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MERRY
ELECTRONICS CO.,LTD.

2020 ANNUAL REPORT

MERRY ELECTRONICS CO.,LTD.

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Taiwan Stock Exchange Market Observation Post System

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2020 ANNUAL REPORT

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I. Letter to Shareholders

Dear Shareholders:

In 2020, the COVID-19 pandemic raged across the globe and the Sino-US trade war continued to escalate, causing great turbulence for the world's political and economic climate and severely damaging the global economy. During this difficult time, the MERRY Group continued to uphold its core spirit of being a learning organization, quickly adjusted its pace in response to the impact of overall market changes, and continued to carry out the group's long-term development plans while also remaining committed to implementing its 2020 operating policy of "Piloting with Technology, Embracing Digital Transformation, Extending Southbound Efforts, and Realizing Sustainable Development." By observing technological trends and continuing to expand its business in the field of electro-acoustic applications, the group accelerated the digitalization of operating procedures and developed a digital operation management model. Moreover, by firmly establishing market presence through production bases in Thailand and Vietnam, the Group is able to flexibly adjust capacity allocation to serve the needs of global customers. In the bid to integrate ESG into MERRY's corporate culture, a sustainable development implementation team directly under the board of directors was established in 2020 to lead all units of the group in implementing ESG in corporate operations. With such efforts demonstrating outstanding performance, the Group had the honor of winning the 2020 TCSA Taiwan Corporate Sustainability Report Bronze Award. Although we are now living in an era of tremendous changes in the global economy, MERRY has a solid foundation accumulated over many years of hard work and the concerted efforts of all colleagues that has enabled it to achieve stable revenue in 2020. We sincerely thank shareholders, customers, and suppliers for their long-term affirmation and support.

Looking forward to 2021, the continuation of the post-pandemic era will add much uncertainty to global economic recovery. In the face of a severe environment shaped by the pandemic and rapidly changing market challenges, we must build our strength and persist in innovation so as to continue moving forward, growing and prospering despite a harsh external environment. At the same time, MERRY has adopted "constitution optimization, digital transformation, integrated innovation, and sustainable development" as its business policy for 2021, which is briefly described as follows:

Constitution Optimization: Through continuous integration and optimization of the group's organizational structure, the development of lean and agile production, refined cost structure, the development of diversified products, and other adjustments and optimizations to corporate culture, we seek to enhance resource efficiency as well as improve overall operating performance and market competitiveness.

Digital transformation: In response to the era of high volatility, we accelerated investment in all-round digital transformation, introduced process robots and digital

supply chain management mechanisms, built our smart manufacturing competitiveness in keeping with the times, and enhanced customer relationship management through digital optimization to develop a digital operation management model. As such, we improved overall operating efficiency which in turn enables us to pursue growth and outstanding results.

Integrated innovation: On the basis of the core value of electroacoustics, we will actively develop "new markets and new customers" under the concept of Acoustic of Things (AoT). By continuing to create differentiated value, we will be able to establish long-term advantages that drive the momentum for our next wave of growth.

Sustainable development: To continuously promote the integration of ESG into MERRY' s corporate culture, the Group works with internal and external partners to construct and develop sustainable resources and implements various ESG action plans to ensure continuous improvement every year. These efforts are made with the goal of ensuring environmental sustainability, social participation, and corporate governance remain our goal and vision, thus enabling the company to put the concept of sustainable development into practice, usher in a new and sustainable lifestyle within a circular economy, and create a better future together.

Even though the world has entered the post-pandemic era in 2021, the global economy still faces many tests and challenges as it rebounds and recovers. As such, the MERRY management team will adhere to the concepts of prudence and pragmatism, observe the group' s operating policy for 2021, and lead all colleagues toward the goal with positivity and resolve as we seek to unveil new horizons going forward into the future. We hereby sincerely thank all shareholders, customers, suppliers and partners for their full support and company on MERRY' s journey of growth, and look forward to working with you in forging a prosperous and sustainable future.

We wish you physical health, peace, and joy

Chairperson

i. Operation Results in 2020

(I) ˆ Business plan implementation results

The consolidated operating income of the company and its subsidiaries was NT\$34,444,819 thousand, representing a decrease of NT\$1,952,974 thousand or 5.37% from the NT\$36,397,793 thousand in 2019; the consolidated net profit before tax was NT\$1,702,705 thousand, a decrease of NT\$1,543,493 thousand or 47.55% from the NT\$3,246,197 thousand of 2019, mainly due to the decrease in operating revenue and other profits.

(II) ˆ Financial income and expenditure and profitability analysis

1 ˆ Status of financial income and expenditure

Unit: NT\$ Thousand

Title	2020 consolidated numbers	2019 consolidated numbers
Other income	323,158	383,263
Other gains and losses	(182,510)	44,344
Financial cost	(60,817)	(81,319)
Share of profits/losses on equity-accounted associated companies and joint ventures	482,132	664,557
Total	561,963	1,010,845

2 ˆ Profitability analysis

Item		2020 consolidated numbers	2019 consolidated numbers
Financial structure (%)	Debt-to-asset ratio	64.07%	49.94%
Liquidity (%)	Current Ratio	112.81%	167.10%
	Quick Ratio	93.24%	143.42%
Profitability (%)	Return on assets ratio	5.42%	11.02%
	Rate of return on equity	10.72%	22.24%
	Operating income to capital ratio	54.49%	107.53%
	After-tax earnings per share (NT\$)	6.39	12.51

(III) ˆ Research and development status

- 1 ˆ In 2020, a total of 91 new products and extension models were developed.
- 2 ˆ In the 2020 year, 67 new patents have been approved and 73 are in review.
- 3 ˆ The 2020 consolidated research and development expense was NT\$1,704,636 thousand, an increase of NT\$399,251 thousand from the NT\$1,305,385 thousand in 2019, accounting for 4.95% of the consolidated sales revenue.

(IV) ˆ 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 、 Business Plan Summary for 2021

(I) Operational policy

1. Theme of operations in 2021: "Constitution optimization, digital transformation, integrated innovation, sustainable development."
2. Constitution optimization: Through the improvement of internal value chains such as cost optimization, agile manufacturing, and organization optimization, we simultaneously carry out product portfolio optimization and customer structure optimization to enhance the value proposition we make to customers. We create more diversified growth opportunities in order to seek healthy, multi-faceted sustainable growth.
3. Digital transformation: There are three stages and levels in the use of digital tools by enterprises--digitalization, digital optimization, and digital transformation. At this stage, the Company focuses on digital optimization and prioritizes the implementation of projects that have apparent and tangible practical benefits such as "increasing revenue and strengthening customer relationships" as well as "reducing costs and improving efficiency." Moreover, each department within the Company has set KPIs related to digital optimization in 2021. As digital transformation is an ongoing effort, we hope to continue rationalizing key operational processes using digital tools.
4. Integrated innovation: acoustic+ ◦ If we divide MERRY' s scope of business into the four quadrants of "existing markets," "new markets", "existing customers," and "new customers," the most important aspect of the quadrant would be "new markets, new customers", or AoT (Acoustic of Things). MERRY hopes to enhance the value of acoustic + something; Beginning with the company' s core competitiveness, we are always adding new elements to continuously enrich the quality and intensity of the company's competitiveness.
5. Sustainable development: The company will promote the following matters to implement ESG:
 - (1) Set up an ESG sustainable development implementation team that reports directly to the board of directors.
 - (2) Identify material topics.
 - (3) Set up management policies (KPIs) for such topics.
 - (4) Develop the internal process and engage in implementation based on the management policies.

(II) Expected sales volume and its basis and important production and marketing policies

1 、 Production and marketing policies

- (1) Continuous southbound expansion: We will continue to invest in

production bases in Southeast Asia to give consideration to both the electroacoustics industrial cluster and international political and economic risk.

- (2) Agile supply: Market demand changes rapidly, leading to fluctuations in customer orders. Achieving flexible production will enable us to secure orders.
- (3) Local supply chain: Sino-U.S. competition has become the norm. As such, “longer” conventional supply chains forged by international cooperation have been transformed into “shorter,” more localized supply chains due to the competition between the two superpowers. Supply chains should be present wherever the market is located. Therefore, apart from persisting in southbound expansion and firmly establishing Southeast Asian production bases, MERRY also practices local supply to enhance production flexibility.
- (4) By enhancing R&D competitiveness through internal management, MERRY is able to improve R&D speed, quality and cost.

2 、 Expected sales volume and its basis

Overview of the terminal market served by MERRY:

(1) Headsets:

According to Grand View Research, global headset shipments will grow from 500 million units in 2020 to 1.3 billion in 2027 (CAGR 14.6%); terminal output value will also grow from US\$35 billion to US\$127 billion (CAGR 20.3%). Similar forecasts for the growth rate of shipments and output value have also been reported by another market research agency, Statista.

(2) Smart speakers/VPAs:

Canalys predicts that the global smart speakers will grow from 135 million units in 2020 to 163 million units in 2021 at a growth rate of 21%. Due to the COVID-19 pandemic, home entertainment needs have increased following the implementation of shelter-in-place and lockdown restrictions; therefore, demand for smart speakers will continue to grow in 2021.

(3) Assistive listening devices:

According to a survey by the World Health Organization, about 466 million people worldwide have disabling hearing loss, and this number will reach 900 million in 2050, which is one-tenth of the global population. Among these people, only 17% currently wear hearing aids. Demant, a major hearing aid manufacturer, pointed out that 15 million hearing aids are sold globally every year, and natural factors such as an aging population will bring about 4 to 6% growth every year.

(4) Smartphones:

Mobile phones and PCs still occupy an important part of the electronic consumer market, bringing demand for electroacoustics, battery

accessories and components. In terms of smartphones, IDC pointed out that global shipments will drop by 10% to 1.2 billion in 2020; nevertheless, due to the gradual maturity of the 5G environment, the market will resume its growth trend in 2021, and exhibit a 1.7% CAGR by 2024. Smart phones are still the computing platform of choice for people in most countries around the world.

iii. Future company development strategy

1. Focusing on key audio brand customers, we will comprehensively seek business opportunities in various price ranges.
2. We will provide existing customers with extended product line services, such as video conferencing equipment and headsets for enterprise applications, electro-acoustic products for healthcare, wireless charging power banks, and charging and battery packs for gaming accessories, etc.
3. Through the EMS+ service mechanism, we seek to consolidate our customer base and business opportunities under the EMS cooperation model. Spanning all ODM and EMS businesses, we will provide comprehensive services to our customers to increase revenue sources.
4. By establishing the Audio SiP business unit and unveiling the new value proposition of "miniaturization", we will seek to provide higher value to MERRY customers by incorporating the electro-acoustic business unit to while expanding the scope of our headset business to untapped market segments.
5. We will also establish an internal innovation proposal mechanism to invigorate the spirit of innovation and quickly solicit a large number of creative ideas (acoustic + something or battery + acoustic + something). With the support of the company or various business units, new ideas will further enable us to explore the feasibility of new product lines and new markets.

iv. Impacts of the external competitive environment, regulatory environment and overall operating environment

1. External competition:
 - (1) Facing the external competition of other manufacturers in terms of scale and cost, MERRY has in response improved its EMS+ capabilities, which, combined with our existing advantages in electroacoustic research and development, will enable us to consolidate the market and grow.
 - (2) As market competition intensifies, the main challenge for smart speaker manufacturers is to achieve significant performance improvements with minimal cost increases. To this end, Amazon and Google not only changed the physical design of the speaker, but moreover introduced "computational audio", using AI to enable smart speakers to dynamically

improve the user's listening experience according to changes in the listening environment.

2. Regulatory environment:

- (1) It was originally hoped that the FDA would formally promulgate OTC hearing aid management measures in August 2020, which would relax restrictions for people with mild and moderate hearing loss and enable them to purchase OTC hearing aids directly from retail channels without the need for an audiologist/hearing aid dispenser's diagnosis. However, the FDA has postponed the promulgation of management measures due to its present focus on the task of fighting the COVID-19 pandemic. From a demand perspective, this trend of OTC hearing aids will significantly reduce the cost of owning an assistive listening device and increase wearing rate. 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.
- (2) In addition to pursuing shareholder rights, the Company has taken further steps to protect the environment, take care of employees, and operate with integrity, that is, ESG (Environment, Society, Government), and makes commitments to all stakeholders. The issues of utmost concern to stakeholders are closely related to the company's operations, including climate change, energy management, waste reduction, workplace equity and occupational safety, circular economy and carbon reduction, product safety, integrity management and corporate governance, etc. For example, with the increasing demand for multi-functional consumer entertainment products, when developing next-generation products, the goal will be to simultaneously reduce the use of manufacturing materials and power consumption under the premise of improved efficiency so as to achieve the purpose of energy conservation and carbon reduction.

3. Operating environment:

- (1) Consumer preferences for enhancing the portable audio experience

coupled with the consumption habits of streaming music created by mobile technology and broadband wireless networks are the main reasons for the growth of the headset industry. The products that have particularly benefited from this trend are true wireless headsets (TWS). Small in size, easy to carry around in the charging box, and with the left and right earphones free from wire constraints, TWS headsets are popular among the younger generations, sports enthusiasts, and people with a passion for health and fitness.

- (2) Furthermore, smart features such as voice assistant, gesture recognition, automatically playing or pausing by detecting wearing or removal of the headset by the user have all accelerated the prevalence of TWS headsets. In particular, the addition of a sensor to the headset to track the user's physiological state (such as heart rate detection) can enable the headset to find new application value in the health care market.

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 1985, the new plant was completed and the site was moved to the Taichung Industrial Park.
7. 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.
8. 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.
9. 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.
10. In 1991, approved as a public issued company by the Financial Supervisory Commission of the Ministry of Finance.
11. In 1993, won the 2nd National Award of Outstanding SMEs and received ISO-9001 international quality assurance certification.
12. In January 1998, received ISO-14001 international quality assurance certification.
13. On August 18, 1998, stock was listed on the over-the-counter market.
14. In 1999, won the 2nd Rising Star Award.

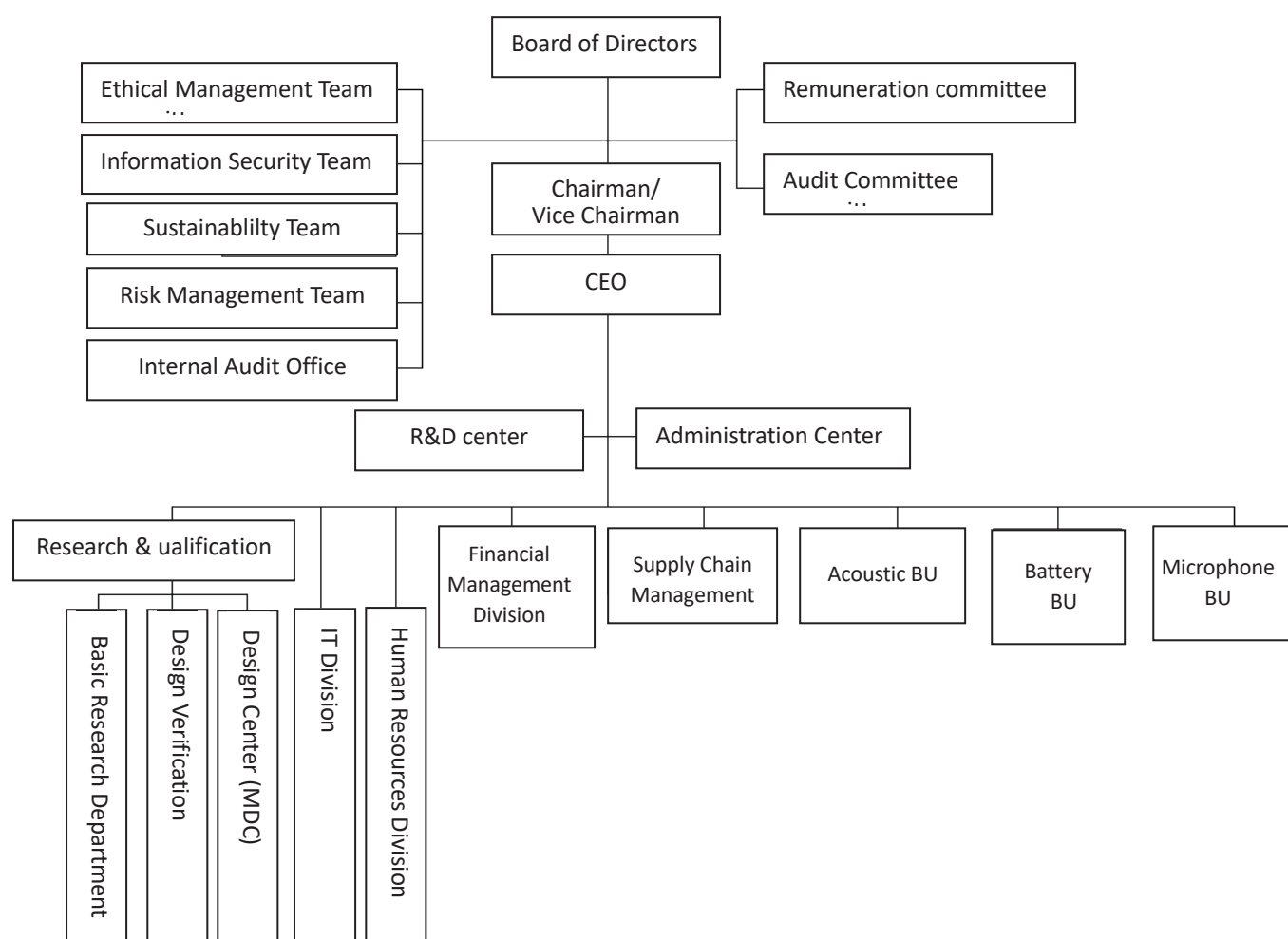
15. On September 11, 2000, the Company's stock was listed on the Taiwan Stock Exchange.
16. In 2002, established Merrytech (Suzhou) Co. Ltd.
17. On September 1, 2005, merged with Huges Hi-Tech Inc.
18. In 2005 and 2007, it was named by Forbes magazine as one of the top 200 companies in Asia Pacific with revenues of less than \$1 billion (TOP 200 BEST UNDER A BILLION) °
19. In 2010, established Merry Electronics (Huizhou) Co., Ltd.
20. In 2010, established Merry Electronics (Hebei) Co., Ltd.
21. In 2011, established Merry Electronics (Singapore) Co., Ltd.
22. In 2015, revoked Merry Electronics (Hebei) Co., Ltd.
23. From 2011 to 2016, the Republic of China won the World Corporate Citizenship Award.
24. From 2016 to 2017, the Republic of China cooperated with Lixun Strategy to obtain a 51% stake in Matt Technology (Suzhou) Co., Ltd., Merry Electronics (Shanghai) Co., Ltd., and Merry Electronics (Huizhou) Co., Ltd.
25. In 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.
26. In 2018, acquisition of Suzhou Meisheng Electronic Co., Ltd. and Sonavox Canada Inc. and its subsidiary company SEAS FABRIKKER.
27. In 2018, acquisition of Austar Hearing Science and Technology (Xiamen) Co., Ltd. and its subsidiary company.
28. In 2019, acquisition of Biotest Medical Corp.
29. In 2020, With the Luxshare Group to establish Merry Luxshare (Vietnam) Co., Ltd.

III. Corporate Governance Report

i. Company organization

(I). Organization structure

Effective date: April 1, 2021



(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.
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, 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) 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, President, Vice Presidents, Assistant Vice Presidents, and Department and Branch Directors:
(1). Directors

1. Information on Directors

April 17, 2021 · 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 year	1975/12/23	3,541,243	1.71%	2,211,243 (Note1)	1.06%	163,215	0.08%	1,500,000	0.72%	Education: Department of Electrical Engineering, Tatung University Experience: Engineer, Tatung Company Technology Section Manager, Taishing Electric Co., Ltd. Founder and Chairman, Merry Electronics Co. Ltd.	The Company: N/A Other companies: (Note1)	-	-	-	-
Vice Chairperson	Taiwan	Wei, Wen-Chieh	Male	2019/6/19	3 year	1975/12/23	9,318,523	4.51%	9,318,523	4.45%	139,426	0.07%	150,000	0.07%	Education: Department of Mechanical Engineering, Tatung University Experience: Equipment Section Manager, Taishing 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 year	2007/6/13	305,672	0.15%	202,372	0.10%	-	-	-	-	Education: Department of International Business, Overseas Chinese University Experience: President, Merrytech (Suzhou) Co. Ltd.	The Company: N/A Other companies: (Note3)	Sibling	Lin, Shih-Chieh	Sibling	-
Director	Taiwan	Lin, Shih-Chieh	Male	2019/6/19	3 year	2007/06/13	332,176	0.16%	362,876	0.17%	14,003	0.01%	-	-	Education: MBA, Wisconsin International Academy Experience: President, Merry Electronics (Shenzhen) Co., Ltd.	The Company: N/A Other companies: (Note4)	Sibling	Lin, Shu-Chun	Sibling	-
Director	Taiwan	Huang, Chao-Li	Male	2019/6/19	3 year	2016/6/29	38,190	0.02%	73,590	0.04%	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: (Note5)	-	-	-	-

Independent Director	Taiwan	Ke, Chun-Hui	Male	2019/6/19	3 year	2019/06/19	-	-	-	-	-	-	Education: Master of Science in Finance, University of Southern California, USA Experience: BDO Seidman, USA Adjunct Lecturer, Department of Accounting, Tamkang University Adjunct Lecturer, Department of Accounting Information, Chihlee University of Technology.	The Company: N/A Other companies: (Note9)	-	-	-

Note 1 : The listed shareholdings includes 2,600,000 shares under trust with discretion reserved

Note 2 : 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 director seats and more than half of all directors not concurrently serving as employees or the president) must be disclosed

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 Diarex; Director of Sward Crystal Technology 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 Biotech 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 Amulair Thermal Technology Inc.; Representative of Institutional Supervisor (Shande Investment Co., Ltd.) of Maxecho Technology Corp.; Representative of Institutional Director (the company) 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 17th-term director of Taiwan Textile Research Institute.

Note 9 : Independent Director Ke, Chun-Hui resigned on 2020/6/30 .

2. Major shareholders of institutional shareholders

April 17, 2021

Name of institutional shareholder	Major shareholders of institutional shareholders
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%

3. Information on Directors

April 17, 2021

Criteria	Has at least five years work experience and the following professional qualifications			Compliance of independence (Note)												Number of Other Taiwanese Public Companies Currently 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	
Name																
Liao, Lu-Lee			✓					✓	✓	✓		✓	✓	✓	✓	-
Wei, Wen-Chieh			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Lin, Shu-Chun			✓			✓		✓	✓	✓		✓	✓	✓	✓	-
Lin, Shih-Chieh			✓			✓		✓	✓	✓		✓	✓	✓	✓	-
Huang, Chao-Li			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Tong Qian Investment Co.,Ltd. Representative of Institution - Liao, Keng-Pin			✓	✓	✓	✓		✓	✓	✓		✓		✓	✓	-
Wu, Hui-Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Sher, Jih-Hsin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Ke, Chun-Hui (Note 1)																

Note 1 : Independent Director Ke, Chun Hui resigned on 2020/6/30 .

Note 2 : 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

April 17, 2021

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)	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Note(N ote 3)
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
President	Taiwan	Huang Chao-Li	Male	104.10.01	73,590	0.04%	58,020	0.03%	100,000	0.05%	Education: MBA, Feng Chia University Experience: VP, Wealth Management and Trust BU, Mega Securities	(Note 4)	N/A	N/A	N/A	
Vice President	Taiwan	Lin, Shu-Chun	Female	98.09.01	202,372	0.10%	-	-	-	-	Education: Department of International Business, Overseas Chinese University Experience: President, Merrytech (Suzhou) Co. Ltd.	(Note 5)	N/A	N/A	N/A	
VP of Sales	Taiwan	Chester Chiang	Male	88.02.08	48,438	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 Her	Male	106.10.12	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.	N/A	N/A	N/A	N/A	
CTO	Taiwan	Sam Chang	Male	107.07.01	41,995	0.02%	-	-	-	-	Education: Master's in Electro-Acoustics, Feng Chia University	N/A	N/A	N/A	N/A	

											Experience: Vice President, Merry Electronics Co. Ltd.					
VP of the Financial Management Division	Taiwan	Joyce Lam	女	107.09.17	11,400	0.01%	-	-	-	-	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	108.12.2	-	-	3,000	0.00%	-	-	Education: Taipei Engineering College Department of Tweed Engineering Experience: Senior manager of Compal Electronics, Inc. Director of LITE-ON TECHNOLOGY CORP. Director of Luxshare ICT	N/A	N/A	N/A	N/A	
Vice President	Taiwan	Jenny Chen	Female	110.1.1	75,408	0.04%	2,000	0.00%	-	-	Education: Feng Chia University Department of International Trade Experience: Senior Manager of Universal Scientific Industrial Co., Ltd. Purchasing Office	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 : 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 4 : 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 Amulaire Thermal Technology Inc.; Representative of Institutional Supervisor (Shande Investment Co., Ltd.) of Maxecho Technology Corp.; Representative of Institutional Director (the company) 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 5 : 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.).

iii. Remunerations to Directors, President, and Vice Presidents in the most recent year

[illegible]

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) Wu, Hui-Huang, Ke, Chun-Hui, Sher, Jih-Hsin	All Consolidated Entities (Note 9) H Wu, Hui-Huang, Ke, Chun-Hui, Sher, Jih-Hsin	The Company (Note 8) Wu, Hui-Huang, Ke, Chun-Hui, Sher, Jih-Hsin	All Consolidated Entities (Note 9) I Wu, Hui-Huang, Ke, Chun-Hui, Sher, Jih-Hsin	
Below NT\$2,000,000	Liao, Lu-Lee, Wei, Wen-Chieh, Lin, Shih-Chieh, Lin, Shu-Chun, Huang, Chao-Li, Tong Qian Investment Co., Ltd.:Representative Liao, Keng-Pin	Liao, Lu-Lee, Wei, Wen-Chieh, Lin, Shih-Chieh, Lin, Shu-Chun, Huang, Chao-Li, Tong Qian Investment Co., Ltd.:Representative Liao, Keng-Pin	Liao, Lu-Lee, Wei, Wen-Chieh, Tong Qian Investment Co., Ltd.:Representative Liao, Keng-Pin	Liao, Lu-Lee, Wei, Wen-Chieh, Tong Qian Investment Co., Ltd.:Representative Liao, Keng-Pin	
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)			Lin, Shih-Chieh, Huang, Chao-Li	Lin, Shih-Chieh, Huang, Chao-Li	
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)			Lin, Shu-Chun	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	9people	9 people	9 people	9 people	9 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 2020 (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 2020 year is approved by the Board of Directors in 2021 (without the resolution of the shareholders' meeting).

Note 4: Refers to the related business expenses of Directors in 2020 (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 2020. Chairperson Liao, Lu-Lee's car was acquired in 2019 and cost NT\$1,500 thousand; Vice Chairperson Wei, Wen-Chieh's car was acquired in 2017 and cost NT\$2,580 thousand; the book values are NT\$1,125 thousand and NT\$1,106 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 2020 employee remuneration distribution proposed by the Board of Directors (without the resolution of the shareholders' meeting) in 2021; the proposed distribution amount is calculated based on the actual distribution ratio in 2019, 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\$1,321,943 thousand after-tax net income of the individual financial statements of 2020

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) Remunerations to the president and vice president

Title	Name	Salary (A) (Note2)		Pension (B)		Bonuses and allowances, etc. (C)		Employee compensation (D)				Ratio of total remuneration (A+B+C+D) to net income after tax (%)		Compensation from investments other than subsidiaries
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities			
						Cash	Stock	Cash	Stock					
President	Huang, Chao-Li	11,790	11,790	0	0	3,962	3,962	8,567	-	8,567	-	1.84%	1.84%	N/A
VP of Sales	Chester Chiang													
VP of Sales	Steven Su													
Vice president	Lin, Shu-Chun													
CTO	Sam Chang													
VP of the Financial Management Division	Joyce Lam													
Vice president	Liang, Kun Tang													
Special assistant at the Administration Center	Steven Her													

Range of remuneration paid to each director	Names of president and vice presidents	
	The Company (Note 7)	All Consolidated Entities (Note 8) E
Below NT\$2,000,000		
NT\$2,000,000 (inclusive)to NT\$5,000,000 (exclusive)	Chester Chiang 、 Steven Her 、 Joyce Lam 、 Liang, Kun Tang	Chester Chiang 、 Steven Her 、 Joyce Lam 、 Liang, Kun Tang
NT\$5,000,000 (inclusive)to NT\$10,000,000 (exclusive)	Lin, Shu-Chun 、 Huang,Chao-Li 、 Steven Su 、 Sam Chang	Lin, Shu-Chun 、 Huang,Chao-Li 、 Steven Su 、 Sam Chang
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		
Tatol	8	8

Note1 : 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 Tab 1.

Note2 : Salary, additional pay, and severance pay received by the president or vice president in 2020.

Note3 : Indicates the benefits received by the president and vice presidents, including bonuses, additional pay, stipends, car, etc. in 2020. 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. 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.

Note4 : Refers to the employee remuneration received by the President and Vice Presidents (including stocks and cash), which is the 2020 employee remuneration distribution proposed by the Board of Directors (without the resolution of the shareholders' meeting) in 2021; the proposed distribution amount is calculated based on the actual distribution ratio in 2019, and has been filled out in the table.

Note5: The total pay to the company's president or vice president from all companies in the consolidated statements shall be disclosed.

Note 6: Range of remuneration paid to the president and vice presidents, and their names.

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 8: Calculated based on the after-tax net income and the consolidated net income of NT\$1,321,943 of the consolidated statement of 2020.

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.

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

March 31, 2021

	Title	Name	Amount of stock bonus (Note)	Amount of cash bonus (Note)	Total	Ratio of Total Amount to Net Income (%)
Managerial Officers	Director and President	Huang, Chao-Li	-	11,790	11,790	0.89%
	CTO	Sam Chang				
	VP of the Financial Management Division	Joyce Lam				
	VP of Sales	Chester Chiang				
	VP of Sales	Steven Su				
	Vice president	Lin, Shu-Chun				
	Vice president	Liang, Kun Tang				
	Special assistant at the Administration Center	Steven Her				

2. 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	11,859	-
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		

3. 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.
- (II). 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	2020		2019	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	3.41%	3.66%	4.40%	4.95%
President and Vice presidents				
Supervisor				

2. In addition to the company's directors' remuneration in accordance with Article 22 of the company's articles of association, if there is a profit in the current year, no more than 2% shall be allocated. Independent directors are subject to a fixed remuneration system. In addition, the company was established on December 28, 2011 Committee, the committee formulates the "Directors and Managers Remuneration Management Measures" and submits them to the board of directors for discussion and approval. The method is used as an evaluation basis to provide reasonable remuneration to directors. The evaluation items include director attendance, evaluation of training hours, and target achievement Rates, etc., calculated after comprehensive consideration and reasonable remuneration. The remuneration policy for managers, the salary structure is basic salary, food allowance, job allowance, and no car allowance. The procedures for determining the remuneration are based on the differences in their academic qualifications, experience, performance, and years of work, and with reference to the standards of the industry, and with reference to the overall operating performance, future business risks and development trends of the industry, and the reasonableness of the relevance.

iv · Corporate Governance Status

1. Operations of the Board of Directors

A total of 5 (A) meetings of the Board of Directors were held in the previous period.

The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairperson	Liao, Lu-Lee	5	0	100%	
Vice Chairperson	Wei, Wen-Chieh	5	0	100%	
Director	Lin, Shu-Chun	4	1	80%	
Director	Lin, Shih-Chieh	5	0	100%	
Director	Huang, Chao-Li	5	0	100%	
Representative of Institutional Director	Liao, Keng-Pin	5	0	100%	Representative of Tong Qian Investment Co.,Ltd.
Independent director	Ke, Chun-Hui	2	0	100%	2020/6/30 Resignation
Independent director	Wu, Hui-Huang	5	0	100%	
Independent director	Sher, Jih-Hsin	5	0	100%	

Other mentionable items :

1. 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 63-66 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.
2. 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) 5st Meeting of the 19th-term Board of Directors on February 27, 2020

Agenda: Director and manager 2019 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.

(2) 7st Meeting of the 19th-term Board of Directors on July 30, 2020

Agenda : 3. Approving acquisition of 19% shareholding of Merry Fuling Co., LTD. in the amount of US\$345,317.55 dollars from related party.

Directors who recused themselves due to conflict of interest: Directors : Chairperson Liao, Lu-Lee and Vice Chairperson Wei, Wen-Chieh,

Reason for recusal and participation in voting :

The interests of the present case and the former shareholder and counterparty of Samoan businessman Meilu Fu hearing Co., Ltd., Chairperson Liao, Lu-Lee, Vice Chairman Wei, Wen-Chieh, shall not participate in the voting 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.

(3) 7st Meeting of the 19th-term Board of Directors on July 30, 2020

Agenda : Approving the distribution amount of employees' compensation to managers 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.

(4) 7st Meeting of the 19th-term Board of Directors on July 30, 2020

Agenda : Proposed amount of manager and employee remuneration 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.

(5) 8st Meeting of the 19th-term Board of Directors on October 29, 2020

Agenda : 2. Approving the proposal to dispose 2,352,418 shares of "Leohab Enterprise Co., Ltd."

Directors who recused themselves due to conflict of interest: Chairperson Liao, Lu-Lee, Directors Huang, Chao-Li and Liao, Keng-Pin.

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.

(6) 9st Meeting of the 19th-term Board of Directors on December 24, 2020

Agenda : Proposal to donate NT\$1,480,000 to a related party in 2021.

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.

3. 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, 2020 to December 31, 2020	Individual Board members	Self-evaluation by Board members	1.Alignment of the goals and missions of the company; 2.Awareness of the duties of a director; 3.Participation in the operation of the company; 4.Management of internal relationship and communication; 5.The director's professionalism and continuing education; 6.Internal control.
		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.Election and continuing education of the directors; 5.Internal control

Board Performance Self-Evaluation Results :

(1) The performance appraisal rate of board members is as follows :

Director /Independent Director	Achieving rate
Liao, Lu-Lee	97%
Wei, Wen-Chieh	90%
Huang, Chao-Li	89%
Lin, Shih-Chieh	97%
Lin, Shu-Chun	94%
Liao, Keng-Pin	100%
Wu, Hui-Huang	97%
Sher, Jih-Hsin	97%

(2) The performance appraisal rate of board is as follows :

Board	Achieving rate
Board	98%

(3) 2020 annual commission asked the China Corporate Governance Association for external evaluation, related content please see the company's website.

4. 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 66 hours of continuing education in 2020.

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.

2. 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.

There were 5 Board meetings (A) in the most recent year (2020), attendance is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent Director	Sher, Jih-Hsin	5	-	100%	
Independent Director	Wu, Hui-Huang	5	-	100%	
Independent Director	Ke, Chun-Hui	2	-	100%	2020/6/30 Resignation

Other mentionable items:

1. 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.
2. 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.
3. 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 24, 2020, 8rd meeting of the 1st-term Audit Committee
 Agenda : Please discuss the proposal to donate NT\$1,480,000 to a related party in 2021.
 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.

4. 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	Communicate results
2020.02.27	1. Audit report and internal control system deficiencies review report. 2. Prepared the Company's 2019 Statement of Internal Control System. 3. Independent director recommendations : It is recommended that if any deficiencies are found the audit process, the risks and impacts to the company should be reassessed.	The audit unit has increased the number of risk assessment items in accordance with the recommendations of independent directors, and will report implementation status to the Audit Committee and the board of directors from Q2 in 2020.
2020.04.30	Audit report and internal control system deficiencies review report.	There are no comments at this meeting.
2020.07.30	Audit report and internal control system deficiencies review report.	There are no comments at this meeting.
2020.10.29	1. Audit report and internal control system deficiencies review report. 2. Independent director recommendations : It is recommended information security risk audits be added.	Information security risks are included in the scope of follow-up computerized information system operation audits based on the recommendations of independent directors.
2020.12.24	1. Audit report and internal control system deficiencies review report. 2. Independent director recommendations : : 1. Control should be strengthened for business and R&D operations to reduce risks. 2. After deficiencies are quantified, it is also necessary to disclose the improvement process.	In accordance with the recommendations of independent directors, risk control is strengthened, and improvement processes are to be included in subsequent reports.
2021.02.25 (Communicate alone)	1. Audit report and internal control system deficiencies review report. 2. Independent director recommendations : :	1. In accordance with the recommendations of independent directors, the legal affairs unit is

	(1) For non-standard operations (e.g.: Company contract review), it is recommended that the review standard can be combined with the amount to determine the risk. (2) For labor and wage cycle audits, it is recommended that ESG external concerns be strengthened (such as: staff treatment).	notified to plan review standards. 2. The independent directors' recommendation is to be included in the scope of follow-up labor and wage cycle audits.

Independent Directors and CPA:

2021.02.25 (Board of Directors)	1. Key audit items. 2. Significance of this period. 3. Scope of the Group' s financial report audit. 4. Execution of audit where verification cannot be conducted on-site. 5. Adjusted, reclassified and unadjusted entries for the current period. 6. Related parties and related party transactions. 7. Significant accounting estimates and changes in accounting principles. 8. Fraud and non-compliance with laws and regulations/post-period events. 9. Customer declaration/significant deficiency in internal control/disagreement with management

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.

3. Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
i. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "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. Complies with the Corporate Governance Best-Practice Principles. No discrepancy
ii. Shareholding structure & shareholders' rights			
(I). Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	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 possess the list of its major shareholders as well as the ultimate owners of those shares?	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 execute the risk management and firewall system 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
			Complies with the Corporate Governance Best-Practice Principles. No discrepancy

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
(IV). Does the company establish internal rules against insiders trading with undisclosed information?	Yes		that periodically supervise the implementation status. (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 Responsibilities of the Board of Directors (I). Does the Board develop and implement a diversified policy for the composition of its members?	Yes		(I). Gender equality is emphasized in the composition of Board members, 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). Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	Yes		(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 a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	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.
			Complies with the Corporate Governance Best-Practice Principles. No discrepancy

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
(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 2020/12/24. Please refer to Note 1 for evaluation items.
iv. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	Yes		1. We have a dedicated corporate governance unit: (1) 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 meeting minutes, 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 Complies with the Corporate Governance Best-Practice Principles. No discrepancy

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
		Abstract Illustration 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. 3. Corporate governance personnel participated in a total of 16 hours of further education in 2020 .	

