861	3%	8,486	-
USD : CAD	2,600	1.3040	77,948	3%	2,338	-
<u>Payables</u>						
HKD : RMB	5,671	0.8941	\$ 5,070	3%	\$ 152	-
RMB : NTD	197,913	4.3050	852,015	3%	25,560	-
USD : NTD	155,831	29.9800	4,671,813	3%	140,154	-
USD : RMB	22,426	6.9640	679,360	3%	20,381	-

December 31, 2018

(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis		
					Effects on profit or loss	Effects on comprehensive income	Effect on other
<u>Financial assets</u>							
<u>Monetary items</u>							
<u>Cash in banks</u>							
USD : NTD	84,311	30.72	\$ 2,589,612	3%	\$ 77,688	\$	-
RMB : NTD	16,048	4.47	71,767	3%	2,153		-
HKD : NTD	2,382	3.92	9,340	3%	280		-
USD : HKD	8,006	7.83	245,904	3%	7,377		-
USD : RMB	7,208	6.87	221,394	3%	6,642		-
USD : THB	3,500	32.22	107,503	3%	3,225		-
<u>Receivables</u>							
USD : NTD	236,327	30.72	\$ 7,258,784	3%	\$ 217,764		-
USD : HKD	1,183	7.83	36,336	3%	1,090	\$	-
USD : RMB	80,702	6.87	2,478,762	3%	74,363		-

December 31, 2018

(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis	
					Effects on profit or loss	Effect on other comprehensive income
<u>Non-monetary items</u>						
<u>Current financial investments at fair value through other comprehensive income</u>						
USD : NTD	3,305	30.72	101,513	3%	-	3,045
<u>Investments Accounted for Using Equity Method</u>						
USD : NTD	78,860	30.72	\$ 2,422,185	3%	\$ -	72,666
HKD : NTD	134,262	3.92	526,441	3%	-	15,793
RMB : NTD	92,428	4.47	413,338	3%	-	12,400
<u>Financial liabilities</u>						
<u>Non-monetary items</u>						
<u>Bank loan</u>						
USD : NTD	1,600	30.72	\$ 49,144	3%	\$ 1,474	\$ -
USD : RMB	3,971	6.87	121,969	3%	3,659	-
<u>Payables</u>						
USD : NTD	180,384	30.72	\$ 5,540,495	3%	\$ 166,215	-
RMB : NTD	263,799	4.47	1,179,709	3%	35,391	-
USD : RMB	43,397	6.87	1,332,939	3%	39,988	-
HKD : RMB	11,519	0.88	45,166	3%	1,355	-

Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018, amounted to \$10,780 thousand and \$28,321 thousand, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 3% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$654 and \$5,215, 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 \$78,443 and \$48,552, 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 amortised 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, net of tax for the years ended December 31, 2019 and 2018 would have increased/decreased by \$1,066 and \$9,507, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. 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.
- ii. 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.
- iii. 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.
- iv. 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.

- v. 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 December 31, 2019 and 2018, the provision matrix is as follows:

	Not past due	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
<u>December 31, 2019</u>						
Expected loss rate	0.06%	13.94%	3.85%	36.96%	100.00%	
Total book value	<u>\$ 5,425,988</u>	<u>\$ 11,003</u>	<u>\$12,266</u>	<u>\$ 7,327</u>	<u>\$21,304</u>	<u>\$ 5,477,888</u>
Loss allowance	<u>(\$ 3,489)</u>	<u>(\$ 1,534)</u>	<u>(\$ 472)</u>	<u>(\$ 2,708)</u>	<u>\$21,304</u>	<u>(\$ 29,507)</u>
	Not past due	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
<u>December 31, 2018</u>						
Expected loss rate	0.09%	0.65%	11.68%	45.40%	100.00%	
Total book value	<u>\$ 8,398,276</u>	<u>\$ 184,170</u>	<u>\$ 591</u>	<u>\$ 163</u>	<u>\$ 161</u>	<u>\$ 8,583,361</u>
Loss allowance	<u>(\$ 7,839)</u>	<u>(\$ 1,206)</u>	<u>(\$ 69)</u>	<u>(\$ 74)</u>	<u>(\$ 161)</u>	<u>(\$ 9,349)</u>

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

	2019
	Accounts receivable
At January 1	\$ 9,349
Provision for impairment	21,164
Effect of foreign exchange	(1,006)
At December 31	<u>\$ 29,507</u>
	2018
	Accounts receivable
At January 1	\$ 3,390
Provision for impairment	5,959
At December 31	<u>\$ 9,349</u>

For provisioned loss in 2019 and 2018, the impairment losses arising from customers' contracts are amounts to \$21,164 and \$4,348, respectively.

- x. The Group assessed there was no debt instrument at fair value through other comprehensive income impaired.
- xi. For investments in debt instruments at amortised cost and at fair value through other comprehensive income, the credit rating levels are presented below:

	December 31, 2019			
	Lifetime			Total
	12 months	Significant	Impairment	
		increase in credit risk	of credit	
Financial assets at fair value through other comprehensive income				
Group 1	<u>\$ 120,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,721</u>

	December 31, 2018			
	Lifetime			Total
	12 months	Significant	Impairment	
		increase in credit risk	of credit	
Financial assets at fair value through other comprehensive income				
Group 1	<u>\$ 174,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,277</u>

Group 1: 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 Company has \$10,698,351 thousand in undrawn borrowing facilities.

December 31, 2019	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 397,574	\$ 92,354	\$ -	\$ -	\$ -	\$ 489,928
Notes payable	74	-	-	-	-	74
Accounts payable	2,357,770	415,671	-	-	-	2,773,441
Other payables -related parties	3,920,206	45	-	-	-	3,920,251
Other payables	1,080,715	30,014	-	-	-	1,110,729
Bonds payable	-	-	-	2,289,500	-	2,289,500
Long-term borrowings	83	295	393	62,606	-	63,377
Lease liabilities	9,346	20,388	18,217	30,374	42,953	121,278
Other current liabilities	48,711	721	-	-	-	49,432
<u>Derivative financial liabilities</u>						
Forward exchange contracts	11,799	-	-	-	-	11,799
December 31, 2019	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 4,531,576	\$ 234,775	\$ -	\$ -	\$ -	\$ 4,766,351
Notes payable	74	-	-	-	-	74
Accounts payable	4,692,987	637,474	-	-	-	5,330,461
Other payables -related parties	4,373,183					
Other payables	1,080,248	119,444	-	-	-	1,199,692
Other current liabilities	21,205	668	-	-	-	21,873
<u>Derivative financial liabilities</u>						
Accounts payable-related parties	4,373,183	39,786	-	-	-	4,412,969
Forward exchange contracts	6,976	-	-	-	-	6,976

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, and derivative instruments with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments & Equity Instrument 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 borrowings, notes payable, accounts payable and other payables.

- 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 at December 31, 2019 and 2018 is as follows:

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
-Equity securities	\$ 485	\$ -	\$ 21,301	\$ 21,786
-Forward exchange contracts	-	14,138	-	14,138
-Call options of convertible bonds	-	-	2,290	2,290
Financial assets at fair value				
through comprehensive profit or loss				
-Equity securities	2,485,433	-	129,330	2,614,763
-Debt securities	120,721	-	-	120,721
Total	<u>\$ 2,606,639</u>	<u>\$ 14,138</u>	<u>\$ 152,921</u>	<u>\$ 2,773,698</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value				
value through profit or loss				
-Forward exchange contracts	<u>\$ -</u>	<u>\$ 11,799</u>	<u>\$ -</u>	<u>\$ 11,799</u>

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity securities	\$ 103,972	\$ -	\$ 18,174	\$ 122,146
-Funds	51,700	-	-	51,700
-Call options of convertible bonds	-	-	4,200	4,200
-Debt securities	174,276	-	-	174,276
Total	<u>\$ 1,754,809</u>	<u>\$ 6,176</u>	<u>\$ 165,242</u>	<u>\$ 1,926,227</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,976</u>	<u>\$ 6,976</u>

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

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

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

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods,

iii. Forward exchange contracts are usually valued based on the current forward exchange rate.

vi. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	2019	2018
At January 1	\$ 165,242	\$ 166,630
Added in the year	3,127	56,025
Sold in the year	- (	45,650)
Gains recognised in profit or loss	(1,910)	4,194
Gains / (losses) recognised in other comprehensive income	(488)	(15,957)
At December 31	<u>\$ 152,921</u>	<u>\$ 165,242</u>

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

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity securities	\$ 81,689	Market comparable companies	N/A	\$ 15,267	The higher the multiplier, the higher the fair value
Profit instruments	21,786	Net asset value	N/A	21,786	N/A
Call options of convertible bonds	2,290	Binary tree convertible bond valuation model	Risk-free interest rate	0.4816%	The higher the risk-free interest rate, the lower the fair value
			Stock price	167.5	The higher the stock price, the higher the fair value
			Volatility	32.97%	The higher the stock price volatility, the higher the fair value
	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity securities	\$ 11,169	Market comparable companies	N/A	\$ 594	N/A

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 categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Call options of convertible bonds	Risk-free interest rate	±20bp	\$ -	\$ -	\$ -	\$ -
	Stock price	±10%	1,603	(1,145)	-	-
	Volatility	±5%	2,290	(229)	-	-
Equity securities	Cash flow	±10%	-	-	8,169	8,169
			<u>\$ 3,893</u>	<u>(\$ 1,374)</u>	<u>\$ 8,169</u>	<u>\$ 8,169</u>
			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Call options of convertible bonds	Risk-free interest rate	±20bp	\$ -	\$ -	\$ -	\$ -
	Stock price	±10%	900	(1,200)	-	-
	Volatility	±5%	1,200	(1,200)	-	-
Equity securities	Stock price	±10%	-	-	1,117	1,117
	Volatility	±5%	-	-	-	-
			<u>\$ 2,100</u>	<u>(\$ 2,400)</u>	<u>\$ 1,117</u>	<u>\$ 1,117</u>

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Purchases or sales of goods from or to related parties reaching \$100 million or more: Please refer to table 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

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 organisation is divided into Taiwan, Shenzhen, Suzhou 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

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

A. The segment information provided to the chief operating decision-maker for the reportable segments for the year ended December 31, 2019 is as follows:

	<u>Taiwan</u>	<u>Shenzhen</u>	<u>Singapore</u>	<u>Total</u>
Revenue				
Revenue from external customer	\$ 30,723,659	\$ 15,004,984	\$ 4,210,433	\$ 49,939,076
Inter-segment revenue	(78,386)	(14,680,937)	(24,820)	(14,784,143)
Revenue total	<u>\$ 30,645,273</u>	<u>\$ 324,047</u>	<u>\$ 4,185,613</u>	<u>\$ 35,154,933</u>
Segment profit	<u>\$ 2,547,377</u>	<u>\$ 129,310</u>	<u>\$ 304,673</u>	<u>\$ 2,981,416</u>
segment profit (loss)				
contains :				
Interest revenue	\$ 48,522	\$ 6,089	\$ -	\$ 54,611
Interest expense	63,385	31,171	419	66,975
Depreciation & amortization	83,384	35,339	223	118,946
Income tax expense	597,188	17,041	66,334	680,563
Recognised investment profit which is adopting equity method	1,441,489	-	-	1,441,489

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

B. The segment information provided to the chief operating decision-maker for the reportable segments for the year ended December 31, 2018 is as follows:

	<u>Taiwan</u>	<u>Shenzhen</u>	<u>Singapore</u>	<u>Total</u>
Revenue				
Revenue from external customer	\$ 30,419,173	\$ 425,821	\$ 4,030,125	\$ 34,875,119
Inter-segment revenue	<u>19,006</u>	<u>17,310,441</u>	<u>13,959</u>	<u>17,343,406</u>
Revenue total	<u>\$ 30,438,179</u>	<u>\$ 17,736,262</u>	<u>\$ 4,044,084</u>	<u>\$ 52,218,525</u>
Segment profit	<u>\$ 2,055,620</u>	<u>\$ 249,395</u>	<u>\$ 310,343</u>	<u>\$ 2,615,358</u>
segment profit (loss) contains :				
Interest revenue	\$ 40,417	\$ 16,865	\$ -	\$ 57,282
Interest expense	31,217	14,909	-	46,126
Depreciation & amortization	74,529	134,423	2,998	211,950
Income tax expense	428,809	166,596	63,555	658,960
Recognised investment profit which is adopting equity method	227,446	240,615	-	468,061

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

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

D. The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4. The Group's segment profit (loss) is measured with the current profit (loss), 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 income after adjustment and total segment income from continuing operations is provided as follows:

	<u>2019</u>	<u>2018</u>
Adjusted revenue from reportable segments	\$ 49,939,076	\$ 52,222,525
Adjusted revenue from other operating segments	<u>1,807,379</u>	<u>1,290,699</u>
Total operating segments	51,746,455	53,513,224
Elimination of inter-segment revenue	(15,348,662)	(18,018,416)
Total consolidated operating revenue	<u>\$ 36,397,793</u>	<u>\$ 35,494,808</u>

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

	2019	2018
Adjusted income from reportable segments after income tax	\$ 2,981,416	\$ 2,615,358
Adjusted (loss) income from other operating segments after income tax	500,482	24,887
Total operating segments	3,481,498	2,640,245
Income from elimination of inter-segment revenue	(950,352)	(579,396)
Income from continuing operations after income tax	<u>\$ 2,531,146</u>	<u>\$ 2,060,849</u>

(5) Information on products and services

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

	Years ended December 31,	
	2019	2018
Finished goods sales revenue	\$ 36,328,892	\$ 35,461,662
Technical service revenue	68,901	33,146
	<u>\$ 36,397,793</u>	<u>\$ 35,494,808</u>

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2019 is as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Non-current assets	Revenue	Non-current assets
US	\$ 17,755,399	\$ 2,081	\$ 15,233,862	\$ 781
Switzerland	1,873,498	-	3,209,505	-
Denmark	5,026,268	-	4,214,060	-
China	2,122,596	1,864,371	3,740,292	1,560,603
Netherlands	5,688,103	-	6,921,151	13,710,813
Other	3,931,929	16,657,989	2,175,938	-
	<u>\$ 36,397,793</u>	<u>\$ 18,524,441</u>	<u>\$ 35,494,808</u>	<u>\$ 15,272,197</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019			Year ended December 31, 2018		
	Revenue	%	Segment	Revenue	%	Segment
A	\$ 11,744,903	32%	Taiwan	\$ 14,116,651	40%	Taiwan
B	11,598,275	32%	Taiwan	8,300,890	23%	Taiwan
	<u>\$ 23,343,178</u>			<u>\$ 22,417,541</u>		

MERRY ELECTRONICS CO., LTD.

Loans to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	outstanding balance for the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts		Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 1)	Note
												for doubtful accounts		Item	Value			
0	MEHO	MECE	Other receivables	Y	\$ 926,000	\$ -	\$ -	-	2	\$ -	Business operation	\$ -	\$ -	-	\$ -	5,133,591	\$ 5,133,591	
0	MEHO	BTTT	Other receivables	Y	180,000	118,000	-	0.98%	2	-	Business operation	-	-	Commercial paper	80,000	5,133,591	5,133,591	
0	MEHO	METC	Other receivables	Y	200,000	200,000	-	-	2	-	Business operation	-	-	-	-	5,133,591	5,133,591	
1	MECL	ASCX	Other receivables	Y	31,073	-	-	-	2	-	Business operation	-	-	-	-	1,020,588	5,133,591	

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

Note 2: (1) For business transactions, limit on loans granted for a single party is the amount of the transactions.

(2) For short-term financing, limit on loans granted for a single party is 40% of the net assets of the Company.

Note 3: (1) For business transactions.

(2) For short-term financing.

MERRY ELECTRONICS CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 2

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	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 by parent company to subsidiary	Provision of endorsements by guarantees to subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Relationship with the endorser/ guarantor (Note 2)	Company name											
0	MEHO	2	SOCV	\$ 10,267,182	\$ 108,640	\$ 108,640	\$ 80,704	\$ -	0.85	\$ 12,833,977	Y	N	N	
0	MEHO	2	SENM	10,267,182	30,440	30,440	-	-	0.24	12,833,977	Y	N	N	
0	MEHO	2	BTIT	10,267,182	1,700,000	1,700,000	62,000	-	13.25	12,833,977	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.