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
v. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	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 communication is as follows: 1. Media/Investor related: Section Chief Li E-mail: merry_pr@merry.com.tw Tel: 04-23590811#111223 2. Employee/Recruitment related: Miss Kao E-mail: merry_resume_db@merry.com.tw Tel: 04-23590811 3. Community (EHS related): Miss Su E-mail: jesmin_su@merry.com.tw Tel: 04-23590811#111277	Complies with the Corporate Governance Best-Practice Principles. No discrepancy
vi. Does the company appoint 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 (I). Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	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.	Complies with the Corporate Governance Best-Practice Principles. No discrepancy
(II). Does the company have other information	Yes	(II). Other information disclosure methods used by the Company:	

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?		1. The Company website has a Chinese and English version investors section. 2. 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. 3. The Financial Management Division is responsible for collecting and disclosing Company information.	
(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	(III). Information on investor conferences we organized or were invited to attend can be accessed on our website, and is also uploaded to the 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)2020 Q1 financial statements: Announced on April 30, 2020 (2)2020 Q2 financial statements: Announced on July 30, 2020 (3)2020 Q3 financial statements: Announced on October 29, 2020 (4)2020 financial statements: Announced on February 25, 2021 (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	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	
			Complies with the Corporate Governance Best-Practice Principles. No discrepancy

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
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)?			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. 2. 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. 3. 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. 4. We established Risk Management Regulations to create a risk management culture and provide access to the regulations on the Company website. 5. 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 2 for details. 6. Directors and supervisors all actively attended Board meetings	

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons								
	Yes	No									
	Abstract Illustration										
		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. 7. 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 24, 2021. 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>South China Insurance Co.,Ltd</td><td>US\$10,000,000</td><td>October 17, 2020 to October 17, 2021</td></tr></table> 8. Please refer to Note 3 for continuing education and training of managers related to corporate governance. 9. Domestic and overseas certifications obtained by financial and auditing personnel of the Company: Certificates obtained by the Financial Management Division: CPA; Taiwan) : 2 person; CPA; USA) : 1 person; CISA: 1 person; CMA: 1 person; CIA: 1 person; CIA: 1 person. 10. Board diversity (1) The Board of Directors has 8 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.	Insuree	Insurance company	Insurance amount	Policy period	All directors	South China Insurance Co.,Ltd	US\$10,000,000	October 17, 2020 to October 17, 2021	
Insuree	Insurance company	Insurance amount	Policy period								
All directors	South China Insurance Co.,Ltd	US\$10,000,000	October 17, 2020 to October 17, 2021								

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons																																																																																																					
	Yes	No																																																																																																						
	Abstract Illustration																																																																																																							
	<table><tr><th rowspan="2">Name of director</th><th rowspan="2">Gender</th><th rowspan="2">Nationality</th><th colspan="6">Professional knowledge and skills</th><th colspan="3">Age</th></tr><tr><th>Business management</th><th>Leadership and decision-making</th><th>Industry knowledge</th><th>Financial Accounting</th><th>Marketing</th><th>Under 55</th><th>55-65</th><th>66-75</th></tr><tr><td>Lu-Lee Liao</td><td>Male</td><td rowspan="8">Taiwan</td><td>✓</td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td>✓</td></tr><tr><td>Wen-Chieh Wei</td><td>Male</td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td></td><td></td><td>✓</td></tr><tr><td>Shih-Chieh Lin</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td><td>✓</td><td></td></tr><tr><td>Shu-Chun Lin</td><td>Female</td><td>✓</td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td><td>✓</td><td></td></tr><tr><td>Chao-Li Huang</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td><td></td></tr><tr><td>Ben-Lin Liao</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td><td></td></tr><tr><td>Sher, Jih-Hsin</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td><td></td></tr><tr><td>Wu, Hui-Huang</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td><td></td><td>✓</td></tr></table>		Name of director	Gender	Nationality	Professional knowledge and skills						Age			Business management	Leadership and decision-making	Industry knowledge	Financial Accounting	Marketing	Under 55	55-65	66-75	Lu-Lee Liao	Male	Taiwan	✓	✓	✓		✓			✓	Wen-Chieh Wei	Male	✓	✓			✓			✓	Shih-Chieh Lin	Male	✓	✓	✓		✓		✓		Shu-Chun Lin	Female	✓	✓	✓		✓		✓		Chao-Li Huang	Male	✓	✓	✓	✓	✓				Ben-Lin Liao	Male	✓	✓	✓	✓		✓			Sher, Jih-Hsin	Male	✓	✓	✓	✓		✓			Wu, Hui-Huang	Male	✓	✓	✓	✓				✓	
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(2) Board members possess professional knowledge and skills General board member : It is composed of members with professional background and industry experience, such as Department of Electrical Engineering and Mechanical Engineering, Tatung University 、 Department of International Business, Overseas Chinese University 、 MBA, Wisconsin International Academy 、 MBA,																																																																																																								

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
		Feng Chia University and Woodbury University MBA etc. Composition of related industry experience members Professional skills (Business management / electro-acoustic / culture / finance / biomedical / marketing / cultural creativity / strategic management / technology law) Independent board member : It is composed of members with professional background and industry experience, such as the Department of Electronic Engineering of Jiaotong University, and the Doctor of Marketing and Strategic Management of the University of Warwick Business School. 11. 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. 12. 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. (b) We have installed an IPS and all incoming network packets	

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
		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. 13. 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.	

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
ix. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures. 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) We ranked in the top 5% of companies in the Corporate Governance Evaluation System in 2020 and 2021. (6) 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.			

Noet 1 : Evaluation criteria of Accountants' independence and competence

Item	Independence and Competence
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	Are you qualified as an accountant, able to carry out accounting business and continuously receiving professional training?
18	Punished by the competent authority or CPA association or in accordance with Article 37, Paragraph 3 of the Securities and Exchange Act?
19	Has knowledge of the industry that the Company is in?
20	Are audits conducted in accordance with the Generally Accepted Auditing Standards and Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants?
21	Uses the position of accountant to engage improper competition?

Note 2 : Continuing education of directors is shown in the table below:

Name	Date of continuing education	Organizer	Course Name	Hours
Liao, Lu-Lee 、Wei, Wen-Chieh 、 Lin, Shih-Chieh 、 Lin, Shu-Chun 、 Huang, Chao-Li 、 Liao, Keng-Pin Wu, Hui-Huang 、 Sher, Jih-Hsin	04/30	Taiwan Corporate Governance Association	Industry 4.0 and how companies can lead innovation and transformation	3.0
Liao, Lu-Lee	07/03	Taiwan Investor Relations Institute	Forging or breaking? How will the crisis turn around?	3.0
Sher, Jih-Hsin	08/11	Taiwan Corporate Governance Association	Exploration of corporate employee reward strategies and tool utilization	3.0
Huang, Chao-Li	08/16	Taiwan Institute of directors	Corporate sustainability examination	3.0
Liao, Lu-Lee 、 Wei, Wen-Chieh	09/19	Taiwan Investor Relations Institute	Corporate governance--a good recipe for enterprises! Independent directors: a double-edged sword for corporate wind power?	3.0
Huang, Chao-Li	09/22	TWSE	Listed "Corporate Governance 3.0-Sustainable Development Blueprint" Summit Forum Agenda	3.0
Liao, Lu-Lee 、 Lin, Shih-Chieh 、 Lin, Shu-Chun Huang, Chao-Li 、 Liao, Keng-Pin 、 Wu, Hui-Huang 、 Sher, Jih-Hsin	10/29	Taiwan Corporate Governance Association	Practical applications of enterprise risk management and legal compliance issues	3.0
Huang, Chao-Li	11/25	Securities and Futures Institute	Listed companies' understanding of futures derivatives hedging transactions and implementation of sound corporate sustainable operations	3.0

Note 3 : Continuing education of managerial officers

Name	Date of continuing education	Organizer	Course Name	Hours
Huang, Chao-Li 、 Lin, Shu-Chun 、 Joyce Lam	04/30	Taiwan Corporate Governance Association	Industry 4.0 and how companies can lead innovation and transformation	3.0
Huang, Chao-Li	08/16	Taiwan Institute of directors	Corporate sustainability examination	3.0
Huang, Chao-Li	09/22	TWSE	Listed "Corporate Governance 3.0-Sustainable Development Blueprint" Summit Forum Agenda	3.0
Huang, Chao-Li 、 Lin, Shu-Chun 、 Joyce Lam	10/29	Taiwan Corporate Governance Association	Practical applications of enterprise risk management and legal compliance issues	3.0

4. Composition, Responsibilities and Operations of the Remuneration Committee :
- 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:
- The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation.
 - Periodically evaluate and establish the remuneration of directors, supervisors, and managers. Other cases submitted to the Board of Directors for resolution.

1. Members of the Remuneration Committee:

Title	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		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 specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas 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		
Independent Director	Wu, Hui-Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Ke, Chun-Hui		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	(Note2)
Independent Director	Sher, Jih-Hsin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Other	Yi, Chang-yun		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4	(Note2)

Note1: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

(1). Not an employee of the company or any of its affiliates.

(2). Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the

same parent.

- (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 of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4). Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- (5). Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (6). If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (7). If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (8). Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
- (9). Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10). Not been a person of any conditions defined in Article 30 of the Company Law.

Note 2 : Ke Chun-Hui was dismissed as an independent director on 2020 / 06 / 30 and Mr. Yi Chang-yun was appointed on 2020 / 07 / 30.

2. Operations of the Remuneration Committee :

- (1). The Remuneration Committee was established on December 28, 2011 with three members.
- (2). Current term of office: From June 19, 2019 to June 18, 2022. In the most recent year (2020) the Remuneration Committee convened 3 meetings (A), and the members' qualifications and attendance are as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
4th-term Convener	Wu,Hui-Huang	3	0	100%	
4th-term Committee Member	Ke,Chun-Hui	1	0	100%	2020/06/30 Dismissal
4th-term Committee Member	Sher, Jih-Hsin	3	0	100%	
4th-term Committee Member	Yi, Chang-yun	2	0	100%	2020/07/30 Appointment

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.

5. Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status 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. Environmental issues (I). Does the company establish proper environmental management systems based on the characteristics of their industries?	Yes		Complies with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies. No discrepancy

Evaluation Item	Implementation Status ¹		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
(II). Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	Yes		updated ISO 14001:2015 and promoted ISO 50001 management system certification in various manufacturing plants since 2018, with the aim to mitigate environmental impact, improve energy performance and further reduce the burden of greenhouse gas emissions. In terms of products, since 2010, MERRY has been using a product management system (GPMS) to control hazardous substances, thus reducing the environmental burden of production, distribution, use, and disposal, as well as actively using recyclable materials and recyclable packaging in a concerted effort to protect the planet. (II) The company is committed to improving the utilization efficiency of various resources, actively implementing resource recycling and classification in waste management, greatly reducing waste generation and increasing resource recycling. In terms of water resources management, since no water is used in the manufacturing process, only domestic wastewater and no industrial wastewater is produced. Therefore, water resources management mainly consists of strengthening employees' water-saving awareness and upgrading water-saving equipment to improve water use efficiency. With regard to products, the entire process of production from product development and design to the manufacturing stage is predicated upon the concept of recycling and environmental protection. Resource utilization efficiency management is carried out during product design, and performance indicators for the utilization rate of recycled materials are established to ensure that recycled materials are actively used to protect the earth.
	Yes		(III) The Company has formulated a risk management system in accordance with ISO 31000, and established a risk management team under the board of directors in 2020 to conduct related risk management. The personnel of each functional unit regularly evaluate and deal with the Company's overall risks and opportunities; From a top-down approach, members of executive management assist the risk management team in coordinating and monitoring the response measures for various risks from all risk management perspectives. At the same time, the team pays close attention to global climate change trends, and formulates internal assessment questionnaire for climate-related risks and opportunities based on the TCFD's proposed framework of disclosure. Headed by the executive
(III). Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?			

Evaluation Item	Implementation Status ¹		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
(IV). Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	Yes		supervisors of each department, the company identifies and inventories climate-related risks and opportunities that may result in major financial impact for MERRY, conducts scenario analysis in response to climate change, and develops and formulates follow-up adjustment priority action plans for implementation. All of the above is undertaken to enhance the Company's ability to adjust to climate change, and to attach importance to the issue of climate change together with stakeholders. (IV) MERRY is committed to engaging in greenhouse gas inventory, and closely monitors the status of greenhouse gas emissions and sets clear energy-saving goals in accordance with ISO14064 and ISO50001. The Company has also formulated "Wastewater Treatment Control Measures", "Waste Management Procedures" and "Waste Management Measures", etc. to actively control various sustainability indicators. Greenhouse gas inventory data is collected and analyzed to calculate the amount of emissions generated each year. Data on greenhouse gas emissions, water consumption and total weight of waste are as follows: Greenhouse gas emissions: 17,838 tonnes CO2e in 2020, 16,688 tons of CO2e in 2019 Water consumption: 257,334 tons in 2020 and 271,378 tons in 2019 Total weight of waste: 410.3 tons in 2020 and 334.1 tons in 2019
	Yes		(I). The Company has formulated related management methods in accordance with labor laws and safeguards the legitimate rights and interests of employees. We abide by labor and employee employment laws and international standards, pay attention to labor human rights, occupational safety and health, and strive to maintain a good, safe and healthy working environment. We strictly prohibit any tangible or intangible sexual harassment and discrimination in the workplace, including discrimination based on race, religion, color, nationality, gender, acts that infringe upon freedom of association and privacy, and we prohibit forced labor, child labor, and any form of improper employment, etc. With regard to work environment safety and health, we implemented related management systems in our management activities according to RBA requirements, and obtained ISO14001, OHSAS18001, and TOSHMS certifications.
iv. Social issues (I). Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	Yes	Yes	Complies with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies. No discrepancy

Evaluation Item	Implementation Status ¹		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
(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		(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). Does the Company have employee grievance mechanisms and channels, and does it properly handle grievances?	Yes		(III). (We established electronic and physical employee suggestion boxes in the Company. Employees can use the two type of employee suggestion boxes to report issues or provide opinions on Company policy, regulations and systems, employee benefits, and other issues. Human Resources receive the reports and determine the responsible (response) unit to open a case. The head of the responsible unit formulates a response/improvement measure/immediate improvement plan in response to opinions or issues, and then sends the response to Human Resources within seven days after receiving the case.
(IV). Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?			(IV). Related policies for the working environment are established in accordance with relevant laws and regulations on occupational safety and health and customers' requirements for environmental safety and health. Therefore, the Company has a safe and healthy working environment. The company furthermore implements safety and health education on a regular basis, so that all colleagues are entitled to safety protection at work.
(V). Does the Company have mechanisms for regular communication with employees, and does it notify employees in a reasonable way of changes in operations that may have a material impact on them?	Yes		(V). We established the Employee Suggestion Box Management Regulations, and organize new employee forums each month for two-way communication and opinion exchange with the President, helping employees more quickly identify with MERRY and our culture. This is done to help employees quickly assimilate into our corporate culture, guide their learning and growth, and ensure they are willing to identify with the Company and build a career here. We also seek to understand employees' opinions and recommendations to jointly seek a better future for the Company.
(VI). Does the company provide its			(VI). The Company has a Human Resource Development Section in the

Evaluation Item	Implementation Status ¹		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
employees with career development and training sessions			
(VII). Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	Yes		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. (VII). 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.
(VIII). Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights?	Yes		(VIII). MERRY Group is committed to the positive cycle of the supply chain, actively cooperates with supplier partners, invests in the sustainable development of the supply chain, and ensures that the supply chain has a social responsibility perspective. By implementing our social responsibility commitment and declaration of metal conflict-free as well as other agreements, we urge suppliers to invest the same attention to issues such as ethics, labor human rights, health and safety, and environmental protection
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 2019 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 2020 CSR Report. Please download related reports from our official website – CSR section.
vi. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: There are no significant differences.			Complies with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies. No discrepancy
vii. Other useful information for explaining the status of corporate social responsibility practices: 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			

Evaluation Item	Implementation Status ¹		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
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 (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. - Merry Electroacoustic Paper Award: Each year to provide high bonuses to encourage outstanding Ph.D. students into the field of electroacoustic research, so far 11 years, a total of 2010-2020 electroacoustic thesis award a total of 70 electroacoustic new awards, the annual award ceremony for the annual electroacoustic field production and exchange event, 2020 years in response to epidemic prevention, the award ceremony was held online, continue to work with domestic acoustic giants, jointly cultivate outstanding electroacoustic talent, build up international competitive advantage. - Merry Technology Talent Cultivation Fund: Since 2011 years ago, applications for master's degree in domestic research institutes and five-year studies have been opened up. The winner can receive scholarships and scholarships, and get to know the industry in advance through work study and other substantive exchange opportunities. After graduation or service, he can directly enter the electroacoustic industry for employment and apply his knowledge. From 2011 years to the end of 2020years, a total of 52 people received the cultivation grant. 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 106 reading promotion sessions (including teacher workshops, community promotion, and student extension reading) in 2020. (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 2020. (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 19 sessions were held in 2020. (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 2020. 3. Promotion of popular science education:			

Evaluation Item	Implementation Status ¹		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
(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 14 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 in 2004, and interviewed extraordinary people around Taiwan to transfer positive energy. In 2020, we recorded 6 grassroots happiness movements in Taiwan, interviewed 51 interviewees, produced 84 beautiful stories, and sounded the radio golden bell with the "Unit Program Award". (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 the Hongdao Foundation "Silver Power News Award" event to commend positive reporting to senior citizens and further create a friendly society for senior citizens. Volunteers also participated in the production of environmentally friendly soap in Hongdao Dream Hall for the Elderly. (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. 6. Supporting art and culture activities: We sponsored multiple arts and culture performances and charity concerts to make society better and more beautiful.			

6. Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation status		Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	
i. Establishment of ethical corporate management policies and programs (I). Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy? (II). Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies? (III). Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures	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). 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). We periodically promote the corporate culture of ethical corporate management to employees. According to the Merry Business Practice and	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/GTSM Listed Companies" and Reasons
	Yes	No	
in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?			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. Fulfill operations integrity policy (I). Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	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). Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate	Yes		(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
			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/GTSM Listed Companies" and Reasons
	Yes	No	
management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	Yes		2020/12/24). 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 (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). 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.
(III). Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?			
(IV). Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit	Yes		
	Yes		

Evaluation Item	Implementation status		Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	
follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits? (V). Does the company regularly hold internal and external educational trainings on operational integrity?	Yes		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). 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.
iii. Operation of the integrity channel (I). Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (II). Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures? (III). Does the company provide proper whistleblower protection?	Yes Yes 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/GTSM Listed Companies" and Reasons
	Yes	No	
			Abstract Illustration
			and contents of the report confidential. We are also committed to protecting whistleblowers from being mistreated.
iv. Strengthening information disclosure (I). Does the company disclose its ethical corporate management policies and the results of its implementation on the company' s website and MOPS?	Yes		We have disclosed our 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 has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation : Our Ethical Corporate Management Best Practice Principles and 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.			
vi. Other important information to facilitate a better understanding of the company' s ethical corporate management policies (e.g., review and amend its policies) (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.			

Evaluation Item	Implementation status		Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	
(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 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.			

7. 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](http://mops.twse.com.tw/mops/web/index/corporate%20governance), or the Company website <http://www.merry.com.tw/Investor/Rules>.
8. 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>.

9. Status of implementation of internal control system

(1) Statement of Declaration on Internal Control

Merry Electronics Co., Ltd.

Internal Control System Statement

Date: February 25, 2021

In 2020, the Company conducted an internal audit of its internal control system and hereby declares the following:

- i. 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.
- ii. 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.
- iii. 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.
- iv. The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.
- v. 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, 2020 (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.
- vi. 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.
- vii. This statement was passed by the Board of Directors on February 25, 2021, with none of the 8 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.

10. 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

11. 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:

Date	Major resolutions	Resolution	Implementation status
2020/6/19	1 · Acknowledged the 2019 business report, financial statements, and consolidated financial statements.	Passed as proposed by all shareholders in attendance without objection.	Implemented according to resolutions
	2 · Acknowledged the proposed distribution of 2019 earnings.		Implemented according to resolutions. Record date: 2020/09/02. Cash dividend payment date: 2020/09/11.
	3 · Proposed amendment to the Rules of Procedure for the Shareholders' Meeting.		Implemented according to resolutions
	4 · To approve the issuance of 2020 new restricted employee shares		Implemented according to resolutions

(2) Board of Directors' meetings and implementation status

The 5 th meeting of the 19 th term of the BOD 2020/2/27	1. Approving 2019 statement of internal control. 2. Approving 2019 directors' remuneration and employees' compensation. 3. Approving letter to shareholders as well as business report, parent company financial statements and consolidated financial statements of 2019. 4. Approving distribution of 2019 profits. 5. Approving CPA switch due to internal rotation of CPA firm. 6. Approving an investment in Vietnam by setting up a joint venture temporarily named "XXXXXXXX" with "XXXX", with investing amount not exceeding USD 12,240 thousand dollars. 7. Approving capital increase to the subsidiary company "Biotest Medical Corporation" up to NT\$130,000 thousand dollars. 8. Approving the record date of capital decrease from redemption of the restricted stocks to employees during 2019Q4 dated on 2020/2/29. 9. Approving the record date of newly issued shares converted from the 2nd domestic unsecured convertible bonds (for short as convertible bonds) dated

	on 2020/3/1. 10. Approving the application for general borrowing limit from financial institutions and for trading limit of derivatives. 11. Approving the amendment of "Rules of Procedure for Shareholders Meetings" . 12. Approving the amendment of "Codes of Ethical Conduct" . 13. Approving the amendment of "Ethical Corporate Management Best Practice Principles" . 14. Approving the amendment of "Internal Control on Investment Cycle" . 15. Approving the amendment of "Internal Control on Finance Cycle" . 16. Approving the amendment of "Rules of Procedure for Board Meetings" . 17. Approving the amendment of "Internal Control on Purchase and Payment Cycle" . 18. Approving the amendment of "Self-Evaluation of the Board of Directors" . 19. Approving the amendment of "Remuneration Committee Charter" . 20. Approving the performance assessments results of directors and managerial officers and contents and amounts of remuneration to directors and managerial officers in 2019. 21. Approving the date, location and cause for convening the shareholders meeting of 2020, and the permission to exercise voting power through electronic transmission.
The 6th meeting of the 19th term of the BOD 2020/4/30	1. Approving setting up a new joint venture temporarily named XXXXXXXXX located in Vietnam by Merry Corporation and XXX, with modification to the investment amounting to not exceeding US\$20,400 thousand dollars. 2. Approving the application for general borrowing limit from financial institutions and for trading limit of derivatives. 3. Approving the amendment of "Rules for Preparation of Financial Statements" . 4. Approving the issuance of 2020 restricted stocks to employees. 5. Approving appending the agenda of 2020 regular shareholders meeting.
The 7th meeting of the 19th term of the BOD 2020/7/30	1. Approving the modification of internal audit program of 2020. 2. Approving setting up a new joint venture temporarily named MUtek Electronics Co., Ltd. by Merry Corporation and OOO Co., Limited. , with the investment amounting to not exceeding NT\$198,900 thousand dollars. 3. Approving acquisition of 19% shareholding of Merry Fuling Co., LTD. in the amount of US\$345,317.55 dollars from related party. 4. Approving the extension of credit limit granted by HSBC Bank Canada of endorsements/guarantees made by Merry Corporation to Sonavox Canada Inc. due to expiration. 5. Approving the modification of authorization for senior supervisors to engage in derivatives transactions from the board of directors. 6. Approving the record date for 2019 earnings distribution by cash dividend dated on 2020/9/2. 7. Approving the application for general borrowing limit from financial institutions and for trading limit of derivatives. 8. Approving the record date of capital decrease from redemption of the restricted stocks to employees during the first half year of 2020 dated on 2020/8/4.

	9. Approving the amendment of "Self-Evaluation of the Board of Directors" . 10. Approving the amendment of "Rules of Procedure for Board Meetings" . 11. Approving the purchase of land and real estate in Taichung Industrial Park. 12. Approving OOO as a newly elected commissioner in the 4th term of Remuneration Committee. 13. Approving the list of managers with second granted shares from the restricted stocks to employees issued in 2019. 14. Approving the distribution amount of employees' compensation to managers in 2019.
The 8 th meeting of the 19 th term of the BOD 2020/10/29	1. Approving the modification of internal audit program of 2020. 2. Approving the proposal to dispose 2,352,418 shares of "OOOOO Co., Ltd" . 3. Approving the application for general borrowing limit from financial institutions and for trading limit of derivatives. 4. Approving the record date scheduled of newly issued shares converted from the 2nd domestic unsecured convertible bonds (for short as convertible bonds). 5. Approving the formulation of "Risk Management Procedures" . 6. Approving the amendment of "Procedure for Hierarchy Authorization" .
The 9 th meeting of the 19 th term of the BOD 2020/12/24	1. Approving the proposal of 2021 business plan. 2. Approving the proposal of 2021 budget. 3. Approving the donation of NT\$1,480 thousand dollars made to related party in 2021. 4. Approving the examination of 2021 annual plan of Audit Committee. 5. Approving the evaluation of the independence and suitability of the CPA engaged by Merry Corporation in 2021. 6. Approving Merry Corporation' s participation in the private placement of domestic unsecured convertible bonds from OOOOO Co., Ltd. 7. Approving the application for general borrowing limit from financial institutions and for trading limit of derivatives. 8. Approving the amendment of "Corporate Social Responsibility Best Practice Principles" . 9. Approving the amendment of "Procedures for Ethical Corporate Management" . 10. Approving the amendment of "Procedures for Issuance of 2020 Restricted Stocks to Employees" . 11. Approving Manager OOO' s promotion and the remuneration adjustment. 12. Approving Manager OOO' s promotion and the remuneration adjustment. 13. Approving the amount adjustment of 2019 employee compensations to managers. 14. Approving the examination of 2020 year-end bonus to managers. 15. Approving the examination of 2021 monthly salary adjustment to managers. 16. Approving the contributed ratio of 2021 employee compensation and remuneration to directors. 17. Approving the examination of 2021 annual plan of Remuneration Committee.
The 10 th meeting of the 19 th	1. Approving 2020 statement of internal control. 2. Approving 2020 directors' remuneration and employees' compensation. 3. Approving letter to shareholders as well as business report, parent company

term of the BOD 2021/2/25	financial statements and consolidated financial statements of 2020. 4. Approving distribution of 2020 profits. 5. Approving the record date of capital decrease from redemption of the restricted stocks to employees during 2020Q4 dated on 2021/3/8. 6. Approving the application for general borrowing limit from financial institutions and for trading limit of derivatives. 7. Approving the amendment of "Procedures for Related Parties Transaction" . 8. Approving the performance assessments results of directors and managerial officers and contents and amounts of remuneration to directors and managerial officers in 2020. 9. Approving the distribution amount of employees' compensation to managers in 2020. 10. Approving the by-election of one seat of independent director. 11. Approving the release of the prohibition on new independent directors from participation in competitive business. 12. Approving the date, location and cause for convening the shareholders meeting of 2021, and the permission to exercise voting power through electronic transmission.

12. 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: None.
13. 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.

v . Information on fees to CPA

Information on Brackets of Fees to CPA

Accounting Firm	Name of CPA	Audit period	Remarks
PwC Taiwan	WANG, YU-CHUAN	109.01.01-109.12.31	
	LIU, MEI-LAN		

Unit: NT\$ thousand

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000	-	-	-
2	NT\$2,000,001 ~ NT\$4,000,000	-	-	-
3	NT\$4,000,001 ~ NT\$6,000,000	-	-	-
4	NT\$6,000,001 ~ NT\$8,000,000	-	-	-
5	NT\$8,000,001 ~ NT\$10,000,000	9,525	-	9,525
6	Over NT\$100,000,000	-	11,143	11,143

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. : Non-audit fees are mainly Tax expenses of NT\$9,949,000 and Industrial and commercial registration of NT\$1,194,000.

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	Subtotal		
PwC Taiwan	Wang, Yu-Chuan	9,525	-	1,194	-	9,949	11,143	109.01.01-109.12.31	Tax expenses of NT\$9,949,000
	Liu, Mei-Lan								

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:

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

Title	Name	2020		The current year up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairperson	Liao, Lu-Lee	(1,210,000)	-	-	-
Vice Chairperson	Wei, Wen-Chieh	0	-	-	-

Director and Vice President	Lin, Shu-Chun	(44,900)	-	-	-
Director	Lin, Shih-Chieh	24,400	-	-	-
Director and President	Huang, Chao-Li	27,900	-	-	-
Director	Tong Qian Investment Co.,Ltd.	800,000	-	-	-
Representative of institutional director	Liao, Keng-Pin	0	-	-	-
Independent Director	Wu, Hui-Huang	0	-	-	-
Independent Director	Sher, Jih-Hsin	0	-	-	-
Vice President	Chester Chiang	13,200	-	-	-
Vice President	Steven Su	21,900	-	-	-
Vice President	Steven Her	0	-	-	-
CTO	Sam Chang	10,500	-	-	-
Financial Management Division Vice President	Joyce Lam	7,200	-	-	-
Vice President	Liang, Kun-Tang	0	-	-	-

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

2. Share transfer information

Name	Reason for share transfer	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
Liao, Lu-Lee	Contact a specific person	2020/09/10	Liao, Lu-Lee, representative of the preparatory office of Zongquan Investment Co., Ltd	N/A	1,200,000	-
Huang, Chao-Li	Trust	2020/09/14	CTBC Bank Co., Ltd. Trust Account	N/A	27,000	-
Lin, Shu-Chun					15,000	-
Lin, Shih-Chieh					15,000	-
Sam Chang					15,000	-
Joyce Lam					10,000	-
Chester Chiang					10,000	-
Liang, Kun-Tang					12,000	-
Steven Su					10,000	-

3. 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 17, 2021, Unit: shares

Name	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).		Notes
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	name	Relationship	
Wei, Wen-Chieh	9,318,523	4.45%	139,426	0.07%	150,000	0.07%	N/A	N/A	N/A
Cathay Life Insurance Co., Ltd.	8,350,748	3.99%	-	-	-	-	N/A	N/A	N/A
Tong Qian Investment Co., Ltd.	5,183,179	2.48%	-	-	-	-	N/A	N/A	N/A
Ohman Global Hallbar	4,848,000	2.32%	-	-	-	-	N/A	N/A	N/A
Chunghwa Post Co., Ltd.	4,400,000	2.10%	-	-	-	-	N/A	N/A	N/A
Liao, Lu-Yin	3,520,459	1.68%	-	-	-	-	Liao, Lu-Lee	Brother	Kinship within the second degree
AXA CHINA REGION INS CO (BERMUDA	3,100,000	1.48%	-	-	-	-	N/A	N/A	N/A
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	2,667,901	1.27%	-	-	-	-	N/A	N/A	N/A
China Life Insurance Co., Ltd.	2,608,000	1.25%	-	-	-	-	N/A	N/A	N/A
Taishin Bank entrusted with Liao Lu-lee Trust Property Account	2,600,000	1.24%	-	-	-	-	N/A	N/A	N/A

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

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.

March 31, 2021 Unit: 1,000 shares %

Invested company (Note1)	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. (Note2)	4,985	21.00	2,035	8.57	7,020	29.57
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
MERRY FULING CO., LTD.	356	19.00	1,050	56.00	1,406	75.00

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

1. Source of capital

As of April 17, 2021 Unit: shares

Shares Type	Authorized capital			Notes
	Outstanding shares (Note)	Unissued shares	Total	
Ordinary shares	209,333,242	190,666,758	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 31, 2021.

2. Source of process

(yyyy) (mm)	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares (thousands)	Amount (NT\$ Thousands)	Shares (thousands)	Amount (NT\$ Thousands)	Sources of capital	Shares acquired by non-cash assets	Others
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	Approved in letter (80) Tai-Cai-Zeng (1) No. 01078 from the Securities and Futures Bureau, Ministry of Finance dated May 31, 1991.
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	None	Approved in letter (81) Tai-Cai-Zeng (1) No. 02385 from the Securities and Futures Bureau, Ministry of Finance dated

(yyyy) (mm)	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares (thousan ds)	Amount (NT\$ Thousands)	Shares (thousan ds)	Amount (NT\$ Thousands)	Sources of capital	Shares acquired by non-cash assets	Others
						in the amount of NT 20,000,000		November 2, 1992.
1993.07	10	30,080	300,800	28,080	280,800	Capital increase by undistributed earnings in the amount of NT 13,000,000 · Capital increase by capital surplus in the amount of NT 7,800,000	None	Approved in letter (82) Tai-Cai-Zeng (1) No. 30792 from the Securities and Futures Bureau, Ministry of Finance dated July 24, 1993.
1995.07	10	44,544	445,440	33,696	336,960	Capital increase by undistributed earnings in the amount of NT 37,908,000 · Capital increase by capital surplus in the amount of NT 18,252,000	None	Approved in letter (84) Tai-Cai-Zeng (1) No. 38515 from the Securities and Futures Bureau, Ministry of Finance dated June 30, 1995.
1996.11	10	44,544	445,440	41,044	410,447	Capital increase by undistributed earnings in the amount of NT 23,587,200 · Cash capital increase in the amount of NT\$ 49,900,000	None	Approved in letter (85) Tai-Cai-Zeng (1) No. 65041 from the Securities and Futures Bureau, Ministry of Finance dated November 4, 1996.
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	Approved in letter (86) Tai-Cai-Zeng (1) No. 46434 from the Securities and Futures Bureau, Ministry of Finance dated June 16, 1997.
1998.01	10	81,998	819,981	56,950	569,495	Capital increase by undistributed earnings in the amount of NT 91,119,280 · Capital increase by capital surplus in the amount of NT 22,779,820	None	Approved in letter (87) Tai-Cai-Zeng (1) No. 45774 from the Securities and Futures Bureau, Ministry of Finance dated May 25, 1998
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 NT11,389,910	None	Approved in letter (88) Tai-Cai-Zeng (1) No. 54020 from the Securities and Futures Bureau, Ministry of Finance dated June 11, 1999
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 · Capital increase by capital surplus in the amount of NT8,816,200	None	Approved in letter (89) Tai-Cai-Zeng (1) No. 48800 from the Securities and Futures Bureau, Ministry of Finance dated June 7, 2000.
2000.10	10	101,998	1,019,981	76,369	763,689	Cash capital increase in the amount of NT\$ 67,000,000	None	Approved in letter (89) Tai-Cai-Zeng (1) No. 83422 from the Securities and Futures Bureau, Ministry of Finance dated October 16, 2000.
2001.05	10	157,126	1,571,262	95,780	957,801	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	Approved in letter (90) Tai-Cai-Zeng (1) No. 132515 from the Securities and Futures Bureau, Ministry of Finance dated May 28, 2001.
2002.06	10	157,126	1,571,262	107,880	1,078,802	capital increase by undistributed earnings in the amount of NT 39,779,020 including employee bonuses in	None	Approved in letter (90) Tai-Cai-Zeng (1) No. 0910133087 from the Securities and Futures

(yyyy) (mm)	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares (thousands)	Amount (NT\$ Thousands)	Shares (thousands)	Amount (NT\$ Thousands)	Sources of capital	Shares acquired by non-cash assets	Others
						the amount of NT\$6,064,410 ; Capital increase by capital surplus in the amount of NT\$81,221,560		Bureau, Ministry of Finance dated June 19, 2002.
2003.07	10	157,126	1,571,262	110,203	1,102,031	2,323,027 shares increased from earnings (includes 165,423 shares in employee benefits)	None	Approved in letter (01) Tai-Cai-Zeng (1) No. 0920129202 from the Securities and Futures Bureau, Ministry of Finance dated July 1, 2003.
2004.06	10	157,126	1,571,262	119,281	1,192,813	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	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.
2004.11	10	157,126	1,571,262	123,003	1,230,037	3,722,418 shares from overseas convertible corporate bonds	None	Approved in letter Jing-Shou-Shang-Zi No. 09301202250 from the Ministry of Economic Affairs dated November 4, 2004.
2005.01	10	157,126	1,571,262	126,550	1,265,501	3,546,347 shares from overseas convertible corporate bonds	None	Approved in letter Jing-Shou-Shang-Zi No. 09401017770 from the Ministry of Economic Affairs dated January 31, 2005.
2005.05	10	157,126	1,571,262	129,367	1,293,670	2,816,959 shares from overseas convertible corporate bonds	None	Approved in letter Jing-Shou-Shang-Zi No. 09401075910 from the Ministry of Economic Affairs dated May 2, 2005.
2005.08	10	157,126	1,571,262	131,781	1,317,816	2,414,544 shares from overseas convertible corporate bonds	None	Approved in letter Jing-Shou-Shang-Zi No. 09401158890 from the Ministry of Economic Affairs dated August 16, 2005.
2005.11	10	157,126	1,571,262	131,882	1,318,822	100,604 shares from overseas convertible corporate bonds	None	Approved in letter Jing-Shou-Shang-Zi No. 09401227580 from the Ministry of Economic Affairs dated November 21, 2005.
2006.04	10	157,126	1,571,262	132,385	1,323,852	503,030 shares from overseas convertible corporate bonds	None	Approved in letter Jing-Shou-Shang-Zi No. 09501075860 from the Ministry of Economic Affairs dated April 27, 2006
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	Approved in letter Jing-Shou-Shang-Zi No. 09501181980 from the

(yyyy) (mm)	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares (thousan ds)	Amount (NT\$ Thousands)	Shares (thousan ds)	Amount (NT\$ Thousands)	Sources of capital	Shares acquired by non-cash assets	Others
								Ministry of Economic Affairs dated August 18, 2006.
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	Approved in letter Jing-Shou-Shang-Zi No. 09601220240 from the Ministry of Economic Affairs dated September 6, 2007.
2011.01	10	300,000	3,000,000	159,103	1,591,036	14,000 new shares issued from employee stock options	None	Approved in letter Jing-Shou-Shang-Zi No. 10001017690 from the Ministry of Economic Affairs dated January 27, 2011.
2011.04	10	300,000	3,000,000	159,127	1,591,271	23,500 new shares issued from employee stock options	None	Approved in letter Jing-Shou-Shang-Zi No. 10001061910 from the Ministry of Economic Affairs dated April 6, 2011.
2011.09	10	300,000	3,000,000	157,935	1,579,350	Capital reduction by 1,192,042 treasury shares	None	Approved in letter Jing-Shou-Shang-Zi No. 10001214470 from the Ministry of Economic Affairs dated September 14, 2011.
2012.08	10	300,000	3,000,000	165,831	1,658,318	7,896,755 shares increased from earnings	None	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.
2013.01	10	300,000	3,000,000	165,849	1,658,498	18,000 new shares issued from employee stock options	None	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.
2013.04	10	300,000	3,000,000	165,856	1,658,568	7,000 new shares issued from employee stock options	None	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.
2013.05	10	300,000	3,000,000	166,019	1,660,193	162,500 new shares issued from employee stock options	None	Approved in letter Tai-Zheng-Shang-Yi-Zi No. 1020010350 from the

(yyyy) (mm)	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares (thousands)	Amount (NT\$ Thousands)	Shares (thousands)	Amount (NT\$ Thousands)	Sources of capital	Shares acquired by non-cash assets	Others
								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.
2013.08	10	300,000	3,000,000	175,980	1,759,805	9,961,160 shares increased from earnings	None	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.
2013.11	10	300,000	3,000,000	176,216	1,762,165	236,000 new shares issued from employee stock options	None	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.
2014.08	10	300,000	3,000,000	185,027	1,850,273	8,810,825 shares increased from earnings	None	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.
2015.04	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	None	Approved in letter Jing-Shou-Shang-Zi No. 10601032740 from the Ministry of Economic Affairs dated April 11, 2017.
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	None	Approved in letter Jing-Shou-Shang-Zi No. 10601063720 from the Ministry of Economic Affairs dated May 20, 2017.
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	None	Approved in letter Jing-Shou-Shang-Zi No. 10601098600 from the Ministry of Economic Affairs dated July 17, 2017.
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	None	Approved in letter Jing-Shou-Shang-Zi No. 10601119010 from the Ministry of Economic Affairs dated August 21, 2017.

(yyyy) (mm)	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares (thousands)	Amount (NT\$ Thousands)	Shares (thousands)	Amount (NT\$ Thousands)	Sources of capital	Shares acquired by non-cash assets	Others
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	None	Approved in letter Jing-Shou-Shang-Zi No. 10601162830 from the Ministry of Economic Affairs dated December 6, 2017.
2018.02	10	300,000	3,000,000	200,493	2,004,929	Issued 196,000 shares in restricted stock awards	None	Approved in letter Jing-Shou-Shang-Zi No. 10701013730 from the Ministry of Economic Affairs dated February 8, 2018.
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	None	Approved in letter Jing-Shou-Shang-Zi No. 10701033830 from the Ministry of Economic Affairs dated April 2, 2018.
2018.05	10	300,000	3,000,000	200,767	2,007,670	Canceled 42,000 new shares converted from restricted stock awards	None	Approved in letter Jing-Shou-Shang-Zi No. 10701057780 from the Ministry of Economic Affairs dated May 30, 2018.
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	None	Approved in letter Jing-Shou-Shang-Zi No. 10701129790 from the Ministry of Economic Affairs dated October 22, 2018.
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	None	Approved in letter Jing-Shou-Shang-Zi No. 10701142290 from the Ministry of Economic Affairs dated November 15, 2018.
2019.02	10	300,000	3,000,000	203,701	2,037,012	Issued 4,000,000 new shares	None	Approved in letter Jing-Shou-Shang-Zi No. 10801014680 from the Ministry of Economic Affairs dated February 13, 2019.
2019.03	10	300,000	3,000,000	203,662	2,036,625	Canceled 38,700 new shares converted from restricted stock awards	None	Approved in letter Jing-Shou-Shang-Zi No. 10801029990 from the Ministry of Economic Affairs dated March 25, 2019.
2019.05	10	300,000	3,000,000	205,456	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	None	Approved in letter Jing-Shou-Shang-Zi No. 10801057520 from the Ministry of Economic Affairs dated May 27, 2019.
2019.08	10	400,000	4,000,000	205,457	2,054,565	Application to increase authorized capital to 400,000 (thousand shares)	None	Approved in letter Jing-Shou-Shang-Zi No. 10801108180 from the Ministry of Economic Affairs dated August 6, 2019.
2019.08	10	400,000	4,000,000	206,586	2,065,855	Canceled 142,500 new shares converted from restricted stock awards	None	Approved in letter Jing-Shou-Shang-Zi No. 10801091440 from the

(yyyy) (mm)	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares (thousands)	Amount (NT\$ Thousands)	Shares (thousands)	Amount (NT\$ Thousands)	Sources of capital	Shares acquired by non-cash assets	Others
						The second batch of unsecured corporate bonds issued in Taiwan was converted to 1,271,482 new shares		Ministry of Economic Affairs dated August 19, 2019.
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	None	Approved in letter Jing-Shou-Shang-Zi No. 10801166420 from the Ministry of Economic Affairs dated November 29, 2019.
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	None	Approved in letter Jing-Shou-Shang-Zi No. 10901043090 from the Ministry of Economic Affairs dated March 26, 2020.
2020.08	10	400,000	4,000,000	208,938	2,089,384	Canceled 70,800 new shares converted from restricted stock awards Issued 387,000 shares in restricted stock awards	None	Approved in letter Jing-Shou-Shang-Zi No.10901158670 from the Ministry of Economic Affairs dated August.27,2020
2020.11	10	400,000	4,000,000	209,351	2,093,519	The second batch of unsecured corporate bonds issued in Taiwan was converted to 413,395 new shares	None	Approved in letter Jing-Shou-Shang-Zi No 10901221240 from the Ministry of Economic Affairs dated December 10,2020
2021.03	10	400,000	4,000,000	209,333	2,093,332	new shares converted from restricted stock awards 18,700 new shares converted from restricted stock awards	None	Approved in letter Jing-Shou-Shang-Zi No 11001050860 from the Ministry of Economic Affairs dated March 31,2021

(II). Shareholders

April 17, 2021

Shareholders Quantity	Government institutions	Financial institution	Other institutions	Individuals	Foreign institutions and foreigners	Total
Number of people	-	28	275	44.317	181	44,801
Number of shares held	-	21,543,843	23,361,210	135,714,821	28,713,368	209,333,242
Shareholding ratio	-	10.29%	11.16%	64.84%	13.71%	100%

(III). Shareholding Distribution Status

April 17, 2021

Class of Shareholding (Unit: Share)	Number of shareholders	Shares held (shares)	Shareholding ratio
1~ 999	12,049	851,903	0.41%
1,000~5,000	28,470	52,384,902	25.02%
5,001~10,000	2,447	18,839,299	9.00%
10,001~15,000	691	8,715,318	4.16%
15,001~ 20,000	384	7,012,829	3.35%
20,001~30,000	291	7,269,460	3.47%
30,001~40,000	135	4,812,792	2.30%
40,001~50,000	83	3,766,400	1.80%
50,001~100,000	125	8,700,175	4.16%
100,001~200,000	53	7,443,665	3.56%
200,001~400,000	28	7,747,659	3.70%
400,001~600,000	15	7,762,735	3.71%
600,001~800,000	2	1,578,300	0.75%
800,001~1,000,000	4	3,267,296	1.56%
1,000,001 or over	24	69,180,509	33.05%
Total	44,801	209,333,242	100.00%

(IV). List of major shareholders:

April 17, 2021

Name of major shareholder	Shares	Shares held (shares)	Shareholding ratio
Wei, Wen-Chieh		9,318,523	4.45%
Cathay Life Insurance Co., Ltd.		8,350,748	3.99%
Tong Qian Investment Co., Ltd.		5,183,179	2.48%
Ohman Global Hallbar		4,848,000	2.32%
Chunghwa Post Co., Ltd.		4,400,000	2.10%
Liao, Lu-Yin		3,520,459	1.68%
AXA CHINA REGION INS CO (BERMUDA)		3,100,000	1.48%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS		2,667,901	1.27%
China Life Insurance Co., Ltd.		2,608,000	1.25%
Taishin Bank entrusted with Liao Lu-lee Trust Property Account		2,600,000	1.24%

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:

Item \ Year		2019	2020	The current year up to March 31, 2021 (Note 8)
Stock Price (Note 1, i)	Highest	197.50	172.00	151
	Lowest	120.00	114.00	130.5
	Average (Note 1)	159.50	144.51	137.24
Net worth per share (Note 2, ii)	Before distribution	61.50	56.23	50.51
	After distribution	53.80	Undistributed	Undistributed
Earnings per share	Weighted average shares	203,745,000 shares	206,892,000 shares	207,683,000 shares
	Earnings per share (Note 3)	12.51	6.39	0.10
Dividends per share	Cash Dividends		7.7095	5.1633
	Stock Dividends	Dividends from Retained Earnings	-	-
		Dividends from Capital Surplus	-	-
	Accumulated Undistributed Dividends (Note 4)		-	-
Return on Investment	Price / Earnings Ratio (Note 5)		12.75	22.62
	Price / Dividend Ratio (Note 6)		20.69	27.99
	Cash Dividend Yield Rate (Note 7)		4.83%	3.57%

* 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 = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market 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 2019 earnings distribution was discussed and approved in the shareholders' meeting on June 19, 2020. Cash dividends in the amount of NT\$1,608,376,000, i.e., NT\$7.7095 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\$7.70489909 per share.

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

Note ii : 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.

(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:

Item	Amount (NTD)
Undistributed earnings at the beginning of the period	1,965,793,419
Adjusted undistributed retained earning from previous years	1,965,793,419
Add: Recognized re-measurement of defined benefit plan in retained earnings	593,925
Add: Disposal in equity instruments measured at fair value through other comprehensive gains and losses.	145,400,631
Adjusted undistributed earnings	2,111,787,975
Add: 2020 after-tax net profit (1)	1,321,942,904
Less: 10% allocated to statutory reserve (1)*10%	(146,793,746)
Add (Minus): Reversal (Provision) of special reserve	0
Cumulative distributable earnings (2)	3,286,937,133
Distribution Items:	
Less: Cash dividend to shareholders (2020 earnings)	(1,068,244,317)
Total undistributed earnings at the end of the period	2,218,692,816

Note: The proposed distribution of 2020 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
- (VIII). Remuneration of employees and directors
 1. Percentages or ranges of remuneration of employees and directors, under the Articles of Incorporation.
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 and directors,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\$

110,825,654

B. Employee remuneration proposed to be distributed in stock: NT\$0

C. Proposed director remuneration: NT\$25,575,151

D. There was no difference in the proposed remuneration of employees and directors and the expenses recognized in 2019.

(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 and director remuneration

A. NT\$5.1633 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 remuneration from earnings in the previous year (2019) 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	205,176	205,176	-	-
2. Employee stock bonus	-	-		
(1) Number of shares	-	-	-	-
(2) Amount	-	-	-	-
(3) as a percentage of closing outstanding shares	-	-	-	-
3. Director remuneration	68,392	68,392	-	-
ii. EPS related information:				
1. Earnings per share	12.51	12.51	-	-

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

March 8, 2021

Batch of buyback	First (Batch) (Note)	Second (Batch)
Purpose of buy-back	Encourage employees and increase employee engagement	Encourage employees and increase employee engagement
Timeframe of buy-back	From 2008/7/10 to 2008/9/8	From 2015/6/15 to 2015/8/14
Price range	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

(I). 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

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
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	USD\$0 元 (All converted to ordinary share on 2006/3/13)	NT\$0 (All converted on 2018/1/26)	NT\$2,231,900,000 (As of 2021/3/8)
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 edeem 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 ncreases 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.	(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 he holder at face value in cash within five days after the bond recall

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
		(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 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.	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 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

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
				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\$768,100,000 to 5,298,619 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		-	-	The maximum dilution of earnings per share is 10.84% in the case of full conversion. Compared with other financing instruments, it is between other financing instruments. Combined with the advantages of low capital cost of cash capital increase and the deferred effect of equity expansion of converted corporate bonds, the dilution of earnings per share can be effectively reduced and deferred.
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.

(II). 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	2006	The current year up to May 1, 2017	2015	2016	2017	2019	2020	The current year up to March 8, 2021 (Note 4)
	Market price of convertible corporate bond (Note 2)	Highest	Lowest	Average						
Convertible 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	NT\$132.80 Effective Date 2020/9/02
Issue date and conversion price at issuance		2004/1/6 and NT\$ 72	2004/1/6 and NT\$ 72	-	2015/01/29 and NT\$ 125	2015/01/29 and NT\$ 125	2015/01/29 and NT\$ 125	2018/12/11 and NT\$ 148	2018/12/11 and NT\$ 148	2018/12/11 and NT\$ 148
Conversion methods(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.

(III). Information on Exchangeable Corporate Bond: The Company has not issued any exchangeable corporate bonds.

(IV). Summary Report on Issuance of Corporate Bonds

March 8, 2021

Expected Fundraising and Issuance Amount	USD30,000,000	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\$2,231,900,000 (As of 2021/3/8)
Bonds were not issued on some of the dates	N/A	N/A	N/A

(V). Information on Warrant Bonds: N/A

- iii. Issuance of preferred shares and preferred shares with warrants by the Company in the past year and up to the date of report: None.
- iv. Issuance of global depositary receipts (GDR) in the past year and up to the date of report: None.
- v. Exercise of employee stock option plan (ESOP):
 - (I). Exercise of employee stock option plan (ESOP)

March 31, 2021

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(Note6)
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 (Note2)	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

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		First (batch) of restricted stock awards in 2020
Date of approval by competent authorities	August 18, 2016		November 29, 2017		September 16, 2019		September 29, 2020
Date of issuance	February 24, 2017	June 26, 2017	January 22, 2018	November 28, 2018	November 2, 2019	August 5, 2020	unissued
Number of shares from restricted stock awards	1,542,000	458,000	196,000	878,000	813,000	387,000	
Issue price	NT\$10 per share		NT\$10 per share (bonus shares)		NT\$10 per share (bonus shares)		NT\$10 per share (bonus shares)
restricted shares issued as a percentage of current outstanding shares	1.07%		0.53%		0.58%		-
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		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		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		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 conditions for

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	First (batch) of restricted stock awards in 2020
	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. (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	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. (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.	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) 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	company performance: (1). The grade of employee equal to or lower than 8: The conditions for company performance will be set forth as follows, on basis of the operation income and the consolidated financial statement of the latest year: (a). The first year: The one of operation income or operating profit growth is 5% or more from the previous year; (b). The second year: The one of operation income or operating profit growth is 5% or more from the previous year; (c). The third year: The one of operation income or operating profit growth is 5% or more from the previous year. (d). The vesting conditions shall be deemed as unsatisfied when the above

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	First (batch) of restricted stock awards in 2020
	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.	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.	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.	conditions for company performance are not satisfied. (2). The grade of employee equal to or above than 9: The conditions for company performance will be set forth as follows, on basis of the operation income and operating profits listed in the consolidated financial statement of 【5.6.2.(1).】 (a). The first year: The one of operation income or operating profit growth is 5% or more from the previous year; (b). The second year: The one of operation income or operating profit growth is 5% or more from the previous year; (c). The third year: The one of operation income or operating profit growth is 5% or more from the previous year. (d). The vesting conditions

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	First (batch) of restricted stock awards in 2020
				shall be deemed as unsatisfied when the above conditions for company performance are not satisfied; however, when either of the accumulated operation income or operating profit in the third year is reached. (That is in 【5.6.2.(2).(a).】 one of the operation income or operating profit in the consolidated financial statements of the previous year in 【5.6.2.(2).(a).】, assuming TWD 1 billion for example, the figures will be settled after the expiration of the three-year vesting period, more than TWD 1 billion*[1*(1+5%)*(1+5%)*(1+5%)] = 1.1576 billion or above.) Then, it is deemed to have met the vested conditions in the first to third years. (3). The operating profit after adjustment shall be

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	First (batch) of restricted stock awards in 2020
				the operating profit listed in a financial statement audited and issued by a certified public accountant plus the non-operating income related to the major business of the Company. 5.6.3. If the conditions for personal performance in 【5.6.1.】 and company performance in 【5.6.2.】 are both satisfied, the highest amount an employee may obtain from the shares distribution in each year shall be as follows: (1). The grade of employee equal to or lower than 8 : Depending on the conditions, each year will obtain from the shares distribution in each year shall be as follows: (a). 30% of the distributed number of shares to such employee, whereas the employee has served for over one year after the

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	First (batch) of restricted stock awards in 2020
				distribution; (b). 30% of the distributed number of shares to such employee, whereas the employee has served for over two years after the distribution; (c). 40% of the distributed number of shares to such employee, whereas the employee has served for over three years after the distribution. (2). The grade of employee equal to or above than 9: Depending on the conditions, the employee has served for over three years after the distribution will obtain from the shares distribution one-time accumulated in the third year shall be as follows: (a). Satisfies 【5.6.2.(2).(a).】, 30% of the distributed number of shares to such employee; (b). Satisfies 【5.6.2.(2).(b).】,

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	First (batch) of restricted stock awards in 2020
				30% of the distributed number of shares to such employee; (c). Satisfied 【5.6.2.(2).(c).】 , 40% of the distributed number of shares to such employee. (d). If 【5.6.2.(2).(a).】 - 【5.6.2.(2).(c).】 are not satisfied; however, when 【5.6.2.(2).(d).】 is satisfied, it still accumulates 100% of the distributed number of shares to such employee.
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.	5.9.1. Employees shall immediately put restricted stock awards issued 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	5.9.1. Employees shall immediately put restricted stock awards issued 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	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

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	First (batch) of restricted stock awards in 2020
	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.	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.	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.	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.			
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.		

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		First (batch) of restricted stock awards in 2020
Number of restricted shares taken back or bought back	690,300 shares	172,900 shares	88,800 shares	85,800 shares	48,900 shares	25,000 shares	unissued
Number of shares with restrictions lifted	851,700 shares	280,300 shares	107,200 shares	490,200 shares	237,000 shares	0 shares	
Number of shares with restrictions not yet lifted	0 shares	4,800 shares	0 shares	302,000 shares	527,100 shares	362,000 shares	
Number of shares with restrictions not yet lifted as a percentage of current outstanding shares (%)	0.57%						
Impact on Shareholders' Equity	Dilution of the Company's future EPS is limited, so there is no material impact on shareholder equity.						

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

(1) Issued on 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				
					Number of unrestricted shares	Issue price	Issuance amount (NT\$ Thousand s)	Number of unrestricted shares as a percentage of current outstanding shares (Note 4)	Number of restricted shares	Issue price	Issuance amount (NT\$ Thousand s)	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	66,000	0.03%	46,200	NT\$10 per share	462	0.002%	0	NT\$10 per share	198	0%	0.009%
	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/Chi ef	Joyce Lam											
	Vice	Liang, Kun-Tang											
	President	Jenny Chen											
	Special Assistant	Steven Her											
Employee (Note 3)	President of subsidiary	Lin, Shih-Chieh	150,000	0.07%	99,400	NT\$10 per share	994	0.05%	0	NT\$10 per share	506	0%	0.02%
	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.

(2) Issued on 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	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	56,000	0.03%	39,200	NT\$10 per share	0	0.02%	0	16,800	NT\$10 per share	0	0%	0.008%
	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	Joyce Lam												
	Vice President	Liang, Kun-Tang												
	Vice President	Jenny Chen												
	Special Assistant	Steven Her												
	President of subsidiary	Hsu, Chang-Fu (Note 5)												
Employee (Note 3)	President of subsidiary	Lin, Shih-Chieh	102,000	0.05%	45,400	NT\$10 per share	0	0.02%	0	56,600	NT\$10 per share	0	0%	0.03%
	Manager	Yuen, Shih-Man												
	Senior Manager	Wu, Chun-Kuan (Note 6)												
	Senior Manager	Chung, Wen-Hao												
	Deputy Director	Liu, Yung-Hsiang												

(3) Issued on November 28, 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	Number of unrestricted shares	Issue price	Issuance amount (NT\$ Thousand s)	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	122,000	0.06%	73,200	NT\$10 per share	0	0.03%	48,800	0	NT\$10 per share	0	0.02%	0%
	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												
	Vice President	Liang, Kun-Tang												
	Vice President	Jenny Chen												
Employee (Note 3)	Special Assistant	Steven Her	159,000	0.08%	89,400	NT\$10 per share	0	0.04%	55,600	14,000	NT\$10 per share	0	0.03%	0.007%
	President of subsidiary	Lin, Shih-Chieh												
	Director	Zhong, Hua-Xue (Note 5)												
	Deputy Director	Lin, Chun-Ta												
	Manager	Zhang, Chao-Sen												
	Senior Manager	Wang, Yung-Feng												
	Deputy Director	Jin, Jing-Guo												
	Deputy Director	Liao, Chong-Xi												
	VP of affiliate	Chiang, Yong-Li												

[illegible]

(4) Issued on 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	Number of unrestrict ed shares	Issue price	Issuanc e amount (NT\$ Thousa nds)	Number of restrict ed 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	88,000	0.04%	26,400	NT\$10 per share	0	0.01%	61,600	0	NT\$10 per share	0	0.03%	0%
	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												
	Vice President	Liang, Kun-Tang												
	Vice President	Jenny Chen												
Special Assistant	Steven Her													
Employee (Note 3)	Deputy Director	Cheng, Hsuan-Yin	168,000	0.08%	50,400	NT\$10 per share	0	0.02%	110,600	7,000	NT\$10 per share	0	0.05%	0.003%
	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, Hui												

	Deputy Director	I-Chang Tung, Chiu-Yun Chen, Yu-Wen Li, Mou-Tan Arnold Hoh(Note 5)																	
	Deputy Manager																		
	Vice president of subsidiary																		
	Vice president of subsidiary																		
	Deputy director of subsidiary																		
	Deputy director of subsidiary																		
	Director at subsidiary																		
		Sasiraj Somarajan																	

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 : Arnold Hoh Separation effective from 1/31/2021.

(5) Issued on August 5, 2020

	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	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													
	CTO	Sam Chang													
	VP of Sales	Chester Chiang													
	Vice President/Chief Financial Officer	Joyce Lam													
	Vice President	Liang, Kun-Tang													
	Vice President	Jenny Chen													
	Special Assistant	Steven Her													
	President of subsidiary	Lin, Shih-Chieh													
Employee (Note 3)	VP of Sales	Ken Soh													
	Manager	Zhang, Chao-Sen													
	Director	Jin, Jing-Guo													
	VP of affiliate	Chiang, Yong-Le													
	Director	Liu, I-Chang													
	Director	Shu-Chen (Note 5)													
	Deputy Director	Li Zhen-Hua													
	Vice president of subsidiary	Arnold Hoh (Note 6)													
	Director at	Sasiraj Somarajan													
				145,000	0.07%	0	NT\$10 per share	0	0%	135,000	10,000	NT\$10 per share	0	0.06%	0.005%
			109,000	0.05%	0	NT\$10 per share	0	0%	109,000	0	NT\$10 per share	0	0.05%	0%	

[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 : Liu,Shu-Chen leave without pay during 2/10/2021-2/9/2022

Note 6 : Arnold Hoh Separation effective from 1/31/2021.

vii. Status of New Shares Issuance in Connection with Mergers and Acquisitions : None

viii. Financing Plans and Implementation : None

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. Main products and revenue distribution :

Main products and services	2020 annual ratio (%)
Headset	61.86
Audio and speakers	31.04
Other	7.10
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
- (5) Medical/Healthcare

(II) Industry Overview

1. Current trends and outlook of the industry:

The abovementioned main products of the Company are extensively used in the consumer market, including laptops, tablet PCs, mobile phones, TVs, wearable devices, and smart home appliances.



First of all, in the headset **market**, according to Grand View Research, global headset shipments will grow from 500 million units in 2020 to 1.3 billion in 2027 (CAGR 14.6%); terminal output value will also grow from US\$35 billion to US\$127 billion (CAGR 20.3%). Similar forecasts for the growth rate of shipments and output value have also been reported by another market research agency, Statista.

Consumer preferences for enhancing the portable audio experience coupled with the consumption habits of streaming music created by mobile technology and broadband wireless networks are the main reasons for the growth of the headset industry. The products that have particularly benefited from this trend are true wireless headsets (TWS). Small in size, easy to carry around in the charging box, and with the left and right earphones free from wire constraints, TWS headsets are popular among the younger generations, sports enthusiasts, and people with a passion for health and fitness.

Furthermore, smart features such as voice assistant, gesture recognition, automatically playing or pausing by detecting wearing or removal of the headset by the user have all accelerated the prevalence of TWS headsets. In particular, the addition of a sensor to the headset to track the user's physiological state (such as heart rate detection) can enable the headset to find new application value in the health care market.

In view of the emergence of smart speakers/voice assistants over the past few years, Canalys predicts that the global smart speakers will grow from 135 million units in 2020 to 163 million units in 2021 at a growth rate of 21%. Due to the COVID-19 pandemic, home entertainment needs have increased following the implementation of shelter-in-place and lockdown restrictions; therefore, demand for smart speakers will continue to grow in 2021.

Canalys has also indicated that, as market competition intensifies, the main challenge for smart speaker manufacturers is to achieve significant performance improvements with minimal cost increases. To this end, Amazon and Google not only changed the physical design of the speaker, but moreover introduced "computational audio", using AI to enable smart speakers to dynamically improve the user's listening experience according to changes in the listening environment.

In terms of hearing aids/assistive listening devices, according to a survey by the World Health Organization, about 466 million people worldwide have disabling hearing loss, and this number will reach 900 million in 2050, which is one-tenth of the global population. Among these people, only 17% currently wear hearing aids. Demant, a major hearing aid manufacturer, pointed out that 15 million hearing aids are sold globally every year, and natural factors such as an aging population will bring about 4 to 6% growth every year.

It was originally hoped that the FDA would formally promulgate OTC hearing aid management measures in August 2020, which would relax restrictions for people with mild and moderate hearing loss and enable them to purchase OTC hearing aids directly from retail channels without the need for an audiologist/hearing aid dispenser's diagnosis. However, the FDA has postponed the promulgation of management measures due to its present focus on the task of fighting the COVID-19 pandemic.

From a demand perspective, this trend of OTC hearing aids will significantly reduce the cost of owning an assistive listening device and increase wearing rate. 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.

In terms of smartphones/PCs, these devices still occupy an important part of the electronic consumer market, bringing demand for electroacoustics, battery accessories and components. In terms of smartphones, IDC pointed out that global shipments will drop by 10% to 1.2 billion in 2020; nevertheless, due to the gradual maturity of the 5G environment, the market will resume its growth trend in 2021, and exhibit a 1.7% CAGR by 2024. Smart phones are still the computing platform of choice for people in most countries around the world.

For PCs (including laptops, desktop computers, tablet PCs, etc.), according to IDC, global shipments in 2020 will grow by 3.3% to 426 million units also due to the commercial and domestic demand brought by the COVID-19 pandemic. However, with the long-term trend is still falling, CAGR is expected to be -2.2% from 2021 to 2024.

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 has many competitors. Some competitors are public listed companies while others are 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 2020 and the first quarter of 2021 were NT\$1,704,636,000 and NT\$470,258,000 accounting for 5% 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, network modules for household energy storage systems.
 - (2) New product and technology development:
 - A. Headset design technology for suppressing wind noise.
 - B. An artificial intelligence algorithm for earphones to detect movement.
 - C. Integrated pulse sensor.
 - D. Wireless charging and fast charging.
 - E. Portable power storage system.
3. Future research and development plans:
 - (1) Artificial intelligence algorithm based on physiological signals.
 - (2) Speech intelligibility enhancement algorithm.
 - (3) AI module development.
 - (4) Sleep research.
 - (5) Compliance with laws and regulations on healthcare products and product registration.
 - (6) Smart modules for household energy storage systems.
 - (7) Compound microcomputer sensors with integrated pressure gauge.
 - (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

- A. Focusing on key audio brand customers, we will comprehensively seek business opportunities in various price ranges.
- B. We will provide existing customers with extended product line services, such as video conferencing equipment and headsets for enterprise applications, electro-acoustic products for healthcare, wireless charging power banks, and charging and battery packs for gaming accessories, etc.
- C. Through the EMS+ service mechanism, we seek to consolidate our customer base and business opportunities under the EMS cooperation model. Spanning all ODM and EMS businesses, we will provide comprehensive services to our customers to increase revenue sources.
- D. By establishing the Audio SiP business unit and unveiling the new value proposition of "miniaturization", we will seek to provide higher value to MERRY customers by incorporating the electro-acoustic business unit to while expanding the scope of our headset business to untapped market segments.

(2) Production

- A. Continuous southbound expansion: We will continue to invest in production bases in Southeast Asia to give consideration to both the electroacoustics industrial cluster and international political and economic risk.
- B. Agile supply: Market demand changes rapidly, leading to fluctuations in customer orders. Achieving flexible production will enable us to secure orders.
- C. Local supply chain: Sino-U.S. competition has become the norm. As such, "longer" conventional supply chains forged by international cooperation have been transformed into "shorter," more localized supply chains due to the competition between the two superpowers. Supply chains should be present wherever the market is located. Therefore, apart from persisting in southbound expansion and firmly establishing Southeast Asian production bases, MERRY also practices local supply to enhance production flexibility.

(3) Research and development

- A. We will enhance R&D competitiveness through internal management to improve R&D speed, quality and cost.
- B. To enhance the competitiveness of R&D from the product perspective, each R&D unit shall implement division of labor:
 Inside-out: generating technical blueprints out of the product blueprints of various business units.
 Outside-in: amassing technical energy in aspects of technical capability that the Company lacks.

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 the products we manufacture and market, 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. As such, MERRY has secured a solid position in the industry.

2. Future supply/demand and growth of the market

As mentioned above, the terminal market served by the MERRY includes the continuously growing market for headsets, smart speakers and hearing aids/assistive listening devices, and the market for smart phones and computers with a huge installed base. Moreover, the extension of scopes of application from communications and entertainment to home, vehicle, office environments, remote virtual conferencing, health care and other scenarios has provided MERRY with strong support in terms of market demand.

However, from a supply perspective, besides competitors from Taiwan, Japan, and China, an increasing number of 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

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

Opportunities	Threats
(1) Smartphones and tablet PCs increased the demand on thin high-performance speakers (2) New work practices brought about by the epidemic have increased the demand for remote meetings (3) The arrival of an aging society in Taiwan has expanded the assistive listening device market (4) Rise of wearable products (5) Growing maturity of cloud, big data, and artificial intelligence technologies	(1) Mainland manufacturers have state support, and market competition is becoming increasingly fierce (2) Major companies entering the electroacoustics industry through merger and acquisition have further increased competition (3) Slowing growth of China's market (4) Labor shortage and rising wages and raw material prices in China (5) The US-Sino trade war has caused supply chains to shorten and break.

Strengths	Weaknesses
(1) Our main customers are major smartphone manufacturers and entertainment accessories manufacturers around the world. Our brand is recognized by major multinational companies. (2) Global logistics provide VMI service to strategic customers (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 partners in China are rapidly expanding capacity and has strong management ability	(1) Insufficient supply of electroacoustics talent from the education system, and technological development is independently carried out (2) Learning curve when entering the wearable device, medical products, and new markets

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
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:

(1) 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

(2) Headsets

Electronic circuit (including software) + sensor + plastic shell + electro-acoustic component + wire assembly → Complete.

(3) MEMS microphones

Microphone sensor + ASIC → Packaging test → 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:

1. 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	2020				2019				2021 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	A30	9,680,291	28.10%	None	A26	11,744,903	32.27%	None	A30	1,948,787	25.20%	None
2	A26	9,518,166	27.63%	None	A30	11,598,275	31.87%	None	A26	1,560,076	20.17%	None
3	A6	3,456,910	10.04%	None	A35	2,065,525	5.67%	None	A6	1,180,291	15.26%	None
	Other	11,789,452			Other	10,989,090			Other	3,045,638		
	Net sales	34,444,819			Net sales	36,397,793			Net sales	7,734,792		

2. 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	2020				2019				2021 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	D4	9,940,548	22.22%	Other invested companies evaluated by equity method	D4	12,143,560	32.27%	Other invested companies evaluated by equity method	D4	2,182,065	30.53%	Other invested companies evaluated by equity method
2	D6	5,716,850	12.78%	Other invested companies evaluated by equity method	D6	4,055,885	31.87%	Other invested companies evaluated by equity method	D6	1,356,765	18.98%	Other invested companies evaluated by equity method
	Other	29,088,600			Other	12,797,854			Other	3,608,985	3,608,985	
	Net sales	44,745,998			Net sales	28,997,299			Net sales	7,147,815	7,147,815	

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

Unit: NT\$ Thousand/Thousand products

Output volume and value Main Products		2020			2019		
		Production capacity	Output volume	Output value	Production capacity	Output volume	Output value
Headset		21,207	21,207	21,305,958	20,191	20,191	21,059,539
Audio and speakers		163,869	163,869	10,693,158	172,974	172,974	13,019,201
Other		27,453	27,453	2,445,703	49,850	49,850	2,319,053
Total		212,529	212,529	34,444,819	243,015	243,015	36,397,793

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

Unit: NT\$ Thousand/Thousand products

Sales volume and value Main Products		2020				2019			
		Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Headset		11	32,834	21,196	21,273,124	5	23,186	20,186	21,036,353
Audio and speakers		0	1	163,869	10,693,157	3	254	172,971	13,018,947
Other		114	1,736	27,339	2,443,967	628	11,820	49,222	2,307,233
Total		125	34,571	212,404	34,410,248	636	35,260	242,379	36,362,533

- 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	2020	March 31,2021
Number of employees	Direct employees	7,017	6,664	5,610
	Indirect employees	4,747	3,563	3,547
	Total	11,764	10,227	9,157
Average age		29.15	29.46	32.97
Average years of service		2.67	2.76	3.84
Academic qualification (%)	Ph.D	0.10%	0.07%	0.14%
	Master's	3.00%	3.31%	6.62%
	Bachelors Degree	30.30%	21.25%	23.83%
	Senior High School	23.60%	9.63%	10.09%
	Senior High School and below	43.00%	65.74%	59.32%

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.
- (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.
 - D. 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. 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 2020 :

Unit: NT\$

Course contents	Time of training	No. of hours	Outgoing Amount
Internal and External Training Courses	109.01~109.12	1,045,252	1,896,967
Total		1,896,967	

- (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	Self-compilation of financial reports in response to the new law
	Zheng, Shu-Fei	The Institute of Internal Auditors-Chinese Taiwan	Business activities and case analysis of dishonest behavior risk

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

3. Pension scheme and its implementation statu :

- (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 engage professional nurses and contract physicians to provide employees with medical health consultation, guidance and care. We conduct health checks that are superior to that required by laws and regulations annually and analyze the results. In addition to providing individual health

guidance, we also organize health promotion lectures and activities so that employees can implement a healthy lifestyle from life to work, and from diet to exercise. In addition, in terms of emergency rescue, infectious disease prevention, and occupational injury prevention, regular e-mails and announcements are posted on the employee website so that employees have access to health news at any time. In 2020, due to the pandemic caused by emerging infectious disease COVID-19, we activated temperature monitoring at the Company's points of access control and electronic submission of the "Daily Employee Itinerary/Dynamic Self-Declaration Form." We also set up a special section on epidemic prevention on the employee website and related response policies to prevent and control the impact that the Company may sustain due to the effects of the pandemic on employee health and business operations.

vi. Important contracts

Nature of contract	The Parties	Commencement date/expiration date	Content	Restriction clauses
Outsourcing agreement	Feng Chia University	2020/02/01~2021/12/31	Industry-academia collaboration in R&D and applications	shall abide by confidentiality obligations
Outsourcing agreement	Chung Shan Medical University	2020/02/01~2021/12/31	Industry-academia collaboration in R&D and applications	shall abide by confidentiality obligations
Outsourcing agreement	National Taiwan University	2020/11/01~2021/10/31	Industry-academia collaboration in R&D and applications	shall abide by confidentiality obligations
Outsourcing agreement	Chung Shan Medical University	2021/01/01~2022/12/31	Industry-academia collaboration in R&D and applications	shall abide by confidentiality obligations
Service agreement	Consul General Construction Co., Ltd.	2019/12/26~2022/09/30	Contracted the counterparty 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	SYNergy ScienTech Corp.	2020/12/24~2023/12/23	Acquisition of convertible corporate bonds issued by private placement of counterparties	None
Other	ICT-LANTO LIMITED	2020/02/27~2065/06/28	Co-invested and established a company in Vietnam	None

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

Unit: NT\$ Thousand

Item \ Year		Financial statements for the past five years					Financial information for the current year up to March 31, 2021 (Note 3)
		2016	2017	2018	2019	2020	
Current assets		10,557,078	17,156,216	21,640,870	15,093,477	22,179,549	20,217,965
Property, plant and equipment (Note 1)		1,307,610	1,593,478	1,988,191	2,285,093	3,694,738	3,796,532
Intangible assets		300,956	328,534	1,552,242	1,502,776	1,418,090	1,397,450
Other assets		3,195,320	7,280,509	5,150,273	6,914,224	6,862,971	6,775,183
Total Assets		15,360,964	26,358,737	30,331,576	25,795,570	34,155,348	32,187,130
Current liabilities (Note 2)	Before distribution	6,407,330	12,035,053	16,177,542	8,963,745	19,660,268	18,604,551
	After distribution	8,143,868	15,178,891	19,321,380	10,715,164	Note 3	Undistributed
Non-current liabilities		2,008,373	619,450	4,074,607	3,833,433	2,224,337	2,478,872
Total liabilities (Note 2)	Before distribution	8,415,703	12,654,503	20,252,149	12,797,178	21,884,605	21,083,423
	After distribution	10,152,241	15,798,341	23,395,987	14,548,597	Note 3	Undistributed
Equity attributable to owners of parent		6,945,180	13,704,152	9,930,816	12,833,977	11,771,696	10,570,800
Capital		1,866,045	2,004,721	1,996,625	2,086,684	2,093,332	2,092,776
Capital surplus		1,523,507	2,985,304	2,789,111	3,870,105	3,960,123	3,952,098
Retained earnings (Note 2)	Before distribution	3,858,685	5,738,283	4,998,048	5,849,354	5,708,915	4,661,591
	After distribution	2,122,147	2,594,445	1,854,210	4,097,935	Note 3	Undistributed
Other interests		-199,999	3,074,587	147,032	1,027,834	9,326	-135,665
Treasury stock		-103,058	-98,743	-	-	-	-
Non-controlling interests		81	82	148,611	164,415	499,047	532,907
Total equity (Note 2)	Before distribution	6,945,261	13,704,234	10,079,427	12,998,392	12,270,743	11,103,707
	After distribution	5,208,723	10,560,396	6,935,589	11,246,973	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 2020 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.