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 3

Securities held by	Relationship with the securities issuer	Marketable securities (Note 1)	General ledger account	Number of shares	As of December 31, 2019			Note
					Book value (in thousands)	Ownership (%)	Fair value (in thousands)	
The Company	-	ARRIS International plc.	Financial assets mandatorily measured at fair value through profit or loss	1	\$ 169	-	\$ 485	
			Valuation adjustment		316			
The Company	-	JAFCO	Non-current financial assets mandatorily measured at fair value through profit or loss	700	\$ 21,301	0.71%	\$ 21,301	
					485			
The Company	-	288IB.TW	Equity instruments measured at fair value through other comprehensive income	683	\$ 40,980	-	\$ 43,916	
The Company	-	2882B.TW	Equity instruments measured at fair value through other comprehensive income	585	35,100	-	37,440	
The Company	-	P18QNB3F10306	Equity instruments measured at fair value through other comprehensive income	3,000	89,550	-	90,550	
MEST	-	EBUH	Equity instruments measured at fair value through other comprehensive income	1,000	30,304	-	30,171	
					195,934		\$ 202,077	
			Valuation adjustment		6,143			
The Company	-	Stock - 6679.TW	Measured at fair value through other comprehensive income - non-current	1,054	\$ 202,077	2.55%	\$ 187,085	
The Company	-	Stock - 4943.TW	Measured at fair value through other comprehensive income - non-current	12,091	34,976	8.85%	2,121,990	
The Company	-	Stock - 3290.TW	Measured at fair value through other comprehensive income - non-current	5,723	648,164	5.75%	95,002	
The Company	-	Stock - FUJITER Semiconductor CO.,LTD.	Measured at fair value through other comprehensive income - non-current	2,781	27,812	9.79%	13,850	
The Company	-	Stock - NETVOX TECHNOLOGY CO., LTD	Measured at fair value through other comprehensive income - non-current	324	2,976	1.32%	-	
The Company	-	Stock - EVER THAI AGRU-PRODUCT CO.,LTD.	Measured at fair value through other comprehensive income - non-current	733	6,425	5.55%	6,425	
The Company	-	Stock - SUNSINO SME Development Co., Ltd.	Measured at fair value through other comprehensive income - non-current	169	2,123	0.36%	2,123	
The Company	-	Stock - LINSATION	Measured at fair value through other comprehensive income - non-current	75	8,772	7.50%	8,772	
MEST	-	Stock - Perfect Fortune Inc.	Measured at fair value through other comprehensive income - non-current	2,126	8,184	18.33%	67,839	
MEST	-	Stock - LOYAL WIRE& CABLE COMPANY LTD.	Measured at fair value through other comprehensive income - non-current	1,159	7,890	18.33%	30,321	
					847,312		\$ 2,533,407	
			Valuation adjustment	(	2,976)			
					1,689,071			
					\$ 2,533,407			

MERRY ELECTRONICS CO., LTD.

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

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)				Notes/accounts receivable (payable)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Transaction	Credit term	Unit price	Credit term	Balance (Note 2)	Percentage of total notes/accounts receivable (payable)
The Company	MEDG	Investment accounted for using the equity method	Purchases	\$ 884,721	2%	60 days end of month after offsetting with accounts receivable	30-120 days end of month for the third parties	(Note 1)	30-120 days end of month for the third parties	(164,742)	2%
The Company	MECH	Investment accounted for using the equity method	Purchases	1,847,478	5%	60 days end of month after offsetting with accounts receivable	30-90 days end of month for the third parties	(Note 1)	30-90 days end of month for the third parties	(451,901)	7%
The Company	MECE	Investment accounted for using the equity method	Purchases	11,875,381	33%	60 days end of month after offsetting with accounts receivable	30-120 days end of month for the third parties	(Note 1)	30-120 days end of month for the third parties	(2,987,747)	44%
The Company	MECL	A subsidiary of the Company	Purchases	13,479,637	37%	60 days end of month after offsetting with accounts receivable	30-120 days end of month for the third parties	(Note 1)	30-120 days end of month for the third parties	(1,761,651)	26% (Note 3)
METC	MECE	Investment accounted for using the equity method	Purchases	100,284	0%	60 days end of month after offsetting with accounts receivable	30-120 days end of month for the third parties	(Note 1)	30-120 days end of month for the third parties	(9,765)	0%
MESG	METC	A subsidiary of the Company	Purchases	353,053	1%	60 days end of month after offsetting with accounts receivable	30-120 days end of month for the third parties	(Note 1)	30-120 days end of month for the third parties	(121,626)	2% (Note 3)
MESG	MECL	A subsidiary of the Company	Purchases	1,325,366	4%	60 days end of month after offsetting with accounts receivable	30-120 days end of month for the third parties	(Note 1)	30-120 days end of month for the third parties	(286,911)	4% (Note 3)
MESG	MECH	Investment accounted for using the equity method	Purchases	2,202,779	6%	60 days end of month after offsetting with accounts receivable	30-90 days end of month for the third parties	(Note 1)	30-90 days end of month for the third parties	(298,459)	4%
MECL	MEDG	Investment accounted for using the equity method	Purchases	120,988	0%	60 days end of month after offsetting with accounts receivable	30-90 days end of month for the third parties	(Note 1)	30-90 days end of month for the third parties	(101,968)	1%
MECL	MECE	Investment accounted for using the equity method	Purchases	173,643	0%	60 days end of month after offsetting with accounts receivable	30-120 days end of month for the third parties	(Note 1)	30-120 days end of month for the third parties	(75,197)	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.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

December 31, 2019

Table 5

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019 (Note 1)	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 2)	Allowance for doubtful accounts
				Turnover rate	Action taken		
MECL	The Company	Parent Company	\$ 1,761,651	5.67 \$	-	\$ 744,418	-
MECL	MESG	A subsidiary of the Company	286,911	4.38	-	148,440	-
METC	MESG	A subsidiary of the Company	121,626	4.20	-	86,051	-

Expressed in thousands of NTD
(Except as otherwise indicated)

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Note 2: The balance was as at February 27, 2020.

MERRY ELECTRONICS CO., LTD.

Significant inter-company transactions during the reporting periods
Year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 6

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	MEHO	MECL	1	Purchases	\$ 13,479,637	The price is based on the profitability of the product	37%
0	MEHO	MECL	1	Accounts payable	1,761,651	The balance shown was net of receivables as agreed by both parties	7%
1	MESG	MECL	3	Purchases	1,325,366	The price is based on the profitability of the product	4%
1	MESG	METC	3	Purchases	353,053	The price is based on the profitability of the product	1%
1	MESG	MECL	3	Accounts payable	286,911	The balance shown was net of receivables as agreed by both parties	1%
1	MESG	METC	3	Accounts payable	121,626	The balance shown was net of receivables as agreed by both parties	0%

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.
Information on investees
Year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 7

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Note
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares (in thousand shares)	Ownership (%)	Book value			
The Company	MEST	HONG KONG	Sales of microphone, receiver and speaker	\$ 981,113	\$ 981,113	25,658	100.00	\$ 3,627,334	\$ 675,409	\$ 675,996	(Note 1)
The Company	DBBV	British Virgin IS.	General investment business	1,479,925	1,479,925	48,005	100.00	2,838,996	506,553	525,582	(Note 1)
The Company	LEOHAB ENTERPRISE	Taichung City	Plastic injection molding and metal stamping	96,666	96,666	13,395	30.91	66,395	18,418	5,693	
The Company	MECA	U.S.A	Technique, marketing and after service	28,887	28,887	999	99.90	36,408	3,724	3,720	
The Company	MESG	SINGAPORE	Sales of microphone, receiver and speaker	92,132	92,132	800	100.00	660,634	307,560	307,560	
The Company	MEYC	THAILAND	Microphone, components and product and sale of other electric products	484,358	484,358	5,060	99.99	554,432	(11,855)	(10,765)	(Note 1)
The Company	MHKY	CAYMAN	Sales of medical device	648,129	523,265	20,902	100.00	541,594	(7,757)	(7,757)	
The Company	INSA	SAMOA	General investment business	865,832	865,832	-	70.00	794,473	(61,098)	(42,769)	
The Company	BTIT	Taichung City	Sales of medical device	14,901	-	9,000	100.00	27,792	3,003	13,152	
DBBV	UCMU	MAURITIUS	General investment business	151	151	5	100.00	(698)	-	-	(Note 2)
DBBV	MTHK	HONG KONG	General investment business	1,392,956	1,392,956	48,000	100.00	2,842,636	506,553	-	(Note 2)
MHKY	FUSA	SAMOA	General investment business	579,758	454,913	-	95.94	780,260	(10,458)	-	(Note 2)
INSA	SOCV	CANADA	Sale and development of speaker and power amplifier	30	30	-	100.00	52,215	(23,508)	-	(Note 2)
SOCV	SOCA	CANADA	General investment business	11,112	11,112	-	100.00	63,049	(1,815)	-	(Note 2)
SOCA	SENM	NORWAY	Manufacture and sales of speaker monomer	23	23	-	100.00	49,016	(1,815)	-	(Note 2)

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

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

MERRY ELECTRONICS CO., LTD.
Information on investees in Mainland China
Year ended December 31, 2019

Table 8
Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of		Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the years ended December 31, 2019		Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Book value of investments in Mainland China as of December 31, 2019 (Note 5)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Note
				January 1, 2019	December 31, 2019	Remitted to Mainland China	Remitted back to Taiwan						
		\$	(Note 2)	\$	\$	\$	\$	\$	100.00%	\$	\$	\$	(Note 3)
MECL	Microphone, receiver, speaker, security system, induction cooker and other electronic component	410,456	(Note 2)	453,191	453,191	-	-	509,314	100.00%	509,314	2,551,470	2,282,120	(Note 3)
MECE	Manufacture and sales of microphone, receiver and speaker	2,693,806	(Note 2)	1,369,285	1,369,285	-	-	1,036,414	49.00%	526,872	2,842,636	295,185	(Note 3)
MECS	International trade, transit trade and trading consulting; trading amongst companies in bonded area and trading agency in the area	7,145	(Note 2)	6,055	6,055	-	-	11,618	49.00%	5,693 (	863)	40,321	
Perfect Fortune Inc.	Electric wire, electric cable and other wire processing	44,648	(Note 2, 4)	107,624	107,624	-	-	20,443	18.33%	-	67,836	4,125	
LOYAL WIRE& CABLE COMPANY LTD.	Electric wire, electric cable and other wire processing	128,445	(Note 2, 4)	-	-	-	-	12,913	18.33%	-	30,319	-	
MECH	Manufacture and sales of microphone, receiver, speaker and mobile phone	430,500	(Note 2)	420,687	420,687	-	-	338,952	49.00%	165,334	666,377	-	(Note 3)
FUCS	Manufacture of medical device	276,309	(Note 2)	310,763	310,763	-	-	6,764	95.94%	(	565,369	-	
MHTS	Medical device technical service	-	(Note 2)	12,154	12,154	-	-	58	-	58	-	-	(Note 6)
		861,000	(Note 1)	452,564	452,564	-	-	68,202	49.00%	(	376,606	-	(Note 3)
MEDG	Research and development of sound equipment, earphones, mobile power supply, charging box, cable, connector, electronic components, plastic hardware, mould and antenna												
MHMI	Sales of medical device	-	(Note 2)	2,526	2,526	-	-	3	-	(	-	-	(Note 7)
MSCS	Manufacture of speaker and amplifier	148,835	(Note 1)	79,728	79,728	-	-	3,450	70.00%	2,415	93,666	-	(Note 3)
ETCX	Retail sales of hearing products	2,153	(Note 2)	2,237	2,237	-	-	6,689	95.94%	(	5,280	-	

MERRY ELECTRONICS CO., LTD.
Information on investees in Mainland China
Year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 8

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, 2019	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the years ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Book value of investments in Mainland China as of December 31, 2019 (Note 5)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Note
					Remitted to Mainland China	Remitted back to Taiwan							
ASCX	Manufacture and sales of hearing aid, hearing device and acoustics equipment	57,089	(Note 2)	275,537	-	-	275,537	30,537	95.46%	29,150	54,348	-	-
LACX	Research and development and technical sales of software for hearing aid use	21,525	(Note 2)	22,180	-	-	22,180	5,149	95.46%	5,067	30,364	-	-
ASCX	Manufacture of hearing aid and acoustics for rehabilitation device	17,220	(Note 2)	17,744	-	-	17,744	9,505	95.46%	9,311	29,881	-	-
FUCX	Sales of medical device	88,908	(Note 2)	-	94,845	-	94,845	9,246	95.94%	(8,870)	76,756	-	-
							<u>\$ 3,627,120</u>						

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.

Note 6: MHTS has completed the liquidation process in May 2019.

Note 7: MHMI has completed the liquidation process in April 2019.

Company name	Investment amount		Investment amount	
	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment Commission of the Ministry of Economic Affairs (MOEA)	Celling on investments in Investment Commission of Mainland China imposed by the Investment Commission of MOEA	
Merry Electronics Co., Ltd.	\$ 3,627,120	\$ 3,727,090	\$ 7,700,386	

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.

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

Year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 9

Investee in Mainland China	Counterparty	Sale (purchase)		Property transaction		accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing		Interest during the year ended December 31, 2019	Others	
		Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019			Interest rate
MECL	MESG	\$ 1,325,366	4%	-	-	\$ 286,911	4%	\$ -	-	\$ -	-	\$ -	-	
MECL	MEHO	13,479,637	37%	-	-	1,761,651	26%	-	-	-	-	-	-	
MECL	MECE	(173,643)	0%	-	-	(75,197)	1%	-	-	-	-	-	-	
MECL	MEDG	(120,988)	0%	-	-	(101,968)	1%	-	-	-	-	-	-	

MERRY ELECTRONICS CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

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.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying parent company only balance sheets of Merry Electronics Co., Ltd. (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Independent Accountant’s Responsibilities for the Audit of Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters in relation to the parent company only financial statements for the year ended

December 31, 2019 are outlined as follows:

Cut-off on sales revenue from distribution warehouses

Description

Refer to Note 4(30) for accounting policy on revenue recognition.

The Company recognises revenue upon delivery or pick-up of goods (the transfer of control of ownership) by customers at the warehouses. Warehouse sales revenue constitutes 39% of total operating revenue for the year ended December 31, 2019. The Company's revenue recognition is based on inventory movement records of warehouses based on the reports provided by warehouse custodians or bill of lading reports recorded on network platform. As the hubs are located in various locations and there are numerous custodians, the frequency and contents of statements provided by custodians vary, and customers are from different places, the process of revenue recognition contains numerous manual procedures, which would potentially result in inaccurate timing of revenue recognition and the discrepancy between physical inventory quantities in the hubs and quantities per accounting records. Thus, we consider the cut-off on sales revenue from distribution warehouses a key audit matter.

How our audit addressed the matter

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

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

Investments accounted for using equity method - valuation of inventories

Description

The Company receives orders from customers and the subsidiaries are tasked to manufacture the products. The subsidiaries (shown as investments accounted for using equity method) have a high risk of incurring inventory valuation loss and obsolescence due to fluctuations in market demand and rapidly evolving technology. Further, the measurement of net realisable value of inventories involves subjective judgement resulting in a high degree of estimation uncertainty. Thus, we consider the allowance for inventory valuation loss of the subsidiaries (shown as investments accounted for using equity method) a key audit matter.

How our audit addressed the matter

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

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

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including independent directors and supervisors, are responsible for overseeing the Company's financial reporting process.

Independent accountant's responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Wang, Yu-Juan

Xu, Jian-Ye

For and on behalf of PricewaterhouseCoopers, Taiwan

February 27, 2020

The accompanying parent company only 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 parent company only financial statements and report of independent accountants 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.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 4,038,861	18	\$ 6,610,358	26
1110	Financial assets at fair value through profit or loss - current	6(2)	16,913	-	166,048	1
1120	Financial assets at fair value through other comprehensive income - current	6(3)	171,906	1	228,413	1
1140	Current contract assets	6(21)	31,585	-	-	-
1170	Accounts receivable, net	6(4)	4,466,711	19	7,168,341	28
1180	Accounts receivable - related parties	7	134,974	1	10,595	-
1200	Other receivables		17,657	-	32,397	-
1210	Other receivables - related parties	7	43,626	-	33,315	-
130X	Inventories, net	6(6)	815,756	4	625,058	2
1410	Prepayments		16,216	-	8,890	-
1479	Other current assets		32,710	-	25,474	-
11XX	Total current assets		9,786,915	43	14,908,889	58
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	21,301	-	18,174	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	2,435,247	11	1,381,450	6
1550	Investments accounted for under equity method	6(7)	9,618,330	42	8,300,401	32
1600	Property, plant and equipment, net	6(8)	770,937	3	761,523	3
1755	Right-of-use assets	6(9)	7,849	-	-	-
1780	Intangible assets	6(10)	287,174	1	277,570	1
1840	Deferred income tax assets	6(26)	88,793	-	40,785	-
1990	Other non-current assets		8,755	-	39,924	-
15XX	Total non-current assets		13,238,386	57	10,819,827	42
1XXX	Total assets		\$ 23,025,301	100	\$ 25,728,716	100

(Continued)

MERRY ELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 89,940	1	\$ 4,399,144	17
2120	Financial liabilities at fair value	6(2)				
	through profit or loss - current		11,799	-	6,976	-
2170	Accounts payable		103,882	1	4,420	-
2180	Accounts payable - related parties	7	5,384,900	23	6,642,168	26
2200	Other payables	6(13)	498,778	2	423,685	2
2220	Other payables - related parties	7	7,124	-	40,296	-
2230	Current income tax liabilities		215,609	1	119,172	-
2300	Other current liabilities		287,887	1	187,325	1
21XX	Total current liabilities		6,599,919	29	11,823,186	46
Non-current liabilities						
2530	Corporate bonds payable	6(14)	2,229,959	9	2,882,721	11
2570	Deferred income tax liabilities	6(26)	874,025	4	604,859	2
2640	Accrued pension liabilities	6(15)	83,476	-	84,044	-
2645	Guarantee deposits received		1,017	-	1,018	-
2670	Other non-current liabilities		402,928	2	402,072	2
25XX	Total non-current liabilities		3,591,405	15	3,974,714	15
2XXX	Total liabilities		10,191,324	44	15,797,900	61
Equity						
Share capital			6(17)			
3110	Share capital - common stock		2,086,684	9	1,996,625	8
Capital surplus			6(18)			
3200	Capital surplus		3,870,105	17	2,789,111	11
Retained earnings			6(19)			
3310	Legal reserve		1,745,768	8	1,539,341	6
3320	Special reserve		269,144	1	269,144	1
3350	Unappropriated retained earnings		3,834,442	17	3,189,563	12
Other equity interest			6(20)			
3400	Other equity interest		1,027,834	4	147,032	1
3XXX	Total equity		12,833,977	56	9,930,816	39
Significant contingent liabilities and unrecognised contract commitments			9			
Significant events after the balance sheet date			11			
3X2X	Total liabilities and equity		\$ 23,025,301	100	\$ 25,728,716	100

The accompanying notes are an integral part of these parent company only financial statements.

MERRY ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2019		2018	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(21) and 7		\$ 30,648,815	100	\$ 30,438,179	100
5000 Operating costs	6(6)(24) and 7		(27,637,789)	(90)	(27,825,720)	(92)
5900 Net operating margin			3,011,026	10	2,612,459	8
Operating expenses	6(24)(25)					
6100 Selling expenses			(192,099)	(1)	(210,681)	-
6200 General and administrative expenses			(584,741)	(2)	(553,006)	(2)
6300 Research and development expenses			(606,161)	(2)	(569,581)	(2)
6000 Total operating expenses			(1,383,001)	(5)	(1,333,268)	(4)
6900 Operating profit			1,628,025	5	1,279,191	4
Non-operating income and expenses						
7010 Other income	6(22)		145,596	-	131,041	-
7020 Other gains and losses	6(2)(3)(23)	(	5,693)	-	52,726	-
7050 Finance costs		(	63,385)	-	(31,217)	-
7070 Share of profit of associates and joint ventures accounted for using equity method	6(7)					
			1,441,489	5	1,063,494	4
7000 Total non-operating income and expenses			1,518,007	5	1,216,044	4
7900 Profit before income tax			3,146,032	10	2,495,235	8
7950 Income tax expense	6(26)	(	597,420)	(2)	(430,970)	(1)
8200 Profit for the year			\$ 2,548,612	8	\$ 2,064,265	7
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Actuarial losses on defined benefit plans	6(15)	(\$	15,027)	-	(\$ 7,051)	-
8316 Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(20)					
			1,146,956	4	(2,530,480)	(9)
8330 Share of other comprehensive loss of associates and joint ventures accounted for using equity method			-	-	(5,513)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss			3,005	-	1,410	-
8310 Other comprehensive income (loss) that will not be reclassified to profit or loss			1,134,934	4	(2,541,634)	(9)
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Exchange differences on translation	6(20)	(	113,955)	-	19,095	-
8367 Unrealised gains from investments in debt instruments measured at fair value through other comprehensive income		(	2,377)	-	18,639	-
8380 Share of other comprehensive loss of associates and joint ventures accounted for using equity method		(	153,522)	(1)	(87,285)	-
8399 Income tax relating to the components of other comprehensive income			52,830	-	12,720	-
8360 Other comprehensive loss that will be reclassified to profit or loss		(	217,024)	(1)	(36,831)	-
8300 Other comprehensive (loss) income for the year			\$ 917,910	3	(\$ 2,578,465)	(9)
8500 Total comprehensive (loss) income for the year			\$ 3,466,522	11	(\$ 514,200)	(2)
Earnings per share	6(27)					
9750 Basic earnings per share			\$ 12.51		\$ 10.47	
9850 Diluted earnings per share			\$ 11.54		\$ 10.35	

The accompanying notes are an integral part of these parent company only financial statements.

MERRY ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Retained earnings			Financial statements translation differences of foreign operations	Treasury stocks	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings			
2018									
Balance at January 1, 2018		\$ 2,004,721	\$ 2,985,304	\$ 1,177,121	\$ 269,144	\$ 4,292,018	\$ 3,074,587	(\$ 98,743)	\$ 13,704,152
Effects of modified retrospective restatement		-	-	-	-	3,766	(3,766)	-	-
Balance at January 1, 2018 after adjustments		2,004,721	2,985,304	1,177,121	269,144	4,295,784	3,070,821	(98,743)	13,704,152
Profit		-	-	-	-	2,064,265	-	-	2,064,265
Other comprehensive loss	6(20)	-	-	-	-	(11,154)	(2,567,311)	-	(2,578,465)
Total comprehensive income		-	-	-	-	2,053,111	(2,567,311)	-	(514,200)
Appropriations and distribution of 2017 earnings (Note 2):		-	-	-	-	-	-	-	-
Legal reserve		-	-	362,220	-	-	-	-	-
Cash dividends		-	-	-	-	(362,220)	-	-	-
Issuance of convertible bonds	6(14)	-	-	-	-	(3,143,838)	-	-	(3,143,838)
Convertible bonds converted to equity shares	6(14)	1,409	133,326	-	-	-	-	-	133,326
Share-based payment	6(16)	9,165	120,515	-	-	-	-	-	14,974
Retirement of treasury shares	6(17)	(18,670)	(66,129)	-	-	-	(9,752)	13,944	133,872
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)	-	-	-	-	346,726	(346,726)	-	-
Acquisition agreement of additional equity in subsidiaries		-	(402,072)	-	-	-	-	-	(402,072)
Recognition of change in equity of associates in proportion to the Group's ownership		-	-	-	-	-	-	-	-
Balance at December 31, 2018		1,996,625	2,789,111	1,539,341	269,144	3,189,563	147,032	-	9,930,816
2019									
Balance at January 1, 2019		\$ 1,996,625	\$ 2,789,111	\$ 1,539,341	\$ 269,144	\$ 3,189,563	\$ 147,032	\$ -	\$ 9,930,816
Profit (loss)		-	-	-	-	2,548,612	-	-	2,548,612
Other comprehensive income (loss)	6(20)	-	-	-	-	(12,022)	929,932	-	917,910
Total comprehensive income		-	-	-	-	2,536,590	929,932	-	3,466,522
Appropriations and distribution of 2018 earnings		-	-	-	-	-	-	-	-
Legal reserve		-	-	206,427	-	-	-	-	-
Cash dividends		-	-	-	-	(206,427)	-	-	-
Issuance of common stock for cash		40,000	408,000	-	-	(1,751,419)	-	-	(1,751,419)
Convertible bonds converted to equity shares	6(14)	48,851	636,587	-	-	-	-	-	448,000
Share-based payment	6(16)	1,208	25,256	-	-	-	18,974	-	685,438
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)	-	-	-	-	68,104	(68,104)	-	-
Recognition of change in equity of associates in proportion to the Group's ownership		-	11,151	-	-	-	-	-	11,151
Recognition of change in equity of non-associates in proportion to the Group's ownership		-	-	-	-	(1,969)	-	-	(1,969)
Balance at December 31, 2019		2,086,684	3,870,105	1,745,768	269,144	3,834,442	1,027,834	-	12,833,977

Note 1: Directors' and supervisors' remuneration amounting to \$43,733 thousand and employees' compensation amounting to \$128,626 thousand were recognised as expenses in the statement of comprehensive income for the year ended December 31, 2016.

Note 2: Directors' and supervisors' remuneration amounting to \$90,750 thousand and employees' compensation amounting to \$272,251 thousand were recognised as expenses in the statement of comprehensive income for the year ended December 31, 2017.

The accompanying notes are an integral part of these parent company only financial statements.

MERRY ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,146,032	\$ 2,495,235
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)	17,318	18,288
Depreciation - right-of-use assets	6(9)	10,441	-
Gain on modification of lease		(5)	-
Amortization	6(10)	55,625	56,241
Expected credit loss		1,207	1,024
Finance costs		63,385	31,217
Interest expense - lease liability		610	-
Net loss on financial assets or liabilities at fair value through profit or loss		(2,634)	16,904
Proceeds from disposal of available-for-sale financial assets-non-current	6(3)	(833)	-
Share of profit of associates and joint ventures accounted for using equity method	6(7)	(1,441,489)	(1,063,494)
Dividend income	6(22)	(69,850)	(60,437)
Interest income	6(22)	(48,522)	(40,417)
Gain on disposal of property, plant and equipment	6(23)	(471)	(97)
Share-based payments	6(16)	52,158	90,298
Treasury share-based payments	6(16)	-	26,734
Compensation cost of cash capital increase reserved for employee preemption	6(16)	-	3,993
Effect of exchange rate changes		(34,526)	(58,875)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss	6(2)	154,703	231,061
Accounts receivable		2,782,214	(1,234,799)
Accounts receivable - related parties		(124,380)	2,923
Contract assets-current		(31,585)	-
Other receivables		19,076	152,625
Other receivables - related parties		(10,311)	495
Inventories		(190,698)	205,914
Prepayments		(7,326)	7,548
Other current assets		(7,669)	(7,398)
Acquisition of financial assets at fair value through profit or loss - non-current		(3,127)	(18,174)
Changes in operating liabilities			
Accounts payable		99,462	3,934
Accounts payable - related parties		(1,240,671)	(594,367)
Other payables		74,309	(162,479)
Other payables - related parties		(49,769)	(30,977)
Other current liabilities		11,654	7,622
Other non-current liabilities		(15,596)	(22,325)
Cash inflow generated from operations		3,208,732	58,217
Interest paid		(15,061)	(30,050)
Income taxes paid		(223,990)	(552,376)
Interest received		48,955	43,223
Dividend income		69,850	60,437
Recognition of dividends received from investments accounted for using equity method	6(28)	-	574,124
Net cash flows from operating activities		<u>3,088,486</u>	<u>153,575</u>

(Continued)

MERRY ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		\$ -	(\$ 324,392)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)(28)	143,315	603,040
Acquisition of investments accounted for using equity method	6(7)	(134,264)	(1,807,223)
Acquisition of property, plant and equipment	6(8)(28)	(42,763)	(335,241)
Proceeds from disposal of property, plant and equipment		12,141	3,185
Acquisition of intangible assets	6(8)(28)	(42,812)	(44,197)
Decrease in other financial assets		-	100,000
Decrease in guarantee deposits		138	284
Net cash flows used in investing activities		(64,245)	(1,804,544)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		(4,309,204)	3,049,624
Proceeds from issuance of bonds	6(14)	-	3,015,000
Cash dividends paid	6(19)	(1,751,419)	(3,143,838)
Repayment of principal portion of lease liabilities	6(9)	(10,921)	-
Employee purchase of treasury shares		-	13,944
Cancellation of restricted employee shares		(6,720)	(1,095)
Issuance of common stock for cash	6(17)	448,000	-
Net cash flows (used in) from financing activities		(5,630,264)	2,933,635
Effect of exchange rate changes		34,526	58,875
Net (decrease) increase in cash and cash equivalents		(2,571,497)	1,341,541
Cash and cash equivalents at beginning of year		6,610,358	5,268,817
Cash and cash equivalents at end of year		\$ 4,038,861	\$ 6,610,358

The accompanying notes are an integral part of these parent company only financial statements.

MERRY ELECTRONICS CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

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

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on February 27, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

- (a) IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- (b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by \$15,699 thousand, increased 'lease liability' by \$15,699 thousand on January 1, 2019.
- (c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$956 thousand was recognised in 2019.
- (d) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 3.25%.
- (e) The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 18,340
Less: Short-term leases	(956)
Less: Low-value assets	(1,056)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	<u>\$ 16,418</u>
Incremental borrowing interest rate at the date of initial application	<u>3.25%</u>
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 15,699</u>

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative- Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, 'Interest rate benchmark reform'	January 1, 2020

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

(3) IFRSs 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the parent company only 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 at fair value through other comprehensive income.

- (c) Defined benefit liabilities recognised 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 Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘Other gains and losses’.

B. Translation of foreign operations

- (a) The operating results and financial position of all the company entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (c) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities held mainly for trading purposes;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

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

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income including accounts receivable, at each reporting date, the Company recognises the impairment provision for 12 months

expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

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

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

(11) Inventories

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

(12) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- D. When changes in a subsidiary's equity do not arise from profit or loss or other comprehensive

income of the associate and such changes do not affect the Company's ownership percentage of the subsidiary, the Company recognises the Company's share of change in equity of the subsidiary in 'Capital surplus' in proportion to its ownership.

- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.
- G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- H. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- I. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if

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

Buildings and structures	5 ~ 60 years
Machinery and equipment	2 ~ 10 years
Transportation equipment	7 ~ 12 years
Office equipment	5 ~ 10 years
Others	4 ~ 10 years

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

Effective 2019

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

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

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

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

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

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

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

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

(15) Leased assets / leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(16) Leased assets/ operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

B. Goodwill

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

C. Other intangible assets are patents and are amortised using the straight-line method over 3 years.

(18) Impairment of non-financial assets

A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill should be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(19) Borrowings

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

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term and financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value

through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts; or
 - (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
 - (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Convertible bonds payable

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

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

(23) Derecognition of financial liabilities

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

(24) Non-hedging and embedded derivatives

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

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

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

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

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

(26) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair

value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Company recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
- (c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Company and the Company must refund their payments on the stocks, the Company recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'Capital Surplus - restricted stock'.

(27) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates

(and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

(28) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(29) Dividends

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

(30) Revenue recognition

Sales of goods

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

sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 100 days which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

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

(31) Business combinations

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

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying

amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Company's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(11) for the information of goodwill impairment.

As of December 31, 2019, the Company recognised goodwill, net of impairment loss, amounting to \$139,735 thousand.

B. Impairment assessment of investments accounted for using equity method

The Company assesses the impairment of an investment accounted for using equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recovered. The Company assesses the recoverable amount of an investment accounted for under the equity method based on the present value of the Company's share of expected future cash flows of the investee, and analyses the reasonableness of related assumptions.

As of December 31, 2019, the Company's investments accounted for under the equity method, net of impairment loss, amounted to \$9,618,330 thousand.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	\$ 196	\$ 175
Checking accounts and demand deposits	2,669,637	2,768,317
Time deposits	-	3,224,098
Short-term notes and bills	1,369,028	617,768
	<u>\$ 4,038,861</u>	<u>\$ 6,610,358</u>

A. The Company 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 Company has no cash and cash equivalents pledged to others.

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

Items	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
- Funds	\$ -	\$ 51,262
- Non-hedging derivatives	14,138	6,176
- Stocks	169	108,949
- Call options of convertible bonds	2,290	4,200
Valuation adjustment	316	(4,539)
	<u>\$ 16,913</u>	<u>\$ 166,048</u>
Non-current items:		
- Funds	<u>\$ 21,301</u>	<u>\$ 18,174</u>

Items	December 31, 2019	December 31, 2018
Current items:		
Financial liabilities held for trading		
- Non-hedging derivatives	<u>\$ 11,799</u>	<u>\$ 6,976</u>

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

	Years ended December 31,	
	2019	2018
Net gains on financial assets at fair value through profit or loss	<u>\$ 68,721</u>	<u>\$ 62,842</u>

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

	December 31, 2019		
Derivative instruments	Contract amount (Notional principal)	Contract period	Contract price
Forward foreign exchange contract to sell	<u>USD 63,000 thousand</u>	2019/12/12~ 2020/2/27	NTD 30.017~30.310
Forward foreign exchange contract to buy	<u>USD 63,000 thousand</u>	2019/12/12~ 2020/2/27	NTD 29.835~30.220
	December 31, 2018		
Derivative instruments	Contract amount (Notional principal)	Contract period	Contract price
Forward foreign exchange contract to sell	<u>USD 54,300 thousand</u>	2018/12/12~ 2019/1/29	NTD 30.649~30.756
Forward foreign exchange contract to buy	<u>USD 54,300 thousand</u>	2018/12/12~ 2019/1/29	NTD 30.709~30.811

The Company 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. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2019	December 31, 2018
Current items:		
Debt instruments		
Closed-end fund	\$ -	\$ 50,000
Bonds	89,550	89,550
Valuation adjustment	1,000	3,913
	<u>90,550</u>	<u>143,463</u>
Equity instruments		
Stocks	76,080	83,834
Valuation adjustment	5,276	1,116
	<u>81,356</u>	<u>84,950</u>
	<u>\$ 171,906</u>	<u>\$ 228,413</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 775,130	\$ 748,154
Emerging stocks	-	40,106
Unlisted stocks	48,107	61,157
	<u>823,237</u>	<u>849,417</u>
Valuation adjustment	1,614,986	535,009
Accumulated impairment	(2,976)	(2,976)
	<u>\$ 2,435,247</u>	<u>\$ 1,381,450</u>

A. The Company 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 \$2,607,153 thousand and \$1,609,863 thousand as at December 31, 2019 and 2018, respectively.

B. During the year ended December 31, 2019, the Company redeemed the debt investment at fair value of \$50,833 thousand due to maturity of bond which resulted in cumulated gain on disposals amounting to \$833 thousand (shown as other gains and losses). Aiming to satisfy the capital needs, the Company sold \$88,988 thousand of equity investment at fair value which resulted in cumulative gains on disposal amounting to \$68,104 thousand during the year ended December 31, 2019 (transferred from other equity interest to unappropriated retained earnings). During the year ended December 31, 2018, the Company repurchased bond investments at fair value of \$156,192 due to maturity of bond which resulted in cumulative losses on disposal amounting to \$13,602

(shown as other gains and losses). Aiming to satisfy the capital needs, the Company sold \$443,288 of equity investments at fair value which resulted in cumulative gains on disposal amounting to \$346,726 (transferred from other equity interest to unappropriated retained earnings) during the year ended December 31, 2018.

C. As of December 31, 2019 and 2018, the uncollected payments arising from disposal of shares of public offering companies amounted to \$4,336 thousand and \$0, respectively.

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

	Years ended December 31,	
	2019	2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 1,152,242	(\$ 3,530,480)
Cumulative gains (losses) reclassified to retained earnings due to derecognition	(\$ 68,104)	(\$ 346,726)
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 2,080)	\$ 5,037
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to derecognition	(\$ 833)	\$ 13,602
Interest income recognised in profit or loss	\$ 3,554	\$ 5,048

E. For the years ended December 31, 2019 and 2018, 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 Company was \$2,607,153 thousand and \$1,609,863 thousand, respectively.

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.

H. The Company recognised interest income of \$3,554 thousand and \$5,048 thousand on debt

instruments held for the years ended December 31, 2019 and 2018, respectively.