(II). 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, 2021 (Note 1)
	2016	2017	2018	2019	2020	
Operating revenue	16,939,274	26,678,810	35,494,808	36,397,793	34,444,819	7,734,792
Gross profit	3,366,079	4,660,834	4,725,068	5,039,919	4,318,548	783,253
Operating income/loss	1,653,389	2,572,377	2,303,133	2,235,352	1,140,742	-76,265
Non-operating income and expense	816,917	1,684,883	423,116	1,010,845	561,963	110,036
Net income before tax	2,470,306	4,257,260	2,726,249	3,246,197	1,702,705	33,771
Net income from continuing operations	2,011,146	3,622,209	2,060,849	2,531,146	1,319,400	53,483
Income (loss) on Discontinued Operations	-	-	-	-	-	-
Net profit of the term (loss)	2,011,146	3,622,209	2,060,849	2,531,146	1,319,400	53,483
Other consolidated income of the term (net value after tax)	-291,884	3,307,089	-2,583,113	926,128	-936,960	-172,948
Total comprehensive income of the term	1,719,262	6,929,298	-522,264	3,457,274	382,440	-119,465
Net income attributable to owners of the parent	2,011,140	3,622,205	2,064,265	2,548,612	1,321,943	20,920
Net income attributable to non-controlling interests	6	4	-3,416	-17,466	-2,543	32,563
Total Comprehensive income attributable Owners of the Parent	1,719,504	6,929,297	-514,200	3,466,522	398,668	-153,325
Total Comprehensive income attributable to Non-controlling Interests	-242	1	-8,064	-9,248	-16,228	33,860
Earnings per share	11	18.94	10.47	12.51	6.39	0.1

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

(III). Individual condensed balance sheet - IFRS

Unit: NT\$ Thousand

Item \ Year	Year	Financial statements for the past five years				
		2016	2017	2018	2019	2020
Current assets		7,580,798	13,211,303	14,908,899	9,786,915	12,998,406
Property, plant and equipment (Note 1)		71,590	448,242	761,523	770,937	1,089,776
Intangible assets		294,727	315,860	277,570	287,174	259,161
Other assets (Note 1)		5,981,563	10,152,721	9,780,734	12,180,275	12,970,018
Total Assets		13,928,678	24,128,126	25,728,716	23,025,301	27,317,361
Current liabilities	Before distribution	5,029,229	9,831,979	11,823,186	6,599,919	13,561,270
	After distribution	6,765,767	12,975,817	14,967,024	8,351,338	Note 2
Non-current liabilities		1,954,269	591,995	3,974,714	3,591,405	1,984,395
Total liabilities	Before distribution	6,983,498	10,423,974	15,797,900	10,191,324	15,545,665
	After distribution	8,720,036	13,567,812	18,941,738	11,942,743	Note 2
Equity attributable to owners of parent		6,945,180	13,704,152	9,930,816	12,833,977	11,771,696
Capital		1,866,045	2,004,721	1,996,625	2,086,684	2,093,332
Capital surplus		1,523,507	2,985,304	2,789,111	3,870,105	3,960,123
Retained earnings	Before distribution	3,858,685	5,738,283	4,998,048	5,849,354	5,708,915
	After distribution	2,122,147	2,594,445	1,854,210	4,097,935	Note 2
Other interests		-199,999	3,074,587	147,032	1,027,834	9,326
Treasury stock		-103,058	-98,743	-	-	-
Total equity	Before distribution	6,945,180	13,704,152	9,930,816	12,833,977	11,771,696
	After distribution	5,208,642	10,560,314	6,786,978	11,082,558	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.

(IV). Condensed individual statement of comprehensive income - IFRS

Unit: NT\$ Thousand

Item \ Year	Year	Financial statements for the past five years				
		2016	2017	2018	2019	2020
Operating revenue		15,617,796	24,316,279	30,438,179	30,648,815	26,916,049
Gross profit		2,182,598	3,269,857	2,612,459	3,011,026	1,770,078
Operating income/loss		1,235,054	1,906,016	1,279,191	1,628,025	447,774
Non-operating income and expense		1,165,098	2,268,499	1,216,044	1,518,007	1,120,835
Net income before tax		2,400,152	4,174,515	2,495,235	3,146,032	1,568,609
Net income from continuing operations		2,011,140	3,622,205	2,064,265	2,548,612	1,321,943
Income (loss) on Discontinued Operations		-	-	-	-	-
Net profit of the term (loss)		2,011,140	3,622,205	2,064,265	2,548,612	1,321,943
Other consolidated income of the term (net value after tax)		-291,636	3,307,092	-2,578,465	917,910	-923,275
Total comprehensive income of the term		1,719,504	6,929,297	-514,200	3,466,522	398,668
Net income attributable to owners of the parent		2,011,140	3,622,205	2,064,265	2,548,612	1,321,943
Net income attributable to non-controlling interests		-	-	-	-	-
Total Comprehensive income attributable Owners of the Parent		1,719,504	6,929,297	-514,200	3,466,522	398,668
Total Comprehensive income attributable to Non-controlling Interests		-	-	-	-	-
Earnings per share		11	18.94	10.47	12.51	6.39

(V). Names of auditors and opinions

Year	Name of CPA:	Audit 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
2020	Wang, Yu-Juan and Liu, Mei-Lan	Unqualified opinion

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

(I). Merry Group - IFRS

Item (Note) \ Year		Financial analysis of the last five years					As of March 31, 2021
		2016	2017	2018	2019	2020	
Financial structure (%)	Debts Ratio	54.79	48.01	66.77	49.94	64.07	65.50
	Long-term Fund to Property, Plant and Equipment	684.73	860.02	704.43	729.40	378.81	343.73
Liquidity%	Current Ratio	164.77	142.55	133.77	167.10	112.81	108.67
	Quick Ratio	146.14	124.24	114.49	143.42	93.24	84.48
	Times interest earned	83.47	159.67	57.27	42.04	32.95	3.44
Operating ability	Average Collection Turnover (Times)	5.46	5.28	4.50	5.10	3.78	3.03
	Average days of collection	66.84	69.12	81.11	71.56	96.56	120.46
	Average Inventory Turnover (Times)	9.82	12.79	11.31	11.39	9.71	6.53
	Average Payables Turnover (Times)	3.09	3.37	3.06	3.31	3.00	2.41
	Average days of sales	37.16	28.53	32.27	32.04	37.59	55.89
	Property, Plant and Equipment Turnover (Times)	8.17	18.39	19.82	17.04	11.52	8.26
	Total Assets Turnover (Times)	1.27	1.28	1.25	1.29	1.15	0.93
Profitability	Return on assets ratio (%)	17.89	19.89	7.41	11.02	5.42	0.19
	Return on equity (%)	31.53	35.08	17.44	22.24	10.72	0.48
	Pre-tax income to paid-in capital ratio (%) (Note)	133.48	212.36	136.54	155.57	81.34	1.61
	Net profit ratio (%)	11.87	13.58	5.81	6.95	3.83	0.69
	Earnings Per Share (NT\$)	11.00	18.94	10.47	12.51	6.39	0.10
Cash flows	Cash flow ratio (%)	47.93	16.96	10.79	46.25	-16.25	11.30
	Cash flow adequacy ratio (%)	201.28	154.65	73.97	152.97	87.60	75.02
	Cash reinvestment ratio (%)	40.48	3.58	-10.18	16.47	-38.23	8.85
Leverage	Operating leverage	1.18	1.08	1.13	1.18	1.53	-2.38
	Financial leverage	1.02	1.01	1.02	1.04	1.05	0.85

Reasons for changes exceeding 20% in financial ratios in the most recent two years are as follows:

(I). Financial structure:

The increase in the debts ratio was mainly due to the increase in loans for operational use.

The decrease long-term fund to property, plant and equipment was mainly due to the conversion of convertible corporate bonds to maturity within one year.

(II). Liquidity :

The decrease in current ratio and quick ratio was mainly due to the conversion of convertible corporate bonds to current liabilities due within one year ;

The decrease in Times interest earned was mainly due to the decrease in net profit before interest and taxes compared with the previous year

(III). Operating ability:

The decrease in the Average Collection Turnover was due to the increase in the amount of accounts receivable that has not yet been due for collection at the end of the period .

The decrease in Property, Plant and Equipment Turnover was mainly due to the increase in real estate, plant and equipment due to the expansion of subsidiaries in Vietnam and mainland China.

(IV). Profitability:

The decrease in profitability ratio was due to the decrease in net profit for the period.

(V). Cash flows:

The decrease in cash flow ratio was mainly due to the growth of sales in the Q4 of this year, the increase in accounts receivable and the increase in cash outflow from operating activities.

Note : The calculation formula is in the note on page 131 .

(II). Merry Electronics - IFRS

Item \ Year		Financial analysis of the last five years				
		2016	2017	2018	2019	2020
Financial structure %	Debts Ratio	50.14	43.20	61.40	44.26	56.91
	Long-term Fund to Property, Plant and Equipment	12,431.13	3,189.38	1,826.02	2,130.57	1,262.29
Liquidity %	Current Ratio	150.73	134.37	126.10	148.29	95.85
	Quick Ratio	147.24	125.75	120.74	135.68	88.01
	Times interest earned	99.07	280.51	80.93	50.63	40.38
Operating ability	Average Collection Turnover (Times)	5.78	5.30	4.65	5.27	3.59
	Average days of collection	63.16	68.85	78.49	69.25	101.67
	Average Inventory Turnover (Times)	22.33	10.30	36.47	35.70	26.49
	Average Payables Turnover (Times)	4.79	3.73	3.71	4.22	3.62
	Average days of sales	16.35	35.42	10.00	10.22	13.77
	Property, Plant and Equipment Turnover (Times)	207.65	93.55	50.32	40.00	28.93
	Total Assets Turnover (Times)	1.32	1.28	1.22	1.26	1.07
Profitability	Return on assets ratio (%)	17.19	19.10	9.66	12.41	6.04
	Return on equity (%)	31.57	35.08	17.47	22.39	10.75
	Pre-tax income to paid-in capital ratio (%) (Note)	128.62	208.23	124.97	150.77	74.93
	Net profit ratio (%)	12.88	14.90	6.78	8.32	4.91
	Earnings Per Share (NT\$)	11.00	18.94	10.47	12.51	6.39
Cash flows	Cash flow ratio (%)	50.73	24.24	1.30	46.80	-22.05
	Cash flow adequacy ratio (%)	1,129.15	214.60	116.22	253.61	137.90
	Cash reinvestment ratio (%)	13.39	3.12	-22.01	8.34	-34.35
Leverage	Operating leverage	1.04	1.03	1.06	1.05	1.17
	Financial leverage	1.02	1.01	1.03	1.04	1.10

Reasons for changes exceeding 20% in financial ratios in the most recent two years are as follows:

Financial structure :

The increase in the debts ratio was mainly due to the increase in loans for operational use.

The decrease long-term fund to property, plant and equipment was mainly due to the conversion of convertible corporate bonds to maturity within one year.

Liquidity :

The decrease in current ratio and quick ratio was mainly due to the conversion of convertible corporate bonds to current liabilities due within one year.

The decrease in interest protection multiples was mainly due to the decrease in net profit before interest and taxes compared with the previous year.

Operating ability:

The decrease in average collection turnover was mainly due to the increase in the amount of accounts receivable that were not yet due for collection at the end of the period.

The decrease in average inventory turnover was mainly due to the increase in stocking due to the increase in orders to be shipped compared to last year.

The decrease in property, plant and equipment turnover was mainly due to the decrease in revenue and the purchase of additional plants.

Profitability:

The decrease in profitability ratio was mainly due to the decrease in net profit for the period.

Cash flows:

The decrease in cash flow ratio was mainly due to the increase in sales in the Q4 of this year, and the increase in accounts receivable that has not yet been collected, which increased the amount of cash outflows from operating activities.

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. The Audit Committee's review report on the most recent financial report

Merry Electronics Co., Ltd.

Audit Committee's review report

The undersigned, being the Audit Committee of the Company, hereby confirm that the 2020 business report, profit distribution table and individual financial statement and consolidated financial statement, which were audited and issued by certified public accountants Wang, Yu-Juan and Liu, Mei-Lan from PricewaterhouseCoopers Taiwan, are not incorrect and issue a report thereupon in accordance with Article 219 of the Company Act and the Article 14-4 for Securities and Exchange Act for your review.

To

Merry Electronics Co., Ltd. 2021 Annual General Meeting

Merry Electronics Co., Ltd.

Chairman of the Audit Committee: Sher, Jih-Hsin

February 25, 2021

- IV. Financial statements of the most recent year: See pages 155 - 266 for details.
- V. Financial statements of the most recent year audited and certified by the CPA:
See pages 267 - 388 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: None.

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

i. Financial position

Unit: NT\$ Thousand; %

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	22,179,549	15,093,477	+7,086,072	+46.95
Property, plant and equipment	3,694,738	2,285,093	+1,409,645	+61.69
Intangible assets	1,418,090	1,502,776	-84,686	-5.64
Other assets	6,862,971	6,914,224	-51,253	-0.74
Total Assets	34,155,348	25,795,570	+8,359,778	+32.41
Current liabilities	19,660,268	8,963,745	+10,696,523	+119.33
Non-current liabilities	2,224,337	3,833,433	-1,609,096	-41.98
Total liabilities	21,884,605	12,797,178	+9,087,427	+71.01
Capital	2,093,332	2,086,684	+6,648	+0.32
Capital surplus	3,960,123	3,870,105	+90,018	+2.33
Retained earnings	5,708,915	5,849,354	-140,439	-2.40
Other interests	9,326	1,027,834	-1,018,508	-99.09
Treasury stock	-	-	-	-
Non-controlling interests	499,047	164,415	+334,632	+203.53
Equity attributable to owners of parent	11,771,696	12,833,977	-1,062,281	-8.28
Total equity	12,270,743	12,998,392	-727,649	-5.60

Note: Retained earnings include statutory reserve and special reserve

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

- (1) Current assets : Mainly due to sales growth in the Q4 of this year and expected order demand for the next year, accounts receivable and inventory stock increased.
- (2) The increase in real estate, plant and equipment was mainly due to the increase in real estate, plant and equipment due to the expansion of subsidiaries in Vietnam and mainland China.
- (3) Current liabilities : Mainly due to the expected increase in demand for orders in the next year, and the conversion of convertible corporate bonds to maturity within one year.
- (4) Non-current liabilities: Mainly due to the conversion of convertible corporate bonds to maturity within one year.
- (5) Other interests : Due to changes in the evaluation of the investment target.

ii. Financial performance

(I). Comparative analysis of financial performance

Unit: NT\$ Thousand; %

Item \ Year	2020	2019	Increase (Decrease)	Percentage of increase (decrease) %
Operating revenue	34,444,819	36,397,793	-1,952,974	-5.37
Gross profit	4,318,548	5,039,919	-721,371	-14.31
Operating income/loss	1,140,742	2,235,352	-1,094,610	-48.97
Non-operating income and expense	561,963	1,010,845	-448,882	-44.41
Net income before tax	1,702,705	3,246,197	-1,543,492	-47.55
Net income from continuing operations	1,319,400	2,531,146	-1,211,746	-47.87
Net income	1,319,400	2,531,146	-1,211,746	-47.87
Other consolidated income/loss (net value after tax)	-936,960	926,128	-1,863,088	-201.17
Total comprehensive income of the term	382,440	3,457,274	-3,074,834	-88.94
Net income attributable to owners of the parent	1,321,943	2,548,612	-1,226,669	-48.13
Net income attributable to non-controlling interests	-2,543	-17,466	+14,923	-85.44
Total Comprehensive income attributable Owners of the Parent	398,668	3,466,522	-3,067,854	-88.50
Total Comprehensive income attributable to Non-controlling Interests	-16,228	-9,248	-6,980	+75.48

Reasons for changes reaching 20%:

1. Operating income/loss : Business benefits were reduced due to reduced sales and increased expenses.
2. Non-operating income and expense : Due to the decrease of net profit of equity investment company and the increase of exchange loss due to the fluctuation of foreign currency evaluation.
3. Other consolidated income/loss : Due to fluctuations in foreign currency evaluations, the cumulative conversion impact of reinvestment has changed.
- 4 Reduction in net income and total comprehensive income attributable owners of the parent: Operating profit, non-business income and other comprehensive benefits decreased.
5. Net income attributable to non-controlling interests : The decrease in net profit for the current period reduces the profit attributable to non-controlling interests.
6. Net income and Total Comprehensive income attributable to Non-controlling Interests : Due to the increase in other comprehensive losses.

(II) Projected sales in the coming year and its basis, and the Company' s forecast for continued growth or decline of sales:

Headsets:

According to Grand View Research, global headset shipments will grow from 500 million units in 2020 to 1.3 billion in 2027 (CAGR 14.6%); terminal output value will

also grow from US\$35 billion to US\$127 billion (CAGR 20.3%). Similar forecasts for the growth rate of shipments and output value have also been reported by another market research agency, Statista.

Smart speakers/VPAs:

Canalys predicts that the global smart speakers will grow from 135 million units in 2020 to 163 million units in 2021 at a growth rate of 21%. Due to the COVID-19 pandemic, home entertainment needs have increased following the implementation of shelter-in-place and lockdown restrictions; therefore, demand for smart speakers will continue to grow in 2021.

Assistive listening devices:

According to a survey by the World Health Organization, about 466 million people worldwide have disabling hearing loss, and this number will reach 900 million in 2050, which is one-tenth of the global population. Among these people, only 17% currently wear hearing aids. Demant, a major hearing aid manufacturer, pointed out that 15 million hearing aids are sold globally every year, and natural factors such as an aging population will bring about 4 to 6% growth every year.

Smartphones:

Mobile phones and PCs still occupy an important part of the electronic consumer market, bringing demand for electroacoustics, battery accessories and components. In terms of smartphones, IDC pointed out that global shipments will drop by 10% to 1.2 billion in 2020; nevertheless, due to the gradual maturity of the 5G environment, the market will resume its growth trend in 2021, and exhibit a 1.7% CAGR by 2024. Smart phones are still the computing platform of choice for people in most countries around the world.

iii. Cash flows

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

Unit: NT\$ Thousand

Cash outflow for the entire year	Cash outflow for the entire year	Cash outflow for the entire year	Cash surplus (shortage)	Remedial measures for cash deficit	
				Investment plan	Financial plan
6,589,863	-3,195,037	3,542,900	3,046,963	-	-

1. Operating activities : Sales grew in the Q4 of this year, and the increase in accounts receivable and unpaid cash increased the amount of cash outflows from operating activities
2. Investment Activities : The expansion of subsidiaries in Vietnam and mainland China increased cash outflows from investment activities.
3. Fund-raising activities : Increasing short-term borrowings increased cash inflows from financing activities.

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

Item \ Year	2020	2019	Percentage of increase Item (decrease)
Cash flow ratio(%)	-16.25	46.25	-135.14
Cash flow adequacy ratio (%)	87.60	152.97	-42.73
Cash reinvestment ratio (%)	-38.23	16.47	-332.12
Reasons for changes : This was mainly due to sales growth in the Q4 of the year, increased accounts receivable and outstanding cash outflows from operating activities.			

(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
3,046,963	-193,536	600,156	3,453,583	-	-

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

- (1) Operating activities : The expected net cash outflow from operating activities is NT\$193,536,000, mainly due to the expected increase in revenue and the increase in accounts receivable in the current period.
- (2) Investing activities : The net cash outflow from the expected investment activities is NT\$1,167,944,000, mainly due to the expected acquisition of plant and equipment.
- (3) Financing activities : The expected net cash inflow from financing activities is NT\$1,768,100,000, mainly due to the expected financing and repayment of mature convertible corporate bonds, short-term borrowings and cash dividends.

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:

Global economic development trends remain highly uncertain in 2021 and competition is expected to be fierce. Future investment proposals will be carefully evaluated before proceeding to protect and create interest for the company and all shareholders.

The reason for the profit from the reinvestment made in the most recent year was

because product and customer development status was in line with expectations, ensuring stability in our business operations. The reason for loss is due to the impact of the pandemic on the general environment, the decline in overall market demand, and the increase in production costs. In the future, the Group will actively integrate resources and streamline related expenditures to create profits.

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 2020 are listed below:

Unit: NT\$ Thousand; %

Item	Year	2020
Net exchange gain (loss)		-252,192
Net revenue		34,444,819
Pre-tax profit		1,702,705
Net exchange gain (loss) as a percentage of net operating revenue		-0.732
Net exchange gain (loss) as a percentage of pre-tax net profit		-14.81
Interest income		40,776
Interest income as a percentage of net operating revenue		0.118
Interest income as a percentage of pre-tax net profit		2.394
Interest expense		53,300
Interest expense as a percentage of net operating revenue		0.155
Interest expense as a percentage of pre-tax net profit		3.130

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 2020 and 2019 will decline or increase NT\$8,158,000 and NT\$1,066,000, 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 2020 and 2019 was a loss of NT\$252,192,000 and loss of NT\$10,780,000, respectively.

(3) Inflation

If inflation rises by 1%, the Company's expenses will increase NT\$31,778,000.

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 -0.23% in 2020, 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 **236** and **237** for lending to others and endorsement/guarantee. Derivatives traded in 2020 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 ____.

(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:

Due to the revision of EU REACH regulations, diisocyanate is now included in the restricted substance list; in response, the Company has evaluated the production and use status of each product and related corresponding 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

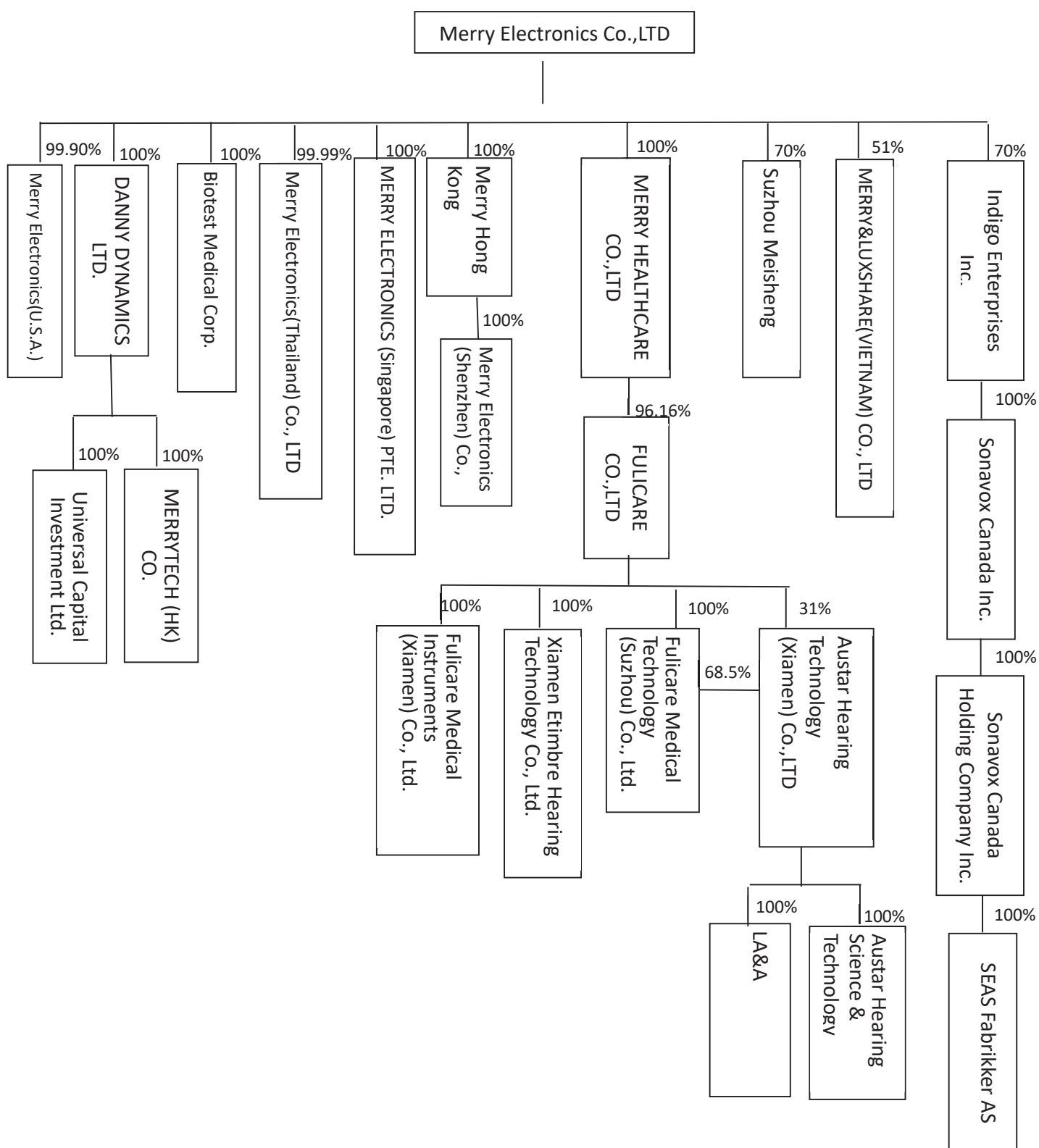
vii. Other important matters : None.

VIII. Special notes

i. Information on affiliated enterprises:

(I) Investment holding structure

March 31, 2021



(II) The existence of a controlling and subordinate relation concluded in accordance with Article 369-3 of the Company Act: N/A

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\$981,113,000	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\$417,321,000	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, hygromograph, 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 Commercial Building, 185. Wanchai Road, Wanchai, Hong Kong	NT\$1,392,956,000	General investment
MERRY ELECTRONICS (Singapore) PTE. LTD.	2010.12.23	21, Bukit Batok Crescent, #21-79, WCEGA Tower, Singapore 568065	NT\$92,132,000	1. Electronics-related 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	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa.	NT\$818,916,000	General investment

Fulicare Medical Technology (Suzhou) Co., Ltd.	2015.08.05	No. 800, Kangyuan Rd., Xiangcheng Economic Development Zone, Suzhou City, Jiangsu Province	NT\$280,930,000	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.	108.06.10	1F, 2F, 4F, and 5F, Building B8, Biomedical Industrial Park, No. 2064, Wengjiao W. Rd., Haicang District, Xiamen City.	NT\$304,784,000	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\$58,044,000	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	Room 3013A, Xuanyelou, Venture Park, Xiamen Torch Hi-tech Zone	NT\$17,508,000	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.
Xiamen LA&A Medical Devices Co., Ltd.	2012.09.26	Room 201-(2), No. 2, Gaoginan Rd. (No. 12), Xiamen Area, Fujian Pilot Free Trade Zone, China	NT\$21,885,000	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\$19,697,000	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\$151,324,000	Production and sales of stereo amplifiers, audio equipment, speakers, and related products.
Indigo Enterprises Inc.	1988.04.02	Portcullis 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.

Biotech Medical Corp.	2000.11.01	No. 7-3 and 9.3, Jianguo Rd., Tanxiu Village, Tanzi District, Taichung City	NT\$14,640,000	Precision Instruments Manufacturing, Photographic 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 Equipment 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.

(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 (Hong Kong) 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	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 &	Chairperson	Lin, Shu-Chun	-	99.50%

Technology (Xiamen) Co., Ltd.	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

December 31, 2020 Unit: NT\$ Thousand

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	35,455	8,054	27,401	46,959	(6,780)	(7,485)	-
Merry Electronics (Hong Kong) Co., Ltd	981,113	1,586,929	19,312	1,567,617	50,726	(13,080)	429,868	-
Merry Electronics (Thailand) Co., Ltd.	484,358	987,901	426,443	561,458	1,174,911	22,199	32,314	-
Merry Electronics (Shenzhen) Co., Ltd.	417,321	10,542,549	7,742,309	2,800,241	13,298,474	174,477	201,437	-
DANNY DYNAMICS LIMITED	1,479,925	3,215,124	-	3,215,124	-	-	262,744	-
UNIVERSAL CAPITAL INVESTMENT LIMITED	151	-	-	-	-	-	687	-
Merrytech (HK) Co.,	1,392,956	3,215,204	94	3,215,109	-	(98)	262,057	-

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)
Ltd.								-
Merry Electronics (Singapore) Co., Ltd.	92,132	2,692,019	1,563,887	1,128,133	5,248,628	604,423	518,927	-
FULICARE CO., LTD.	818,916	755,330	-	755,330	-	(3,425)	(69,894)	-
Fulicare Medical Technology (Suzhou) Co., Ltd.	280,930	256,232	(313)	256,545	470	(5,241)	(4,769)	-
MERRY HEALTHCARE CO., LTD.	887,287	806,026	256	805,770	-	(294)	(71,578)	-
Austar Hearing Science & Technology (Xiamen) Co., Ltd.	58,044	308,703	220,012	88,691	282,740	17,679	16,085	-
Xiamen Etimbre Hearing Technology Co., Ltd.	19,697	30,128	21,949	8,179	15,390	(3,693)	(3,650)	-
LA&A	21,885	34,284	4,515	29,769	24,722	(2,875)	(2,513)	-
Austar Hearing Science & Technology (Zhangzhou) Co., Ltd.	17,508	29,107	1,261	27,846	5,491	(2,368)	(3,889)	-
Indigo Enterprises Inc.	865,832	(30,899)	13,710	(44,609)	-	(1)	(53,739)	-
Sonavox Canada Inc.	30	87,005	115,696	(28,691)	147,235	(19,887)	(10,562)	-
Sonavox Canada Holding Company Inc.	11,112	55,408	55,657	(249)	-	(155)	6,212	-
SEAS Fabrikker AS	23	68,255	13,649	54,606	126,176	6,866	6,455	-
Suzhou Meisheng Electronic Co., Ltd.	151,324	512,728	284,661	228,067	613,324	11,883	11,819	-
Fulicare (Xiamen) Co., Medical Instruments Ltd.	304,784	301,703	68,801	232,902	99,538	(59,169)	(61,408)	-
Biotest Medical Corp.	14,640	37,591	26,330	11,262	39,718	12,282	(6,140)	-
Merry & Luxshare(VietNam)CO., LTD.	366,710	1,389,424	674,750	714,674	451,358	28,018	24,720	-

(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 2020. 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 155.

(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: None.

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
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019**

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Merry Electronics Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2020 and 2019, 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, 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. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated 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 28% of total operating revenue for the year ended December 31, 2020. 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(13) for accounting policies on inventory valuation, Note 5(1) for significant accounting estimates and assumptions related to inventory valuation, and Note 6(6) for details of allowance for inventory valuation losses. As of December 31, 2020, the balances of inventories and allowance for inventory valuation losses were NT\$3,904,966 thousand and NT\$(113,307) 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, 2020 and 2019.

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.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Wang, Yu-Chuan

Liu, Mei-Lan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 25, 2021

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

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

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,046,963	9	\$ 6,589,863	26
1110	Financial assets at fair value through profit or loss - current	6(2)	78,919	-	16,913	-
1120	Current financial assets at fair value through other comprehensive income	6(3)	195,179	1	202,077	1
1136	Current financial assets at amortised cost	8	866,600	3	-	-
1150	Notes receivable, net		-	-	451	-
1170	Accounts receivable, net	6(4)	12,441,418	36	5,448,381	21
1180	Accounts receivable due from related parties, net	7(2)	273,532	1	12,934	-
1200	Other receivables		71,086	-	49,485	-
1210	Other receivables - related parties	7(2)	705,555	2	385,368	2
130X	Inventories	6(6)	3,791,659	11	2,117,532	8
1470	Other current assets	6(7)	708,638	2	270,473	1
11XX	Current Assets		22,179,549	65	15,093,477	59
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	26,468	-	21,301	-
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	1,573,153	5	2,533,407	10
1550	Investments accounted for under equity method	6(8)	4,479,708	13	3,951,152	15
1600	Property, plant and equipment	6(9)	3,694,738	11	2,285,093	9
1755	Right-of-use assets	6(10)	356,010	1	155,434	1
1780	Intangible assets	6(11)	1,418,090	4	1,502,776	6
1840	Deferred income tax assets	6(30)	156,125	-	151,674	-
1900	Other non-current assets	6(12)	271,507	1	101,256	-
15XX	Non-current assets		11,975,799	35	10,702,093	41
1XXX	Total assets		\$ 34,155,348	100	\$ 25,795,570	100

(Continued)

	Liabilities and Equity	Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(13)	\$ 3,271,489	10	\$ 470,890	2
2120	Financial liabilities at fair value through profit or loss - current	6(2)	30,047	-	11,799	-
2150	Notes payable		-	-	74	-
2170	Accounts payable		6,466,930	19	2,773,441	11
2180	Accounts payable - related parties	7(2)	4,167,477	12	3,920,251	15
2200	Other payables	6(2)(14)	1,601,184	5	973,026	4
2220	Other payables - related parties	7(2)	54,269	-	137,703	-
2230	Current income tax liabilities	6(30)	268,961	1	258,597	1
2300	Other current liabilities	6(15)(16)	3,799,911	11	417,964	2
21XX	Current Liabilities		<u>19,660,268</u>	<u>58</u>	<u>8,963,745</u>	<u>35</u>
	Non-current liabilities					
2530	Corporate bonds payable	6(16)	-	-	2,229,959	9
2540	Long-term borrowings	6(17)	807,419	2	62,000	-
2570	Deferred income tax liabilities	6(30)	1,169,790	4	956,478	4
2580	Non-current lease liabilities		115,044	-	88,694	-
2640	Accrued pension liabilities		85,701	-	86,295	-
2670	Other non-current liabilities, others		46,383	-	410,007	2
25XX	Non-current liabilities		<u>2,224,337</u>	<u>6</u>	<u>3,833,433</u>	<u>15</u>
2XXX	Total Liabilities		<u>21,884,605</u>	<u>64</u>	<u>12,797,178</u>	<u>50</u>
	Equity attributable to owners of parent					
	Share capital	6(20)				
3110	Share capital - common stock		2,093,332	6	2,086,684	8
	Capital reserve	6(21)				
3200	Capital surplus		3,960,123	11	3,870,105	15
	Retained earnings	6(22)				
3310	Legal reserve		2,006,040	6	1,745,768	7
3320	Special reserve		269,144	1	269,144	1
3350	Unappropriated retained earnings		3,433,731	10	3,834,442	15
	Other equity interest	6(23)				
3400	Other equity interest		9,326	1	1,027,834	4
31XX	Equity attributable to owners of the parent		<u>11,771,696</u>	<u>35</u>	<u>12,833,977</u>	<u>50</u>
36XX	Non-controlling interest		499,047	1	164,415	-
3XXX	Total equity		<u>12,270,743</u>	<u>36</u>	<u>12,998,392</u>	<u>50</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	Total liabilities and equity		<u>\$ 34,155,348</u>	<u>100</u>	<u>\$ 25,795,570</u>	<u>100</u>

			Years ended December 31,			
			2020		2019	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(24) and 7(2)		\$ 34,444,819	100	\$ 36,397,793	100
5000 Operating costs	6(6) and 7(2)		(30,126,271)	(88)	(31,357,874)	(86)
5900 Net operating margin			4,318,548	12	5,039,919	14
Operating expenses	6(28)(29)					
6100 Selling expenses			(344,395)	(1)	(377,385)	(1)
6200 General and administrative expenses			(1,128,600)	(3)	(1,101,667)	(3)
6300 Research and development expenses			(1,704,636)	(5)	(1,305,385)	(4)
6450 Expected credit impairment loss	12(2)		(175)	-	(20,130)	-
6000 Total operating expenses			(3,177,806)	(9)	(2,804,567)	(8)
6900 Operating profit			1,140,742	3	2,235,352	6
Non-operating income and expenses						
7100 Interest income	6(25)		43,912	-	75,012	-
7010 Other income	6(26)		279,246	1	308,251	1
7020 Other gains and losses	6(27)		(182,510)	-	44,344	-
7050 Finance costs			(60,817)	-	(81,319)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(8)		482,132	1	664,557	2
7000 Total non-operating income and expenses			561,963	2	1,010,845	3
7900 Profit before income tax			1,702,705	5	3,246,197	9
7950 Income tax expense	6(30)		(383,305)	(1)	(715,051)	(2)
8200 Profit for the year			\$ 1,319,400	4	\$ 2,531,146	7

(Continued)

		Years ended December 31,			
		2020		2019	
Items	Notes	AMOUNT	%	AMOUNT	%
Other comprehensive income (loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(18)			
		\$	1,439	-	(\$ 15,027)
8316	Unrealised (loss) gain on valuation of financial assets at fair value through other comprehensive income	6(23)			
		(	942,810)	(	3)
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				
		(	557)	-	-
8349	Income tax related to components of other comprehensive loss that will not be reclassified to profit or loss				
			1,012	-	(120)
8310	Components of other comprehensive (loss) income that will not be reclassified to profit or loss				
		(	940,916)	(	3)
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(23)			
		(	71,085)	-	(119,248)
8367	Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income, net	6(23)			
			3,353	-	(2,377)
8370	Total share of other comprehensive income (loss) 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)			
			74,113	-	(140,011)
8399	Income tax relating to the components of other comprehensive (loss) income				
		(	2,425)	-	52,830
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
			3,956	-	(208,806)
8300	Total other comprehensive (loss) income for the year				
		(	\$ 936,960)	(	3)
8500	Total comprehensive income for the year				
		\$	382,440	1	\$ 3,457,274
Profit (loss), attributable to:					
8610	Owners of the parent		\$ 1,321,943	4	\$ 2,548,612
8620	Non-controlling interest		(2,543)	-	(17,466)
	Total Profit		\$ 1,319,400	4	\$ 2,531,146
Comprehensive income attributable to:					
8710	Owners of the parent		\$ 398,668	1	\$ 3,466,522
8720	Non-controlling interest		(16,228)	-	(9,248)
	Total Comprehensive Income (Loss)		\$ 382,440	1	\$ 3,457,274
Basic earnings per share					
9750	Total basic earnings per share	6(31)			
			\$ 6.39	\$	12.51
Diluted earnings per share					
9850	Total diluted earnings per share	6(31)			
			\$ 6.01	\$	11.54