(4) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable	\$ 4,469,877	\$ 7,170,300
Less: Loss allowance	(3,166)	(1,959)
	<u>\$ 4,466,711</u>	<u>\$ 7,168,341</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2019	December 31, 2018
Not past due	\$ 4,455,759	\$ 6,992,854
Up to 30 days	6,431	177,049
31 to 90 days	7,471	236
91 to 180 days	216	161
Over 180 days	-	-
	<u>\$ 4,469,877</u>	<u>\$ 7,170,300</u>

The above ageing analysis was based on past due date.

B. As of December 31 2019 and 2018, and January 1, 2018, the balances of receivables (including notes receivable) from contracts with customers amounted to \$4,649,877 thousand, \$7,170,300 thousand, and \$5,938,359 thousand, respectively.

C. The Company does not hold any collateral as security.

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

(5) Transfer of financial assets

Transferred financial assets that are derecognised in their entirety

On October 2, 2019, the Group entered into a factoring agreement with Bank of America to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable. As of December 31, 2019, there was no amount that had past due.

(6) Inventories

December 31, 2019			
	Cost	Allowance for slow-moving and valuation losses	Book value
Finished goods	\$ 874,580	(\$ 59,960)	\$ 814,620
Raw materials	1,136	-	1,136
	<u>\$ 875,716</u>	<u>(\$ 59,960)</u>	<u>\$ 815,756</u>

December 31, 2018			
	Cost	Allowance for slow-moving and valuation losses	Book value
Finished goods	\$ 671,831	(\$ 46,810)	\$ 625,021
Raw materials	957	(920)	37
	<u>\$ 672,788</u>	<u>(\$ 47,730)</u>	<u>\$ 625,058</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2019	2018
Cost of goods sold	\$ 27,625,559	\$ 27,800,355
Loss on market value decline and obsolete and slow-moving inventories	<u>12,230</u>	<u>25,365</u>
	<u>\$ 27,637,789</u>	<u>\$ 27,825,720</u>

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(7) Investments accounted for using equity method

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
MERRY ELECTRONICS (HK) CO., LTD.	\$ 3,627,334	\$ 3,086,828
DANNY DYNAMICS LIMITED	2,838,996	2,419,742
LEOHAB ENTERPRISE CO., LTD.	66,395	64,030
MERRY ELECTRONICS (U.S.A.) CO., LTD.	36,408	33,598
MERRY ELECTRONICS (SINGAPORE) PTE., LTD.	660,634	370,715
MERRY ELECTRONICS (THAILAND) CO., LTD.	554,432	533,283
MERRY HEALTHCARE CO., LTD.	541,594	442,404
GUANGDONG LUXSHARE & MERRY ELECTRONICS CO., LTD.	376,606	416,309
ASIAN ELITE INTERNATIONAL LTD.	93,666	96,909
INDIGO ENTERPRISE INC.	794,473	836,583
BIOTEST MEOLCAL CORPORATION(“BTTC”)	27,792	-
	<u>\$ 9,618,330</u>	<u>\$ 8,300,401</u>

A. Subsidiaries:

- (a) Details of the subsidiaries of the Company are provided in Note 4(3) in the Company’s consolidated financial statements as of and for the year ended December 31, 2019.
- (b) The Board of Directors during its meeting in February 2018 adopted a resolution to increase cash capital in Fulicare Co., Ltd. in the amount of US\$10,500.
- (c) In February 2018, the Company acquired 14% and 68.5% of shares in Austar Hearing Science and Technology (Xiamen) Co., Ltd. for a consideration of RMB 10,453 thousand and RMB 51,147 thousand through second-tier subsidiary, Fulicare Co., Ltd., and third-tier subsidiary, Fulicare Medical Technology (Suzhou) Co., Ltd., respectively as resolved at the meeting of the Board of Directors. The Company acquired 82.5% of shares for total amount of RMB 61,600 thousand. In June 2018, the Company acquired an additional 17% of shares in Austar Hearing Science and Technology (Xiamen) Co., Ltd. for a consideration of RMB 13,600 thousand through Fulicare Co., Ltd. as resolved at the meeting of the Board of Directors. Accordingly, the Company acquired 99.5% of shares for a total amount of RMB 75,200 thousand.
- (d) In April 2018, the Company invested in the investee of Indigo Enterprises Inc., Sonavox Canada Inc., and the subsidiary of Indigo Enterprises Inc., SEAS FABRIKKER, and entered into a share transfer agreement with the shareholder (Newood Consultancy Limited) as resolved at the meeting of the Board of Directors. The investments were carried out in two stages: the Company acquired 70% of shares in the amount of US\$28,203 thousand at the first

stage and acquired another 30% of shares in the amount of US\$12,087 thousand at the second stage, the second stage payment will be made on maturity date three years after the initial settlement date and the acquisition is completed unless the transferor refuses to transfer by written notice. In accordance with relevant contract liabilities standard, the payment obligation of subsequent 30% of shares was recognised (shown as ‘Other non-current liabilities, others’). In July 2018, the Company acquired 70% of shares in Indigo Enterprise Inc. and ASIAN ELITE INTERNATIONAL LTD. and accordingly, the Company obtained control over it. Only the statements of comprehensive income of said investees for the six months ended December 31, 2018 were consolidated in the Company’s financial statements.

- (e) The information on investment income from the subsidiaries, MERRY ELECTRONICS (SINGAPORE) PTE., LTD. and MERRY ELECTRONICS (HK) CO., LTD., is provided in Note 6(28).
- (f) In December 2018, the Company acquired 100% of shares in Fulicare Medical Technology (Xiamen) Co., Ltd. (to be confirmed) for a consideration of US\$10 million as resolved at the meeting of Board of Directors.
- (g) To meet customers’ demand and expand market of health care personal sound amplification product business, the Company made a cooperation investment with Biotest Medical Corp. for a consideration no more than NT\$10 million as resolved at the meeting of the Board of Directors on December 27, 2018. In February 2019, the Board of Directors resolved to invest in Biotest Medical Corp. in the amount of NTD 9,420 thousand and acquire 94.20% equity interests. The effective date for the conversion was set on July 31, 2019.
- (h) In October 2019, the Board of Directors of the Company resolved to increase its investment in Fulicare Co., Ltd amounting to USD 1,900 thousand. As of December 31, 2019, the Company has remitted USD 987 thousand (NTD 30,000 thousand).
- (i) In October 2019, the Board of Directors of the Company resolved to establish Fulicare Co., Ltd. TAIWAN BRANCH (SAMOA), Taiwan branch and set 30,000 thousand as working capital. The registration was completed on November 20, 2019.
- (j) The liquidation of the Company’s second-tier subsidiary, Fulicare Medical Instruments Technical Services (Suzhou)Co.,Ltd was completed in May 2019.
- (k) The liquidation of the Company’s second-tier subsidiary, Fulicare Medical Instruments (Suzhou)Co.,Ltd was completed in April 2019.

B. Associates

The carrying amount of the Company’s interests in all individually immaterial associates and the Company’s share of the operating results are summarised below:

As of December 31, 2019 and 2018, the carrying amount of the Company’s individually immaterial associates amounted to \$443,001 thousand and \$480,339 thousand, respectively.

	Years ended December 31,	
	2019	2018
Share of profit (loss) of associates accounted for using equity method	(\$ 25,645)	(\$ 12,722)
Other comprehensive loss, net of tax	(15,978)	(23,003)
Total comprehensive loss	<u>(\$ 41,623)</u>	<u>(\$ 35,725)</u>

C. The recognised share of (loss) profit of subsidiaries and associates accounted for using equity method is as follows:

	Years ended December 31,	
	2019	2018
MERRY ELECTRONICS (HK) CO., LTD.	\$ 675,996	\$ 718,960
DANNY DYNAMICS LIMITED	525,582	36,010
LEOHAB ENTERPRISE CO., LTD.	5,693	10,030
MERRY ELECTRONICS (U.S.A.) CO., LTD.	3,720	435
MERRY ELECTRONICS (SINGAPORE) PTE. LTD.	307,560	311,892
MERRY ELECTRONICS (THAILAND) CO., LTD.	(10,756)	19,064
MERRY HEALTHCARE CO., LTD.	(7,757)	(2,063)
GUANGDONG LUXSHARE & MERRY	(31,338)	(22,752)
ASIAN ELITE INTERNATIONAL LTD.	2,415	20,935
INDIGO ENTERPRISE INC.	(42,769)	(29,017)
BIOTEST MEOLCAL CORPORATION("BTMT")	13,152	-
	<u>\$ 1,441,489</u>	<u>\$ 1,063,494</u>

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(8) Property, plant and equipment

Year ended December 31, 2019				
Cost	Opening balance	Additions	Reductions	Ending balance
Land	\$ 558,900	\$ -	\$ -	\$ 558,900
Buildings and structures	176,947	163	-	177,110
Machinery	89,565	16,566	(12,846)	93,285
Transportation equipment	2,582	1,500	-	4,082
Office equipment	65,697	816	(181)	66,332
Others	9,072	289	-	9,361
Unfinished construction	2,485	19,068	-	21,553
	<u>\$ 905,248</u>	<u>\$ 38,402</u>	<u>(\$ 13,027)</u>	<u>930,623</u>
Accumulated depreciation				
Buildings and structures	(31,205)	(\$ 4,334)	\$ -	(35,539)
Machinery	(65,921)	(4,669)	1,176	(69,414)
Transportation equipment	(737)	(529)	-	(1,266)
Office equipment	(38,531)	(7,104)	181	(45,454)
Others	(7,331)	(682)	-	(8,013)
	<u>(143,725)</u>	<u>(\$ 17,318)</u>	<u>\$ 1,357</u>	<u>(159,686)</u>
	<u>\$ 761,523</u>			<u>\$ 770,937</u>
Year ended December 31, 2018				
Cost	Opening balance	Additions	Reductions	Ending balance
Land	\$ 254,124	\$ 304,776	\$ -	\$ 558,900
Buildings and structures	182,812	5,082	(10,947)	176,947
Machinery	85,221	10,036	(5,692)	89,565
Transportation equipment	2,767	-	(185)	2,582
Office equipment	55,215	11,364	(882)	65,697
Others	8,985	914	(827)	9,072
Unfinished construction	-	2,485	-	2,485
	<u>\$ 589,124</u>	<u>\$ 334,657</u>	<u>(\$ 18,533)</u>	<u>905,248</u>
Accumulated depreciation				
Buildings and structures	(36,843)	(\$ 5,309)	\$ 10,947	(31,205)
Machinery	(65,093)	(4,259)	3,431	(65,921)
Transportation equipment	(553)	(369)	185	(737)
Office equipment	(32,208)	(7,205)	882	(38,531)
Others	(6,185)	(1,146)	-	(7,331)
	<u>(140,882)</u>	<u>(\$ 18,288)</u>	<u>\$ 15,445</u>	<u>(143,725)</u>
	<u>\$ 448,242</u>			<u>\$ 761,523</u>

(9) Leasing arrangements — lessee

Effective 2019

- A. The Company leases various assets including land, buildings, machinery and equipment, business vehicles, multifunction printers. Rental contracts are typically made for periods of 1 to 5 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 carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Land		
Buildings	\$ 6,044	\$ 9,117
Machinery and equipment	-	-
Transportation equipment (Business vehicles)	1,789	605
Office equipment (Photocopiers)	16	108
Other equipment	-	611
	<u>\$ 7,849</u>	<u>\$ 10,441</u>

- C. For the year ended December 31, 2019, the additions to right-of-use assets was \$4,269 thousand.
- D. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	<u>\$ 610</u>

- E. For the year ended December 31, 2019, the Company's total cash outflow for leases was \$10,921 thousand.

(10) Intangible assets

Year ended December 31, 2019				
Cost	Opening balance	Additions	Reductions	Ending balance
Goodwill	\$ 139,735	\$ -	\$ -	\$ 139,735
Patents	21,146	4,011	-	25,157
Computer software	375,235	61,218	(3,455)	432,998
	<u>536,116</u>	<u>\$ 65,229</u>	<u>(\$ 3,455)</u>	<u>597,890</u>

Accumulated amortisation

Patents	(17,201)	(\$ 3,249)	\$ -	(20,450)
Computer software	(241,345)	(52,376)	3,455	(290,266)
	<u>(258,546)</u>	<u>(\$ 55,625)</u>	<u>\$ 3,455</u>	<u>(310,716)</u>
	<u>\$ 277,570</u>			<u>\$ 287,174</u>

Year ended December 31, 2018				
Cost	Opening balance	Additions	Reductions	Ending balance
Goodwill	\$ 139,735	\$ -	\$ -	\$ 139,735
Patents	19,263	1,883	-	21,146
Computer software	360,238	16,068	(1,071)	375,235
	<u>519,236</u>	<u>\$ 17,951</u>	<u>(\$ 1,071)</u>	<u>536,116</u>

Accumulated amortisation

Patents	(14,317)	(\$ 2,884)	\$ -	(17,201)
Computer software	(189,059)	(53,357)	1,071	(241,345)
	<u>(203,376)</u>	<u>(\$ 56,241)</u>	<u>\$ 1,071</u>	<u>(258,546)</u>
	<u>\$ 315,860</u>			<u>\$ 277,570</u>

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2019	2018
Operating costs	\$ 14,407	\$ 13,552
Selling expenses	2,606	2,353
Administrative expenses	20,796	20,152
Research and development expenses	17,816	20,184
	<u>\$ 55,625</u>	<u>\$ 56,241</u>

(11) Impairment of non-financial assets

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, the Company estimates a 10% year-on-year growth in sales as the Company will launch new products and improve its technology from 2020 to 2024. The estimation is based on that the Company is committed to developing and taking Bluetooth orders and the experience of sale growths of 5%, 94%, 84%, 34% and (3)% from 2015 to 2019, respectively.

Management determined budgeted gross margin based on past performance and their expectations of market development. The weighted average growth rates used are consistent with the projection included in industry reports. The discount rate of 16.03% used was pre-tax and reflected specific risks relating to the relevant operating segments.

(12) Short-term borrowings

<u>Type of Borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ <u>89,940</u>	2.14%	None
<u>Type of Borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ <u>4,399,144</u>	0.69%~2.99%	None

(13) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Salary and bonus payable	\$ 132,358	\$ 117,550
Employees' compensation payable	219,531	162,028
Remuneration due to directors and supervisors	68,392	54,009
Machinery and equipment payable	675	13,650
Others	<u>77,822</u>	<u>76,448</u>
	<u>\$ 498,778</u>	<u>\$ 423,685</u>

(14) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds payable	\$ 2,289,500	\$ 3,000,000
Less: Discount on bonds payable	(59,541)	(117,279)
	2,229,959	2,882,721
Less: Current portion	-	-
	<u>\$ 2,229,959</u>	<u>\$ 2,882,721</u>

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 for a total issuance amount of US\$3,015 million at a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from December 11, 2018 to December 11, 2021. The bonds 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 bondholders 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 the stop transfer period as specified in the terms of the bonds or the laws/regulations and 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, 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 December 31, 2019, the conversion price of convertible bonds was \$139.3 per share.

- iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after one 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 the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (b) As of December 31, 2019, the bonds totalling \$710,500 thousand (face value) had been converted into 4,884 thousand shares of common stock. After the issuance, the Company should adjust the conversion price of convertible bonds of \$139.3 per share in accordance with the terms set out in the indenture when there is an increase in issued common shares.
- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$101,750 thousand were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised 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.

C. The details of the first domestic unsecured convertible bonds issued by the Company on January 29, 2015 are as follows:

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

- i. The competent authority has approved the Company's first time issuance of domestic unsecured corporate bonds for a total issuance amount of US\$1,507,500 thousand at a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from January 29, 2015 to January 29, 2018. The bonds will be redeemed in cash at 100.5% of face value at the maturity date. The bonds were listed on the Taipei Exchange on January 29, 2015.
- ii. The bondholders 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 one month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations and 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, 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 occur 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 December 31, 2017, the conversion price of convertible bonds was \$105.7 per share.
- vi. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after one 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 one month of the bonds issue to 40 days before the maturity date.
- v. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(b) On December 31, 2017, the bonds payable of \$1,492,526 had been converted into 13,487

thousand shares of common shares. As of January 31, 2018, the bonds were all converted. After the issuance, the Company should adjust the conversion price of convertible bonds of \$105.7 per share in accordance with the terms set out in the indenture when there is an increase in issued common shares.

- D. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$683 were separated from the liability component and were recognised in ‘capital surplus—share options’ in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts.

(15) Pensions

- A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, 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 Act. 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, and contributes 8% of the manager’s salaries and wages to the retirement fund deposited. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of 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 amounts recognised in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	\$ 140,594	\$ 125,392
Fair value of plan assets	(57,118)	(41,348)
Net defined benefit liability	<u>\$ 83,476</u>	<u>\$ 84,044</u>

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

Year ended December 31, 2019	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	\$ 125,392	(\$ 41,348)	\$ 84,044
Current service cost	284	-	284
Interest expense (income)	1,230	(404)	826
Past service cost	-	-	-
	<u>126,906</u>	<u>(41,752)</u>	<u>85,154</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,312)	(1,312)
Change in demographic assumption	4	-	4
Change in financial assumption	3,653	-	3,653
Experience adjustments	<u>12,682</u>	<u>-</u>	<u>12,682</u>
	<u>16,339</u>	<u>(1,312)</u>	<u>15,027</u>
Pension fund contribution	-	(16,705)	(16,705)
Paid pension	<u>(2,651)</u>	<u>2,651</u>	<u>-</u>
Balance at December 31	<u>\$ 140,594</u>	<u>(\$ 57,118)</u>	<u>\$ 83,476</u>

Year ended December 31, 2018	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	\$ 154,607	(\$ 42,475)	\$ 112,132
Current service cost	1,246	-	1,246
Interest expense (income)	1,512	(408)	1,104
Past service cost	<u>(2,706)</u>	<u>779</u>	<u>(1,927)</u>
	<u>154,659</u>	<u>(42,104)</u>	<u>112,555</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,070)	(1,070)
Experience adjustments	<u>8,121</u>	<u>-</u>	<u>8,121</u>
	<u>8,121</u>	<u>(1,070)</u>	<u>7,051</u>
Pension fund contribution	-	(1,336)	(1,336)
Paid pension	<u>(37,388)</u>	<u>3,162</u>	<u>(34,226)</u>
Balance at December 31	<u>\$ 125,392</u>	<u>(\$ 41,348)</u>	<u>\$ 84,044</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2019	2018
Discount rate	0.75%	1.00%
Future salary increases	3.00%	3.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Morality Table.

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 3,653)	\$ 3,800	\$ 3,706	(\$ 3,584)
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ 3,331)	\$ 3,468	\$ 3,391	(\$ 3,275)

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

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

(f) The Company expects to pay contribution for pension plan amounting to \$3,176 thousand in 2020.

(g) As of December 31, 2019, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	2,921
1-2 year(s)		5,049
2-5 years		21,923
Over 5 years		122,460
	\$	<u>152,353</u>

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 pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2019 and 2018 were \$29,017 thousand and \$26,435 thousand, respectively.

(16) Share-based payments

The Company issued restricted stocks to employees as resolved at the meeting of the Board of Directors on April 27, 2017 and May 9, 2016 with grant dates on October 26, 2018, December 29, 2017, June 16, 2017 and December 21, 2016. The relevant information is as follows:

A. For the years ended December 31, 2019 and 2018, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2016.12.21	1,542 units	3 years	Note
Restricted stocks to employees	2017.06.16	458 units	3 years	Note
Treasury stock transferred to employees	2017.10.30	95 units	-	-
Restricted stocks to employees	2017.12.29	196 units	3 years	Note
Treasury stock transferred to employees	2018.07.02	307 units	-	-
Restricted stocks to employees	2018.10.26	878 units	3 years	Note
Cash capital increase reserved for employee preemption	2018.12.28	363 units	-	-
Restricted stocks to employees	2019.11.02	813 units	3 years	Note

Note: Depending on the employees' 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 did not meet the conditions of vesting for the employees who resign during the vesting period or 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 first restricted stocks to employees in 2016

	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	542	\$ 10	1,037	\$ 10
Restricted stocks vested	(4)	10	(408)	10
Employee restricted shares retired	(538)	10	(87)	10
Options outstanding at December 31	<u>-</u>	10	<u>542</u>	10

(b) The second restricted stocks to employees in 2016

	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	294	\$ 10	445	\$ 10
Restricted stocks vested	-	-	(129)	10
Employee restricted shares retired	(134)	10	(22)	10
Options outstanding at December 31	<u>160</u>	10	<u>294</u>	10

(c) The first restricted stocks to employees in 2017

	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	164	\$ -	196	\$ -
Restricted stocks vested	(49)	-	-	-
Employee restricted shares retired	(7)	-	(32)	-
Options outstanding at December 31	<u>108</u>	-	<u>164</u>	-

(d) The second restricted stocks to employees in 2017

	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	862	\$ -	-	\$ -
Restricted stocks granted to employees	-	-	878	-
Restricted stocks vested (	251)	-	-	-
Employee restricted shares retired (	13)	-	(16)	-
Options outstanding at December 31	<u>598</u>	-	<u>862</u>	-

(e) The first restricted stocks to employees in 2019

	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	\$ -	-	\$ -
Restricted stocks granted to employees	813	-	-	-
Employee restricted shares retired	<u>-</u>	-	<u>-</u>	-
Options outstanding at December 31	<u>813</u>	-	<u>-</u>	-

B. 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	Grant date	Stock price	Exercise price		Expected volatility	Expected price	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
			price	Price risk						
The first restricted stocks to employees in 2016	2016.12.21	125	10	-	-	-	-	-	-	115
The second restricted stocks to employees in 2016	2016.06.16	187	10	-	-	-	-	-	-	177
Treasury stock transferred to employees	2017.10.30	220	45.42	-	-	-	-	-	-	174.58
The first restricted stocks to employees in 2017	2017.12.29	194.5	0	-	-	-	-	-	-	194.5
Treasury stock transferred to employees	2018.07.02	132.5	45.42	-	-	-	-	-	-	87.08
The second restricted stocks to employees in 2017	2018.10.26	139.5	0	-	-	-	-	-	-	139.5
Cash capital increase reserved for employee preemption	2018.12.28	123	112	-	-	-	-	-	-	11
The first restricted stocks to employees in 2019	2019.11.02	150	0	0	0	0	0	0	0	150

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

	Years ended December 31,	
	2019	2018
Equity-settled	\$ 52,158	\$ 121,025

(17) Share capital

A. As of December 31, 2019, the Company's authorised capital was \$4 billion, consisting of 400 million shares of ordinary stock (including 5 million shares reserved for employee stock options), and the paid-in capital was \$2,086,681 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):

	2019	2018
At January 1	\$ 199,663	\$ 200,472
Employee restricted shares retired (	692)	(157)
Issuance of restricted shares to employees	813	1,074
Conversion of convertible bonds	4,884	141
Retirement of treasury share	-	(1,867)
Proceeds from issuing shares	4,000	-
At December 31	\$ 208,668	\$ 199,663

- (a) On April 27, 2017, the Board of Directors has resolved for the Company to issue employee restricted stocks (please refer to Note 6(16)). The issuance was approved by the regulatory authority on November 29, 2017 and effective on January 22, 2018 and with a subscription price of \$0 (in dollars) per share. The registrations were completed on February 26, 2018 and November 15, 2018 for ordinary shares issued of 196 thousand shares and 878 thousand shares, respectively. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.
- (b) On April 26, 2018 and October 25, 2018, the Board of Directors of the Company resolved to retire employee restricted share in the amount of 157,500 shares. The effective dates for the capital reduction were March 14, 2019 and October 25, 2018. The capital reduction through retirement of employee restricted shares was completed.
- (c) On April 25, 2019 and July 26, 2019, the Board of Directors of the Company resolved to retire employee restricted share in the amount of 692,200 shares. The effective dates for the capital reduction were April 30, 2019 and July 31, 2019. The capital reduction through retirement of employee restricted shares was completed.
- (d) On December 11, 2018, the Company issued the 2nd unsecured convertible bonds. As of December 31, 2019, the face value of those convertible bonds amounted to \$710,500, which had been converted into 4,884 thousand common shares. Please refer to Note 6(14) for further

information

- (e) In 2018, the Company increased its capital by issuing 4 million shares with a par value of \$112 (in dollars per share). The total amount of capital increase was \$40 million. The capital increase was set effective on January 1, 2019 and the registration has been completed in February 13, 2019.
- (f) On October 24, 2019, the Board of Directors of the Company resolved to issue employee restricted shares (please refer to Note 6(16)). The issuance was approved by the Competent Authority on September 16, 2019. The Company issued 813 thousand common shares with the effective date set on November 2, 2019. The subscription price is \$0 per share and the registration for the issuance of new shares was completed. The employee restricted shares issued are subject to certain transfer restrictions before their vesting conditions are qualified. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued common shares.

B. Treasury shares

- (a) Movements in the Company's treasury shares are as follows (in thousands):
Year 2019 : No such situation.

Reason for reacquisition	Year ended December 31, 2018			Number of shares at end
	Number of shares at beginning	Additions	Reductions	
Transferred to employees	2,174	-	(2,174)	-

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (e) The Company retired 1,867 thousand treasury shares which were repurchased from June 16, 2015 to August 14, 2015 for the purpose of transferring to employees as resolved at the meeting of the Board of Directors on July 26, 2018 with the capital reduction effective date set on September 28, 2018.

(18) Capital surplus

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 capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2019				
	Share premium	Treasury share option	Employee restricted stocks	Others	Total
At January 1	\$ 2,376,147	\$ 137,319	\$ 256,324	\$ 19,321	\$ 2,789,111
Issuance of restricted shares to employees	-	-	113,820	-	113,820
Restricted stocks vested	45,123	-	(45,123)	-	-
Employee restricted stocks retired	-	-	(88,564)	-	(88,564)
Proceeds from issuance of convertible bonds	-	-	-	-	-
Ordinary shares converted from convertible bonds	668,163	(31,576)	-	-	636,587
Proceeds from issuing shares	411,993	(3,993)	-	-	408,000
Treasury stock transferred to employees	-	-	-	-	-
Retirement of treasury share	-	-	-	-	-
Acquisition of additional share agreements in a subsidiary	-	-	-	-	-
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	-	11,151	11,151
At December 31	<u>\$ 3,501,426</u>	<u>\$ 101,750</u>	<u>\$ 236,457</u>	<u>\$ 30,472</u>	<u>\$ 3,870,105</u>

	2018				
	Share premium	Treasury share option	Employee restricted stocks	Others	Total
At January 1	\$ 2,719,952	\$ 683	\$ 236,200	\$ 28,469	\$ 2,985,304
Issuance of restricted shares to employees	-	-	111,741	-	111,741
Restricted stocks vested	69,665	-	(69,665)	-	-
Employee restricted stocks retired	-	-	(21,952)	-	(21,952)
Proceeds from issuance of convertible bonds	-	133,326	-	-	133,326
Ordinary shares converted from convertible bonds	14,248	(683)	-	-	13,565
Proceeds from issuing shares	-	3,993	-	-	3,993
Treasury stock transferred to employees	-	-	-	26,733	26,733
Retirement of treasury share	(25,646)	-	-	(40,483)	(66,129)
Acquisition of additional share agreements in a subsidiary	(402,072)	-	-	-	(402,072)
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	-	4,602	4,602
At December 31	<u>\$ 2,376,147</u>	<u>\$ 137,319</u>	<u>\$ 256,324</u>	<u>\$ 19,321</u>	<u>\$ 2,789,111</u>

(19) 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 shall account for at least 5% of the total dividends distributed.
- 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 operations team, if the Company has any profit for the current year, the Company shall set aside 5% to 10% as employees' compensation and no more than 2% as directors' and supervisors' remuneration. The employees' compensation shall be distributed in the form of stock and cash by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and report it in the shareholders' meeting. Employees entitled to receive stock or cash as compensation include employees of subsidiaries of the company meeting certain specific requirements.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 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 December 31, 2019, the balance of capital surplus was \$269,144 thousand.
- E. The Company distributed cash dividends amounting to \$8.6 and \$16.44 per share, respectively as resolved at the meeting of Board of Directors on June 19, 2019 and June 13, 2018, respectively.

The abovementioned distribution of earnings for the years ended December 31, 2018 and 2017 was in agreement with those amounts proposed by the Board of Directors on February 26, 2019 and February 26, 2018, respectively.

- F. The appropriation of cash dividends for 2019 as resolved by the Board of Directors on February 27, 2020 amounted to \$7.7.
- G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(25).

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(20) Other equity items

2019	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Cost of unearned employee compensation	Total
At January 1	(\$ 242,186)	\$ 3,244	\$ 609,874	(\$ 223,900)	\$ 147,032
Effects of simple retrospection	-	-	-	(121,950)	(121,950)
Issuance of restricted shares to employees	-	-	-	52,158	52,158
Employee restricted shares retired	-	-	-	88,766	88,766
Revaluation - gross	- (1,544)	1,544	1,146,956	-	1,145,412
Revaluation transferred to profit or loss - gross	- (833)	833	-	- (833)	(833)
Revaluation transferred to retained earnings – gross	-	-	68,104	-	68,104
Currency translation differences:					
- Group	(113,955)	-	-	- (113,955)	(113,955)
- Tax on Group	22,791	-	-	-	22,791
- Associates	(153,522)	-	-	- (153,522)	(153,522)
- Tax on associates	30,039	-	-	-	30,039
At December 31	(\$ 456,833)	\$ 867	\$ 1,688,726	(\$ 204,926)	\$ 1,027,834

2018	Exchange differences on translation of foreign financial statements	(losses) from investments in debt instruments measured at fair value through other comprehensive income	from investments in equity instruments measured at fair value through other comprehensive income	Unrealised gains (losses) on available-for-sale financial assets	Cost of unearned employee compensation	Total
	(\$)	\$	\$	\$	(\$)	\$
At January 1	186,716	-	-	3,475,451	214,148	3,074,587
Effects of simple retrospection	-	15,395	3,487,080	(3,475,451)	-	(3,766)
Issuance of restricted shares to employees	-	-	-	-	(122,481)	(122,481)
Amortisation of employee restricted stocks	-	-	-	-	90,298	90,298
Employee restricted shares retired	-	-	-	-	22,431	22,431
Revaluation - gross	-	5,037	(2,516,601)	-	-	(2,511,564)
Revaluation transferred to profit or loss - gross	-	13,602	-	-	-	13,602
Revaluation transferred to retained earnings – gross	-	-	(346,726)	-	-	(346,726)
Revaluation – associates	-	-	(13,879)	-	-	(13,879)
Revaluation – tax	-	-	-	-	-	-
Currency translation differences:						
- Group	19,095	-	-	-	-	19,095
- Tax on Group	(3,834)	-	-	-	-	(3,834)
- Associates	(87,285)	-	-	-	-	(87,285)
- Tax on associates	16,554	-	-	-	-	16,554
At December 31	242,186	3,244	609,874	-	223,900	147,032

(21) Operating revenue

	Years ended December 31,	
	2019	2018
Revenue from contracts with customers	\$ 30,648,815	\$ 30,438,179

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services at a point in time in the following geographical regions:

	Year ended December 31, 2019					
	Electronic devices					
	Taiwan	Europe	US	Mainland China	Others	Total
Total segment revenue	\$ 411,816	\$ 10,833,812	\$ 16,775,583	\$ 1,485,219	\$ 1,092,385	\$ 30,648,815
Revenue from external customer contracts	411,816	10,833,812	16,775,583	1,485,219	1,092,385	30,648,815
Timing of revenue recognition						
At a point in time	411,816	10,833,812	16,775,583	1,485,219	1,092,385	30,648,815
Total	\$ 411,816	\$ 10,833,812	\$ 16,775,583	\$ 1,485,219	\$ 30,648,815	\$ 30,648,815

	Year ended December 31, 2018					
	Electronic devices					
	Taiwan	Europe	US	Mainland China	Others	Total
Total segment revenue	\$ 399,809	\$ 11,997,550	\$ 14,811,909	\$ 2,300,222	\$ 928,689	\$ 30,438,179
Revenue from external customer contracts	399,809	11,997,550	14,811,909	2,300,222	928,689	30,438,179
Timing of revenue recognition						
At a point in time	399,809	11,997,550	14,811,909	2,300,222	928,689	30,438,179
Total	\$ 399,809	\$ 11,997,550	\$ 14,811,909	\$ 2,300,222	\$ 928,689	\$ 30,438,179

B. Contract assets and liabilities:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract assets	\$ 31,585	\$ -	\$ -
Contract liabilities	\$ 87,580	\$ -	\$ -

(22) Other income

	Years ended December 31,	
	2019	2018
Dividend income	\$ 69,850	\$ 60,437
Interest income from bank deposits	44,968	35,369
Interest income from financial assets not at fair value through profit or loss	3,554	5,048
Sample income	14,364	11,683
Rent income	6,604	6,620
Other income	6,256	11,884
	<u>\$ 145,596</u>	<u>\$ 131,041</u>

(23) Other gains and losses

	Years ended December 31,	
	2019	2018
Net currency exchange (losses) gains	(\$ 73,253)	\$ 3,564
Net gains on financial assets at fair value through profit or loss	68,721	62,842
Gains on disposal of property, plant and equipment	471	97
Gains (losses) on disposals of investment	833 (	13,602)
Other losses	(2,465)	(175)
	<u>(\$ 5,693)</u>	<u>\$ 52,726</u>

(24) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	\$ 1,027,528	\$ 984,785
Depreciation charge- property, plant and equipment	17,318	18,288
Depreciation - right of use asset	10,441	-
Amortisation charge	55,625	56,241
	<u>\$ 1,110,912</u>	<u>\$ 1,059,314</u>

As of December 31, 2019 and 2018, the Company had 654 and 703 employees, including 5 and 3 non-employee directors, respectively.

(25) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	\$ 773,321	\$ 708,228
Share-based payments	56,411	118,770
Labour and health insurance fees	57,100	52,067
Pension costs	30,127	26,882
Directors' remuneration	69,276	46,372
Other employee benefit expense	41,293	32,466
	<u>\$ 1,027,528</u>	<u>\$ 984,785</u>

- 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' and supervisors' remuneration. The ratio shall be from 5% to 10% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.
- B. The details of employees' compensation and directors' and supervisors' remuneration of the Company are as follows:

	Years ended December 31,	
	2019	2018
Employees' compensation	\$ 205,176	\$ 162,028
Directors' and supervisors' remuneration	68,392	54,009
	<u>\$ 273,568</u>	<u>\$ 216,037</u>

The abovementioned amounts were recognised in salaries and wages.

Employees' compensation and directors' and supervisors' remuneration for 2018 as resolved at the Board of Directors' meeting were in agreement with those amounts recognised in the profit or loss of 2018.

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.