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	\$	10,079,427
	Profit (loss) for the year	-	-	-	-	-	-	-	-	-	2,548,612	(	17,466	(	2,548,612	(	2,531,146
	Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	-	12,022	(	929,932	(	917,910	(	926,128
	Total comprehensive income (loss)	-	-	-	-	-	-	-	-	-	2,536,590	(	929,932	(	3,466,522	(	3,457,274
	Appropriations and distribution of 2018 retained earnings:																
	Legal reserve	-	-	-	-	206,427	-	-	-	-	206,427	(	-	-	-	-	-
	Cash dividends	-	-	-	-	-	-	-	-	-	1,751,419	(	-	-	1,751,419	(	1,751,419
	Issuance of common stock for cash	-	-	-	-	-	-	-	-	-	-	-	-	-	448,000	-	448,000
	Convertible bonds converted to equity shares	-	-	-	-	-	-	-	-	-	-	-	-	-	685,438	-	685,438
	Share-based payment	-	-	-	-	-	-	-	-	-	-	-	-	-	45,438	-	45,438
2020	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Recognition of change in equity of associates in proportion to the Group's ownership	-	-	-	-	-	-	-	-	-	68,104	(	68,104	(	-	-	-
	Changes in ownership of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at December 31, 2019	\$	2,086,684	\$	3,870,105	\$	1,745,768	\$	269,144	\$	3,834,442	(	1,969	(	11,151	(	11,151
	Balance at January 1, 2020	\$	2,086,684	\$	3,870,105	\$	1,745,768	\$	269,144	\$	3,834,442	\$	1,027,834	\$	12,833,977	\$	12,998,392
	Profit (loss) for the year	-	-	-	-	-	-	-	-	-	3,834,442	\$	1,027,834	\$	12,833,977	\$	12,998,392
	Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	-	1,321,943	(	923,869	(	1,321,943	(	1,319,400
	Total comprehensive income (loss)	-	-	-	-	-	-	-	-	-	594	(	923,869	(	923,275	(	936,960
	Appropriations and distribution of 2019 retained earnings:																
	Legal reserve	-	-	-	-	-	-	-	-	-	1,322,537	(	923,869	(	398,668	(	382,440
2021	Legal reserve	-	-	-	-	260,272	-	-	-	-	260,272	(	-	-	-	-	-
	Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Convertible bonds converted to equity shares	-	-	-	-	-	-	-	-	-	-	-	-	-	1,608,376	(	1,608,376
	Share-based payment	-	-	-	-	-	-	-	-	-	-	-	-	-	56,595	-	56,595
	Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	89,859	-	89,859
	Recognition of change in equity of associates in proportion to the Group's ownership	-	-	-	-	-	-	-	-	-	145,400	(	145,400	(	-	-	-
	Changes in ownership of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Acquisition of non-controlling interests in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	3,100	(	3,100
	Disposal of investments accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	97	-	97
	Balance at December 31, 2020	\$	2,093,332	\$	3,960,123	\$	2,006,040	\$	269,144	\$	3,433,731	\$	3,976	\$	11,771,696	\$	12,270,743

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before tax		\$	1,702,705	\$	3,246,197
Adjustments					
Adjustments to reconcile profit (loss)					
Depreciation expense - property, plant and equipment	6(9)(28)		350,587		206,457
Depreciation expense - right-of-use assets	6(10)(28)		126,399		73,295
Amortisation	6(11)(28)		132,861		132,426
Expected credit impairment loss	12(2)		175		20,130
Compensation cost of employee restricted shares	6(19)		89,899		52,158
Loss (gain) on financial assets or liabilities at fair value through profit or loss			3,731	(	6,834)
Gains on disposals of investments	6(27)	(	4,978)	(	833)
Share of profit of associates and joint ventures accounted for using equity method	6(8)				
Interest income	6(25)	(	482,132)	(	664,557)
Dividend income	6(26)	(	43,912)	(	75,012)
Deferred income of government's compensation		(	15,565)	(	73,953)
Loss on disposal of property, plant and equipment	6(27)		4,193)	(	724)
Finance costs			6,907		3,552
Interest expense-lease liability	6(10)		53,300		79,093
Unrealised exchange loss			7,517		2,226
Effect of change in foreign currency exchange			2,941		20,282
			26,120		-
Changes in operating assets and liabilities					
Changes in operating assets					
Increase in financial assets/liabilities mandatorily measured at fair value through profit or loss	6(33)	(	47,186)		158,903
Notes receivable			451		444
Accounts receivable (including related parties)		(	7,447,309)		2,973,814
Other receivables (including related parties)		(	346,664)		28,902
Other receivables-related parties			-		344,251
Inventories		(	1,652,612)		917,132
Prepayments			-		55,086
Other current assets		(	408,930)		45,051
Financial assets mandatorily measured at fair value through profit or loss - non-current		(	5,167)	(	3,127)
Changes in operating liabilities					
Accounts payable			3,676,792	(	2,446,460)
Accounts payable - related parties			304,624	(	421,484)
Other payables			367,486	(	276,184)
Other payables - related parties		(	82,598)		105,514
Contract liabilities			369,805		-
Refund liabilities			261,373		81,791
Other current liabilities			22,259		75,688
Net defined benefit liability-current			1,030	(	14,662)
Cash (outflow) inflow generated from operations		(	3,034,284)		4,638,562
Interest received			39,457		75,350
Dividend income			15,565		73,953
Interest paid		(	52,914)	(	47,656)
Income taxes paid		(	162,861)	(	492,478)
Net cash flows (used in) from operating activities		(	3,195,037)		4,247,731

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of financial assets at fair value through other comprehensive income		(\$	185,063)	\$	-
Acquisition of financial assets at amortised cost – current		(	866,600)		-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(33)		206,987		143,315
Acquisition of property, plant and equipment	6(33)	(	1,584,900)	(	607,310)
Proceeds from disposal of property, plant and equipment			19,552		94,132
Acquisition of intangible assets	6(33)	(	50,603)	(	69,681)
Proceeds from disposal of investments accounted for using equity method			32,835		-
Increase in other non-current financial assets		(	65,576)	(	3,215)
(Increase) decrease in guarantee deposits paid		(	52,980)		9,630
Effects of cash changes in consolidated entities			-	(	4,425)
Net cash flows used in investing activities		(	<u>2,546,348</u>)	(	<u>437,554</u>)

CASH FLOWS FROM FINANCING ACTIVITIES

Increase (decrease) in short-term borrowings	6(34)		2,861,012	(	4,271,509)
Increase in other non - current liabilities	6(34)		42,477		7,430
Repayment of principal portion of lease liabilities	6(10)(34)	(	192,834)	(	96,425)
Proceeds from long-term borrowings			807,693		62,000
Repayments of long-term borrowings		(	62,000)		-
Cash dividends paid	6(34)	(	1,608,376)	(	1,751,419)
Change in non-controlling interests	4(3)		350,860		-
Cancellation of restricted employee shares		(	40)	(	6,720)
Proceeds from issuance of shares	6(20)		-		448,000
Net cash flows from (used in) financing activities			<u>2,198,792</u>	(	<u>5,608,643</u>)
Effect of change in foreign currency exchange		(	<u>307</u>)	(	<u>123,800</u>)
Net decrease in cash and cash equivalents		(	<u>3,542,900</u>)	(	<u>1,922,266</u>)
Cash and cash equivalents at beginning of year			<u>6,589,863</u>		<u>8,512,129</u>
Cash and cash equivalents at end of year		\$	<u>3,046,963</u>	\$	<u>6,589,863</u>

MERRY ELECTRONICS CO., LTD AND. SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(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 and its subsidiaries (collectively referred here in as the “Group”) are primarily engaged in manufacturing, processing, repairing, sales of electric appliance and audiovisual electric products, telecommunication equipment and apparatus electronic parts and components, computers and computing peripheral equipment, restrained telecom radio frequency equipment and medical appliances; planning, design, input as well as output of service items’ equipment; production as well as marketing management consultant of service items’ relevant business; and all business items that are not prohibited or restricted by law, except those that are subject to special approval. The Company’s shares were listed on the Taipei Exchange since August 1998 and transferred to the Taiwan Stock Exchange starting September 2000 with approval from the competent authority. The Company merged with its 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 25, 2021.

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 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments 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
Amendments to IFRS 16, ‘Covid-19 related rent concessions’	June 1, 2020(Note)

Note: Earlier application from January 1, 2020 is allowed by FSC.

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

(2) 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 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	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.	

(3) 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 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 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

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.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2020	December 31, 2019	
MEHO	Merry Electronics (HK) Co., Ltd. ("MEST")	Sales of the same products as the Company.	100.00%	100.00%	
MEHO	Merry Electronics (Thailand) Co.,Ltd. ("METC")	The same main business as the Company.	99.99%	99.99%	
MEHO	Merry Electronics (U.S.A.) Co.,Ltd. ("MECA")	Agency selling microphone and security system manufactured by affiliates.	99.90%	99.90%	
MEHO	Danny Dynamics Limited ("DDBV")	Equity investments.	100.00%	100.00%	
MEHO	Merry Electronics (Singapore) Pte.Ltd. ("MESG")	Manufacturing of other electronic components and circuit board.	100.00%	100.00%	
MEHO	Merry Healthcare Co., Ltd. ("MHKY")	Sales of medical device.	100.00%	100.00%	
MEHO	Asian Elite International Ltd. ("MSCS")	Manufacturing and sales of speaker and amplifier.	70.00%	70.00%	
MEHO	Indigo Enterprise Inc. ("INSA")	Equity investments.	70.00%	70.00%	
MEHO	Biotest Medical Corporation ("BTTT")	Manufacturing of medical device.	100.00%	100.00%	NOTE 2

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2020	December 31, 2019	
MEHO	MERRY & LUXSHARE (VIETNAM) CO., LTD. ("MEVN")	Manufacturing of speaker system and microphone for consumer electronics used.	51.00%	-	NOTE 5
MEST	Merry Electronics (Shenzhen)Co., Ltd. ("MECL")	The same main business as the Company.	100.00%	100.00%	
DDBV	Universal Capital Investment Limited ("UCMU")	Equity investments.	100.00%	100.00%	
DDBV	Merrytech (HK) Co.Limited ("MTHK")	Equity investments.	100.00%	100.00%	
INSA	Sonavox Canada Inc. ("SOCV")	Develop-to-order and appearance design of speaker and amplifier.	100.00%	100.00%	
SOCV	Sonavox Canada Holding. ("SOCA")	Equity investments.	100.00%	100.00%	
SOCA	Seas Fabrikker ("SENM")	Manufacturing and sales of speaker monomer.	100.00%	100.00%	
MHKY	Fulicare Co., Ltd. ("FUSA")	Sales of medical device.	97.12%	95.94%	NOTE 3
FUSA	Fulicare Medical Instruments (Suzhou)Co.,Ltd ("FUSZ")	Manufacturing of medical device.	100.00%	100.00%	
FUSA	Fulicare Medical Instruments (Xiamen) Co.,Ltd ("FUXM")	Manufacturing of medical device.	100.00%	100.00%	NOTE 1

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2020	December 31, 2019	
FUSA	Xiamen Etimbre Hearing Technology Co.LTD ("ETCX")	Research and development, manufacturing as well as sales of hearing aid, hearing device and acoustics equipment.	100.00%	100.00%	NOTE 4
FUSZ 、 FUSA	Austar Hearing Science And Technology (Xiamen) Co., Ltd ("ASCX")	Research and development, manufacturing as well as sales of hearing aid, hearing device and acoustics equipment.	99.50%	99.50%	
ASCX	Austar Hearing Science And Technology (Zhangzhou) Co., Ltd. ("ASCZ")	Manufacturing of hearing aid and acoustics for rehabilitation device.	100.00%	100.00%	
ASCX	Xiamen Laiyate Medical Devices Co., Ltd ("LACX")	Research and development as well as technical sales of software functions for hearing aid.	100.00%	100.00%	

Note 1: The Group established the subsidiary, Fulicare Medical Instruments (Xiamen) Co., Ltd., on June 10, 2019.

Note 2: In July 2019, Biotest Medical Corp. was merged with the Group.

Note 3: In February 2020, March 2020, June 2020 and August 2020, the Group increased its capital in FUSA by cash amounting to USD 76 thousand (NTD 2,238 thousand), USD 4 million (NTD 116,400 thousand), USD 963 thousand (NTD 28,026 thousand) and USD 3 million (NTD 87,300 thousand), respectively.

Note 4: In October 2019, the Board of Directors of the Group during its meeting resolved to undergo an organisational restructuring. Fulicare CO., Ltd. acquired a 100% equity interest in ETCX from FUCS amounting to RMB 500 thousand (NTD 2,308 thousand). On June 18, 2020, Fulicare CO., Ltd. increased its capital by cash amounting to USD 566 thousand (NTD 16,748 thousand).

Note 5: On February 27, 2020, the Board of Directors of the Group approved to establish a joint venture, MERRY & LUXSHARE (VIETNAM) CO., LTD., with Luxshare-ICT through investments amounting to USD 12,240 thousand (NTD 366,710 thousand) and USD 11,760 thousand (NTD 350,860 thousand), which resulted in acquiring 51% and 49% of the joint venture equity interests, respectively. The joint venture was established on May 9, 2020.

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) Financial assets at amortised cost
 The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.
- (10) Accounts and notes receivable
 - A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
 - B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- (11) Impairment of financial assets
 For debt instruments measured at fair value through other comprehensive income including accounts receivable at each reporting date, the Group 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.
- (12) Derecognition of financial assets
 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.
- (13) 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.

(14) 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.

(15) 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

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

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

(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 ~ 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 30~120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

- (c) A receivable is 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, 2020, 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, 2020, the carrying amount of inventories was \$3,791,659.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and revolving funds	\$ 1,073	\$ 723
Checking accounts and demand deposits	3,032,069	4,445,967
Time deposits	13,821	774,145
Short-term securities	-	1,369,028
	<u>\$ 3,046,963</u>	<u>\$ 6,589,863</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.

C. The Group's time deposits with maturity over 3 months had been classified as current financial assets at amortised cost and non-current financial assets at amortised cost.

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

Items	December 31, 2020	December 31, 2019
Current items:		
Financial assets		
mandatorily measured at		
fair value through		
profit or loss		
- Funds	\$ 50,000	\$ -
- Non-hedging derivatives	26,316	14,138
- Stocks	-	169
- Call options of		
convertible bonds	446	2,290
Valuation adjustment	2,157	316
	<u>\$ 78,919</u>	<u>\$ 16,913</u>

Non-current items:

- Funds	<u>\$ 26,468</u>	<u>\$ 21,301</u>

Items	December 31, 2020	December 31, 2019
Current items:		
Financial liabilities held		
for trading		
- Non-hedging derivatives	<u>\$ 30,047</u>	<u>\$ 11,799</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,	
	2020	2019
Net gains on financial assets (liabilities)		
at fair value through profit or loss	<u>\$ 94,787</u>	<u>\$ 69,428</u>

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

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December 31, 2020

Derivative instruments	Contract amount (Notional principal)	Contract period	Contract price
Forward foreign exchange contract to sell	<u>USD 70,000 thousand</u>	2020/12/3~ 2021/1/29	NTD 28.105~28.487
Forward foreign exchange contract to sell	<u>USD 3,000 thousand</u>	2020/12/22~ 2021/1/7	CNY 6.541
Forward foreign exchange contract to sell	<u>USD 8,189 thousand</u>	2020/8/28~ 2021/3/1	THB 31.260
Forward foreign exchange contract to buy	<u>USD 84,000 thousand</u>	2020/12/3~ 2021/3/9	NTD 27.815~28.360
Forward foreign exchange contract to buy	<u>USD 8,205 thousand</u>	2020/8/28~ 2021/3/1	THB 31.200

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

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, 2020 and 2019, the Group had no outstanding payments for settled transactions amounting to \$306 thousand (shown as other payables) and \$0, respectively.
- D. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.
- E. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2020	December 31, 2019
Current items:		
Debt instruments		
Bonds	\$ 89,550	\$ 119,854
Valuation adjustment	(3,735)	867
	<u>85,815</u>	<u>120,721</u>
Equity instruments		
Stocks	106,080	76,080
Valuation adjustment	<u>3,284</u>	<u>5,276</u>
	<u>109,364</u>	<u>81,356</u>
	<u>\$ 195,179</u>	<u>\$ 202,077</u>
Non-current items:		
Debt instruments	\$ 144,625	\$ -
Bonds	<u>1,620</u>	<u>-</u>
Valuation adjustment	<u>146,245</u>	<u>-</u>
Equity instruments		
Listed stocks	748,154	775,130
Unlisted stocks	<u>73,884</u>	<u>64,182</u>
	882,038	839,312
Valuation adjustment	607,846	1,697,071
Accumulated impairment	(2,976)	(2,976)
	<u>\$ 1,426,908</u>	<u>\$ 2,533,407</u>
	<u>\$ 1,573,153</u>	<u>\$ 2,533,407</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 \$1,768,332 and \$2,735,484 as at December 31, 2020 and 2019, respectively.
- B. (a) During the year ended December 31, 2020, the Group repurchased bond investments at fair value of \$30,274 thousand due to the maturity of bonds and resulted in cumulative losses on disposal amounting to \$333 thousand (shown as other gains and losses).
- (b) Aiming to satisfy its capital needs, the Company sold \$172,377 thousand of equity investments at fair value and resulted in cumulative gains on disposal amounting to \$145,400 thousand (transferred from other equity interest to unappropriated retained earnings) during the year ended December 31, 2020.
- (c) During the year ended December 31, 2019, the Group redeemed the debt investment at fair value of \$50,833 thousand due to the maturity of bonds and resulted in cumulated gains 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 investment at fair value and resulted in cumulative gains on disposal amounting to \$68,104 thousand (transferred from other equity interest to unappropriated earnings) during the year ended December 31, 2019.

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:

	Years ended December 31,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 942,810)	\$ 1,150,081
Cumulative gains reclassified to retained earnings due to derecognition	(\$ 145,400)	(\$ 68,104)
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognised in profit or loss	(\$ 6,335)	\$ -
Fair value change recognised in other comprehensive income	\$ 3,020	(\$ 2,111)
Cumulative other comprehensive (loss) income reclassified to profit or loss		
Reclassified due to derecognition	\$ 333	(\$ 833)
Interest income recognised in profit or loss	\$ 3,136	\$ 4,922

D. As at December 31, 2020 and 2019, 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 \$1,768,332 thousand and \$2,735,484 thousand, respectively.

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

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

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

(4) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 12,471,094	\$ 5,477,888
Less: Allowance for uncollectible accounts	(29,676)	(29,507)
	<u>\$ 12,441,418</u>	<u>\$ 5,448,381</u>

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

	December 31, 2020	December 31, 2019
Not past due	\$ 12,401,873	\$ 5,425,988
Up to 30 days	38,897	11,003
31 to 90 days	6,066	19,593
91 to 180 days	24,136	8,674
Over 180 days	122	12,630
	<u>\$ 12,471,094</u>	<u>\$ 5,477,888</u>

The above aging analysis was based on past due date.

B. As of December 31, 2020 and 2019, and January 1, 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to \$12,471,094 thousand, \$5,478,339 thousand and \$8,584,256 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, 2020, there were no accounts 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, 2020, there was no amount that had been past due.

(6) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,748,375	(\$ 65,408)	\$ 1,682,967
Work in progress	543,188	(8,318)	534,870
Finished goods	1,613,403	(39,581)	1,573,822
	<u>\$ 3,904,966</u>	<u>(\$ 113,307)</u>	<u>\$ 3,791,659</u>
	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>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2020	2019
Cost of goods sold	\$ 30,159,093	\$ 31,215,308
(Gain on reversal of) loss on slow-moving inventories and decline in market value	(69,365)	51,742
Loss on scrapping inventory	36,338	90,904
Loss (gain) on physical inventory	205	(80)
	<u>\$ 30,126,271</u>	<u>\$ 31,357,874</u>

The Group reversed a previous inventory write-down because of the sale of certain written-down inventories by the Group for the year ended December 31, 2020.

(7) Other current assets

	December 31, 2020	December 31, 2019
Tax refund receivable (including input tax)	\$ 490,909	\$ 139,180
Prepayment for purchases	14,241	14,689
Contract assets	43,363	31,585
Others	160,125	85,019
	<u>\$ 708,638</u>	<u>\$ 270,473</u>

(8) Investments accounted for using the equity method

	Years ended December 31,	
	2020	2019
At January 1	\$ 3,951,152	\$ 3,426,878
Effects of cash changes in consolidated entities	-	4,425
Disposal of investments accounted for using equity method	(23,548)	-
Share of profit or loss of investments accounted for using the equity method	482,132	664,557
Changes in capital surplus	(4,656)	11,151
Changes in other equity items	73,558	(155,859)
Credit balance of investments accounted for using the equity method transferred to non-current liabilities	1,070	-
At December 31	<u>\$ 4,479,708</u>	<u>\$ 3,951,152</u>

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A. Details are as follows :

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associates with significant influence		
Merry Electronics(Suzhou) Co., Ltd. (MECE)	\$ 3,146,355	\$ 2,842,636
Associates with insignificant influence		
Merry Electronics (Huizhou)Co., Ltd. (MECH)	910,702	666,377
Guangdong Luxshare & Merry Electronics Co., Ltd. (MEDG)	372,839	376,606
Leohab Enterprise Co., Ltd. (LEOHAB)	49,812	66,395
Merry Electronics (Shanghai)Co., Ltd. (MECS)	(1,070)	(862)
Subtotal	4,478,638	3,951,152
Add: Credit balance of investments accounted for using the equity ethod transferred to non-current liabilities	1,070	-
	<u>\$ 4,479,708</u>	<u>\$ 3,951,152</u>

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

	<u>Years ended December 31,</u>	
<u>Investee</u>	<u>2020</u>	<u>2019</u>
MECE	\$ 255,644	\$ 526,872
MECH	229,121	165,334
MEDG	(5,350)	(31,338)
LEOHAB	2,931	5,693
MECS	(214)	(2,004)
	<u>\$ 482,132</u>	<u>\$ 664,557</u>

C. Associates

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

		<u>Shareholding ratio</u>			
<u>Company name</u>	<u>Principal place of business</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Nature of relationship</u>	<u>Methods of measurement</u>
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 is material to the Group is as follows:

Balance sheet

	MERRY ELECTRONICS (SUZHOU) CO., LTD.	
	December 31, 2020	December 31, 2019
Current assets	\$ 4,958,305	\$ 4,547,442
Non-current assets	6,448,198	6,646,976
Current liabilities	(4,794,701)	(5,034,091)
Non-current liabilities	(50,495)	(225,852)
Total net assets	<u>\$ 6,561,307</u>	<u>\$ 5,934,475</u>
Share in associate' s net assets	\$ 3,215,041	\$ 2,907,893
Realised (unrealised) loss from upstream and sidestream transactions	(68,686)	(65,257)
Carrying amount of the associate	<u>\$ 3,146,355</u>	<u>\$ 2,842,636</u>

Statement of comprehensive income

	MERRY ELECTRONICS (SUZHOU) CO., LTD.	
	Years ended December 31,	
	2020	2019
Revenue	<u>\$ 10,737,808</u>	<u>\$ 12,490,913</u>
Profit for the period from continuing operations	<u>\$ 528,719</u>	<u>\$ 1,036,414</u>
Total comprehensive income	<u>\$ 528,719</u>	<u>\$ 1,036,414</u>

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

	Years ended December 31,	
	2020	2019
Share of profit of associates and joint ventures accounted for using the equity method	\$ 226,488	\$ 137,685
Other comprehensive income (loss), net of tax	21,191	(25,618)
Total comprehensive income	<u>\$ 247,679</u>	<u>\$ 112,067</u>

(9) Property, plant and equipment

Year ended December 31, 2020					
Cost	Opening balance	Additions	Reductions	Transfers	Effect of foreign currency exchange differences
Land	\$ 596,275	\$ 200,683	\$ -	\$ -	\$ 794,952
Land improvements	656	-	-	-	621
Buildings and structures	1,016,760	357,707	(19,113)	(51,400)	1,284,577
Machinery	1,472,017	931,877	(45,412)	1,918	2,366,092
Transportation equipment	30,774	360	(1,012)	-	30,451
Office equipment	242,600	55,968	(18,764)	(509)	279,929
Others	136,073	124,965	(12,957)	(1,732)	247,668
Unfinished construction	132,528	232,601	-	(83,473)	272,471
	<u>3,627,683</u>	<u>\$ 1,904,161</u>	<u>(\$ 97,258)</u>	<u>(\$ 135,196)</u>	<u>5,276,761</u>
Accumulated depreciation					
Land improvements	(\$ 580)	72	\$ -	\$ -	621
Buildings and structures	(439,193)	(90,822)	15,239	51,400	(467,206)
Machinery	(636,595)	(199,659)	30,908	(90)	(811,707)
Transportation equipment	(17,024)	(4,090)	978	-	(20,392)
Office equipment	(161,280)	(26,798)	16,490	250	(171,656)
Others	(87,918)	(29,146)	7,184	434	(110,441)
	<u>(1,342,590)</u>	<u>(\$ 350,587)</u>	<u>\$ 70,799</u>	<u>\$ 51,994</u>	<u>(1,582,023)</u>
	<u>\$ 2,285,093</u>				<u>\$ 3,694,738</u>

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
	<u>3,202,555</u>	<u>\$ 629,622</u>	<u>(\$ 189,271)</u>	<u>\$ 34,255</u>	<u>(\$ 49,478)</u>	<u>3,627,683</u>
<u>Accumulated depreciation</u>						
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)
	<u>(1,214,364)</u>	<u>(\$ 206,463)</u>	<u>\$ 91,587</u>	<u>(\$ 45,601)</u>	<u>\$ 32,251</u>	<u>(1,342,590)</u>
	<u>\$ 1,988,191</u>					<u>\$ 2,285,093</u>

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

(10) Leasing arrangements — lessee

A. The Group leases various assets including land, buildings, machinery and equipment as well as business vehicles. Rental contracts are typically made for periods of 1 to 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, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	\$ 92,481	\$ 34,417
Buildings	254,778	111,662
Machinery and equipment	5,810	6,797
Transportation equipment	2,701	2,260
Office equipment	220	298
Other equipment	20	-
	<u>\$ 356,010</u>	<u>\$ 155,434</u>
	Years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	\$ 4,105	\$ 3,401
Buildings	119,158	63,565
Machinery and equipment	1,358	3,633
Transportation equipment	1,509	1,913
Office equipment	200	172
Other equipment	69	611
	<u>\$ 126,399</u>	<u>\$ 73,295</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$322,512 thousand and \$49,711 thousand, respectively.

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

	Years ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 7,517</u>	<u>\$ 2,226</u>

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$192,834 thousand and \$96,425 thousand, respectively.

(11) Intangible assets

Year ended December 31, 2020					
Cost	Opening balance	Additions	Reductions	Effect of foreign currency exchange differences	Ending balance
Goodwill	\$ 937,379	\$ -	\$ -	\$ -	\$ 937,379
Computer software	457,428	43,867 (	860)	135	500,570
Customer relationship	326,550	-	-	-	326,550
Trademarks	61,481	-	-	-	61,481
Know-how	115,748	-	-	-	115,748
Others	37,295	4,597	-	(87)	41,805
Subtotal	<u>1,935,881</u>	<u>\$ 48,464</u>	<u>(\$ 860)</u>	<u>\$ 48</u>	<u>1,983,533</u>
<u>Accumulated amortisation</u>					
Computer software	(\$ 304,302)	\$ 52,521	\$ 36	\$ 480	(\$ 356,307)
Customer relationship	(65,679)	(44,064)	-	(304)	(109,439)
Trademarks	(7,598)	(5,518)	-	(251)	(13,367)
Know-how	(34,671)	(23,150)	-	(53)	(57,874)
Others	(20,855)	(7,608)	-	7	(28,456)
Subtotal	<u>(433,105)</u>	<u>\$ 132,861</u>	<u>\$ 36</u>	<u>\$ 487</u>	<u>(565,443)</u>
Total	<u>\$ 1,502,776</u>				<u>\$ 1,418,090</u>

Year ended December 31, 2019

Cost	Opening balance	First-time		Additions	Reductions	Transfers	Effect of	
		merger effects	merger effects				foreign currency	exchange
							differences	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
Know-how	115,748	-	-	-	-	-		115,748
Others	7,027	9,000	4,011	-	17,201	56		37,295
Subtotal	1,592,174	\$ 14,701	\$ 68,122	(\$ 3,455)	\$ 264,651	(\$ 312)		1,935,881
Accumulated amortisation								
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
Know-how	(11,792)	-	(23,150)	-	-	271		34,671
Others	(100)	-	(3,557)	-	(17,201)	3		20,855
Subtotal	(39,932)	\$ -	(\$ 132,426)	\$ 3,455	(\$ 264,651)	\$ 449		433,105
Total	\$ 1,552,242							\$ 1,502,776

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

	Years ended December 31,	
	2020	2019
Operating costs	\$ 15,320	\$ 13,959
Selling expenses	11,503	13,671
Administrative expenses	63,573	66,190
Research and development expenses	42,465	38,606
	<u>\$ 132,861</u>	<u>\$ 132,426</u>

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

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

The cash flow projections are based on financial budgets approved by the management covering a five-year period, 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 94%, 84%, 34%, (3%) and (0.2%) 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 17.43% used was pre-tax and reflected specific risks relating to the relevant operating segments.

C. As of December 31, 2020, 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 28%, 40%, 33%, 5% and 2% year-on-year growth in sales from 2021 to 2025 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 17.69% used was pre-tax and reflected specific risks relating to the relevant operating segments.

- D. As of December 31, 2020, 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 company that are expected to be merged. The goodwill from business combination shall be tested for impairment at least annually in accordance with IAS 36.

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

The cash flow projections are based on financial budgets approved by the management covering a five-year period. As the Company is committed to developing and taking smart speaker orders, it expects 15%, 12%, 10%, 9% and 3% year-on-year growth in sales from 2021 to 2025 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 16.17% used was pre-tax and reflected specific risks relating to the relevant operating segments.

(12) Other non-current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Prepayments for property, plant and equipment (including intangible asset)	\$ 121,924	\$ 72,863
Refundable deposits	71,625	17,577
Others	77,958	10,816
	<u>\$ 271,507</u>	<u>\$ 101,256</u>

(13) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit loan	<u>\$ 3,271,489</u>	0%~4.35%	None
<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit loan	<u>\$ 470,890</u>	2.14%~4.79%	None

- A. Interest expense recognised in profit or loss amounted to \$22,846 thousand and \$44,528 thousand for the years ended December 31, 2020 and 2019, respectively.

- B. The Group provided endorsements and guarantees for the credit loans as of December 31, 2020.

(14) Other payables

	December 31, 2020	December 31, 2019
Other accrued expenses	\$ 496,365	\$ 183,922
Payroll payable	466,806	308,353
Payables on equipment (Including intangible assets)	360,938	77,958
Employee bonus payable	127,027	219,531
Others	124,167	114,870
Compensation due to directors and supervisors	25,575	68,392
Other payables-financial liabilities	306	-
	<u>\$ 1,601,184</u>	<u>\$ 973,026</u>

(15) Other current liabilities

	December 31, 2020	December 31, 2019
Bonds payable-expiring within one year	\$ 2,203,801	\$ -
Contract liability	627,002	256,623
Agreed liabilities on acquisition of subsidiaries (Note)	402,072	-
Refund liabilities	343,164	81,791
Current lease liability	146,612	30,119
Other current liabilities, others	77,260	49,431
	<u>\$ 3,799,911</u>	<u>\$ 417,964</u>

Note: On July 1, 2018, the Group acquired 70% of ordinary shares of ASIAN ELITE INTERNATIONAL LTD. and Indigo Enterprise Inc. in cash, and agreed to obtain the remaining 30% of ordinary shares on the expiry of 3 years after the date of settlement. In accordance with the relevant contracts, the Group had recognised 30% of subsequent equity investment obligations.

(16) Bonds payable

	December 31, 2020	December 31, 2019
Bonds payable	\$ 2,231,900	\$ 2,289,500
Less: Discount on bonds payable	(28,099)	(59,541)
	2,203,801	-
Less: Expiring within one year	(2,203,801)	-
	<u>\$ -</u>	<u>\$ 2,229,959</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 time issuance of domestic unsecured corporate bonds. The bonds are for a total issuance amount of \$3,015,000 thousand 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 creditors have the right to ask for conversion of the bonds into common shares of the Company by Taiwan Depository & Clearing Corporation through Securities Firms during the period from the date after three months of the bonds issue to the maturity date, except for (i) the stop transfer period for common shares as specified in the terms of the bonds or the laws/regulations; (ii) the Company's book closure date of stock dividends, book closure date of cash dividends, the period between the date that is 15 business days before the book closure date of a capital increase to the ex-right date; (iii) the period between the record date of a capital reduction and the prior day before the commencement of share trading after shares are repurchased. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. As of December 31, 2020, the conversion price of convertible bonds was \$132.8 per share.
 - iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value, based on the Company's redemption rights to the bonds under Article 18 of the terms of issuance and conversion, after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
 - v. Under the terms of issuance and conversion, all bonds redeemed (including bonds repurchased from the securities trading markets), matured and converted are retired and not to be sold or re-issued; the conversion rights attached to the bonds are also extinguished.
- (b) As of December 31, 2020, the bonds totalling \$768,100 thousand (face value) had been converted into 5,299 thousand shares of common stock. After the issuance of the convertible bonds, if the number of common shares increases, the Company shall adjust the conversion price to \$132.8 per share in line with the formula of the issuance article.
- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to

\$99,191 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.

(17) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from 2020/2/20 to 2025/2/20; interest is repayable monthly.	0.30%~0.40%	None	\$ 320,000
Unsecured borrowings	Borrowing period is from 2020/2/20 to 2027/2/19; interest is repayable monthly.	0.35%~0.50%	None	<u>487,419</u>
				<u>\$ 807,419</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
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	<u>\$ 62,000</u>

A. In November 2019, the Company entered into a long-term loan contract with Taipei Fubon Bank for the total amount of \$400 million. As of December 31, 2020, the drawn amount was \$220,000 thousand.

Aforementioned contract conditions:

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

- (a) Current ratio shall not be lower than 100%;
- (b) Debt ratio (total liabilities/total equity) shall not be higher than 160%;
- (c) Interest coverage ratio shall not be lower than 10.

B. In February 2020, the Company entered into a long-term loan contract with JIHSUN BANK for the total amount of \$300 million. As of December 31, 2020, the drawn amount was \$100,000 thousand.

Aforementioned contract conditions:

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

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

The Company confirmed with banks and assessed that the aforementioned financial ratios were maintained at a level that had no significant impact to the Group.

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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 127,292	\$ 140,594
Fair value of plan assets	(44,259)	(57,118)
Net defined benefit liability	<u>\$ 83,033</u>	<u>\$ 83,476</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 140,594	(\$ 57,118)	\$ 83,476
Current service cost	546	-	546
Interest (expense) income	1,043	(429)	614
Past service cost	(2,269)	3,309	1,040
	<u>139,914</u>	<u>(54,238)</u>	<u>85,676</u>
Remeasurements:			
Return on plan assets			
(excluding amounts included in interest			
income or expense)	-	(1,218)	(1,218)
Change in financial assumptions	5,792	-	5,792
Experience adjustments	(6,013)	-	(6,013)
	<u>(221)</u>	<u>(1,218)</u>	<u>(1,439)</u>
Pension fund contribution	-	(900)	(900)
Paid past pension	(304)	-	(304)
Paid pension	(12,097)	12,097	-
Balance at December 31	<u>\$ 127,292</u>	<u>(\$ 44,259)</u>	<u>\$ 83,033</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2020</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	12,682	-	12,682
	<u>16,339</u>	<u>(1,312)</u>	<u>15,027</u>
Pension fund contribution	-	(16,705)	(16,705)
Paid pension	(2,651)	2,651	-
Balance at December 31	<u>\$ 140,594</u>	<u>(\$ 57,118)</u>	<u>\$ 83,476</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, 2020 and 2019 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,	
	2020	2019
Discount rate	0.30%	0.75%
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, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 3,183)	\$ 3,310	\$ 3,214	(\$ 3,109)
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 3,653)	\$ 3,800	\$ 3,706	(\$ 3,584)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at

once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

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

(f) The Company expects to pay contribution for pension plan amounting to \$2,856 thousand in 2021.

(g) As of December 31, 2020, 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	\$	4,378
1-2 year(s)		7,685
2-5 years		25,085
Over 5 years		93,888
	\$	<u>131,036</u>

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The subsidiaries, MECL, MSCS, ASCX, ETCX, ASCZ, LACX, FUXM and FUSZ, in mainland China have set up a defined contribution plan. Monthly contribution to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) The subsidiary, METC, in Thailand is required to pay pension of up to 10 months of employee salaries to the employees upon their retirement. The pension liability is estimated annually based on the employees’ total salaries and expected service years in accordance with the regulations of the Thailand government.
- (d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$98,784 thousand and \$130,354 thousand, respectively.

(19) Share-based payment

A. For the years ended December 31, 2020 and 2019, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
The first restricted stocks to employees in 2016	2016.12.21	1,542 units	3 years	Note
The second restricted stocks to employees in 2016	2017.06.16	458 units	3 years	Note
The first restricted stocks to employees in 2017	2017.12.29	196 units	3 years	Note
The second restricted stocks to employees in 2017	2018.10.26	878 units	3 years	Note
The first restricted stocks to employees in 2019	2019.11.02	813 units	3 years	Note
The second restricted stocks to employees in 2019	2020.08.05	387 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 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%.
- 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%.
- 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

	2020		2019	
	No. of share	Weighted-average exercise price	No. of share	Weighted-average exercise price
	(in thousands)	(in dollars)	(in thousands)	(in dollars)
At January 1	-	\$ -	542	\$ 10
Restricted stocks vested	-	-	(4)	10
Employee restricted shares retired	-	-	(538)	10
At December 31	-	-	-	-

(b) The second restricted stocks to employees in 2016

	2020		2019	
	No. of share	Weighted-average exercise price	No. of share	Weighted-average exercise price
	(in thousands)	(in dollars)	(in thousands)	(in dollars)
At January 1	160	\$ 10	294	\$ 10
Restricted stocks vested	(152)	10	(134)	10
Employee restricted shares retired	(4)	10	-	-
At December 31	(4)	10	160	10

(c) The first restricted stocks to employees in 2017

	2020		2019	
	No. of share	Weighted-average exercise price	No. of share	Weighted-average exercise price
	(in thousands)	(in dollars)	(in thousands)	(in dollars)
At January 1	108	\$ -	164	\$ -
Restricted stocks vested	(57)	-	(49)	-
Employee restricted shares retired	(50)	-	(7)	-
At December 31	1	-	108	-

(d) The second restricted stocks to employees in 2017

	2020		2019	
	No. of share (in thousands)	Weighted- average exercise price (in dollars)	No. of share (in thousands)	Weighted- average exercise price (in dollars)
At January 1	598	\$ -	862	\$ -
Restricted stocks vested	(234)	-	(251)	-
Employee restricted shares retired	(46)	-	(13)	-
At December 31	<u>318</u>	-	<u>598</u>	-

(e) The first restricted stocks to employees in 2019

	2020		2019	
	No. of share (in thousands)	Weighted- average exercise price (in dollars)	No. of share (in thousands)	Weighted- average exercise price (in dollars)
At January 1	813	\$ -	-	\$ -
Employee restricted shares granted	-	-	813	-
Restricted stocks vested	(237)	-	-	-
Employee restricted shares retired	(31)	-	-	-
At December 31	<u>545</u>	-	<u>813</u>	-

(f) The second restricted stocks to employees in 2019

	2020		2019	
	No. of share (in thousands)	Weighted- average exercise price (in dollars)	No. of share (in thousands)	Weighted- average exercise price (in dollars)
At January 1	-	\$ -	-	\$ -
Employee restricted shares granted	387	-	-	-
Employee restricted shares retired	(5)	-	-	-
At December 31	<u>382</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	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	2017.06.16	187	10	177
The first restricted stocks to employees in 2017	2017.12.29	194.5	0	194.5
The second restricted stocks to employees in 2017	2018.10.26	139.5	0	139.5
The first restricted stocks to employees in 2019	2019.11.02	150	0	150
The second restricted stocks to employees in 2019	2020.08.05	169	0	169

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

	Years ended December 31,	
	2020	2019
Equity-settled	\$ 89,899	\$ 52,158

(20) Share capital

A. As of December 31, 2020, the Company's authorised capital was \$4,000,000 thousand, consisting of 400,000 thousand shares of ordinary stock (including 5,000 thousand shares reserved for employee stock options), and the paid-in capital was \$2,093,519 thousand with a par value of \$10 (in dollars) per share.

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

	Years ended December 31,	
	2020	2019
At January 1	\$ 208,668	\$ 199,663
Employee restricted shares retired	(136)	(692)
Issuance of restricted shares to employees	387	813
Conversion of convertible bonds	414	4,884
Issuance of common stock for cash	-	4,000
At December 31	\$ 209,333	\$ 208,668

(a) The Company retired 18,700 employee restricted shares as resolved at the meeting of the Board of Directors on February 25, 2021 with the capital reduction effective date set on

March 8, 2021.

- (b) The Company retired 642,100 employee restricted shares as resolved at the meeting of the Board of Directors on February 27, 2020 and July 30, 2020 with the capital reduction effective date set on February 29, 2020 and August 4, 2020. 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 164,300 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, 2020, the face value of those convertible bonds amounted to \$768,100 thousand, which had been converted into 5,299 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 equivalent to 4 million shares 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 April 25, 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 1,200 thousand common shares with the effective date set on November 2, 2019 and August 5, 2020. The subscription price is \$0 per share and the registration was completed on November 29, 2019 and August 27, 2020 for ordinary shares issued of 813 thousand shares and 387 thousand shares, respectively. The employee restricted shares issued are subject to certain transfer restrictions before their vesting conditions are qualified. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares

(21) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be 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.

	2020				
	Share premium	Share option	Employee restricted stocks	Others	Total
At January 1	\$ 3,501,426	\$ 101,750	\$ 236,457	\$ 30,472	\$3,870,105
Issuance of restricted shares to employees	-	-	61,533	-	61,533
Restricted stocks vested	109,457	-	(106,193)	(3,264)	-
Employee restricted stocks retired	-	-	(20,972)	-	(20,972)
Ordinary shares converted from convertible bonds	55,019	(2,559)	-	-	52,460
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	-	(3,100)	(3,100)
Changes in ownership interests in subsidiaries	-	-	-	97	97
At December 31	<u>\$ 3,665,902</u>	<u>\$ 99,191</u>	<u>\$ 170,825</u>	<u>\$ 24,205</u>	<u>\$ 3,960,123</u>

	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)
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 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>

(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 until the legal reserve equals the paid-in capital. After the provision or reversal of special reserve, the appropriation of the remaining earnings along with the unappropriated earnings of prior 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. The Board of Directors may fully or partially appropriate dividends and bonuses in the form of cash by a resolution adopted by the majority vote at its meeting attended by two-thirds of the total number of directors, and then reported to the shareholders. Situations other than that shall be approved by the shareholders at their meeting.
- D. 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.
- E. (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 Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of December 31, 2020, the balance of capital surplus as aforementioned was \$269,144 thousand.
- F. The Company distributed cash dividends amounting to \$7.7 and \$8.6 (in dollars) per share, respectively, as resolved at the meeting of Board of Directors on June 19, 2020 and June 19, 2019. The abovementioned distribution of earnings for the years ended December 31, 2019 and 2018 was in agreement with those amounts proposed by the Board of Directors on February 27, 2020 and February 26, 2019.
- G. The appropriation of cash dividends of year 2020 as resolved by the Board of Directors on February 25, 2021 amounted to \$5.16.

(23) Other equity items

2020	Exchange differences on translation of foreign financial statements	Unrealised gain (loss) from investments in debt instruments measured at fair value through other comprehensive income	Unrealised gain (loss) from investments in equity instruments measured at fair value through other comprehensive income	Cost of unearned employee compensation	Total
At January 1	(\$ 456,833)	\$ 867	\$ 1,688,726	\$ 204,926	\$ 1,027,834
Issuance of restricted shares to employees	-	-	-	65,403	(65,403)
Amortisation of employee restricted stocks	-	-	-	89,899	89,899
Employee restricted shares retired	-	-	-	22,289	22,289
Revaluation - gross	-	3,020	942,810	-	(939,790)
Revaluation - tax	-	-	1,300	-	1,300
Revaluation transferred to profit or loss - gross	-	333	-	-	333
Revaluation transferred to retained earnings - gross	-	-	145,400	-	(145,400)
Currency translation differences:					-
- Group	(57,400)	-	-	-	(57,400)
- Tax on Group	11,480	-	-	-	11,480
- Associates	74,113	-	-	-	74,113
- Tax on associates	(13,905)	-	-	-	(13,905)
- Adjustment on disposal of associates transferred to profit or loss	3,976	-	-	-	3,976
At December 31	(\$ 438,569)	\$ 4,220	\$ 601,816	\$ 158,141	\$ 9,326

2019	Exchange differences on translation of foreign financial statements	Unrealised gain (loss) from investments in debt instruments measured at fair value through other comprehensive income	Unrealised gain (loss) 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	-	-	-	(121,950)	(121,950)
Amortisation of employee restricted stocks	-	-	-	52,158	52,158
Employee restricted shares retired	-	-	-	88,766	88,766
Revaluation - gross	-	(1,544)	1,150,081	-	1,148,537
Revaluation - tax	-	-	(3,125)	-	(3,125)
Revaluation transferred to profit or loss - gross	-	(833)	-	-	(833)
Revaluation transferred to retained earnings - gross	-	-	(68,104)	-	(68,104)
Currency translation differences:					-
- Group	(113,955)	-	-	-	(113,955)
- Tax on Group	25,493	-	-	-	25,493
- Associates	(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

(24) Operating revenue

	Years ended December 31,	
	2020	2019
Revenue from contracts with customers	\$ 34,444,819	\$ 36,397,793

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, 2020					
	Electronic devices				Total
	Taiwan	Shenzhen	Singapore	Others	
Total segment revenue	\$ 26,916,049	\$ 13,309,595	\$ 5,248,628	\$ 2,988,603	\$ 48,462,875
Revenue from internal segment transactions	(9,165)	(12,179,595)	-	(1,829,296)	(14,018,056)
Revenue from external customer contracts	26,906,884	1,130,000	5,248,628	1,159,307	34,444,819
Main Region					
Europe	11,742,872	119,364	4,081,394	286,479	16,230,109
US	13,719,123	650	1,002,677	469,119	15,191,569
Mainland China	462,466	998,256	-	345,462	1,806,184
Taiwan	671,474	2,588	-	40,181	714,243
Others	310,949	9,142	164,557	18,066	502,714
	\$ 26,906,884	\$ 1,130,000	\$ 5,248,628	\$ 1,159,307	\$ 34,444,819
Year ended December 31, 2019					
	Electronic devices				Total
	Taiwan	Shenzhen	Singapore	Others	
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	30,645,273	324,047	4,185,613	1,242,860	36,397,793
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	1,067,563	5,472	63,283	44,722	1,181,040
	\$ 30,645,273	\$ 324,047	\$ 4,185,613	\$ 1,242,860	\$ 36,397,793

B. Contract assets and liabilities :

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract assets	\$ 43,363	\$ 31,585	\$ -
Contract liabilities	\$ 627,002	\$ 256,623	\$ 195,952
Refund liabilities	\$ 343,164	\$ 81,791	\$ -

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

	Years ended December 31,	
	2020	2019
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 207,718	\$ 164,963

(25) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 40,776	\$ 70,090
Interest income from financial assets at fair value through other comprehensive income	3,136	4,922
	\$ 43,912	\$ 75,012

(26) Other income

	Years ended December 31,	
	2020	2019
Government grants	\$ 188,780	\$ 173,967
Sample income	24,682	25,810
Dividend income	15,565	73,953
Rent income	7,571	8,083
Other income	42,648	26,438
	\$ 279,246	\$ 308,251

(27) Other gains and losses

	Years ended December 31,	
	2020	2019
Losses on disposals of property, plant and equipment	(\$ 6,907)	(\$ 3,552)
Gain on disposals of investments	4,978	936
Foreign exchange loss	(252,192)	(10,780)
Gains on financial assets / liabilities at fair value through profit or loss	94,787	69,428
Other gains and losses	(23,176)	(11,688)
	(\$ 182,510)	\$ 44,344

(28) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense	\$ 3,306,368	\$ 2,729,703
Depreciation charge - property, plant and equipment	350,587	206,463
Depreciation charge - right-of-use assets	126,399	73,295
Amortisation charge	132,861	132,426
	<u>\$ 3,916,215</u>	<u>\$ 3,141,887</u>

(29) Employee benefit expense

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 2,871,775	\$ 2,206,825
Share-based payments	94,362	52,158
Labour and health insurance fees	62,096	59,380
Pension costs	100,984	131,464
Directors' remuneration	26,380	135,949
Other personnel expenses	150,771	143,927
	<u>\$ 3,306,368</u>	<u>\$ 2,729,703</u>

Note: For the years ended December 31, 2020 and 2019, the Group has 10,207 and 11,764 employees, respectively. For the year ended December 31, 2020, there was 5 non-employee directors. After reelecting directors on June 19, 2019, there was 5 non-employee directors until December 31, 2020. For the year ended December 31, 2019, there was 5 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,	
	2020	2019
Employees' compensation	\$ 110,826	\$ 205,176
Directors' and supervisors' remuneration	25,575	68,392
	<u>\$ 136,401</u>	<u>\$ 273,568</u>

The abovementioned amounts were recognised in wages and salaries, and were accrued at 6.5% and 6% for employees' compensation and 1.5% and 2% for directors' remuneration for the years ended December 31, 2020 and 2019, respectively, based on the distributable profit of the year.

Employees' compensation and directors' and supervisors' remuneration of 2019 as resolved at the Board of Directors' meeting were in agreement with those amounts recognised in the profit or loss of 2019.

Information about employees' compensation and directors' and supervisors' remuneration of

the Company as resolved by the Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 189,148	\$ 457,820
Tax on undistributed surplus earnings	36,704	4,763
Prior year income tax (over) underestimation	(49,995)	14,960
Total current tax	175,857	477,543
Deferred tax:		
Origination and reversal of temporary differences	207,448	237,508
Income tax expense	<u>\$ 383,305</u>	<u>\$ 715,051</u>

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

	Years ended December 31,	
	2020	2019
Exchange differences changes on translation of foreign financial statements - the Group	(\$ 11,480)	(\$ 25,493)
Exchange differences changes on translation of foreign financial statements - associates	13,905	(27,337)
Changes in fair value of financial assets at fair value through other comprehensive income	(1,300)	3,125
Remeasurement of defined benefit obligations	288	(3,005)
	<u>\$ 1,413</u>	<u>(\$ 52,710)</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2020	2019
Current tax:		
Tax calculated based on profit		
before tax and statutory tax rate	\$ 455,714	\$ 773,356
Expenses disallowed by tax regulation	5,117 (	7,677)
Tax exempt income by tax regulation	(22,488) (	5,673)
Effect from investment tax credits	(42,115) (	65,287)
Tax on undistributed surplus earnings	36,704	4,763
Prior year income tax (over)		
underestimation	(49,995)	14,960
Others	368	609
Income tax expense	<u>\$ 383,305</u>	<u>\$ 715,051</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:

	2020			
	January 1, 2020	Recognised in profit or loss	Recognised in other comprehensive income	December 31, 2020
Deferred tax assets:				
- Temporary differences:				
Unrealised exchange loss	\$ 3,937	\$ 16,526	\$ -	\$ 20,463
Remeasurement of defined benefit obligations	18,241	- (	288)	17,953
Allowance for bad debts	6,400	(12)	-	6,388
Accumulated unused compensated absences	6,473	1,167	-	7,640
Allowance for inventory valuation losses and loss for obsolete and slow- moving inventories	24,288	(14,476)	-	9,812
Amortisation of discounts on corporate bonds	7,344	5,716	-	13,060
Cumulative translation adjustment of long-term equity investment	36,998	- (	2,425)	34,573
Others	47,993	(1,757)	-	46,236
Total	<u>\$ 151,674</u>	<u>\$ 7,164</u>	<u>(\$ 2,713)</u>	<u>\$ 156,125</u>
- Deferred tax liabilities				
Gain on overseas long-term investment	(\$ 872,757)	(\$ 225,588)	\$ -	(\$ 1,098,345)
Cumulative translation adjustment of long-term equity investments	-	-	-	-
Adjustment of land value increment tax	(800)	-	- (	800)
Unrealised gain on valuation of financial instruments	(16,639)	465	1,300	(14,874)
Others	(66,282)	10,511	-	(55,771)
Total	<u>(\$ 956,478)</u>	<u>(\$ 214,612)</u>	<u>\$ 1,300</u>	<u>(\$ 1,169,790)</u>

2019				
	January 1, 2020	Recognised in profit or loss	Recognised in other comprehensive income	December 31, 2020
Deferred tax assets:				
- Temporary differences:				
Unrealised exchange loss	\$ 9,982	(\$ 6,045)	\$ -	\$ 3,937
Income tax expense	981	(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 equity investments	-	-	36,998	36,988
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	(\$ 588,227)	(\$ 284,530)	\$ -	(\$ 872,757)
Cumulative translation adjustment of long-term equity investments	(15,832)	-	15,832	-
Adjustment of land value increment tax	(800)	-	-	(800)
Unrealised 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>

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

E. Merry Healthcare Co., Ltd. Taiwan Branch's (CAYMAN) income tax returns through 2018 have been assessed and approved by the Tax Authority.

F. Biotest Medical Corporation's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(31) Earnings per share

	Year ended December 31, 2020		
		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,321,943</u>	<u>206,892</u>	<u>\$ 6.39</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	1,321,943	206,892	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	979	
Convertible bonds	25,824	16,297	
Employee restricted shares	<u>-</u>	<u>158</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,347,767</u>	<u>224,326</u>	<u>\$ 6.01</u>

	Year ended December 31, 2019		
		Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
	Amount after tax		
<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

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

(32) Business combinations

- A. On July 31, 2019, the Group acquired 94.2% of ordinary shares of Biotest Medical Corporation in cash amounting to \$9,420 thousand and obtained control over the 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>July 31, 2019</u>
Purchase consideration	
Cash paid	\$ 9,420
Fair value of equity interest in Biotest Medical Corporation held before the business combination	<u>5,220</u>
	<u>14,640</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	4,995
Prepayments	57,209
Other current assets	60
Intangible assets	9,000
Refundable deposits	61
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)
Add: Carrying amount of cash when acquired	<u>4,995</u>
Effect of cash from business combination	<u>(\$ 4,425)</u>

- D. The operating revenue included in the consolidated statement of comprehensive income since July 31, 2019 contributed by Biotest Medical Corporation was \$24,822 thousand for the period from July 31, 2019 to December 31, 2019. Biotest Medical Corporation also contributed profit before income tax of \$13,152 thousand over the same period. Had Biotest Medical Corporation been consolidated from January 1, 2019, the consolidated statement of comprehensive income for the year ended December 31, 2019 would show an increase in operating revenue of \$134,851 thousand and profit before income tax of \$2,857 thousand.

(33) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Purchase of property, plant and equipment	\$ 1,820,959	\$ 618,357
Add:		
Opening balance of payable on equipment	77,958	48,588
Ending balance of prepayments for equipment	84,488	41,911
Less:		
Beginning balance of prepayments for equipment	(41,911)	(23,588)
Ending balance of payable on equipment	(356,594)	(77,958)
Cash paid during the year	<u>\$ 1,584,900</u>	<u>\$ 607,310</u>

	Years ended December 31,	
	2020	2019
Purchase of intangible assets	\$ 48,464	\$ 68,122
Add:		
Opening balance of payable	-	2,652
Ending balance of prepayments	37,436	30,953
Less:		
Opening balance of prepayments	(30,953)	(32,046)
Ending balance of payable	(4,344)	-
Cash paid during the year	<u>\$ 50,603</u>	<u>\$ 69,681</u>
B. Financial assets at fair value through profit or loss		
	Years ended December 31,	
	2020	2019
Change in financial assets at fair value through profit or loss	\$ 47,492	\$ 158,903
Less:		
Unpaid purchases during the year	(306)	-
Net cash flows used during the year	<u>\$ 47,186</u>	<u>\$ 158,903</u>
C. Financial assets at fair value through other comprehensive income		
	Years ended December 31,	
	2020	2019
Disposal of financial assets at fair value through other comprehensive income	(\$ 202,651)	(\$ 147,651)
Add: Uncollected proceeds from disposal during the year	-	4,336
Less: Collected proceeds from prior period disposal	(4,336)	-
Net cash flows received during the period	<u>(\$ 206,987)</u>	<u>(\$ 143,315)</u>
D. Financing activities with no cash flow effects:		
	Years ended December 31,	
	2020	2019
Convertible bonds being converted to common stocks	<u>\$ 4,135</u>	<u>\$ 48,851</u>

(34) Changes in liabilities from financing activities

	Short-term borrowings	Lease liability	Convertible bond	Long-term borrowings	Dividends payable	Other non-current liabilities	Liabilities from financing activities-gross
At January 1, 2020	\$ 470,890	\$118,813	\$ 2,229,959	\$ 62,000	\$ -	\$ 496,302	\$ 3,377,964
Changes in cash flow from financing activities	2,776,622	(192,834)	-	745,693	(1,608,376)	42,477	1,763,582
Additions	-	-	-	-	1,608,376	-	1,608,376
Impact of changes in foreign exchange rate	23,977	(2,508)	-	(274)	-	(1,091)	20,104
Changes in other non-cash items	-	338,185	(26,158)	-	-	(405,604)	(93,577)
At December 31, 2020	<u>\$ 3,271,489</u>	<u>\$261,656</u>	<u>\$ 2,203,801</u>	<u>\$ 807,419</u>	<u>\$ -</u>	<u>\$ 132,084</u>	<u>\$ 6,676,449</u>

	Short-term borrowings	Lease liability	Convertible bond	Long-term borrowings	Dividends payable	Other non-current liabilities	Liabilities from financing activities-gross
At January 1, 2019	\$ 4,753,434	\$ -	\$ 2,882,721	\$ -	\$ -	\$ 489,545	\$ 8,125,700
Changes in cash flow from financing activities	(4,269,747)	(96,425)	-	-	(1,751,419)	7,430	(6,048,161)
Impact of changes in foreign exchange rate	(12,797)	-	-	62,000	1,751,419	(314)	1,738,308
Changes in other non-cash items	-	215,238	(652,762)	-	-	(359)	(437,883)
At December 31, 2020	<u>\$ 470,890</u>	<u>\$ 118,813</u>	<u>\$ 2,229,959</u>	<u>\$ 62,000</u>	<u>\$ -</u>	<u>\$ 496,302</u>	<u>\$ 3,377,964</u>

(35) Government grants

- For the year ended December 31, 2016, the subsidiary, MECL, entered into a subsidy agreement with Economy, Trade and Information Commission of Shenzhen Municipality, which agreed to subsidise the Company with the maximum of RMB 3 million to purchase equipment and computer software during the period from April 2016 to April 2018. As of December 31, 2020, the Company received RMB 3 million (shown as other non-current liabilities) ; however, RMB 562 thousand (NTD 2,404 thousand) has still not yet been recognised as grants revenue.
- For the year ended December 31, 2019, 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 1,744 thousand (NTD 7,999 thousand).
- For the year ended December 31, 2018, the subsidiary, MECL, applied for the first batch of the Longhua District Enterprise R&D Investment Funding from Longhua District Science and Technology Innovation Bureau for the total subsidies amounting to RMB 3,282 thousand (NTD 13,965 thousand).
- For the year ended December 31, 2020, the subsidiary, MECL, received the electricity subsidy for enterprises in advanced and high-tech manufacturing amounting to RMB 2,233 thousand (NTD 9,553 thousand) from Shenzhen Power Supply Co., Ltd.
- For the year ended December 31, 2020, the subsidiary, MECL, received the patent subsidy amounting to RMB 458 thousand (NTD 1,959 thousand) from Market Supervision Administration of Shenzhen Municipality.

- F. For the year ended December 31, 2020, the Company, MEHO, applied for government subsidies for working capital and salary compensation from Industrial Development Bureau, Ministry of Economic Affairs for the total amount of NTD 45,442 thousand. As of December 31, 2020, the Company received subsidies amounting to NTD 44,751 thousand.
- G. For the year ended December 31, 2020, the subsidiary, MEST, received the subsidy amounting to HKD 572 thousand (NTD 2,177 thousand) under the 'Employment Support Scheme' from the local government.
- H. For the year ended December 31, 2020, the subsidiary, MECL, received the subsidy for technological transformation amounting to RMB 4,980 thousand (NTD 21,304 thousand) from Shenzhen Industrial and Information Technology Bureau.
- I. For the year ended December 31, 2020, the subsidiary, MECL, received the subsidy for enterprise research and development amounting to RMB 1,401 thousand (NTD 5,950 thousand) from Science, Technology and Innovation Commission of Shenzhen Municipality.
- J. For the year ended December 31, 2020, the subsidiary, MESH, received the subsidy amounting to SGD 504 thousand (NTD 10,810 thousand) under the 'Jobs Support Scheme' from the local government.
- K. For the year ended December 31, 2020, the subsidiary, SOCV, received the subsidy amounting to CAD 315 thousand (NTD 6,936 thousand) under the 'Emergency Wage Subsidy Program' from the local government.
- L. For the year ended December 31, 2020, the subsidiary, MECL, received the subsidy amounting to RMB 520 thousand (NTD 2,211 thousand) under the stabilisation subsidy from the local government.
- M. For the year ended December 31, 2020, the subsidiary, MECL, received the subsidy for technological transformation amounting to RMB 5 million (NTD 21,390 thousand) from Shenzhen Longhua District Industrial and Information Technology Bureau.
- N. For the year ended December 31, 2020, the subsidiary, MECL, received the subsidy for work-based vocational training amounting to RMB 5 million (NTD 21,390 thousand) from Shenzhen Longhua District Human Resources Bureau.

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7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Name	Relationship
Merry Electronics (Suzhou) Co., Ltd. (MECE)	Affiliated company
Merry Electronics (Huizhou) Co., Ltd. (MECH)	Affiliated company
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. (NEOCENE)	Other related party (Note 1)
Merry Fuling Co., Ltd.	Other related party
Taiwab Branch (MHNCTW)	
BESKYTTE HUANG & CO	Other related party
Luxshare Precision Limited	Other related party (Note 2)
Luxshare Precision Industry Co., Ltd	Other related party (Note 2)
Luxshare-ICT (Vietnam) Limited (Luxshare-ICT (Vietnam))	Other related party (Note 2)
Luxshare Electronic Technology (Kunshan) Co., Ltd.	Other related party (Note 2)
Lanto Electronic Limited	Other related party (Note 2)
Dongguan Luxshare Precision Industry Co., Ltd.	Other related party (Note 2)
Luxshare Precision Limited (HK)	Other related party (Note 2)

Note 1: NEOCENE is no longer a related party of the Group after the re-election of all directors and supervisors of the Company in June 2019.

Note 2: A corporate director of the Group's subsidiary, MEVN, and the entity both belong to Luxshare group.

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2020	2019
Sales of goods:		
Luxshare Precision Limited (HK)	\$ 197,757	\$ -
MECH	73,223	28,015
MECE	4,577	23,946
MEDG	-	32,856
Others	8,458	5,787
Total	<u>\$ 284,015</u>	<u>\$ 90,604</u>

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

	Years ended December 31,	
	2020	2019
Purchases of goods		
MECE	\$ 10,002,492	\$ 12,149,308
MECH	5,730,365	4,050,323
MEDG	-	1,005,709
Others	641,586	6
Total	<u>\$ 16,374,443</u>	<u>\$ 17,205,346</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, 2020	December 31, 2019
Accounts receivable		
Luxshare Precision Limited (HK)	\$ 214,473	\$ -
MECH	46,822	-
MECE	10,276	11,946
Others	1,961	988
Total	<u>\$ 273,532</u>	<u>\$ 12,934</u>
Other receivables		
MECH	\$ 703,400	\$ 328,449
MECE	2,155	37,559
MEDG	-	18,926
Others	-	434
Total	<u>\$ 705,555</u>	<u>\$ 385,368</u>

Other receivables as of December 31, 2020 and 2019 mainly were the purchases of raw materials on behalf of MECH, MECE and MEDG.

D. Payables to related parties

	December 31, 2020	December 31, 2019
Accounts payable		
MECE	\$ 2,505,588	\$ 3,074,208
MECH	1,469,889	579,327
Others	192,000	266,716
Total	<u>\$ 4,167,477</u>	<u>\$ 3,920,251</u>
Other payables		
MECE	\$ 54,169	\$ 91,481
Others	100	46,222
Total	<u>\$ 54,269</u>	<u>\$ 137,703</u>

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

E. Property transactions

(a) Acquisition of property, plant and equipment:

	Years ended December 31,	
	2020	2019
Luxshare-ICT (Vietnam)	\$ 8,732	\$ -
MECH	7,317	-
MECE	3,294	84,343
MEDG	1,743	80,756
Total	<u>\$ 21,086</u>	<u>\$ 165,099</u>

(b) Disposal of property, plant and equipment:

	Years ended December 31,			
	2020		2019	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
MECE	\$ -	\$ -	\$ 326	\$ -
MEDG	-	-	375	-
MECH	4,632	386	446	-
Total	<u>\$ 4,632</u>	<u>\$ 386</u>	<u>\$ 1,147</u>	<u>\$ -</u>

F. Other current assets - temporary debits of other expenses

	Years ended December 31,	
	2020	2019
BESKYTTE HUANG & CO	<u>\$ 1,066</u>	<u>\$ -</u>

Other current assets mainly were temporary debits of brand royalties.

G. Other income

	Years ended December 31,	
	2020	2019
BESKYTTE HUANG & CO	<u>\$ 1,031</u>	<u>\$ -</u>

Other income mainly was the disposal of other assets recognized as expenses in prior year.

(3) Key management compensation

	Years ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	\$ 80,622	\$ 117,777
Post-employment benefits	493	247
Share-based payments	20,659	18,635
	<u>\$ 101,774</u>	<u>\$ 136,659</u>

8. PLEDGED ASSETS

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Time deposits (pledge) (as other non-current assets)	\$ <u>12,200</u>	\$ <u>-</u>	Project guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ 350,813	\$ 256,968
Intangible assets	<u>7,412</u>	<u>186,405</u>
	<u>\$ 358,225</u>	<u>\$ 443,373</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

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, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total debt	\$ 21,884,605	\$ 12,797,178
Total assets	34,155,348	25,795,570
Debt ratio	64%	50%

(2) Financial instruments

A. Financial instruments by category

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	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 105,387	\$ 38,214
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 1,536,272	\$ 2,614,763
Qualifying equity instrument	232,060	120,721
	<u>\$ 1,768,332</u>	<u>\$ 2,735,484</u>
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 3,046,963	\$ 6,589,863
Accounts receivable (including due from related parties)	12,714,950	5,461,315
Other receivables (including due from related parties)	776,641	434,853
Guarantee deposits paid	71,625	17,577
Financial assets at amortised cost	866,600	-
	<u>\$ 17,476,779</u>	<u>\$ 12,503,608</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 30,047	\$ 11,799
Short-term borrowings	3,271,489	470,890
Notes payable	-	74
Accounts payable (including payable to related parties)	10,634,407	6,693,692
Other accounts payable (including payable to related parties)	1,655,453	1,110,729
Lease liability	261,656	118,813
Corporate bonds payable (including current portion)	2,203,801	2,229,959
Long-term borrowings	807,419	62,000
Guarantee deposits received	29,329	2,828
	<u>\$ 18,893,601</u>	<u>\$ 10,700,784</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, RMB and HKD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Company treasury is responsible for hedging the entire foreign exchange risk exposure. Exchange rate risk is measured through a forecast of highly probable USD and RMB income and expenditures. The Company treasury uses natural hedge to decrease the risk exposure in the foreign currency.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RMB, HKD and CAD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

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December 31, 2020

	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	\$ 11,164	28.48	\$ 317,951	3%	\$ 9,539	\$ -
RMB : NTD	2,882	4.38	12,615	3%	378	-
USD : HKD	8,736	7.75	248,801	3%	7,464	-
HKD : NTD	201	3.67	738	3%	22	-
USD : RMB	9,412	6.51	268,054	3%	8,042	-
USD : THB	1,390	29.80	39,587	3%	1,188	-
RMB : HKD	2,534	1.19	11,091	3%	333	-
<u>Receivables</u>						
USD : HKD	\$ 1,321	7.75	\$ 37,622	3%	\$ 1,129	\$ -
USD : NTD	366,711	28.48	10,443,929	3%	313,318	-
USD : RMB	115,742	6.51	3,296,332	3%	98,890	-
USD : THB	5,126	29.80	145,988	3%	4,380	-
SGD : USD	-	0.76	-	3%	-	-
<u>Non-monetary items</u>						
<u>Current financial investments</u>						
<u>at fair value through other</u>						
<u>comprehensive income</u>						
USD : NTD	\$ 8,000	28.48	\$ 227,840	3%	6,335	\$ -
<u>Current financial assets at</u>						
<u>amortised</u>						
USD : NTD	\$ 3,000	28.48	\$ 85,440	3%	2,563	\$ -

December 31, 2020

	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>Investments accounted for using the equity method</u>						
USD : NTD	\$ 110,476	28.48	\$ 3,146,355	3%	\$ -	\$ 94,391
HKD : NTD	247,654	3.67	909,632	3%	-	27,289
RMB : NTD	85,181	4.38	372,839	3%	-	11,185
<u>Financial liabilities</u>						
<u>Non-monetary items</u>						
<u>Bank loan</u>						
USD : NTD	\$ 48,000	28.48	\$ 1,367,040	3%	\$ 41,011	\$ -
USD : RMB	42,815	6.51	1,219,371	3%	36,581	-
USD : CAD	2,600	0.78	74,048	3%	2,221	-
RMB : NTD	4,500	4.38	19,697	3%	591	-
<u>Payables</u>						
HKD : RMB	\$ 234	0.84	\$ 859	3%	\$ 26	\$ -
RMB : NTD	213,075	4.38	932,629	3%	27,979	-
USD : NTD	230,702	28.48	6,570,393	3%	197,112	-
USD : RMB	61,494	6.51	1,751,349	3%	52,540	-

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	\$ 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	7.7890	\$ 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	-
<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

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
<u>Investments accounted for using the 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	\$ 3,000	29.9800	\$ 89,940	3%	\$ 2,698	\$ -
USD : RMB	9,435	6.9640	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	-

Total exchange gain (loss), including realised and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to a loss of \$252,192 thousand and a loss of \$10,780 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 years ended December 31, 2020 and 2019 would have increased/decreased by \$794 thousand and \$654 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 \$46,088 thousand and \$78,443 thousand, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's borrowings are measured at 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 (loss), net of tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$8,158 thousand and \$1,066 thousand, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. For banks and financial institutions, the Group transacts with a variety of banks and financial institutions, mainly domestic and overseas well-known financial institutions, to avoid concentration in any single counterparty and to minimise credit risk. The Group can only enter into the financial services and loan agreement provided by banks and financial institutions after being approved by the Board of Directors or authorised management according to the Company's delegation of authorisation policy. To prevent legal risks, all the Group signs with banks and financial institutions after all documents are examined by counsel or legal advisor profession. The Group periodically checks the credit rating, conditions and quality of service as well as transactions. According to the Group's operating condition, the credit limits and 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 Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) For investments in bonds that are traded over the counter, if any external credit rating

agency rates these bonds as investment grade, the credit risk of these financial assets is low.

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable, contract assets in accordance with geographic area. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. The Group used the forecastability of adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. As of December 31, 2020 and 2019, the provision matrix is as follows:

	Not past due	Up to 30 days	31 to 90 days	Over 90 days	Total
<u>December 31, 2020</u>					
Expected loss rate	0.02%	2.13%	25.59%	100%	
Total book value	\$ 12,401,873	\$ 38,897	\$ 6,066	\$ 24,258	\$ 12,471,094
Loss allowance	(\$ 3,038)	(\$ 828)	(\$ 1,552)	(\$ 24,258)	(\$ 29,676)
	Not past due	Up to 30 days	31 to 90 days	Over 90 days	Total
<u>December 31, 2019</u>					
Expected loss rate	0.06%	13.94%	16.23%	100.00%	
Total book value	\$ 5,425,988	\$ 11,003	\$ 19,593	\$ 21,304	\$ 5,477,888
Loss allowance	(\$ 3,489)	(\$ 1,534)	(\$ 3,180)	(\$ 21,304)	(\$ 29,507)

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

	2020
	Accounts receivable
At January 1	\$ 29,507
Provision for impairment	175
Effect of foreign exchange	(6)
At December 31	\$ 29,676

	2019
	Accounts receivable
At January 1	\$ 9,349
Provision for impairment	20,130
Effect of foreign exchange	28
At December 31	<u>\$ 29,507</u>

For provisioned loss during the years ended December 31, 2020 and 2019, the impairment losses arising from customers' contracts were a loss of \$175 thousand and a loss of \$20,130 thousand, respectively.

- x. For the years ended December 31, 2020 and 2019, there was no loss allowance for investments in debt instruments at fair value through other comprehensive income.
- 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, 2020			
		Lifetime		
		Significant		
	12 months	increase in	Impairment	Total
		credit risk	of credit	
Financial assets at fair value through other comprehensive income				
Group 1	<u>\$ 85,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,815</u>
	December 31, 2019			
		Lifetime		
		Significant		
		increase in	Impairment	
	12 months	credit risk	of credit	Total
Financial assets at fair value through other comprehensive income				
Group 1	<u>\$ 120,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,721</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 Group has \$7,597,976 thousand and \$10,698,351 thousand in undrawn borrowing facilities as of December 31, 2020 and 2019, respectively.

<u>December 31, 2020</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$2,591,817	\$ 681,792	\$ -	\$ -	\$ -	\$ 3,273,609
Accounts payable	6,062,301	404,629	-	-	-	6,466,930
Accounts payable-related parties	4,043,135	124,342	-	-	-	4,167,477
Other payables (including related parties)	1,588,845	66,608	-	-	-	1,655,453
Lease liabilities	39,865	110,075	57,231	24,612	35,049	266,832
Other current liabilities	76,729	531	-	-	-	77,260
Bonds payable	-	2,231,900	-	-	-	2,231,900
Long-term borrowings	828	10,001	84,284	635,779	87,718	818,610
<u>Derivative financial liabilities</u>						-
Forward exchange contracts	30,047	-	-	-	-	30,047

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
Accounts payable -related parties	3,920,206	45	-	-	-	3,920,251
Other payables (including related parties)	1,080,715	30,014	-	-	-	1,110,729
Lease liabilities	9,346	20,388	18,217	30,374	42,953	121,278
Other current liabilities	48,711	721	-	-	-	49,432
Bonds payable	-	-	-	2,289,500	-	2,289,500
Long-term borrowings	83	295	393	62,606	-	63,377
<u>Derivative financial liabilities</u>						
Forward exchange contracts	11,799	-	-	-	-	11,799

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, and derivative instruments with quoted market prices is included in Level 1.

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

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

- B. Financial instruments not measured at fair value Financial instruments not measured at fair value include the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, long-term and short-term bank borrowings, notes payable, accounts payable and other payables.
- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as at December 31, 2020 and 2019 is as follows:

<u>December 31, 2020</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	\$ -	\$ -	\$ 26,468	\$ 26,468
-Forward exchange contracts	-	26,316	-	26,316
-Fund	52,157	-	-	52,157
-Call options of convertible bonds	-	-	446	446
Financial assets at fair value				
through other comprehensive income				
-Equity securities	1,402,262	-	134,010	1,536,272
-Debt securities	232,060	-	-	232,060
Total	<u>\$ 1,686,479</u>	<u>\$ 26,316</u>	<u>\$ 160,924</u>	<u>\$ 1,873,719</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value				
through profit or loss				
-Forward exchange contracts	<u>\$ -</u>	<u>\$ 30,047</u>	<u>\$ -</u>	<u>\$ 30,047</u>

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
-Forward exchange contracts	-	14,138	-	14,138
-Call options of convertible bonds	-	-	2,290	2,290
Financial assets at fair value through other comprehensive income				
-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 through profit or loss				
-Forward exchange contracts	<u>\$ -</u>	<u>\$ 11,799</u>	<u>\$ -</u>	<u>\$ 11,799</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:

	Listed shares	Open-end fund
Market quoted price	Closing price at evaluation date	Net asset value at evaluation date
ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods.		
iii. Forward exchange contracts are usually valued based on the current forward exchange rate.		
vi. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.		

- E. For the years ended December 31, 2020 and 2019, 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, 2020 and 2019:

	Years ended December 31,	
	2020	2019
At January 1	\$ 152,921	\$ 165,242
Added in the year	5,167	3,127
Transferred as subsidiaries due to business combination for the year (Note)	- (	5,220)
Proceeds collected from the capital reduction for the year	- (	7,830)
Losses recognised in profit or loss	(1,844)	(1,910)
Gains (losses) recognised in other comprehensive income	4,680	(488)
At December 31	<u>\$ 160,924</u>	<u>\$ 152,921</u>

Note: On February 26, 2019, the Board of Directors resolved the business combination of BTTT with the equity transfer date set on July 31, 2019. Please refer to Note 6(32) for details.