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(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 315,664	\$ 254,791
Tax on undistributed surplus earnings	4,763	11,008
Prior year income tax (over) under estimation	-	15,101
Total current tax	320,427	280,900
Deferred tax:		
Origination and reversal of temporary differences	276,993	150,070
Income tax expense	<u>\$ 597,420</u>	<u>\$ 430,970</u>

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

	Years ended December 31,	
	2019	2018
Exchange differences changes on translation of foreign financial statements	(\$ 25,493)	\$ 3,834
Exchange differences changes on translation of foreign financial statements - associates	(27,337)	(16,554)
Remeasurement of defined benefit obligations	(3,005)	(1,410)
	<u>(\$ 55,835)</u>	<u>(\$ 14,130)</u>

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B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2019	2018
Current tax:		
Tax calculated based on profit		
before tax and statutory tax rate	\$ 629,206	\$ 446,618
Expenses disallowed by tax regulation	-	35
Tax exempt income by tax regulation	(5,673)	(9,571)
Effect from investment tax credits	(31,485)	(29,534)
Impact of change in the tax rate		
on temporary differences between		
current year and the year realised	-	-
Effect from Alternative Minimum Tax	-	-
Tax on undistributed surplus earnings	4,763	11,008
Prior year income tax (over) under		
estimation	-	15,101
Others	609	(2,687)
Income tax expense	<u>\$ 597,420</u>	<u>\$ 430,970</u>

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

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Remeasurement of defined benefit obligations	\$ 15,236	\$ -	\$ 3,005	\$ 18,241
Allowance for bad debts	6,118	-	-	6,118
Unallocated appropriation of pension	192	(192)	-	-
Unrealised impairment loss	-	-	-	-
Accumulated unused compensated absences	4,083	497	-	4,580
Allowance for inventory valuation losses and loss on obsolete and slow-moving inventories	9,546	2,446	-	11,992
Amortisation of discounts on corporate bonds	427	6,917	-	7,344
Unrealised exchange loss	3,597	(77)	-	3,520
Unrealised loss on valuation of financial instruments	1,586	(1,586)	-	-
Investment tax credits	-	-	36,998	36,998
	<u>\$ 40,785</u>	<u>\$ 8,005</u>	<u>\$ 40,003</u>	<u>\$ 88,793</u>
Deferred tax liabilities				
Temporary differences:				
Gain on overseas long-term investment	(\$ 588,227)	(\$ 284,530)	\$ -	(\$ 872,757)
Cumulative translation adjustment of long-term equity investments	(15,832)	-	15,832	-
Unrealised exchange gain	-	(468)	-	(468)
Others	(800)	-	-	(800)
	<u>(\$ 604,859)</u>	<u>(\$ 284,998)</u>	<u>\$ 15,832</u>	<u>(\$ 874,025)</u>

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Remeasurement of defined benefit obligations	\$ 13,826	\$ -	\$ 1,410	\$ 15,236
Allowance for bad debts	5,913	205	-	6,118
Unallocated appropriation of pension	6,435	(6,243)	-	192
Unrealised impairment loss	595	(595)	-	-
Accumulated unused compensated absences	3,694	389	-	4,083
Allowance for inventory valuation losses and loss on obsolete and slow-moving inventories	425	9,121	-	9,546
Amortisation of discounts on corporate bonds	-	427	-	427
Unrealised exchange loss	2,200	1,397	-	3,597
Unrealised loss on valuation of financial instruments	-	1,586	-	1,586
Investment tax credits	17,624	(17,624)	-	-
	<u>\$ 50,712</u>	<u>(\$ 11,337)</u>	<u>\$ 1,410</u>	<u>\$ 40,785</u>
Deferred tax liabilities				
Temporary differences:				
Gain on overseas long-term investment	(\$ 447,280)	(\$ 140,947)	\$ -	(\$ 588,227)
Cumulative translation adjustment of long-term equity investments	(28,552)	-	12,720	(15,832)
Unrealised exchange gain	-	-	-	-
Others	(3,014)	2,214	-	(800)
	<u>(\$ 478,846)</u>	<u>(\$ 138,733)</u>	<u>\$ 12,720</u>	<u>(\$ 604,859)</u>

D. The Company invested in MERRY ELECTRONICS (HK) CO., LTD. and MERRY ELECTRONICS (U.S.A.) CO., LTD. Before 2000, the unappropriated retained earnings of MERRY ELECTRONICS (HK) CO., LTD. and MERRY ELECTRONICS (U.S.A.) CO., LTD. were not distributed because of permanent investment and their accumulated deficit were not covered either, therefore, the difference between the carrying amount and taxable amount of long-term equity investments was not recognised as deferred tax. However, the retained earnings after 2001 would be distributed and remitted back for the consideration of the whole operation plan. Therefore, from 2001, the deferred tax liabilities and assets would be recognised for the retained earnings and accumulated deficit.

E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(27) Earnings per share

	Year ended December 31, 2019		
		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
	<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 2,548,612</u>	<u>203,745</u>	<u>\$ 12.51</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,548,612	203,745	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,375	
Convertible bonds	27,669	17,874	
Employee restricted shares	<u>-</u>	<u>308</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,576,281</u>	<u>223,302</u>	<u>\$ 11.54</u>

	Year ended December 31, 2018		
		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
	<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 2,064,265</u>	<u>197,147</u>	<u>\$ 10.47</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,064,265	197,147	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,610	
Convertible bonds	-	-	
Employee restricted shares	<u>-</u>	<u>669</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,064,265</u>	<u>199,426</u>	<u>\$ 10.35</u>

- A. 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 all be distributed in the form of shares.
- B. The number of weighted-average shares outstanding is calculated by considering the weighted-average number of treasury shares for the years ended December 31, 2019 and 2018.

(28) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	\$ 38,402	\$ 334,657
Add: Opening balance of payable on equipment	10,998	5,831
Ending balance of prepayments for equipment	-	5,962
Less: Ending balance of payable on equipment	(5,962)	(10,998)
Opening balance of prepayments for equipment	(5,962)	(211)
Cash paid during the year	<u>\$ 42,763</u>	<u>\$ 335,241</u>

	Years ended December 31,	
	2019	2018
Purchase of intangible assets	\$ 65,229	\$ 17,951
Add: Opening balance of payable	2,652	2,103
Ending balance of prepayments	5,901	30,970
Less: Opening balance of prepayments	(30,970)	(4,175)
Ending balance of payable	-	(2,652)
Cash paid during the year	<u>\$ 42,812</u>	<u>\$ 44,197</u>

B. Financial assets at fair value through profit or loss

	Years ended December 31,	
	2019	2018
Disposal of financial assets at fair value through profit or loss	(\$ 154,703)	(\$ 235,728)
Payment for prior period purchases during the year	-	4,667
Cash received during the year	<u>(\$ 154,703)</u>	<u>(\$ 231,061)</u>

C. Financial assets at fair value through other comprehensive income

	Years ended December 31,	
	2019	2018
Disposal of financial assets at fair value through other comprehensive income	(\$ 147,651)	(\$ 473,701)
Add: Uncollected proceeds from disposal during the year	4,336	-
Less: Collected proceeds from prior period disposal	-	(129,339)
Cash received during the year	<u>(\$ 143,315)</u>	<u>(\$ 603,040)</u>

D. Investments accounted for using equity method

		Years ended December 31,	
		2019	2018
Backward remittance of earnings in subsidiaries	\$	-	(\$ 347,634)
Less: Opening balance of dividends receivable (shown as other receivables due from related parties)		-	(226,490)
	\$	-	(\$ 574,124)

E. Financing activities with no cash flow effects

		Years ended December 31,	
		2019	2018
Convertible bonds being converted to capital stocks	\$	48,851	\$ 1,409

(29) Changes in liabilities from financing activities

	Short-term borrowings	Convertible bonds	Total liabilities from financing activities
At January 1, 2019	\$ 4,399,144	\$ 2,882,721	(\$ 4,399,144)
Changes in cash flow from financing activities	(4,306,796)	-	(4,306,796)
Impact of changes in foreign exchange rate	(2,408)	-	(2,408)
Changes in other non-cash items	-	(652,762)	-
At December 31, 2019	<u>\$ 89,940</u>	<u>\$ 2,229,959</u>	<u>\$ 89,940</u>

	Short-term borrowings	Convertible bonds	Total liabilities from financing activities
At January 1, 2018	\$ 1,349,520	\$ -	\$ 1,349,520
Changes in cash flow from financing activities	3,049,066	3,015,000	3,049,066
Impact of changes in foreign exchange rate	558	-	558
Changes in other non-cash items	-	(132,279)	-
At December 31, 2018	<u>\$ 4,399,144</u>	<u>\$ 2,882,721</u>	<u>\$ 4,399,144</u>

7. RELATED PARTY TRANSACTIONS

(1) Relationship of related parties

Names of related parties	Relationship with the Company
MERRY ELECTRONICS (SHENZHEN) CO., LTD. (“MECL”)	Subsidiary of the Company
MERRY ELECTRONICS (HK) CO., LTD. (“MEST”)	Subsidiary of the Company
Merry Electronics (Suzhou) Co., Ltd. (“MECE”)	Stockholder which accounts for the Company using the equity method (Note 3)
MERRY ELECTRONICS (Thailand) CO., LTD. (“METC”)	Subsidiary of the Company
MERRY ELECTRONICS (U.S.A) CO., LTD. (“MECA”)	Subsidiary of the Company
LEOHAB ENTERPRISE CO.,LTD. (“LEOHAB”)	Stockholder which accounts for the Company using the equity method
UNIVERSAL CAPITAL INVESTMENT LIMITED (“UCMU”)	Subsidiary of the Company (Note 2)
MERRYTECH (HK) CO., LTD. (“MTCH”)	Subsidiary of the Company (Note 1)
MERRY ELECTRONICS (HUIZHOU) CO., LTD. (“MECH”)	Stockholder which accounts for the Company using the equity method (Note 4)
MERRY ELECTRONICS (SINGAPORE) PTE. LTD. (“MESG”)	Subsidiary of the Company
MERRY HEALTHCARE CO., LTD.	Branch of the Company's Subsidiary
GUANGDONG LUXSHARE & MERRY ELECTRONICS CO., LTD. (“MEDG”)	Stockholder which accounts for the Company using the equity method (Note 5)
BIOTEST MEOLCAL CORPORATION (“BTTT”)	Subsidiary of the Company (Note 6)

Note 1: The Group amended abbreviation of ‘Universal Capital Investment Limited’ for the year 2018, the former abbreviation was ‘UCIL’.

Note 2: The Group amended abbreviation of ‘MERRYTECH (HK) CO.LIMITED’ during the year, the former abbreviation was ‘MTCH’.

Note 3: The Company sold 44.95% of shares in MECH in April 2017 and did not participate in the increase raised by MECH in April 2017. As a result, the Company lost control over the subsidiary.

Note 4: The Group amended abbreviation of ‘MERRY HEALTHCARE CO., LTD., TAIWAN BRANCH(CAYMAN)’ during the year, the former abbreviation was ‘MHCHTW’.

Note 5: The Company became the related party with MEDG after acquisition of 49% of its shares in 2018.

Note 6: The Company was merged and acquired BIOTEST MEDICAL CORPORATION in July, 2019.

(2) Significant related party transactions

A. Operating revenue

(a) Sales of goods

	Years ended December 31,	
	2019	2018
MECE	\$ 489	\$ 16,254
MECL	-	7,018
MHTT	-	1,765
Others	134	99
	<u>\$ 623</u>	<u>\$ 25,136</u>

The credit terms of aforementioned transactions were approximately the same with third parties, which were 60 days after the end of the month, and to third parties were 45 to 120 days after the end of the month.

(b) Technical service revenue

	Years ended December 31,	
	2019	2018
MESG	\$ 3,537	\$ 10,223
Others	2,478	3,058
	<u>\$ 6,015</u>	<u>\$ 13,281</u>

i. The Company granted licences of manufacturing, technology and intellectual property of electroacoustic products and charged 0.84% to 3.06% of the companies' net sale amount excluding the sales amount from related parties.

ii. The credit term of aforementioned transactions was 60 days after the end of the month.

B. Purchases

(a) Purchases of goods

	Years ended December 31,	
	2019	2018
MECL	\$ 13,404,793	\$ 15,935,083
MECE	11,875,381	8,410,554
MECH	1,847,478	2,883,969
MEDG	884,721	310,638
Others	1,539	-
	<u>\$ 28,013,912</u>	<u>\$ 27,540,244</u>

The prices of goods for the aforementioned purchase transactions charged by the companies are based on the different product's profitability and adjusted annually. The credit terms to the Company was 60 days after the end of the month and 30 to 90 days after the end of the month to third parties.

(b) Administrative service fee

	Years ended December 31,	
	2019	2018
MECA	\$ 55,305	\$ 45,543
MESG	14,186	14,859
	<u>\$ 69,491</u>	<u>\$ 60,402</u>

The above administrative service fees were charged for marketing management services provided by the subsidiaries in current period with an additional 3% of service fees. The credit term was 60 days after the end of the month.

C. Receivables from related parties

(a) Accounts receivable

	December 31, 2019	December 31, 2018
METC	\$ 124,899	\$ -
MECE	9,690	9,772
Others	385	823
	<u>\$ 134,974</u>	<u>\$ 10,595</u>

The receivables arise mainly from sale transactions and services provided for granting licences of manufacturing, technology and intellectual property of electroacoustic products.

(b) Other receivables

	December 31, 2019	December 31, 2018
MECE	\$ 36,618	\$ 29,152
MTHK	3,019	2,675
METC	2,279	-
Others	1,710	1,488
	<u>\$ 43,626</u>	<u>\$ 33,315</u>

Other receivables mainly consisted of the receivables of sale of property, plant and equipment and miscellaneous payments on behalf of the related parties.

D. Payables to related parties

(a) Accounts payable

	December 31, 2019	December 31, 2018
MECE	\$ 2,987,747	\$ 2,993,515
MECK	1,761,651	2,330,766
MECH	451,901	1,034,887
Others	183,601	283,000
	<u>\$ 5,384,900</u>	<u>\$ 6,642,168</u>

(b) Other payables

	December 31, 2019	December 31, 2018
MEST	\$ 5,286	\$ 13,193
MECE	1,834	27,103
Others	4	-
	<u>\$ 7,124</u>	<u>\$ 40,296</u>

The other payables arise mainly from accounts receivable collected and miscellaneous payment made on behalf of the related parties.

E. Property transactions

(a) Acquisition of property, plant and equipment

	Year ended December 31, 2019
MECL	<u>\$ 2,585</u>

(b) Disposal of property, plant and equipment

	2019		2018	
	Disposal proceeds	Gain(Loss) on disposal	Disposal proceeds	Gain(Loss) on disposal
MECL	\$ 10,008	\$ 477	\$ -	\$ -
METC	2,316	271	-	-
MECE	64	64	-	-
Total	<u>\$ 12,388</u>	<u>\$ 812</u>	<u>\$ -</u>	<u>\$ -</u>

F. Loans to/from related parties

Loans to related parties

(a) Ending balance

Please refers to table 13(1).

(b) Interest income

	Year ended December 31, 2019	Year ended December 31, 2018
BTTT	<u>\$ 385</u>	<u>\$ -</u>

The loans to BTTT are repayable monthly within 1 year after loans are granted, and carried an interest at 0.98% per annum for the year ended December 31, 2019.

H. Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 117,777	\$ 108,436
Post-employment benefits	247	939
Share-based payments	18,635	13,706
	<u>\$ 136,659</u>	<u>\$ 123,081</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

	December 31, 2019	December 31, 2018
Property, plant and equipment	\$ 191,828	\$ 1,801
Intangible assets	2,442	26,344
	<u>\$ 194,270</u>	<u>\$ 28,145</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

To increase its international market competitiveness and increase its product plants abroad, the Company planned an investment in Vietnam. On February 27, 2020, the Board of Directors of the Company approved to establish a joint venture, Merry Li-Hsun (Vietnam) Co., Ltd. (temporary name), with Lanto Electronic Ltd. The Company will invest USD 12,240 and acquired 51% share equity.

12. OTHERS

(1) Capital management

A. In view of the industrial characteristics and future development status and considering the external environment changes, the Company's capital management objective 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 following year.