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, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity securities	\$ 134,010	Market comparable companies	Price to book ratio multiple	\$ 15,818	The higher the multiplier, the higher the fair value
Private equity funds in venture capital	26,468	Net asset value	N/A	26,468	N/A
Call options of convertible bonds	446	Binary tree convertible bond valuation model	Risk-free interest rate	0.0544%	The higher the risk-free interest rate, the lower the fair value

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity securities	\$ 129,330	Market comparable companies	Price to book ratio multiple	\$ 15,267	The higher the multiplier, the higher the fair value
Private equity funds in venture capital	21,301	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

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:

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			December 31, 2020			
			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%	446	(223)	-	-
	Volatility	±5%	223	(223)	-	-
Equity securities	Cash flow	±10%	-	-	13,401	(13,401)
			<u>\$ 669</u>	<u>(\$ 446)</u>	<u>\$ 13,401</u>	<u>(\$ 13,401)</u>
			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%	-	-	12,933	(12,933)
			<u>\$ 3,893</u>	<u>(\$ 1,374)</u>	<u>\$ 12,933</u>	<u>(\$ 12,933)</u>

(4) Assessment of impact of COVID-19

The Group was adversely affected by the COVID-19 pandemic during the 2020. As a result, production of some of the Group's factories came to a halt and orders were delayed. As of December 31, 2020, all factories have resumed operations. Additionally, although the Group's sales orders from certain areas have declined because of the said pandemic, the Group's overall business and financial position were not significantly impacted based on the Group's assessment.

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: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- 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 6.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- 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 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 9.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 11.

(4) Major shareholders information

Major shareholders information: None.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

A. The segment information provided to the chief operating decision-maker for the reportable segments for the year ended December 31, 2020 is as follows:

	<u>Taiwan</u>	<u>Shenzhen</u>	<u>Singapore</u>	<u>Others</u>	<u>Total</u>
Revenue					
Revenue from external customers	\$26,906,884	\$ 1,130,000	\$ 5,248,628	\$ 1,159,307	\$ 34,444,819
Inter-segment revenue	9,165	12,179,595	-	1,829,296	14,018,056
Revenue total	<u>\$26,916,049</u>	<u>\$ 13,309,595</u>	<u>\$ 5,248,628</u>	<u>\$ 2,988,603</u>	<u>\$ 48,462,875</u>
Segment profit (loss)	<u>\$ 1,321,943</u>	<u>\$ 228,432</u>	<u>\$ 518,927</u>	<u>(\$ 747,359)</u>	<u>\$ 1,321,943</u>
Segment profit (loss) contains :					
Interest revenue	\$ 26,887	\$ 15,323	\$ -	\$ 1,702	\$ 43,912
Interest expense	40,154	15,392	805	4,466	60,817
Depreciation & amortization	76,528	288,474	4,487	240,358	609,847
Income tax expense	246,666	39,655	106,306	(9,322)	383,305
Recognised investment profit which is adopting equity method	1,124,731	-	-	(642,599)	482,132

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, 2019 is as follows:

	<u>Taiwan</u>	<u>Shenzhen</u>	<u>Singapore</u>	<u>Others</u>	<u>Total</u>
Revenue					
Revenue from external customer	\$ 30,645,273	\$ 324,047	\$ 4,185,613	\$ 1,242,860	\$36,397,793
Inter-segment revenue	78,386	14,680,937	24,820	564,519	15,348,662
Revenue total	<u>\$ 30,723,659</u>	<u>\$15,004,984</u>	<u>\$ 4,210,433</u>	<u>\$ 1,807,379</u>	<u>\$51,746,455</u>
Segment profit (loss)	<u>\$ 2,548,612</u>	<u>\$ 129,310</u>	<u>\$ 304,673</u>	<u>(\$ 433,983)</u>	<u>\$ 2,548,612</u>
Segment profit (loss) contains :					
Interest revenue	\$ 48,522	\$ 23,984	\$ -	\$ 2,506	\$ 75,012
Interest expense	63,385	12,490	419	5,025	81,319
Depreciation & amortization	83,384	139,190	880	188,730	412,184
Income tax expense	597,188	67,120	66,334	(15,591)	715,051
Recognised investment profit which is adopting equity method	1,441,489	-	-	(776,932)	664,557

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>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Adjusted revenue from reportable segments	\$ 45,474,272	\$ 49,939,076
Adjusted revenue from other operating segments	2,988,603	1,807,379
Total operating segments	48,462,875	51,746,455
Elimination of inter-segment revenue	(14,018,056)	(15,348,662)
Total consolidated operating revenue	<u>\$ 34,444,819</u>	<u>\$ 36,397,793</u>

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

	Years ended December 31,	
	2020	2019
Adjusted income from reportable segments after income tax	\$ 2,069,302	\$ 2,981,416
Adjusted income from other operating segments after income tax	206,382	500,082
Total operating segments revenue	2,275,684	3,481,498
	(953,741)	(932,886)
Income from continuing operations after income tax	<u>\$ 1,321,943</u>	<u>\$ 2,548,612</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,	
	2020	2019
Finished goods sales revenue	\$ 34,202,784	\$ 36,328,892
Technical service revenue	242,035	68,901
	<u>\$ 34,444,819</u>	<u>\$ 36,397,793</u>

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Revenue	Non-current assets	Revenue	Non-current assets
US	\$ 15,191,569	\$ 1,144	\$ 17,755,399	\$ 1,039
Switzerland	3,380,986	-	1,873,498	-
Denmark	5,209,387	-	5,026,268	-
China	1,806,184	1,752,409	2,122,596	1,075,391
Netherlands	5,008,577	-	5,688,103	-
Others	3,848,116	3,915,167	3,931,929	2,950,282
	<u>\$ 34,444,819</u>	<u>\$ 5,668,720</u>	<u>\$ 36,397,793</u>	<u>\$ 4,026,712</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2020 and 2019 is as follows:

Year ended December 31, 2020				Year ended December 31, 2019			
	Revenue	%	Segment		Revenue	%	Segment
A	\$ 9,680,291	28	Taiwan	B	\$ 11,744,903	32	Taiwan
B	9,518,166	28	Taiwan	C	11,598,275	32	Taiwan
C	3,456,910	10	Taiwan		-	-	
	<u>\$ 22,655,367</u>				<u>\$ 23,343,178</u>		

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MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 1

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance for the year ended December 31, 2020	Balance at December 31, 2020	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
													Item	Value			
0	MEHO	BTTC	Other receivables	Y	\$ 180,000	\$ -	-	-	2	\$ -	Business operation	\$ -	-	\$ -	4,708,678	\$ 4,708,678	
0	MEHO	MEIC	Other receivables	Y	200,000	-	-	-	2	-	Business operation	-	-	-	4,708,678	4,708,678	
1	ASCX	ETCX	Other receivables	Y	4,377	-	-	-	2	-	Business operation	-	-	-	35,476	4,708,678	
2	MECL	ETCX	Other receivables	Y	8,754	-	-	-	2	-	Business operation	-	-	-	1,120,096	4,708,678	

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.

Note 3: (1) For business transactions, limit on loans granted for a single party is 40% of the net assets of the Company.

(2) For short-term financing.

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2020

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, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by		Footnote
		Endorser/ guarantor (Note 2)	Company name								parent company to subsidiary	subsidiary to parent company	
0	MEHO	2	BTTT	\$ 9,417,357	\$ 1,700,000	\$ -	\$ -	-	0.00%	\$ 11,771,696	Y	N	N
0	MEHO	2	SENM	\$ 9,417,357	\$ 28,480	\$ 28,480	\$ -	-	0.24%	\$ 11,771,696	Y	N	N
0	MEHO	2	SOCV	\$ 9,417,357	\$ 99,680	\$ 99,680	\$ 74,048	-	0.85%	\$ 11,771,696	Y	N	N

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

(1) The Company is '0'.

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

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

(1) Having business relationship

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

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

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

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

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2020			Note
				Number of shares	Book value (in thousands)	Ownership (%)	
The Company	76324296A KGI Taiwan Multi-Asset Income Fund A TWD	-	Financial assets mandatorily measured at fair value through profit or loss Valuation adjustment	5,015	\$ 50,000 2,157	-	\$ 52,157
The Company	JAFCO	-	Non-current financial assets mandatorily measured at fair value through profit or loss	875	\$ 52,157 26,468	0.71%	\$ 26,468
The Company	2881B.TW	-	Equity instruments measured at fair value through other comprehensive income	683	40,980	-	42,687
The Company	2882B.TW	-	Equity instruments measured at fair value through other comprehensive income	585	35,100	-	36,797
The Company	5871A	-	Equity instruments measured at fair value through other comprehensive income	300	30,000	-	29,880
The Company	P18QNB3F10306	-	Equity instruments measured at fair value through other comprehensive income	3,000	89,530	-	85,815
			Valuation adjustment		195,630		\$ 195,179
					(451)		\$
					195,179		
The Company	Stock - 4943.TW	-	Measured at fair value through other comprehensive income - non-current	13,905	648,164	8.84%	1,202,761
The Company	Stock - 3290.TW	-	Measured at fair value through other comprehensive income - non-current	5,723	99,990	5.75%	90,137
The Company	Stock - FUJITER Semiconductor CO.,LTD.	-	Measured at fair value through other comprehensive income - non-current	2,126	27,811	9.79%	15,563
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	683	6,425	5.17%	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 Intelligent Technology Limited	-	Measured at fair value through other comprehensive income - non-current	75	8,772	6.35%	8,772
The Company	Stock - MERRY FULING CO., LTD., TAIWAN BRANCH (SAMOA)	-	Measured at fair value through other comprehensive income - non-current	356	10,437	19.00%	10,437
The Company	Bond - XS218687550	-	Equity instruments measured at fair value through other comprehensive income	5,000	144,625	-	146,245
			Valuation adjustment		951,323		\$ 1,483,463
					535,116		
					(2,976)		\$
					1,483,463		
MEST	Stock - Perfect Fortune Inc.	-	Measured at fair value through other comprehensive income - non-current	2,126	7,810	18.33%	60,297
MEST	Stock - LOYAL WIRE& CABLE COMPANY LTD.	-	Measured at fair value through other comprehensive income - non-current	1,159	7,530	18.33%	29,393
			Valuation adjustment		15,340		\$ 89,690
					74,350		
					89,690		

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2020

Table 4

Table 4															Expressed in thousands of NTD (Except as otherwise indicated)	
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2020			Addition		Disposal			Balance as at December 31, 2020			
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount		
The Company	Stocks	Long-term investments accounted for using the equity method - MEVN	MERRY & LUXSHARE (VIETNAM) CO.,LTD.	A subsidiary	-	\$ -	-	\$ 366,710	-	\$ -	-	\$ -	-	\$ -	366,710	

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

Year ended December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer		Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate commitments	
MEVN	Plant	May 11, 2020	\$ 483,488	411,436	HOP LUC CONSTRUC- TION JOINT STOCK COMPANY	None	-	-	-	-	-	-	-	-

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction		Differences in transaction terms compared to third party transactions (Note 1)				Notes/accounts receivable (payable)	
				Percentage of total purchases (sales)	Amount	Credit term	Unit price	Credit term	Balance (Note 2)	Percentage of total notes/accounts receivable (payable)	Note
The Company	MECL	A subsidiary of the Company	Purchases	31%	\$ 10,838,828	60 days end of month after offsetting with accounts receivable	(Note 1)	30-120 days end of month for the third parties	\$ 3,767,983	35%	(Note 3)
The Company	MECE	Investment accounted for using the equity method	Purchases	28%	9,815,633	60 days end of month after offsetting with accounts receivable	(Note 1)	30-120 days end of month for the third parties	(2,420,239)	23%	
The Company	MECH	Investment accounted for using the equity method	Purchases	10%	3,614,382	60 days end of month after offsetting with accounts receivable	(Note 1)	30-120 days end of month for the third parties	(754,255)	7%	
The Company	Luxshare-ICT (Vietnam) Limited	Other related party	Purchases	1%	509,662	60 days end of month	(Note 1)	30-120 days end of month for the third parties	(93,618)	1%	
The Company	MEVN	A subsidiary of the Company	Purchases	1%	426,183	60 days end of month after offsetting with accounts receivable	(Note 1)	30-120 days end of month for the third parties	(208,719)	2%	(Note 3)
METC	The Company	Parent Company	Purchases	2%	573,052	60 days end of month after offsetting with accounts receivable	(Note 1)	30-120 days end of month for the third parties	(271,532)	3%	(Note 3)
MESG	MECH	Investment accounted for using the equity method	Purchases	6%	2,113,650	60 days end of month after offsetting with accounts receivable	(Note 1)	30-120 days end of month for the third parties	(715,525)	7%	
MESG	METC	A subsidiary of the Company	Purchases	3%	1,171,234	60 days end of month after offsetting with accounts receivable	(Note 1)	30-120 days end of month for the third parties	(162,512)	2%	(Note 3)
MESG	MECL	A subsidiary of the Company	Purchases	4%	1,283,027	60 days end of month after offsetting with accounts receivable	(Note 1)	30-120 days end of month for the third parties	(423,290)	4%	(Note 3)

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

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

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

December 31, 2020

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020 (Note 1)	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 2)	Allowance for doubtful accounts
				Turnover rate	Amount		
The Company	METC	A subsidiary of the Company	\$ 271,532	2.89	\$ -	\$ -	-
MECL	The Company	Parent Company	3,767,983	3.92	-	3,194,020	-
MECL	MESG	A subsidiary of the Company	423,290	3.61	-	138,472	-
METC	MESG	A subsidiary of the Company	162,512	8.24	-	65,724	-
MEVN	The Company	Parent Company	208,719	4.08	-	181,236	-

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

Note 2: The balance was as at February 25, 2021.

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 8

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	
0	MEHO	MECL	1	Purchases	\$ 10,838,828	31%
0	MEHO	MECL	1	Accounts payable	3,767,983	11%
0	MEHO	MEVN	1	Purchases	426,183	1%
0	MEHO	MEVN	1	Accounts payable	208,719	1%
1	METC	MEHO	2	Purchases	573,052	2%
1	METC	MEHO	2	Accounts payable	271,532	1%
2	MESG	MECL	3	Purchases	1,283,027	4%
2	MESG	METC	3	Purchases	1,171,234	3%
2	MESG	MECL	3	Accounts payable	423,290	1%
2	MESG	METC	3	Accounts payable	162,512	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. AND SUBSIDIARIES

Information on investees
Year ended December 31, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Note
				Balance as at December 31, 2020	Balance as at December 31, 2019	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	\$ 4,085,419	\$ 429,868	\$ 417,441	(Note 1)
The Company	DDBV	British Virgin IS.	General investment business	1,479,925	1,479,925	48,005	100.00	3,146,438	262,744	259,314	(Note 1)
The Company	LEOHAB ENTERPRISE CO., LTD.	Taichung City	Plastic injection molding and metal stamping	96,666	96,666	4,986	21.00	49,812	13,959	2,931	
The Company	MECA	U.S.A	Technique, marketing and after service	28,887	28,887	999	99.90	27,373	(7,485)	(7,478)	
The Company	MSG	SINGAPORE	Sales of microphone, receiver and speaker	92,132	92,132	800	100.00	1,128,133	518,927	518,927	
The Company	METC	THAILAND	Microphone, components and product and sale of other electric products	484,358	484,358	5,060	99.99	558,130	32,314	33,401	(Note 1)
The Company	MHKY	CAYMAN	Sales of medical device	887,287	648,129	24,979	100.00	718,627	(71,578)	(71,578)	
The Company	INSA	SAMOA	General investment business	865,832	865,832	-	70.00	756,167	(53,739)	(37,617)	
The Company	BTIT	Taichung City	Sales of medical device	14,640	14,640	9,000	100.00	21,652	(6,140)	(6,140)	
The Company	MEVN	VIETNAM	Manufacture of microphone and speaker	366,710	-	-	51.00	364,484	24,720	12,607	
DDBV	UCMU	MAURITIUS	General investment business	151	151	5	100.00	-	687	-	(Note 2)
DDBV	MTHK	HONG KONG	General investment business	1,392,956	1,392,956	48,000	100.00	3,146,355	262,057	-	(Note 2)
MHKY	FUSA	SAMOA	General investment business	818,916	579,758	-	97.12	732,331	(69,894)	-	(Note 2)
INSA	SOCV	CANADA	Sale and development of speaker and power amplifier	30	30	-	100.00	40,445	(10,562)	-	(Note 2)
SOCV	SOCA	CANADA	General investment business	11,112	11,112	-	100.00	68,001	6,212	-	(Note 2)
SOCA	SENM	NORWAY	Manufacture and sales of speaker monomer	23	23	-	100.00	54,606	6,455	-	(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. AND SUBSIDIARIES

Information on investees in Mainland China

Year ended December 31, 2020

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

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, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Note
				Remitted to Mainland China	Remitted back to Taiwan								
MECL	Microphone, receiver, speaker, security system, induction cooker and other electronic component	\$ 417,321	(Note 2)	\$ -	\$ -	\$ 453,191	\$ 453,191	\$ 201,437	100.00%	\$ 201,437	\$ 2,800,241	\$ 2,282,120	(Note 3)
MECE	Manufacture and sales of microphone, receiver and speaker	2,738,859	(Note 2)	-	-	1,369,285	1,369,285	528,719	49.00%	255,644	3,146,355	295,185	(Note 3)
MECS	International trade, transit trade and trading consulting, trading amongst companies in bonded area and trading agency in the area	7,264	(Note 2)	-	-	6,055	6,055	(437)	49.00%	(214)	1,070	40,321	
Perfect Fortune Inc.	Electric wire, electric cable and other wire processing	42,607	(Note 2 ~ 4)	-	-	107,624	107,624	14,166	18.33%	-	60,294	4,125	
LOYAL WIRE& CABLE COMPANY LTD.	Electric wire, electric cable and other wire processing	122,572	(Note 2 ~ 4)	-	-	-	-	5,845	18.33%	-	29,392	-	
MECH	Manufacture and sales of microphone, receiver, speaker and mobile phone	437,700	(Note 2)	-	-	420,687	420,687	465,563	49.00%	229,121	910,702	-	(Note 3)
FUSZ	Manufacture of medical device	280,930	(Note 2)	-	-	310,763	310,763	(4,769)	97.12%	(4,611)	733,577	-	
MEDG	Research and development of sound equipment, earphones, mobile power supply, charging box, cable, connector, electronic components, plastic hardware, mould and antenna	875,400	(Note 1)	-	-	452,564	452,564	(10,931)	49.00%	(5,350)	372,839	-	
MSCS	Manufacture of speaker and amplifier	151,324	(Note 1)	-	-	79,728	79,728	11,819	70.00%	8,273	104,635	-	
ETCX	Retail sales of hearing products	19,697	(Note 2)	16,772	-	2,237	19,009	(3,650)	97.12%	(3,574)	8,179	-	

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Information on investees in Mainland China
Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 10

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, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020 (Note 5)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Note
				Remitted to Mainland China	Remitted back to Taiwan								
ASCX	Manufacture and sales of hearing aid, hearing device and acoustics equipment	58,044	(Note 2)	-	-	275,537	275,537	16,085	96.63%	15,355	78,170	-	-
LACX	Research and development and technical sales of software for hearing aid use	21,885	(Note 2)	-	-	22,180	22,180	2,513	96.63%	(2,435)	28,767	-	-
ASCZ	Manufacture of hearing aid and acoustics for rehabilitation device	17,508	(Note 2)	-	-	17,744	17,744	3,889	96.63%	(3,755)	26,909	-	-
FUXM	Sales of medical device	304,784	(Note 2)	208,150	-	94,845	302,995	61,408	97.12%	(59,563)	226,195	-	-
							<u>\$ 3,837,362</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.

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
Year ended December 31, 2020

Table 11

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Counterparty	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsemments/guarantees or collaterals		Maximum balance during the year ended December 31, 2020		Financing		Interest during the year ended December 31, 2020		Others
		Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Balance at December 31, 2020	Interest rate	Balance at December 31, 2020	Interest rate	2020		
MECL	MEHO	(\$ 10,838,828)	31%	-	-	(\$ 3,767,983)	35%	\$ -	-	-	-	-	-	\$ -	-	-
MECL	MESG	(1,283,027)	4%	-	-	(423,290)	4%	-	-	-	-	-	-	-	-	-
MECE	MEHO	(9,815,633)	28%	-	-	(2,420,239)	23%	-	-	-	-	-	-	-	-	-
MECH	MEHO	(3,614,382)	10%	-	-	(754,255)	7%	-	-	-	-	-	-	-	-	-
MECH	MESG	(2,113,650)	6%	-	-	(715,525)	7%	-	-	-	-	-	-	-	-	-

MERRY ELECTRONICS CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2020 AND 2019

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying parent company only balance sheets of Merry Electronics Co., Ltd. (the "Company") as at December 31, 2020 and 2019, 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, 2020 and 2019, 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. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Company's 2020 parent company only financial statements. 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.

Key audit matters for the Company's 2020 parent company only financial statements are stated as follows:

Cut-off on sales revenue from distribution warehouse

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 warehouses. Warehouse sales revenue constitutes 36% of total operating revenue for the year ended December 31, 2020. The Company's revenue recognition is based on inventory movement records of warehouse 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 warehouse 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 warehouse 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 the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, 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 auditors' 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 auditors' 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 company 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Wang, Yu-Chuan

Liu, Mei-Lan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 25, 2021

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

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

	Assets	Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	\$ 322,770	1	\$ 4,038,861	18
1110	Financial assets at fair value through profit or loss - current	6(2)	78,919	1	16,913	-
1120	Current financial assets at fair value through other comprehensive income	6(3)	195,179	1	171,906	1
1136	Current financial assets at amortised cost	8	866,600	3	-	-
1140	Current contract assets	6(23)	42,865	-	31,585	-
1170	Accounts receivable, net	6(4)	10,105,104	37	4,466,711	19
1180	Accounts receivable - related parties	7(2)	283,776	1	134,974	1
1200	Other receivables		35,934	-	17,657	-
1210	Other receivables - related parties	7(2)	1,330	-	43,626	-
130X	Inventories	6(6)	1,004,088	4	815,756	4
1410	Prepayments		15,703	-	16,216	-
1479	Other current assets	6(23)	46,138	-	32,710	-
11XX	Current assets		<u>12,998,406</u>	<u>48</u>	<u>9,786,915</u>	<u>43</u>
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	26,468	-	21,301	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	1,483,463	5	2,435,247	11
1550	Investments accounted for under equity method	6(7)	11,333,709	42	9,618,330	42
1600	Property, plant and equipment	6(8)	1,089,776	4	770,937	3
1755	Right-of-use assets	6(9)	4,147	-	7,849	-
1780	Intangible assets	6(10)	259,161	1	287,174	1
1840	Deferred income tax assets	6(29)	102,717	-	88,793	-
1990	Other non-current assets, others		19,514	-	8,755	-
15XX	Non-current assets		<u>14,318,955</u>	<u>52</u>	<u>13,238,386</u>	<u>57</u>
1XXX	Total assets		<u>\$ 27,317,361</u>	<u>100</u>	<u>\$ 23,025,301</u>	<u>100</u>

(Continued)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 1,954,640	7	\$ 89,940	1
2120	Financial liabilities at fair value through profit or loss - current	6(2)	30,047	-	11,799	-
2170	Accounts payable		187,976	1	103,882	1
2180	Accounts payable - related parties	7(2)	7,253,797	27	5,384,900	23
2200	Other payables	6(13)	385,713	1	498,778	2
2220	Other payables - related parties	7(2)	86,966	-	7,124	-
2230	Current income tax liabilities		138,745	1	215,609	1
2300	Other current liabilities	6(14)	3,523,386	13	287,887	1
21XX	Current liabilities		<u>13,561,270</u>	<u>50</u>	<u>6,599,919</u>	<u>29</u>
Non-current liabilities						
2530	Corporate bonds payable	6(14)(15)	-	-	2,229,959	9
2540	Long-term borrowings	6(16)	799,950	3	-	-
2570	Deferred income tax liabilities	6(29)	1,099,149	4	874,025	4
2640	Accrued pension liabilities	6(17)	83,033	-	83,476	-
2645	Guarantee deposits received		1,017	-	1,017	-
2670	Other non-current liabilities		1,246	-	402,928	2
25XX	Non-current liabilities		<u>1,984,395</u>	<u>7</u>	<u>3,591,405</u>	<u>15</u>
2XXX	Total liabilities		<u>15,545,665</u>	<u>57</u>	<u>10,191,324</u>	<u>44</u>
Equity						
Share capital		6(19)				
3110	Share capital - common stock		2,093,332	8	2,086,684	9
Capital surplus		6(20)				
3200	Capital surplus		3,960,123	15	3,870,105	17
Retained earnings		6(21)				
3310	Legal reserve		2,006,040	7	1,745,768	8
3320	Special reserve		269,144	1	269,144	1
3350	Unappropriated retained earnings		3,433,731	13	3,834,442	17
Other equity interest		6(22)				
3400	Other equity interest		9,326	(1)	1,027,834	4
3XXX	Total equity		<u>11,771,696</u>	<u>43</u>	<u>12,833,977</u>	<u>56</u>
Significant contingent liabilities and unrecognised contract commitments		9				
3X2X	Total liabilities and equity		<u>\$ 27,317,361</u>	<u>100</u>	<u>\$ 23,025,301</u>	<u>100</u>

		Years ended December 31,			
		2020		2019	
Items	Notes	AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(23) and 7	\$ 26,916,049	100	\$ 30,648,815	100
5000 Operating costs	6(6)(24) and 7	(25,145,971)	(93)	(27,637,789)	(90)
5900 Net operating margin		<u>1,770,078</u>	<u>7</u>	<u>3,011,026</u>	<u>10</u>
Operating expenses	6(27)(28)				
6100 Selling expenses		(174,589)	(1)	(190,892)	(1)
6200 General and administrative expenses		(515,948)	(2)	(584,741)	(2)
6300 Research and development expenses		(630,752)	(2)	(606,161)	(2)
6450 Expected credit impairment loss	12(2)	(1,015)	-	(1,207)	-
6000 Total operating expenses		(1,322,304)	(5)	(1,383,001)	(5)
6900 Operating profit		<u>447,774</u>	<u>2</u>	<u>1,628,025</u>	<u>5</u>
Non-operating income and expenses					
7100 Interest income	6(24)	26,887	-	48,522	-
7010 Other income	6(25)	80,342	-	97,074	-
7020 Other gains and losses	6(26)	(70,971)	-	(5,693)	-
7050 Finance costs		(40,154)	-	(63,385)	-
7070 Share of profit of associates and joint ventures accounted for using equity method	6(7)	<u>1,124,731</u>	<u>4</u>	<u>1,441,489</u>	<u>5</u>
7000 Total non-operating income and expenses		<u>1,120,835</u>	<u>4</u>	<u>1,518,007</u>	<u>5</u>
7900 Profit before income tax		1,568,609	6	3,146,032	10
7950 Income tax expense	6(29)	(246,666)	(1)	(597,420)	(2)
8200 Profit for the year		<u>\$ 1,321,943</u>	<u>5</u>	<u>\$ 2,548,612</u>	<u>8</u>

(Continued)

		Years ended December 31,			
		2020		2019	
Items	Notes	AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(17)			
		\$	1,439	-	(\$ 15,027)
8316	Unrealised (loss) gain on valuation of financial assets at fair value through other comprehensive income	6(22)			
		(	938,082)	(	4)
8330	Share of other comprehensive loss of associates and joint ventures accounted for using equity method			1,146,956	4
		(	3,985)	-	-
8349	Income tax related to components of other comprehensive loss that will not be reclassified to profit or loss	6(29)			
		(	288)	-	3,005
8310	Components of other comprehensive (loss) income that will not be reclassified to profit or loss				
		(	940,916)	(	4)
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(22)			
		(	57,400)	-	(
8367	Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income, net	6(22)			
			3,220	-	(
8380	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	6(22)			
			74,246	-	(
8399	Income tax relating to the components of other comprehensive (loss) income	6(22)(29)			
		(	2,425)	-	52,830
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
			17,641	-	(
8300	Total other comprehensive (loss) income for the year			(	217,024)
		(	\$ 923,275)	(	4)
8500	Total comprehensive income for the year			\$ 917,910	3
		\$	398,668	1	\$ 3,466,522
					11
Basic earnings per share					
9750	Total basic earnings per share	6(30)			
		\$	6.39	\$	12.51
Diluted earnings per share					
9850	Total diluted earnings per share				
		\$	6.01	\$	11.54

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CASH FLOWS FROM OPERATING ACTIVITIES

Profit before tax		\$	1,568,609	\$	3,146,032
Adjustments					
Adjustments to reconcile profit (loss)					
Depreciation expense - property, plant and equipment	6(8)(27)		17,289		17,318
Depreciation-right-of-use assets	6(9)(27)		8,520		10,441
Gain on modification of lease			-	(	5)
Amortization	6(10)(27)		50,719		55,625
Expected credit impairment loss	12(2)		1,015		1,207
Finance costs			39,837		63,385
Interest expense - lease liability	6(9)		317		610
Loss (gain) on financial assets or liabilities at fair value through profit or loss			3,731	(	2,634)
Proceeds from disposal of investments in debt instruments measured at fair value through other comprehensive income	6(3)		-	(	833)
Share of profit of associates and joint ventures accounted for using equity method	6(7)				
Dividend income		(	1,124,731)	(	1,441,489)
Interest income	6(25)	(	11,694)	(	69,850)
Interest income	6(24)	(	26,887)	(	48,522)
Gain on disposal of property, plant and equipment	6(26)	(	431)	(	471)
Gain on disposals of investments	6(26)	(	5,311)		-
Compensation cost of employee restricted shares	6(18)		89,899		52,158
Unrealised foreign exchange loss			72,234		17,781
Effect of exchange rate changes			3,714	(	28,612)
Changes in operating assets and liabilities					
Changes in operating assets					
Financial assets (liabilities) at fair value through profit or loss		(	47,186)		154,703
Accounts receivable		(	5,794,008)		2,625,469
Accounts receivable - related parties		(	155,686)	(	128,671)
Contract assets-current		(	11,280)	(	31,585)
Other receivables		(	23,496)		18,946
Other receivables - related parties			42,299	(	11,030)
Inventories		(	188,332)	(	190,698)
Prepayments			513	(	7,326)
Other current assets		(	8,783)	(	7,669)
Financial assets mandatorily measured at fair value through profit or loss - non-current		(	5,167)	(	3,127)
Changes in operating liabilities					
Accounts payable			87,603		101,538
Accounts payable - related parties			1,921,690	(	1,151,431)
Contract liabilities			371,404		14,065
Refund liabilities			261,373		81,791
Other payables		(	119,793)		74,309
Other payables - related parties			79,842	(	49,769)
Other current liabilities			157	(	2,412)
Other non-current liabilities			996	(	15,596)
Cash (outflow) inflow generated from operations		(	2,901,024)		3,243,648
Interest paid		(	8,775)	(	15,061)
Income taxes paid		(	115,043)	(	223,990)
Interest received			22,242		48,955
Dividend income			11,694		69,850
Net cash flows (used in) from operating activities		(	2,990,906)		3,123,402

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of financial assets at fair value through other comprehensive income	6(3)	(\$	185,063)	\$	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)(31)		176,713		143,315
Acquisition of investments accounted for using equity method	6(7)	(	604,338)	(	134,264)
Proceeds from disposal of investments accounted for using equity method	6(7)		32,835		-
Acquisition of property, plant and equipment	6(8)(31)	(	342,261)	(	42,763)
Proceeds from disposal of property, plant and equipment			5,097		12,141
Acquisition of intangible assets	6(10)(31)	(	26,044)	(	42,812)
Acquisition of financial assets at amortised cost - current		(	866,600)		-
Decrease in guarantee deposits			166		138
Net cash flows used in investing activities		(	1,809,495)	(	64,245)

CASH FLOWS FROM FINANCING ACTIVITIES

Increase (decrease) in short-term borrowings			1,901,685	(	4,309,594)
Proceeds from long-term borrowings			799,950		-
Cash dividends paid	6(21)	(	1,608,376)	(	1,751,419)
Repayment of principal portion of liabilities	6(9)	(	8,909)	(	10,921)
Cancellation of restricted employee shares		(	40)	(	6,720)
Issuance of common stock for cash	6(19)		-		448,000
Net cash flows from (used in) financing activities			1,084,310	(	5,630,654)
Net decrease in cash and cash equivalents		(	3,716,091)	(	2,571,497)
Cash and cash equivalents at beginning of year			4,038,861		6,610,358
Cash and cash equivalents at end of year		\$	322,770	\$	4,038,861

MERRY ELECTRONICS CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

(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 25, 2021.

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 the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments 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
Amendments to IFRS 16, ‘Covid-19 related rent concessions’	June 1, 2020 (Note)
Note: Earlier application from January 1, 2020 is allowed by FSC.	

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

(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 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	January 1, 2021

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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	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 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) Financial assets at amortised cost

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

(9) 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.

(10) 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.

(11) Derecognition of financial assets

The Company 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 Company 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 Company 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 / 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.

(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 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

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

- 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.

(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) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company 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 Company 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.

(32) 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, 2020, 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, 2020, the Company's investments accounted for under the equity method, net of impairment loss, amounted to \$11,333,709 thousand.

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company 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, 2020, the carrying amount of inventories was \$1,004,088 thousand.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and revolving funds	\$ 242	\$ 196
Checking accounts and demand deposits	322,528	2,669,637
Short-term notes and bills	-	1,369,028
	<u>\$ 322,770</u>	<u>\$ 4,038,861</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.

C. The Company's time deposits with maturity over 3 months had been classified as current financial assets at amortised cost and non-current financial assets at amortised cost.

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

Items	December 31, 2020	December 31, 2019
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
- Funds	\$ 50,000	\$ -
- Non-hedging derivatives	26,316	14,138
- Stocks	-	169
- Call options of convertible bonds	446	2,290
Valuation adjustment	2,157	316
	<u>\$ 78,919</u>	<u>\$ 16,913</u>
Non-current items:		
- Funds	<u>\$ 26,468</u>	<u>\$ 21,301</u>

Items	December 31, 2020	December 31, 2019
Current items:		
Financial liabilities held for trading		
- Non-hedging derivatives	<u>\$ 30,047</u>	<u>\$ 11,799</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,	
	2020	2019
Net gains on financial assets at fair value through profit or loss	<u>\$ 93,258</u>	<u>\$ 68,721</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, 2020		
Derivative instruments	Contract amount (Notional principal)	Contract period	Contract price
Forward foreign exchange contract to sell	<u>USD 70,000 thousand</u>	2020/12/03~ 2021/01/29	NTD 28.105~28.487
Forward foreign exchange contract to sell	<u>USD 3,000 thousand</u>	2020/12/22~ 2021/01/07	CNY 6.541
Forward foreign exchange contract to sell	<u>USD 8,189 thousand</u>	2020/08/28~ 2021/03/01	THB 31.260
Forward foreign exchange contract to buy	<u>USD 84,000 thousand</u>	2020/12/03~ 2021/03/09	NTD 27.815~28.360
Forward foreign exchange contract to buy	<u>USD 8,205 thousand</u>	2020/08/28~ 2021/03/01	THB 31.200

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~ 2020/02/27	NTD 30.017~30.310
Forward foreign exchange contract to buy	<u>USD 63,000 thousand</u>	2019/12/12~ 2020/02/27	NTD 29.835~30.220

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. As of December 31, 2020 and 2019, the Company had no outstanding payments for settled transactions amounting to \$306 thousand (shown as other payables) and \$0, respectively.
- D. The Company has no financial assets at fair value through profit or loss pledged to others as collateral.
- E. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2020	December 31, 2019
Current items:		
Debt instruments		
Bonds	\$ 89,550	\$ 89,550
Valuation adjustment	(3,735)	1,000
	<u>85,815</u>	<u>90,550</u>
Equity instruments		
Stocks	106,080	76,080
Valuation adjustment	3,284	5,276
	<u>109,364</u>	<u>81,356</u>
	<u>\$ 195,179</u>	<u>\$ 171,906</u>
Non-current items:		
Debt instruments		
Bonds	\$ 144,625	\$ -
Valuation adjustment	1,620	-
	<u>146,245</u>	<u>-</u>
Equity instruments		
Listed stocks	748,154	755,130
Unlisted stocks	58,544	48,107
	<u>806,698</u>	<u>823,237</u>
Valuation adjustment	533,496	1,614,986
Accumulated impairment	(2,976)	(2,976)
	<u>1,337,218</u>	<u>2,435,247</u>
	<u>\$ 1,483,463</u>	<u>\$ 2,435,247</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 \$1,678,642 thousand and \$2,607,153 thousand as at December 31, 2020 and 2019, respectively.
- B. Aiming to satisfy its capital needs, the Company sold \$172,377 thousand of equity investments at fair value and resulted in cumulative gains on disposal amounting to \$145,400 thousand (transferred from other equity interest to unappropriated retained earnings) during the year ended December 31, 2020. During the year ended December 31, 2019, the Company redeemed the debt investment at fair value of \$50,833 thousand due to the maturity of bonds and resulted in cumulated gains 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 investment at fair value and resulted in cumulative gains on disposal amounting to \$68,104 thousand (transferred from other equity interest to unappropriated earnings) during the year ended December 31, 2019.

- C. As of December 31, 2020 and 2019, the uncollected payments arising from disposal of shares of public offering companies amounted to \$0 thousand and \$4,336 thousand, 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,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 938,082)	\$ 1,152,242
Cumulative gains (losses) reclassified to retained earnings due to derecognition	(\$ 145,400)	(\$ 68,104)
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognised in profit or loss	(\$ 6,335)	\$ -
Fair value change recognised in other comprehensive income	\$ 3,220	(\$ 2,080)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to derecognition	\$ -	(\$ 833)
Interest income recognised in profit or loss	\$ 3,064	\$ 3,554

- E. As at December 31, 2020 and 2019, 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 \$1,678,642 thousand and \$2,607,153 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.