The Company monitored capital by reassessing debt ratios periodically. The debt ratios at December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Total debt	\$ 10,191,324	\$ 15,797,900
Total assets	23,025,301	25,728,716
Debt ratio	44%	61%

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(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 38,214	\$ 184,222
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 2,516,603	\$ 1,466,400
Qualifying equity instrument	90,550	143,463
	<u>\$ 2,607,153</u>	<u>\$ 1,609,863</u>
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 4,038,861	\$ 6,610,358
Accounts receivable (including accounts receivable due from related parties)	4,601,685	7,178,936
Other receivables (including other receivables due from related parties)	61,283	65,712
Guarantee deposits paid	2,854	2,992
	<u>\$ 8,704,683</u>	<u>\$ 13,857,998</u>
	December 31, 2019	December 31, 2018
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 11,799	\$ 6,976
Short-term borrowings	89,940	4,399,144
Accounts payable (including accounts payable to related parties)	5,488,782	6,646,588
Other payables (including other payables to related parties)	505,902	463,981
Corporate bonds payable (including current portion)	2,229,959	2,882,721
Guarantee deposits received	1,017	1,018
	<u>\$ 8,327,399</u>	<u>\$ 14,400,428</u>

B. Financial risk management policies

- (a) The Company'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) The Company's treasury identifies, evaluates and hedges financial risks in close co-operation

with the Company'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. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, RMB and HKD. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2019

	Sensitivity analysis					
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effects on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
<u>Cash in banks</u>						
USD : NTD	\$ 43,661	29.9800	\$ 1,308,957	3%	\$ 39,269	\$ -
RMB : NTD	42,433	4.3050	182,674	3%	5,480	-
HKD : NTD	1,060	3.8490	4,080	3%	122	-
SGD : NTD	398	22.2800	8,867	3%	266	-
<u>Receivables</u>						
USD : NTD	157,143	29.9800	\$ 4,711,147	3%	\$ 141,334	\$ -
HKD : NTD	69	3.8490	266	3%	8	-
<u>Non-monetary items</u>						
<u>Current financial investments at fair value through other comprehensive income</u>						
USD : NTD	3,000	29.9800	\$ 89,940	3%	\$ -	\$ 2,728
<u>Non-current financial investments at fair value through other comprehensive income</u>						
THB : NTD	6,425	1.0098	\$ 6,488	3%	\$ -	\$ 195
USD : NTD	300	29.9800	8,994	3%	-	270

December 31, 2019

Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
			Degree of variation	Effect on profit or loss	Effect on other comprehensive income
\$ 700	29.9800	\$ 20,986	3%	\$ 630	\$ -
<u>Non-current financial assets</u>					
<u>mandatorily measured at fair value</u>					
<u>through profit or loss</u>					
USD:NTD					
<u>Financial liabilities</u>					
<u>Monetary items</u>					
<u>Bank borrowings</u>					
USD:NTD					
\$ 3,000	29.9800	\$ 89,940	3%	\$ 2,698	\$ -
<u>Accounts payable</u>					
USD:NTD					
\$ 155,776	29.9800	\$ 4,670,164	3%	\$ 140,105	\$ -
RMB:NTD					
197,913	4.3050	852,015	3%	25,560	-

December 31, 2018

Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis	
				Effect on profit or loss	Effect on other comprehensive income
\$ 81,187	30.72	\$ 2,493,659	3%	\$ 74,810	\$ -
16,047	4.47	71,762	3%	2,153	-
2,382	3.92	9,340	3%	280	-
405	22.48	9,104	3%	273	-
\$ 236,335	30.72	\$ 7,259,030	3%	\$ 217,771	\$ -
69	3.92	271	3%	8	-
\$ 3,305	30.72	\$ 101,513	3%	\$ -	\$ 3,045
\$ 6,425	0.95	\$ 6,124	3%	\$ -	\$ 184
2,126	3.92	8,336	3%	-	250

(Foreign currency: functional currency)

Financial assets

Monetary items

Cash in banks

USD : NTD

RMB : NTD

HKD : NTD

SGD : NTD

Accounts receivable

USD : NTD

HKD : NTD

Non-monetary items

Current financial investments at

fair value through other

comprehensive income

USD : NTD

Non-current financial investments

at fair value through other

comprehensive income

THB:NTD

HKD:NTD

December 31, 2018

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Current financial assets</u>						
<u>mandatorily measured</u>						
at fair value through profit or loss						
USD:NTD	2,006	30.72	\$ 61,614	3%	\$ 1,848	\$ -
HKD:NTD	14,019	3.92	54,968	3%	1,649	-
<u>Non-current financial assets</u>						
<u>mandatorily measured at fair value</u>						
through profit or loss						
USD:NTD	600	30.72	\$ 18,429	3%	\$ 553	\$ -
<u>Financial liabilities</u>						
<u>Monetary items</u>						
<u>Bank borrowings</u>						
USD:NTD	1,600	30.72	\$ 49,144	3%	\$ 1,474	\$ -
<u>Accounts payable</u>						
USD:NTD	180,372	30.72	\$ 5,540,126	3%	\$ 166,204	\$ -
RMB:NTD	254,279	4.47	1,137,136	3%	34,114	-

Total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to \$73,253 thousand and \$3,564 thousand, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 3% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased by \$654 thousand and \$5,215 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 \$75,498 thousand and \$45,512 thousand, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's borrowings are measured at amortised 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% or with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have decreased/increased by \$180 thousand and \$8,798 thousand, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company 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 amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. For banks and financial institutions, the Company 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 minimise credit risk. The Company 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 authorised management according to the Company's delegation of authorisation policy. To prevent legal risks, all the Company signs with banks and financial institutions after all documents are examined by counsel or legal advisor profession. The Company periodically checks the credit rating, conditions and quality of service as well as transactions. According to the Company's operating condition, the credit limits and utilisation 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 Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Company adopts the following assumption 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 Company classifies customers' accounts receivable and contract assets in accordance with geographic area. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- viii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. As of December 31, 2019 and 2018, the provision matrix is as follows:

	Not past due	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
<u>December 31, 2019</u>						
Expected loss rate	0.01%	1.28%	16.52%	39.45%	100.00%	
Total book value	\$4,455,759	\$ 6,431	\$ 2,064	\$ 5,407	\$ 216	\$4,469,877
Loss allowance	<u>(\$ 394)</u>	<u>(\$ 82)</u>	<u>(\$ 341)</u>	<u>(\$ 2,133)</u>	<u>(\$ 216)</u>	<u>(\$ 3,166)</u>

	Not past due	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
<u>December 31, 2018</u>						
Expected loss rate	0.01%	0.59%	19.18%	45.40%	100.00%	
Total book value	\$6,992,854	\$ 177,049	\$ 73	\$ 163	\$ 161	\$7,170,300
Loss allowance	<u>(\$ 668)</u>	<u>(\$ 1,042)</u>	<u>(\$ 14)</u>	<u>(\$ 74)</u>	<u>(\$ 161)</u>	<u>(\$ 1,959)</u>

- ix. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2019
	Accounts receivable
At January 1	\$ 1,959
Provision for impairment	1,207
At December 31	\$ 3,166

	2018
	Accounts receivable
At January 1_IAS 39	\$ 935
Adjustments under new standards	-
At January 1_IFRS 9	935
Provision for impairment	1,024
At December 31	\$ 1,959

For provisioned loss in 2019 and 2018, the impairment losses arising from customers' contracts are \$1,207 thousand and \$1,024 thousand, respectively.

- x. There was no impairment on investments in debt instruments measured at fair value through other comprehensive income after the Company's evaluation.
- xi. For investments in debt instruments at fair value through other comprehensive income, the credit rating levels are presented below:

	December 31, 2019
Financial assets at fair value through other comprehensive income	
Group 1	\$ 90,550 \$ - \$ - \$ 90,550

	December 31, 2018
Financial assets at fair value through other comprehensive income	
Group 1	\$ 139,550 \$ - \$ - \$ 139,550

Group 1: Debt instruments designated as investment grade.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Company 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 Company'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. As of December 31, 2019 and 2018, the Company has \$8,316,340 thousand and \$3,604,751 thousand undrawn borrowing facilities, respectively.

Non-derivative financial liabilities:

December 31, 2019	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	\$ 90,198	\$ -	\$ -	\$ -	\$ -	\$ 90,198
Accounts payable	76,812	27,070	-	-	-	103,882
Accounts payable to related parties	5,387,900	-	-	-	-	5,387,900
Other payables	498,116	662	-	-	-	498,778
Other payables to related parties	7,124	-	-	-	-	7,124
Other current liabilities	9,074	-	-	-	-	9,074
Bonds payable	-	-	-	2,289,500	-	2,289,500

Derivative financial liabilities

Forward exchange contracts	11,799	-	-	-	-	11,799

Non-derivative financial liabilities:

December 31, 2018	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	\$ 4,401,222	\$ -	\$ -	\$ -	\$ -	\$ 4,401,222
Accounts payable	4,363	57	-	-	-	4,420
Accounts payable to related parties	6,642,168	-	-	-	-	6,642,168
Other payables	183,693	20,493	219,499	-	-	423,685
Other payables to related parties	40,296	-	-	-	-	40,296
Other current liabilities	10,852	635	-	-	-	11,487
Bonds payable	-	-	-	3,000,000	-	3,000,000

Derivative financial liabilities

Forward exchange contracts	6,976	-	-	-	-	6,976

(3) Fair value

- 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 in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which

transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company'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 Company's investment in certain derivative instruments and equity investment is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in certain derivative instruments and equity investment without active market and investment property 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 borrowings, notes payable, accounts payable and other payables.

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 are as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity securities	\$ 485	\$ -	\$ 21,301	\$ 21,786
-Debt securities	-	-	-	-
-Forward exchange contracts	-	14,138	-	14,138
-Funds	-	-	-	-
-Call options of convertible bonds	-	-	2,290	2,290
Financial assets at fair value through other comprehensive income				
-Equity securities	2,485,433	-	31,170	2,516,603
-Debt securities	90,550	-	-	90,550
	<u>\$2,576,468</u>	<u>\$ 14,138</u>	<u>\$ 54,761</u>	<u>\$2,645,367</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contracts	\$ -	\$ 11,799	\$ -	\$ 11,799

December 31, 2018	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity securities	\$ 103,972	\$ -	\$ 18,174	\$ 122,146
-Forward exchange contracts	-	6,176	-	6,176
-Funds	51,700	-	-	51,700
-Call options of convertible bonds	-	-	4,200	4,200
Financial assets at fair value through other comprehensive income				
-Equity securities	1,424,861	-	41,539	1,466,400
-Debt securities	143,463	-	-	143,463
	<u>\$ 1,723,996</u>	<u>\$ 6,176</u>	<u>\$ 63,913</u>	<u>\$ 1,794,085</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contracts	<u>\$ -</u>	<u>\$ 6,976</u>	<u>\$ -</u>	<u>\$ 6,976</u>

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

- (a) The instruments the Company 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

- (b) 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.
- (c) Forward exchange contracts are usually valued based on the current forward exchange rate.
- (d) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet.

The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	2019	2018
At January 1	\$ 63,913	\$ 45,503
Sold in the year	-	26,946
Merged and transferred to subsidiary in the year (	5,220)	-
Recovery of capital reduction in the year (	7,830)	-
Gains recognised in profit or loss (	1,910)	4,194
Gains/losses recognised in other comprehensive income	5,808	(12,730)
At December 31	<u>\$ 54,761</u>	<u>\$ 63,913</u>

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

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity securities	\$ 13,850	Market comparable companies	N/A	\$ 313	N/A
Venture Capital shares private equity fund investment	21,786		N/A	21,786	
Call options of convertible bonds	2,290	Binary tree convertible bond valuation model	Risk-free interest rate	0.4816%	The higher the risk-free interest rate, the lower the fair value
			Stock price	167.5	The higher the stock price, the higher the fair value
			Volatility	32.97%	The higher the stock price volatility, the higher the fair value

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity securities	\$ 11,169	Market comparable companies	N/A	\$ 594	N/A
Call options of convertible bonds	4,200	Binary tree convertible bond valuation model	Risk-free interest rate	0.5935%	The higher the risk-free interest rate, the lower the fair value
			Stock price	123	The higher the stock price, the higher the fair value
			Volatility	52.14%	The higher the stock price volatility, the higher the fair value

H. The Company 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 categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Call options of convertible bonds	Risk-free interest rate	±20bp	\$ -	\$ -	\$ -	\$ -
	Stock price	±10%	1,603	(1,145)	-	-
	Volatility	±5%	2,290	(229)	-	-
Equity securities	Stock price	±10%	-	-	1,385	1,385
	Volatility	±5%	-	-	-	-
			<u>\$ 3,893</u>	<u>(\$ 1,374)</u>	<u>\$ 1,385</u>	<u>\$ 1,385</u>
December 31, 2018						
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Call options of convertible bonds	Risk-free interest rate	±20bp	\$ -	\$ -	\$ -	\$ -
	Stock price	±10%	900	(1,200)	-	-
	Volatility	±5%	1,200	(1,200)	-	-
Equity securities	Stock price	±10%	-	-	1,117	1,117
	Volatility	±5%	-	-	-	-
			<u>\$ 2,100</u>	<u>(\$ 2,400)</u>	<u>\$ 1,117</u>	<u>\$ 1,117</u>

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- Loans to others: Please refer to table 1.
- Provision of endorsements and guarantees to others: Please refer to table 2.
- Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

14. SEGMENT INFORMATION

Not applicable.

15. INITIAL APPLICATION OF IFRSs

Not applicable.

MERRY ELECTRONICS CO., LTD.

Loans to others

Year ended December 31, 2019

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 year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 1)	Note
					December 31, 2019	December 31, 2019							Item	Value		
0	MEHO	MECE	Other receivables	Y	\$	926,000	\$	-	-	2	Business operation	\$	-	\$	5,133,591	\$ 5,133,591
0	MEHO	BTTT	Other receivables	Y		180,000		-	0.98%	2	Business operation	-	Commercial paper	80,000	5,133,591	5,133,591
0	MEHO	METC	Other receivables	Y		200,000		-	-	2	Business operation	-	-	-	5,133,591	5,133,591
1	MECL	ASCX	Other receivables	Y		31,073		-	-	2	Business operation	-	-	-	1,020,588	5,133,591

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

Note 2: (1) For business transactions, limit on loans granted for a single party is the amount of the transactions.

(2) For short-term financing, limit on loans granted for a single party is 40% of the net assets of the Company.

Note 3: (1) For business transactions.

(2) For short-term financing.

MERRY ELECTRONICS CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	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 or 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
		Relationship with the endorser/ guarantor (Note 2)	Company name											
0	MEHO	2	SOCV	\$ 10,267,182	\$ 108,640	\$ 108,640	\$ 80,704	\$ -	0.85	\$ 12,833,977	Y	N	N	
0	MEHO	2	SENM	10,267,182	30,440	30,440	-	-	0.24	12,833,977	Y	N	N	
0	MEHO	2	BTTT	10,267,182	1,700,000	1,700,000	62,000	-	13.25	12,833,977	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.

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 3

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Note
				Number of shares	Book value (in thousands)	Ownership (%)	Fair value (in thousands)	
The Company	ARRIS International plc.	-	Financial assets mandatorily measured at fair value through profit or loss	1	\$ 169	-	\$ 485	
			Valuation adjustment		316			
The Company	IAFCO	-	Non-current financial assets mandatorily measured at fair value through profit or loss	700	\$ 21,301	0.71%	\$ 21,301	
The Company	288IB.TW	-	Equity instruments measured at fair value through other comprehensive income	683	\$ 40,980	-	\$ 43,916	
The Company	288JB.TW	-	Equity instruments measured at fair value through other comprehensive income	585	35,100	-	37,440	
The Company	P18QNB3H0306	-	Equity instruments measured at fair value through other comprehensive income	3,000	89,550	-	90,550	
MEST	EBIUH	-	Equity instruments measured at fair value through other comprehensive income	1,000	30,304	-	30,171	
			Valuation adjustment		195,934		\$ 202,077	
					6,143			
The Company	Stock - 6679.TW	-	Measured at fair value through other comprehensive income - non-current	1,054	\$ 34,976	2.55%	\$ 187,085	
The Company	Stock - 4943.TW	-	Measured at fair value through other comprehensive income - non-current	12,091	648,164	8.85%	2,121,990	
The Company	Stock - 3290.TW	-	Measured at fair value through other comprehensive income - non-current	5,723	99,990	5.75%	95,002	
The Company	Stock - FUJITER Semiconductor CO.,LTD.	-	Measured at fair value through other comprehensive income - non-current	2,781	27,812	9.79%	13,850	
The Company	Stock - NETVOX TECHNOLOGY CO., LTD	-	Measured at fair value through other comprehensive income - non-current	324	2,976	1.32%	-	
The Company	Stock - EVER THAI AGR-PRODUCT CO.,LTD.	-	Measured at fair value through other comprehensive income - non-current	733	6,425	5.55%	6,425	
The Company	Stock - SUNSINO SME Development Co., Ltd.	-	Measured at fair value through other comprehensive income - non-current	169	2,123	0.36%	2,123	
The Company	Stock - LINSATION	-	Measured at fair value through other comprehensive income - non-current	75	8,772	7.50%	8,772	
MEST	Stock - Perfect Fortune Inc.	-	Measured at fair value through other comprehensive income - non-current	2,126	8,184	18.33%	67,839	
MEST	Stock - LOYAL WIRE& CABLE COMPANY LTD.	-	Measured at fair value through other comprehensive income - non-current	1,159	7,890	18.33%	30,321	
			Valuation adjustment	(	2,976)		\$ 2,533,407	
					1,689,071			
					2,533,407			

MERRY ELECTRONICS CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2019

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)		Expressed in thousands of NTD (Except as otherwise indicated)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance (Note 2)	Percentage of total notes/accounts receivable (payable)	
The Company	MEDG	Investment accounted for using the equity method	Purchases	\$ 884,721	2%	60 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(164,742)	2%	
The Company	MECH	Investment accounted for using the equity method	Purchases	1,847,478	5%	60 days end of month after offsetting with accounts receivable	(Note 1)	30~90 days end of month for the third parties	(451,901)	7%	
The Company	MECE	Investment accounted for using the equity method	Purchases	11,875,381	33%	60 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(2,987,747)	44%	
The Company	MECL	A subsidiary of the Company	Purchases	13,479,637	37%	60 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(1,761,651)	26%	(Note 3)
METC	MECE	Investment accounted for using the equity method	Purchases	100,284	0%	60 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(9,765)	0%	
MESG	METC	A subsidiary of the Company	Purchases	353,053	1%	60 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(121,626)	2%	(Note 3)
MESG	MECL	A subsidiary of the Company	Purchases	1,325,366	4%	60 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(286,911)	4%	(Note 3)
MESG	MECH	Investment accounted for using the equity method	Purchases	2,202,779	6%	60 days end of month after offsetting with accounts receivable	(Note 1)	30~90 days end of month for the third parties	(298,459)	4%	
MECL	MEDG	Investment accounted for using the equity method	Purchases	120,988	0%	60 days end of month after offsetting with accounts receivable	(Note 1)	30~90 days end of month for the third parties	(101,968)	1%	
MECL	MECE	Investment accounted for using the equity method	Purchases	173,643	0%	60 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(75,197)	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.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

December 31, 2019

Table 5

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 2)	Allowance for doubtful accounts
					Action taken			
					Amount			
MECL	The Company	Parent Company	\$ 1,761,651	5.67	\$ -	-	\$ 744,418	-
MECL	MESG	A subsidiary of the Company	286,911	4.38	-	-	148,440	-
METC	MESG	A subsidiary of the Company	121,626	4.20	-	-	86,051	-

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Note 2: The balance was as at February 27, 2020.

MERRY ELECTRONICS CO., LTD.

Significant inter-company transactions during the reporting periods
Year ended December 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counter-party	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	MEHO	MECL	1	Purchases	13,479,637	The price is based on the profitability of the product	37%
0	MEHO	MECL	1	Accounts payable	1,761,651	The balance shown was net of receivables as agreed by both parties	7%
1	MESG	MECL	3	Purchases	1,325,366	The price is based on the profitability of the product	4%
1	MESG	METC	3	Purchases	353,053	The price is based on the profitability of the product	1%
1	MESG	MECL	3	Accounts payable	286,911	The balance shown was net of receivables as agreed by both parties	1%
1	MESG	METC	3	Accounts payable	121,626	The balance shown was net of receivables as agreed by both parties	0%

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.
Information on investees
Year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 7

Investor	Investee	Main business activities	Initial investment amount			Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Note
			Balance as at December 31, 2019	Balance as at December 31, 2018		Number of shares (in thousand shares)	Ownership (%)	Book value			
The Company	MEST		\$ 981,113	\$ 981,113		25,658	100.00	\$ 3,627,334	\$ 675,409	\$ 675,996	(Note 1)
The Company	DBV	Sales of microphone, receiver and speaker General investment business	1,479,925	1,479,925	HONG KONG British Virgin IS.	48,005	100.00	2,838,996	506,553	525,582	(Note 1)
The Company	LEOHAB ENTERPRISE CO., LTD.	Plastic injection molding and metal stamping	96,666	96,666	Taichung City	13,395	30.91	66,395	18,418	5,693	
The Company	MECA	Technique, marketing and after service	28,887	28,887	U.S.A	999	99.90	36,408	3,724	3,720	
The Company	MESG		92,132	92,132	SINGAPORE	800	100.00	660,634	307,560	307,560	
The Company	MEIC	Sales of microphone, receiver and speaker	484,358	484,358	THAILAND	5,060	99.99	554,432 (	11,855) (	10,765) (	(Note 1)
The Company	MHKY	Sales of medical device	648,129	523,265	CAYMAN	20,902	100.00	541,594 (	7,757) (	7,757) (	
The Company	INSA	General investment business	865,832	865,832	SAMOA	-	70.00	794,473 (	61,098) (	42,769) (	
The Company	BTTT	Sales of medical device	14,901	-	Taichung City	9,000	100.00	27,792	3,003	13,152	
DDBV	UCMU	General investment business	151	151	MAURITIUS	5	100.00 (	688) (	-	-	(Note 2)
DDBV	MTHK	General investment business	1,392,956	1,392,956	HONG KONG	48,000	100.00	2,842,636	506,553	-	(Note 2)
MHKY	FUSA	General investment business	579,758	454,913	SAMOA	-	95.94	780,260 (	10,458) (	-	(Note 2)
INSA	SOCV	Sale and development of speaker and power amplifier	30	30	CANADA	-	100.00	52,215 (	23,508) (	-	(Note 2)
SOCV	SOCA	General investment business	11,112	11,112	CANADA	-	100.00	63,049 (	1,815) (	-	(Note 2)
SOCA	SENM	Manufacture and sales of speaker monomer	23	23	NORWAY	-	100.00	49,016 (	1,815) (	-	(Note 2)

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

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

MERRY ELECTRONICS CO., LTD.
Information on investees in Mainland China
Year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 8

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019		Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Book value of investments in Mainland China as of December 31, 2019 (Note 5)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019 (Note 3)
				Remitted to Mainland China	Remitted back to Taiwan		December 31, 2019	December 31, 2019					
		\$		\$	\$	\$	453,191	509,314	\$	100.00%	509,314	2,551,470	2,282,120
MECL	Microphone, receiver, speaker, security system, induction cooker and other electronic component	410,456	(Note 2)	-	-	-	453,191	509,314	\$	100.00%	509,314	2,551,470	2,282,120
MECE	Manufacture and sales of microphone, receiver and speaker	2,693,806	(Note 2)	-	-	1,369,285	1,369,285	1,036,414	\$	49.00%	526,872	2,842,636	295,185
MECS	International trade, transit trade and trading consulting; trading amongst companies in bonded area and trading agency in the area	71,145	(Note 2)	-	-	6,055	6,055	11,618	\$	49.00%	5,693	863	40,321
Perfect Future Inc.	Electric wire, electric cable and other wire processing	44,648	(Note 2 + 4)	-	-	107,624	107,624	20,443	\$	18.33%	-	67,836	41,25
LOYAL WIRE& CABLE COMPANY LTD.	Electric wire, electric cable and other wire processing	128,445	(Note 2 + 4)	-	-	-	-	12,913	\$	18.33%	-	30,319	-
MECH	Manufacture and sales of microphone, receiver, speaker and mobile phone	430,500	(Note 2)	-	-	420,687	420,687	338,952	\$	49.00%	165,334	666,377	-
FUCS	Manufacture of medical device	276,309	(Note 2)	-	-	310,763	310,763	6,764	\$	95.94%	6,620	565,369	-
MHTS	Medical device technical service	-	(Note 2)	-	-	12,154	12,154	58	\$	-	58	-	-
MEDG	Research and development of sound equipment, earphones, mobile power supply, charging box, cable, connector, electronic components, plastic hardware, mould and antenna	861,000	(Note 1)	-	-	452,564	452,564	68,202	\$	49.00%	31,338	376,606	-
MHMI	Sales of medical device	-	(Note 2)	-	-	2,526	2,526	3	\$	-	3	-	-
MSCS	Manufacture of speaker and amplifier	148,835	(Note 1)	-	-	79,728	79,728	3,450	\$	70.00%	2,415	93,666	-
ETCX	Retail sales of hearing products	2,153	(Note 2)	-	-	2,237	2,237	6,689	\$	95.94%	6,512	5,280	-

MERRY ELECTRONICS CO., LTD.
Information on investees in Mainland China
Year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 8

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, 2019	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Book value of investments in Mainland China as of December 31, 2019 (Note 5)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Note
					Remitted to Mainland China	Remitted back to Taiwan						
ASCX	Manufacture and sales of hearing aid, hearing device and acoustics equipment	57,089	(Note 2)	275,537	-	-	275,537	30,537	29,150	54,348	-	-
LACX	Research and development and technical sales of software for hearing aid use	21,525	(Note 2)	22,180	-	-	22,180	5,149	5,067	30,364	-	-
ASCZ	Manufacture of hearing aid and acoustics for rehabilitation device	17,220	(Note 2)	17,744	-	-	17,744	9,505	9,311	29,881	-	-
FUCX	Sales of medical device	88,908	(Note 2)	-	94,845	-	94,845 (	9,246)	8,870)	76,756	-	-
							\$ 3,627,120					

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.
Note 6: MHTS has completed the liquidation process in May 2019.
Note 7: MHMI has completed the liquidation process in April 2019.

Company name	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA	
	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	\$	Investment Commission of Mainland China imposed by the Investment Commission of MOEA	\$
Merry Electronics Co., Ltd.	3,627,120	\$	3,727,090	\$ 7,700,386

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.

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

Year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 9

Investee in Mainland China	Counterparty	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsemments/guarantees or collaterals		Financing			
		Amount	%	Amount	%	Balance at December 31, 2019	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate	Interest during the year ended December 31, 2019
MECL	MESG	\$ 1,325,366	4%	\$ -	-	\$ 286,911	4%	\$ -	-	\$ -	\$ -	-	-
MECL	MEHO	13,479,637	37%	-	-	1,761,651	26%	-	-	-	-	-	-
MECL	MECE	(173,643)	0%	-	-	(75,197)	1%	-	-	-	-	-	-
MECL	MEDG	(120,988)	0%	-	-	(101,968)	1%	-	-	-	-	-	-

MERRY ELECTRONICS CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019

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

Statement 1

Item	Description	Amount
Cash on hand		\$ 196
Cash in banks		
Checking accounts		8,837
Demand deposits		1,156,089
Foreign exchange deposits	USD	1,308,966
	EUR	114
	RMB	182,674
	HKD	4,080
	SGD	8,867
	JPY	10
Short-term notes and bills	NTD	1,098,442
	Period	2019.12..16~2020.01.13
	Interest rate	0.55%
	USD	270,586
	Period	2019.12.11~2020.01.06
	Interest rate	2.10%~2.25%
		<u>\$ 4,038,861</u>

MERRY ELECTRONICS CO., LTD.
STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2019

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

Statement 2

Client Name	Summary	Amount	Note
A		\$ 2,143,915	
B		688,159	
C		547,800	
D		245,501	
E		234,994	
			The balance of each customer has not exceeded 5% of the accounts receivable
Others		<u>606,342</u>	
		<u>\$ 4,466,711</u>	

MERRY ELECTRONICS CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2019

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

Statement 3

Item	Summary	Amount		Note
		Cost	Net Realizable Value	
Finished goods		\$ 874,580	\$ 819,910	Net realisable value
Raw materials		1,136	1,129	Replacement cost
		875,716	<u>\$ 821,039</u>	
Less: Allowance for slow-moving inventories and valuation loss		(59,960)		
		<u>\$ 815,756</u>		

MERRY ELECTRONICS CO., LTD.

STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Statement 4

Name	Beginning Balance		Addition		Decrease		Ending Balance		Pledged as collateral	Note
	Number of shares (in thousand shares)	Fair Value	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount		
6679.TW	1,567	\$ 40,106	-	\$ -	(513)	\$ 13,130)	1,054	\$ 26,976	None	
4943.TW	11,550	648,164	541	-	-	-	12,091	648,164	None	
3290.TW	5,723	99,990	-	-	-	-	5,723	99,990	None	
FUJITER Semiconductor CO., LTD.	2,781	27,811	-	-	-	-	2,781	27,811	None	
NETVOX TECHNOLOGY CO., LTD.	324	2,976	-	-	-	-	324	2,976	None	
Biotest Medical Corp.	1,305	13,050	-	-	(1,305)	(13,050)	-	-	None	
EVER THAI AGRI-PRODUCT CO., LTD.	733	6,425	-	-	-	-	733	6,425	None	
SUNSINO SME Development Co., Ltd.	169	2,123	-	-	-	-	169	2,123	None	
Linsation Intelligent Technology Limited	75	8,772	-	-	-	-	75	8,772	None	
Add: Valuation adjustment		849,417	-	-	(26,180)	(26,180)		823,237		
Less: Accumulated impairment		535,009		1,079,977		-		1,614,986		
		(2,976)		-		-		(2,976)		
		<u>\$ 1,381,450</u>		<u>\$ 1,079,977</u>		<u>(\$ 26,180)</u>		<u>\$ 2,435,247</u>		

MERRY ELECTRONICS CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 5

Name	Beginning Balance		Addition		Decrease		Ending Balance		Market Value or Net Assets Value			
	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount	Percentage of Ownership	Amount	Unit Price (in dollars)	Total Amount	Pledged as Collateral	Note
MERRY ELECTRONICS (HK) CO., LTD.	25,658	\$3,086,828	-	\$ 540,506	-	\$ -	100%	\$ 3,627,334	141.37	\$ 3,627,334	None	
DANNY DYNAMICS LIMITED	48,005	2,419,742	-	419,254	-	-	100%	2,838,996	59.14	2,838,996	None	
LEOHAB ENTERPRISE CO., LTD.	13,395	64,303	-	2,365	-	-	30.91%	66,395	4.96	66,395	None	
MERRY ELECTRONICS (U.S.A.) CO., LTD.	999	33,598	-	2,810	-	-	99.9%	36,408	36.44	36,408	None	
MERRY ELECTRONICS (SINGAPORE) PTE., LTD.	800	370,715	-	289,919	-	-	100%	660,634	825.79	660,634	None	
MERRY ELECTRONICS (THAILAND) CO., LTD.	5,060	533,283	-	21,149	-	-	99.99%	554,432	109.57	554,432	None	
MERRY HEALTHCARE CO., LTD.	20,500	442,404	402	99,190	-	-	100%	541,594	25.91	541,594	None	
GUANGDONG LUXSHARE & MERRY ELECTRONICS CO., LTD.	-	416,309	-	-	-	(39,703)	49%	376,606	0	376,606	None	
Suzhou Meisheng Electronics Co.,Ltd.	-	96,909	-	-	-	(3,243)	70%	93,666	0	93,666	None	
INDIGO ENTERPRISE INC.	-	836,583	-	-	-	(42,110)	70%	794,473	0	794,473	None	
BIOTEST MEDICAL CORPORATION	-	-	9,000	27,792	-	-	100%	27,792	0	27,792	None	
		<u>\$ 8,300,674</u>		<u>\$ 1,402,985</u>		<u>(\$ 85,056)</u>		<u>\$ 9,618,330</u>		<u>\$ 9,618,330</u>		

MERRY ELECTRONICS CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 6

Item	Beginning Balance	Addition	Decrease	Ending Balance	Collateral

Note: "Property, Plant and Equipment": Please refer to Note 6(8)

MERRY ELECTRONICS CO., LTD.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 7	Item	Beginning Balance	Addition	Decrease	Ending Balance	Note

Note : “Property, Plant and Equipment”: Please refer to Note 6(8).

MERRY ELECTRONICS CO., LTD.
STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2019

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

Statement 8

Bonds Name	Trustee	Interest		Amount							
		Issuance Date	Payment Date	Coupo n Rate	Total Issuance Amount	Repayment Paid	Ending Balance	Unamortized			
								Premiums (Discounts)	Carrying Amount		
Merry Electronics Co.,Ltd.	Fubon Securities Co.,Ltd.	2018.12.1 1	2021.12.1 1	1.35%	\$ 3,000,000	\$ 71,050	\$ 2,289,500	\$ 59,541	\$ 2,229,959	Amirtized with cash by bond's face value at maturity	None
The Second Domestic unsecured convertible bond											

MERRY ELECTRONICS CO., LTD.
STATEMENT OF DEFERRED TAX LIABILITIES
DECEMBER 31, 2019

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

Statement 9

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>

Note : “Deferred Tax Liabilities”Please refer to Note 6(26).

MERRY ELECTRONICS CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Statement 10

Items	Quantity	Amount	Note
Wireless electronic products	165,700	\$ 12,750,130	
Telephone receivers/speakers	4,418	8,492,365	
Headset speakers	6,944	8,058,727	
Others	63,195	1,709,264	
		31,010,486	
Less: Sales returns		(79,438)	
Sales discounts and allowances		(288,248)	
Net sales revenue		30,642,800	
Technical service revenue		6,015	
Operating revenue, net		<u>\$ 30,648,815</u>	

MERRY ELECTRONICS CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Statement 11

	Amount
Item	Total
Raw materials at beginning of year	\$ 957
Add: Raw materials purchased during the year	79,840
Less: Raw materials at end of year	(1,136)
Used raw materials transferred to expenses	(2,618)
Raw materials sold	(77,043)
Consumption of Raw materials for the year	-
Materials at beginning of year	\$ -
Add: Materials purchases during the year	29
Less: Materials sold	(29)
Consumption of materials for the year	-
Semi-finished goods at beginning of year	-
Less: Used semi-finished goods transferred to expenses	2,981
Semi-finished goods sold	(2,981)
Finished goods cost	-
Finished goods at beginning of year	671,831
Add: Finished goods cost purchased during the year	27,750,862
Less: Finished goods at end of year	(874,580)
Finished goods used and transferred to expenses	(2,607)
Cost of sales	27,545,506
Cost of raw materials sales	77,043
Cost of materials sales	29
Cost of semi-finished goods sold	2,981
Loss on slow-moving inventories and valuation loss	12,230
Operating costs	\$ 27,637,789

MERRY ELECTRONICS CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Statement 12

Item	Selling expenses	Administrative expenses	Research and development expense	Total	Note
Wages and salaries	\$ 65,112	\$ 407,235	\$ 440,350	\$ 912,697	
Freight	28,089	1,058	422	29,569	
Administrative service fee	55,305	14,186	-	69,491	
Other expenses	43,593	162,262	165,389	371,244	The balance of each expense account has not exceeded 5% of the total expense
	<u>\$ 192,099</u>	<u>\$ 584,741</u>	<u>\$ 606,161</u>	<u>\$ 1,383,001</u>	

MERRY ELECTRONICS CO., LTD.
STATEMENT OF FINANCE COOST
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Statement 13

Item	Description	Amount	Note
Amortisation of discounts on bonds		\$ 34,565	
Account Receivables Financing		15,168	
Bank Borrowings		13,042	
Lease Liability		610	
		<u>\$ 63,385</u>	

MERRY ELECTRONICS CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 14

Nature Function	Year ended December 31, 2019			Year ended December 31, 2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	14,944	758,377	773,321	19,004	689,224	708,228
Labour and health insurance fees	877	56,223	57,100	1,091	50,795	51,886
Pension costs	453	29,674	30,127	634	26,248	26,882
Directors' remuneration	-	69,276	69,276	-	46,372	46,372
Other personnel expenses	625	97,079	97,704	1,959	149,277	151,236
Depreciation Expense	923	26,836	27,759	127	18,161	18,288
Depletion Expense	-	-	-	-	-	-
Amortisation Expense	14,407	41,218	55,625	13,553	42,688	56,241

Note:

1. As at December 31, 2019 and 2018, the Company had 654 and 703 employees, including 54 and 3 non-employee directors, respectively.
2. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following
 - (1) Average employee benefit expense in current year 1,477(in dollars) °
Average employee benefit expense in previous year 1,340(in dollars) °
 - (2) Average employees salaries in current year 1,192(in dollars) °
Average employees salaries in previous year 1,012(in dollars) °
 - (3) Adjustments of average employees salaries 17.79% °

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