(4) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 10,109,285	\$ 4,469,877
Less: Allowance for uncollectable accounts	(4,181)	(3,166)
	<u>\$ 10,105,104</u>	<u>\$ 4,466,711</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2020	December 31, 2019
Not past due	\$ 10,091,321	\$ 4,455,759
Up to 30 days	12,684	6,431
31 to 90 days	3,151	7,471
91 to 180 days	2,129	216
	<u>\$ 10,109,285</u>	<u>\$ 4,469,877</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, and January 1, 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to \$10,109,285 thousand, \$4,469,877 thousand, and \$7,170,300 thousand, respectively.

C. The Company 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, 2020, there were no accounts 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 Company entered into a factoring agreement with Bank of America to sell its accounts receivable. Under the agreement, the Company 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 Company does not have any continuing involvement in the transferred accounts receivable. Thus, the Company derecognised the transferred accounts receivable. As of December 31, 2020, there was no amount that was past due.

(6) Inventories

December 31, 2020			
Allowance for slow-moving and valuation losses			
	Cost		Book value
Finished goods	\$ 1,007,280	(\$ 18,393)	\$ 988,887
Raw materials	15,201	-	15,201
	<u>\$ 1,022,481</u>	<u>(\$ 18,393)</u>	<u>\$ 1,004,088</u>
December 31, 2019			
Allowance for slow-moving and valuation losses			
	Cost		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>

The cost of inventories recognised as expense for the year:

Years ended December 31,		
	2020	2019
Cost of goods sold	\$ 25,187,538	\$ 27,625,559
(Gain on reversal of) loss on market value decline and obsolete and slow-moving inventories	(41,567)	12,230
	<u>\$ 25,145,971</u>	<u>\$ 27,637,789</u>

The Company reversed a previous inventory write-down because of the sale of certain written-down inventories by the Company for the year ended December 31, 2020.

(7) Investments accounted for using equity method

	2020	2019
At January 1	\$ 9,618,330	\$ 8,300,401
Addition of investments accounted for using equity method	604,338	134,264
Disposal of investments accounted for using equity method	(23,548)	-
Share of profit or loss of investments accounted for using equity method	1,124,731	1,441,489
Changes in capital surplus	(3,003)	11,151
Changes in other equity items	12,861	(268,975)
At December 31	<u>\$ 11,333,709</u>	<u>\$ 9,618,330</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
MERRY ELECTRONICS (HK) CO., LTD.	\$ 4,085,419	\$ 3,627,334
DANNY DYNAMICS LIMITED	3,146,438	2,838,996
LEOHAB ENTERPRISE CO., LTD.	49,812	66,395
MERRY ELECTRONICS (U.S.A.) CO., LTD.	27,373	36,408
MERRY ELECTRONICS (SINGAPORE) PTE., LTD.	1,128,133	660,634
MERRY ELECTRONICS (THAILAND) CO., LTD.	558,130	554,432
MERRY HEALTHCARE CO., LTD.	718,627	541,594
GUANGDONG LUXSHARE & MERRY ELECTRONICS CO., LTD.	372,839	376,606
ASIAN ELITE INTERNATIONAL LTD.	104,635	93,666
INDIGO ENTERPRISE INC.	756,167	794,473
BIOTEST MEOLCAL CORPORATION(“BTTT”)	21,652	27,792
MERRY & LUXSHARE (VIETNAM) CO., LTD.	364,484	-
	<u>\$ 11,333,709</u>	<u>\$ 9,618,330</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, 2020.
- (b) In December 2018, the Board of Directors of the Company resolved to acquire 100% of shares in the second-tier subsidiary, Fulicare Medical Technology (Xiamen) Co., Ltd., for a consideration of USD10 million. For the years ended December 31, 2020 and 2019, the Company has remitted USD 7 million (NTD 208,150 thousand) and USD 3 million (NTD 94,845 thousand), respectively.
- (c) 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 of no more than NTD10 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.
- (d) In October 2019, the Board of Directors of the Company resolved to increase its investment in the second-tier subsidiary, Fulicare Co., Ltd., amounting to USD 1,900 thousand. For the years ended December 31, 2020 and 2019, the Company has remitted USD 1,040 thousand (NTD 31,007 thousand) and USD 295 thousand (NTD 9,354 thousand), respectively.
- (e) In October 2019, the Board of Directors of the Company resolved to establish the second-tier

subsidiary, Fulicare Co., Ltd. TAIWAN BRANCH (SAMOA), Taiwan branch, and set NTD 30,000 thousand as working capital. The registration was completed on November 20, 2019.

- (f) On February 27, 2020, the Board of Directors of the Company approved to establish a joint venture, MERRY & LUXSHARE (VIETNAM) CO., LTD., with Luxshare-ICT through investments amounting to USD 12,240 thousand (NTD 366,710 thousand) and USD 11,760 thousand (NTD 350,860 thousand), which resulted in acquiring 51% and 49% of the joint venture equity interests, respectively. The joint venture was established on May 9, 2020.
- (g) On November 30, 2020, the Company sold 2,352 thousand shares in Leohab Enterprise Co., Ltd. at a premium for proceeds of \$32,835 thousand, resulting in a decrease in share interests from 30.91% to 21% and gains on disposal of investments of \$5,311 thousand. The change in share interests was transferred from other equity interest to profit and loss. Refer to Note 6(22) for details.
- (h) The liquidation of the Company's second-tier subsidiary, Fulicare Medical Instruments Technical Services (Suzhou)Co.,Ltd. was completed in May 2019.
- (i) 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, 2020 and 2019, the carrying amount of the Company's individually immaterial associates amounted to \$422,651 thousand and \$443,001 thousand, respectively.

	Years ended December 31,	
	2020	2019
Share of loss of associates accounted for using equity method	(\$ 2,419)	(\$ 25,645)
Other comprehensive income (loss), net of tax	9,023	(15,978)
Total comprehensive income (loss)	<u>\$ 6,604</u>	<u>(\$ 41,623)</u>

- C. The recognised share of (loss) profit of subsidiaries and associates accounted for using equity method is as follows:

	Years ended December 31,	
	2020	2019
MERRY ELECTRONICS (HK) CO., LTD.	\$ 417,441	\$ 675,996
DANNY DYNAMICS LIMITED	259,314	525,582
LEOHAB ENTERPRISE CO., LTD.	2,931	5,693
MERRY ELECTRONICS (U.S.A.) CO., LTD.	(7,478)	3,720
MERRY ELECTRONICS (SINGAPORE) PTE. LTD.	518,927	307,560
MERRY ELECTRONICS (THAILAND) CO., LTD.	33,401 (	10,765)
MERRY HEALTHCARE CO., LTD.	(71,578) (	7,757)
GUANGDONG LUXSHARE & MERRY	(5,350) (	31,338)
ASIAN ELITE INTERNATIONAL LTD.	8,273	2,415
INDIGO ENTERPRISE INC.	(37,617) (	42,769)
BIOTEST MEOLCAL CORPORATION("BTTT")	(6,140)	13,152
MERRY & LUXSHARE (VIETNAM) CO., LTD.	12,607	-
	<u>\$ 1,124,731</u>	<u>\$ 1,441,489</u>

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(8) Property, plant and equipment

Year ended December 31, 2020				
Cost	Opening balance	Additions	Reductions	Ending balance
Land	\$ 558,900	\$ 200,683	\$ -	\$ 759,583
Buildings and structures	177,110	3,960	(3,264)	177,806
Machinery	93,285	5,698	(1,326)	97,657
Transportation equipment	4,082	-	-	4,082
Office equipment	66,332	3,305	(3,659)	65,978
Others	9,361	6,901	(6,085)	10,177
Unfinished construction	21,553	120,247	-	141,800
	<u>\$ 930,623</u>	<u>\$ 340,794</u>	<u>(\$ 14,334)</u>	<u>1,257,083</u>
Accumulated depreciation				
Buildings and structures	(\$ 35,539)	(\$ 4,086)	\$ 3,264	(\$ 36,361)
Machinery	(69,414)	(5,006)	-	(74,420)
Transportation equipment	(1,266)	(583)	-	(1,849)
Office equipment	(45,454)	(6,529)	3,659	(48,324)
Others	(8,013)	(1,085)	2,745	(6,353)
	<u>(159,686)</u>	<u>(\$ 17,289)</u>	<u>\$ 9,668</u>	<u>(167,307)</u>
	<u>\$ 770,937</u>			<u>\$ 1,089,776</u>
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>

(9) Leasing arrangements — lessee

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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 2,607	\$ 6,044
Transportation equipment (Business vehicles)	1,417	1,789
Office equipment (Photocopiers)	123	16
Other equipment	-	-
	<u>\$ 4,147</u>	<u>\$ 7,849</u>

	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 7,443	\$ 9,117
Transportation equipment (Business vehicles)	997	605
Office equipment (Photocopiers)	80	108
Other equipment	-	611
	<u>\$ 8,520</u>	<u>\$ 10,441</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$4,818 thousand and \$4,269 thousand, respectively.

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

	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 317	\$ 610

E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$8,909 thousand and \$10,921 thousand, respectively.

(10) Intangible assets

Year ended December 31, 2020

Cost	Opening balance	Additions	Reductions	Transfers	Ending balance
Goodwill	\$ 139,735	\$ -	\$ -	\$ -	\$ 139,735
Patents	25,157	4,597	-	-	29,754
Computer software	432,998	18,109	-	-	451,107
	<u>597,890</u>	<u>\$ 22,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>620,596</u>

Accumulated amortisation

Patents	(20,450)	(\$ 3,067)	\$ -	\$ -	(23,517)
Computer software	(290,266)	(47,652)	-	-	(337,918)
	<u>(310,716)</u>	<u>(\$ 50,719)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(361,435)</u>
	<u>\$ 287,174</u>				<u>\$ 259,161</u>

Year ended December 31, 2019

Cost	Opening balance	Additions	Reductions	Transfers	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>\$ -</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>\$ -</u>	<u>(310,716)</u>
	<u>\$ 277,570</u>				<u>\$ 287,174</u>

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2020	2019
Operating costs	\$ 16,004	\$ 14,407
Selling expenses	2,697	2,606
Administrative expenses	15,280	20,796
Research and development expenses	16,738	17,816
	<u>\$ 50,719</u>	<u>\$ 55,625</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 2021 to 2025. The estimation is based on the Company's commitment to developing and taking Bluetooth orders and the experience of sale growths of 94%, 84%, 34%, (3)% and (0.2)% from 2016 to 2020, respectively.

Management determined the 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 17.43% used was pre-tax and reflected specific risks relating to the relevant operating segments.

(12) Short-term borrowings

Type of Borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 1,954,640	0.00%~0.66%	None
Type of Borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 89,940	2.14%	None

Interest expense recognised in profit or loss amounted to \$4,888 thousand and \$13,042 thousand for the years ended December 31, 2020 and 2019, respectively.

(13) Other payables

	December 31, 2020	December 31, 2019
Salary and bonus payable	\$ 133,490	\$ 132,358
Employees' compensation payable	121,382	219,531
Remuneration due to directors and supervisors	25,575	68,392
Machinery and equipment payable	6,795	675
Others	98,471	77,822
	<u>\$ 385,713</u>	<u>\$ 498,778</u>

(14) Other current liabilities

	December 31, 2020	December 31, 2019
Bonds payable-expiring within one year	\$ 2,203,801	\$ -
Contract liability	561,308	189,905
Agreed liabilities on acquisition of subsidiaries (Note)	402,072	-
Refund liabilities	343,164	81,790
Current lease liability	2,954	7,118
Other current liabilities, others	10,087	9,074
	<u>\$ 3,523,386</u>	<u>\$ 287,887</u>

Note: On July 1, 2018, the Company acquired 70% of ordinary shares of Asian Elite International Ltd. and Indigo Enterprise Inc. in cash, and agreed to obtain the remaining 30% of ordinary shares on the date 3 years after the date of settlement. In accordance with the relevant contracts, the Company had recognised 30% of the subsequent equity investment obligations.

(15) Bonds payable

	December 31, 2020	December 31, 2019
Bonds payable	\$ 2,231,900	\$ 2,289,500
Add: Premium on bonds payable		
Less: Discount on bonds payable	(28,099)	(59,541)
	2,203,801	2,229,959
Less: Current portion	(2,203,801)	-
	<u>\$ -</u>	<u>\$ 2,229,959</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, 2020, the conversion price of convertible bonds was \$132.8 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, 2020, the bonds totalling \$768,100 thousand (face value) had been converted into 5,299 thousand shares of common stock. After the issuance, the Company should adjust the conversion price of convertible bonds of \$132.8 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 \$99,191 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.

(16) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Unsecured borrowings	Borrowing period is from 2020/2/20 to 2025/2/20; interest is repayable monthly.	0.30%~0.40%	None	\$ 320,000
Unsecured borrowings	Borrowing period is from 2020/2/20 to 2027/2/19; interest is repayable monthly.	0.35%~0.50%	None	479,950
				<u>\$ 799,950</u>

December 31, 2019: No long-term borrowings.

A. In November 2019, the Company entered into a long-term loan contract with Taipei Fubon Bank for the total amount of \$400 million. As of December 31, 2020, the drawn amount was \$220,000 thousand.

Aforementioned contract conditions:

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

- (a) Current ratio shall not be lower than 100%;
- (b) Debt ratio (total liabilities/total equity) shall not be higher than 160%;
- (c) Interest coverage ratio shall not be lower than 10.

B. In February 2020, the Company entered into a long-term loan contract with JIHSUN BANK for the total amount of \$300 million. As of December 31, 2020, the drawn amount was \$100,000 thousand.

Aforementioned contract conditions:

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

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

The Company, as confirmed with its creditor banks, assessed that the aforementioned financial ratios were maintained at a level that had no significant impact to the Company.

(17) 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, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 127,292	\$ 140,594
Fair value of plan assets	(44,259)	(57,118)
Net defined benefit liability	<u>\$ 83,033</u>	<u>\$ 83,476</u>

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

Year ended December 31, 2020	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	\$ 140,594	(\$ 57,118)	\$ 83,476
Current service cost	546	-	546
Interest expense (income)	1,043	(429)	614
Past service cost	(2,269)	3,309	1,040
	<u>139,914</u>	<u>(54,238)</u>	<u>85,676</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)		- (1,218)	(1,218)
Change in financial assumption	5,792	-	5,792
Experience adjustments	(6,013)	-	(6,013)
	<u>221</u>	<u>(1,218)</u>	<u>(1,439)</u>
Pension fund contribution	-	(900)	(900)
Paid past pension	(304)	-	(304)
Paid pension	(12,097)	12,097	-
Balance at December 31	<u>\$ 127,292</u>	<u>(\$ 44,259)</u>	<u>\$ 83,033</u>

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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>

- (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, 2020 and 2019 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,	
	2020	2019
Discount rate	0.30%	0.75%
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%
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 3,183)	\$ 3,310	\$ 3,214	(\$ 3,109)
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 3,653)	\$ 3,800	\$ 3,706	(\$ 3,584)

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

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

(f) The Company expects to pay contribution for pension plan amounting to \$2,856 thousand in 2021.

(g) As of December 31, 2020, 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	\$	4,378
1-2 year(s)		7,685
2-5 years		25,085
Over 5 years		93,888
	\$	<u>131,036</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, 2020 and 2019 were \$29,530 thousand and \$29,017 thousand, respectively.

(18) Share-based payments

- A. For the years ended December 31, 2020 and 2019, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
The first restricted stocks to employees in 2016	2016.12.21	1,542 units	3 years	Note
The second restricted stocks to employees in 2016	2017.06.16	458 units	3 years	Note
The first restricted stocks to employees in 2017	2017.12.29	196 units	3 years	Note
The second restricted stocks to employees in 2017	2018.10.26	878 units	3 years	Note
The first restricted stocks to employees in 2019	2019.11.02	813 units	3 years	Note
The second restricted stocks to employees in 2019	2020.08.05	387 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

	2020		2019	
	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
Restricted stocks vested	-	-	(4)	10
Employee restricted shares retired	-	-	(538)	10
Options outstanding at December 31	-	-	-	-

(b) The second restricted stocks to employees in 2016

	2020		2019	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	160	\$ 10	294	\$ 10
Restricted stocks vested	(152)	10	-	-
Employee restricted shares retired	(4)	10	(134)	10
Options outstanding at December 31	4	10	160	10

(c) The first restricted stocks to employees in 2017

	2020		2019	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	108	\$ -	164	\$ -
Restricted stocks vested	(57)	-	(49)	-
Employee restricted shares retired	(50)	-	(7)	-
Options outstanding at December 31	<u>1</u>	-	<u>108</u>	-

(d) The second restricted stocks to employees in 2017

	2020		2019	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	598	\$ -	862	\$ -
Restricted stocks vested	(234)	-	(251)	-
Employee restricted shares retired	(46)	-	(13)	-
Options outstanding at December 31	<u>318</u>	-	<u>598</u>	-

(e) The first restricted stocks to employees in 2019

	2020		2019	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	813	\$ -	-	\$ -
Restricted stocks granted to employees	-	-	813	-
Restricted stocks vested	(237)	-	-	-
Employee restricted shares retired	(31)	-	-	-
Options outstanding at December 31	<u>545</u>	-	<u>813</u>	-

	2020		2019	
	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	387	-	-	-
Employee restricted shares retired	(5)	-	-	-
Options outstanding at December 31	<u>382</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	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	2017.06.16	187	10	177
The first restricted stocks to employees in 2017	2017.12.29	194.5	0	194.5
The second restricted stocks to employees in 2017	2018.10.26	139.5	0	139.5
The first restricted stocks to employees in 2019	2019.11.02	150	0	150
The second restricted stocks to employees in 2019	2020.08.05	169	0	169

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

	Years ended December 31,	
	2020	2019
Equity-settled	<u>\$ 89,899</u>	<u>\$ 52,158</u>

(19) Share capital

A. As of December 31, 2020, 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 \$2,093,519 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):

	2020	2019
At January 1	\$ 208,668	\$ 199,663
Employee restricted shares retired (	136) (	692)
Issuance of restricted shares to employees	387	813
Conversion of convertible bonds	414	4,884
Proceeds from issuing shares	-	4,000
At December 31	<u>\$ 209,333</u>	<u>\$ 208,668</u>

- (a) On February 25, 2021, the Board of Directors of the Company resolved to retire employee restricted share in the amount of 18,700 shares. The effective dates for the capital reduction were March 8, 2021.
- (b) On February 27, 2020 and July 30, 2020, the Board of Directors of the Company resolved to retire employee restricted share in the amount of 642,100 shares. The effective dates for the capital reduction were February 29, 2020 and August 4, 2020. 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 164,300 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, 2020, the face value of those convertible bonds amounted to \$768,100, which had been converted into 5,299 thousand common shares. Please refer to Note 6(15) for further information
- (e) In 2019, 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 \$448,000 thousand. The capital increase was set effective on January 18, 2019 and the registration has been completed in February 13, 2019.
- (f) On April 25, 2019, the Board of Directors of the Company resolved to issue employee restricted shares (please refer to Note 6(18)). The issuance was approved by the Competent Authority on September 16, 2019. The Company issued 1,200 thousand common shares with the effective date set on November 2, 2019 and August 5, 2020. The subscription price is \$0 per share and the registration was registration was completed on November 29, 2019 and August 27, 2020 for ordinary shares issued of 813 thousand shares and 387 thousand shares, respectively. The employee restricted shares issued are subject to certain transfer restrictions before their vesting conditions are qualified. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued common shares.

(20) 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.

	2020				
	Share premium	Treasury share option	Employee restricted stocks	Others	Total
At January 1	\$ 3,501,426	\$ 101,750	\$ 236,457	\$ 30,472	\$ 3,870,105
Issuance of restricted shares to employees	-	-	61,533	-	61,533
Restricted stocks vested	109,457	-	(106,193)	(3,264)	-
Employee restricted stocks retired	-	-	(20,972)	-	(20,972)
Ordinary shares converted from convertible bonds	55,019	(2,559)	-	-	52,460
Changes in ownership interests	-	-	-	97	97
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	-	(3,100)	(3,100)
At December 31	<u>\$ 3,665,902</u>	<u>\$ 99,191</u>	<u>\$ 170,825</u>	<u>\$ 24,205</u>	<u>\$ 3,960,123</u>

	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
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>

(21) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, after deduction of mandatory income tax, shall first be used to offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. After the provision or reversal of special reserve, the appropriation of the remaining earnings along with the unappropriated earnings of prior 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 the parent company or subsidiaries of the company meeting certain specific requirements.

- C. The Board of Directors may fully or partially appropriate dividends and bonuses in the form of cash by a resolution adopted by the majority vote at its meeting attended by two-thirds of the total number of directors, and then reported to the shareholders. Situations other than that shall be approved by the shareholders at their meeting.
- D. 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.
- E. (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 Order No. Financial – Supervisory – Securities – Corporate - 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of December 31, 2020, the balance of capital surplus was \$269,144 thousand.
- F. The Company distributed cash dividends amounting to \$7.7 and \$8.6 per share, respectively as resolved at the meeting of Board of Directors on June 19, 2020 and June 19, 2019, respectively. The abovementioned distribution of earnings for the years ended December 31, 2019 and 2018 was in agreement with those amounts proposed by the Board of Directors on February 27, 2020 and February 26, 2019, respectively.
- G. The appropriation of cash dividends for 2020 as resolved by the Board of Directors on February 25, 2021 amounted to \$5.16 per share.

(22) Other equity items

	2020	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		(\$ 456,833)	\$ 867	\$ 1,688,726	(\$ 204,926)	\$ 1,027,834
Issuance of restricted shares to employees		-	-	-	(65,403)	(65,403)
Amortisation of employee restricted stocks		-	-	-	89,899	89,899
Employee restricted shares retired		-	-	-	22,289	22,289
Revaluation - gross		-	3,220	(938,082)	-	(934,862)
Revaluation - subsidiaries		-	(200)	(3,428)	-	(3,628)
Revaluation transferred to profit or loss - subsidiaries		-	333	-	-	333
Revaluation transferred to retained earnings – gross		-	-	(145,400)	-	(145,400)
Currency translation differences:						
- Group		(57,400)	-	-	-	(57,400)
- Tax on Group		11,480	-	-	-	11,480
- Associates		74,113	-	-	-	74,113
- Tax on associates		(13,905)	-	-	-	(13,905)
- Adjustment on disposal of associates transferred to profit or loss		3,976	-	-	-	3,976
At December 31		(\$ 438,569)	\$ 4,220	\$ 601,816	(\$ 158,141)	\$ 9,326

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	-	-	-	-	121,950
Amortisation of employee restricted stocks	-	-	-	52,158	52,158
Employee restricted shares retired	-	-	-	88,766	88,766
Revaluation - gross	- (1,544)	1,146,956	-	-	1,145,412
Revaluation transferred to profit or loss - gross	- (833)	833	-	- (833)	
Revaluation transferred to retained earnings – gross	-	-	68,104	- (68,104)	
Currency translation differences:					
- Group	(113,955)	-	-	- (113,955)	
- Tax on Group	22,791	-	-	-	22,791
- Associates	(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

(23) Operating revenue

	Years ended December 31,	
	2020	2019
Revenue from contracts with customers	\$ 26,916,049	\$ 30,648,815

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, 2020						
	Electronic devices					
	Taiwan	Europe	US	Mainland China	Others	Total
Total segment revenue	\$ 680,639	\$ 11,742,872	\$ 13,719,123	\$ 462,466	\$ 310,949	\$ 26,916,049
Revenue from external customer contracts	680,639	11,742,872	13,719,123	462,466	310,949	26,916,049
Timing of revenue recognition						
At a point in time	680,639	11,742,872	13,719,123	462,466	310,949	26,916,049
Total	\$ 680,639	\$ 11,742,872	\$ 13,719,123	\$ 462,466	\$ 310,949	\$ 26,916,049
Year ended December 31, 2019						
	Electronic devices					
	Taiwan	Europe	US	Mainland China	Others	Total
Total segment revenue	\$ 411,816	\$ 10,883,812	\$ 16,775,583	\$ 1,485,219	\$ 1,092,385	\$ 30,648,815
Revenue from external customer contracts	411,816	10,883,812	16,775,583	1,485,219	1,092,385	30,648,815
Timing of revenue recognition						
At a point in time	411,816	10,883,812	16,775,583	1,485,219	1,092,385	30,648,815
Total	\$ 411,816	\$ 10,883,812	\$ 16,775,583	\$ 1,485,219	\$ 1,092,385	\$ 30,648,815

B. Contract assets and liabilities:

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract assets	\$ 42,865	\$ 31,585	\$ -
Contract liabilities	\$ 561,308	\$ 189,904	\$ 175,839
Refund liabilities	\$ 343,164	\$ 81,791	\$ -

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

	Years ended December 31,	
	2020	2019
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ 189,613	\$ 144,857

(24) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 23,823	\$ 44,968
Interest income from financial assets not at fair value through profit or loss	3,064	3,554
	\$ 26,887	\$ 48,522

(25) Other income

	Years ended December 31,	
	2020	2019
Dividend income	\$ 11,694	\$ 69,850
Grant revenue (Note)	44,856	-
Sample income	8,951	14,364
Rent income	6,391	6,604
Other income	8,450	6,256
	\$ 80,342	\$ 97,074

Note: This refers to the government subsidies for working capital and salary compensation from Industrial Development Bureau, Ministry of Economic Affairs, applied for by the Company.

(26) Other gains and losses

	Years ended December 31,	
	2020	2019
Net currency exchange losses	(\$ 169,910)	(\$ 73,253)
Net gains on financial assets at fair value through profit or loss	93,258	68,721
Gains on disposal of property, plant and equipment	431	471
Gains on disposals of investment	5,311	833
Other losses	(61)	(2,465)
	(\$ 70,971)	(\$ 5,693)

(27) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense	\$ 957,114	\$ 1,027,528
Depreciation charge-		
property, plant and equipment	17,289	17,318
Depreciation - right-of-use assets	8,520	10,441
Amortisation charge	50,719	55,625
	<u>\$ 1,033,642</u>	<u>\$ 1,110,912</u>

As of December 31, 2020 and 2019, the Company had 765 and 654 employees. After reelecting directors on June 19, 2020, there were 5 non-employee directors until December 31, 2020. For the year ended December 31, 2019, there were 5 non-employee directors.

(28) Employee benefit expense

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 703,198	\$ 773,321
Share-based payments	94,362	56,411
Labour and health insurance fees	59,027	57,100
Pension costs	31,730	30,127
Directors' remuneration	26,380	69,276
Other employee benefit expense	42,417	41,293
	<u>\$ 957,114</u>	<u>\$ 1,027,528</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' remuneration.
- B. The details of employees' compensation and directors' and supervisors' remuneration of the Company are as follows:

	Years ended December 31,	
	2020	2019
Employees' compensation	\$ 110,826	\$ 205,176
Directors' remuneration	25,575	68,392
	<u>\$ 136,401</u>	<u>\$ 273,568</u>

The abovementioned amounts were recognised in wages and salaries, and were accrued at 6.5% and 6% for employees' compensation and 1.5% and 2% for directors' remuneration for the years ended December 31, 2020 and 2019, respectively, based on the distributable profit of the year.

Employees' compensation and directors' and supervisors' remuneration for 2019 as resolved at the Board of Directors' meeting were in agreement with those amounts recognised in the profit or loss of 2019.

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.

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

		Years ended December 31,	
		2020	2019
Current tax:			
Current tax on profits for the year	\$	55,037	\$ 315,664
Tax on undistributed surplus earnings		36,704	4,763
Prior year income tax overestimation	(	53,562)	-
Total current tax		38,179	320,427
Deferred tax:			
Origination and reversal of temporary differences		208,487	276,993
Income tax expense	\$	246,666	\$ 597,420

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

		Years ended December 31,	
		2020	2019
Exchange differences changes on translation of foreign financial statements	(\$	11,480)	(\$ 22,791)
Exchange differences changes on translation of foreign financial statements - associates		13,905	(30,039)
Remeasurement of defined benefit obligations		288	(3,005)
	\$	2,713	(\$ 55,835)

B. Reconciliation between income tax expense and accounting profit:

		Years ended December 31,	
		2020	2019
Current tax:			
Tax calculated based on profit before tax and statutory tax rate	\$	313,722	\$ 629,206
Expenses disallowed by tax regulation	(	347)	-
Tax exempt income by tax regulation	(	16,346)	(5,673)
Effect from investment tax credits	(	33,873)	(31,485)
Tax on undistributed surplus earnings		36,704	4,763
Prior year income tax over estimation	(	53,562)	-
Others		368	609
Income tax expense	\$	246,666	\$ 597,420

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

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Remeasurement of defined benefit obligations	\$ 18,241	\$ -	(\$ 288)	\$ 17,953
Allowance for bad debts	6,118	-	-	6,118
Accumulated unused compensated absences	4,580	365	-	4,945
Allowance for inventory valuation losses and loss on obsolete and slow-moving inventories	11,992	(8,313)	-	3,679
Amortisation of discounts on corporate bonds	7,344	5,716	-	13,060
Unrealised exchange loss	3,520	18,123	-	21,643
Unrealised loss on valuation of financial instruments	-	746	-	746
Cumulative translation adjustment of long-term equity investments	36,998	-	(2,425)	34,573
	<u>\$ 88,793</u>	<u>\$ 16,637</u>	<u>(\$ 2,713)</u>	<u>\$ 102,717</u>
Deferred tax liabilities				
Temporary differences:				
Gain on overseas long-term investment	(\$ 872,757)	(\$ 225,588)	\$ -	(\$ 1,098,345)
Unrealised exchange gain	(468)	468	-	-
Unrealised gain on valuation of financial instruments	-	(4)	-	(4)
Others	(800)	-	-	(800)
	<u>(\$ 874,025)</u>	<u>(\$ 225,124)</u>	<u>\$ -</u>	<u>(\$ 1,099,149)</u>

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)	-	-
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)	-	-
Cumulative translation adjustment of long-term equity investments	-	-	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>

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. 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 2018 have been assessed and approved by the Tax Authority.

(30) Earnings per share

	Year ended December 31, 2020		
		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
	<u>Amount after tax</u>	<u>(shares in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,321,943</u>	<u>206,892</u>	<u>\$ 6.39</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,321,943	206,892	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	979	
Convertible bonds	25,824	16,297	
Employee restricted shares	<u>-</u>	<u>158</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,347,767</u>	<u>224,326</u>	<u>\$ 6.01</u>

	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>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>

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.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 340,794	\$ 38,402
Add: Opening balance of payable on equipment	675	10,998
Ending balance of prepayments for equipment	4,441	-
Less: Ending balance of payable on equipment	(3,649)	(675)
Opening balance of prepayments for equipment	-	(5,962)
Cash paid during the year	<u>\$ 342,261</u>	<u>\$ 42,763</u>

	Years ended December 31,	
	2020	2019
Purchase of intangible assets	\$ 22,706	\$ 65,229
Add: Opening balance of payable	-	2,652
Ending balance of prepayments	12,385	5,901
Less: Opening balance of prepayments	(5,901)	(30,970)
Ending balance of payable	(3,146)	-
Cash paid during the year	<u>\$ 26,044</u>	<u>\$ 42,812</u>

B. Financial assets at fair value through profit or loss

	Years ended December 31,	
	2020	2019
Change in financial assets at fair value through profit or loss	\$ 47,492	(\$ 154,703)
Less: Unpaid purchases during the year	(306)	-
Cash received during the year	<u>\$ 47,186</u>	<u>(\$ 154,703)</u>

C. Financial assets at fair value through other comprehensive income

	Years ended December 31,	
	2020	2019
Change in financial assets at fair value through other comprehensive income	(\$ 172,377)	(\$ 147,651)
Add: Uncollected proceeds from disposal during the year	-	4,336
Less: Collected proceeds from prior period disposal	(4,336)	-
Cash received during the year	<u>(\$ 176,713)</u>	<u>(\$ 143,315)</u>

D. Financing activities with no cash flow effects

		Years ended December 31,				
		2020		2019		
Convertible bonds being converted to capital stocks		\$ 4,135		\$ 48,851		
(32) <u>Changes in liabilities from financing activities</u>						
	Short-term borrowings	Lease Liability	Convertible bonds	Long-term borrowings	Dividends payable	Total liabilities from financing activities
At January 1, 2020	\$ 89,940	\$ 7,974	\$ 2,229,959	\$ -	\$ -	\$ 2,327,873
Changes in cash flow from financing activities	1,901,685	(8,909)	-	799,950	(1,608,376)	1,084,350
Additions	-	-	-	-	1,608,376	1,608,376
Impact of changes in foreign exchange rate	(36,985)	-	-	-	-	(36,985)
Changes in other non-cash items	-	5,135	(26,158)	-	-	(21,023)
At December 31, 2020	<u>\$ 1,954,640</u>	<u>\$ 4,200</u>	<u>\$ 2,203,801</u>	<u>\$ 799,950</u>	<u>\$ -</u>	<u>\$ 4,962,591</u>
	Short-term borrowings	Lease Liability	Convertible bonds	Dividends payable	Total liabilities from financing activities	
At January 1, 2019	\$ 4,399,144	\$ -	\$ 2,882,721	\$ -	\$ 7,281,865	
Changes in cash flow from financing activities	(4,309,594)	(10,921)	-	(1,751,419)	(6,071,934)	
Additions	-	-	-	1,751,419	1,751,419	
Impact of changes in foreign exchange rate	390	-	-	-	390	
Changes in other non-cash items	-	18,895	(652,762)	-	(633,867)	
At December 31, 2019	\$ 89,940	\$ 7,974	\$ 2,229,959	\$ -	\$ 2,327,873	

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
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
MERRYTECH (HK) CO., LTD. ("MTHK")	Subsidiary of the Company
MERRY ELECTRONICS (HUIZHOU) CO., LTD. ("MECH")	Stockholder which accounts for the Company using the equity method
MERRY ELECTRONICS (SINGAPORE) PTE. LTD ("MESG")	Subsidiary of the Company
MERRY HEALTHCARE CO., LTD. ("MHTT")	Branch of the Company's Subsidiary
GUANGDONG LUXSHARE & MERRY ELECTRONICS CO., LTD. ("MEDG")	Stockholder which accounts for the Company using the equity method
BIOTEST MEOLCAL CORPORATION ("BTTT")	Subsidiary of the Company (Note 1)
MERRY & LUXSHARE(VIETNAM)CO., LTD. ("MEVN")	Subsidiary of the Company (Note 2)
Luxshare-ICT (Vietnam) Limited (Luxshare-ICT (Vietnam))	Other related party (Note 3)
Sonavox Canada Inc. ("SOCV")	Subsidiary of the Company
Seas Fabrikker ("SENM")	Subsidiary of the Company

Note 1: The Company was merged and acquired BIOTEST MEDICAL CORPORATION in July, 2019.

Note 2: The Company establish a joint venture, MERRY & LUXSHARE (VIETNAM) CO., LTD., with Luxshare-ICT in May 2020.

Note 3: A corporate director of the Company's subsidiary, MEVN, and the entity both belong to Luxshare-ICT.

(2) Significant related party transactions

A. Operating revenue

(a) Sales of goods

Year ended December 31, 2020: None.

	Year ended December 31, 2019	
MECE	\$	489
Others		134
	\$	<u>623</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,	
	2020	2019
MESG	\$ 9,165	\$ 3,537
Others	1,858	2,478
	<u>\$ 11,023</u>	<u>\$ 6,015</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,	
	2020	2019
MECL	\$ 10,838,828	\$ 13,404,793
MECE	9,815,633	11,875,381
MECH	3,614,382	1,847,478
MEDG	-	884,721
Luxshare-ICT (Vietnam)	509,662	-
MEVN	426,183	-
Others	6,761	1,539
	<u>\$ 25,211,449</u>	<u>\$ 28,013,912</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,	
	2020	2019
MECA	\$ 47,315	\$ 55,305
MESG	13,426	14,186
	<u>\$ 60,741</u>	<u>\$ 69,491</u>

The above administrative service fees were charged for marketing management services provided by the subsidiaries during the period with an additional 1% of service fees less government grants from the local governments for the year ended December 31, 2020 and with an additional 3% of service fees for the year ended December 31, 2019. The credit term was 60 days after the end of the month.

C. Receivables from related parties

(a) Accounts receivable

	December 31, 2020	December 31, 2019
METC	\$ 271,532	\$ 124,899
MECE	9,690	9,690
Others	2,554	385
	<u>\$ 283,776</u>	<u>\$ 134,974</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, 2020	December 31, 2019
MECE	\$ -	\$ 36,618
MTHK	-	3,019
METC	-	2,279
MESG	1,307	-
Others	23	1,710
	<u>\$ 1,330</u>	<u>\$ 43,626</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, 2020	December 31, 2019
MECL	\$ 3,767,983	\$ 1,761,651
MECE	2,420,239	2,987,747
MECH	754,255	451,901
MEVN	208,719	-
Luxshare-ICT (Vietnam)	93,618	-
Others	8,983	183,601
	<u>\$ 7,253,797</u>	<u>\$ 5,384,900</u>

(b) Other payables

	December 31, 2020	December 31, 2019
MECE	\$ 53,536	\$ 1,834
MEST	19,067	5,286
MECL	14,363	-
Others	-	4
	<u>\$ 86,966</u>	<u>\$ 7,124</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, 2020: None.

	Year ended December 31, 2019
MECL	\$ 2,585

(b) Disposal of property, plant and equipment

	2020		2019	
	Disposal proceeds	Gain(loss) on disposal	Disposal proceeds	Gain(loss) on disposal
MECL	\$ -	\$ -	\$ 10,008	\$ 477
METC	-	-	2,316	271
MECE	-	-	64	64
MESG	24	24	-	-
Total	\$ 24	\$ 24	\$ 12,388	\$ 812

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, 2020: None.

	Year ended December 31, 2019
BTTT	\$ 385

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.

G. Endorsements and guarantees provided to related parties

Please refer to table 13(1)B.

H. Key management compensation

	Years ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	\$ 80,622	\$ 117,777
Post-employment benefits	493	247
Share-based payments	20,659	18,635
	\$ 101,774	\$ 136,659

8. PLEDGED ASSETS

	Book value		
Pledged asset	December 31, 2020	December 31, 2019	Purpose
Financial assets at amortised cost	\$ 12,200	\$ -	Project guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ 75,705	\$ 191,828
Intangible assets	7,412	2,442
	<u>\$ 83,117</u>	<u>\$ 194,270</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

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, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total debt	\$ 15,545,665	\$ 10,191,324
Total assets	27,317,361	23,025,301
Debt ratio	57%	44%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 105,387	\$ 38,214
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 1,446,582	\$ 2,516,603
Qualifying equity instrument	232,060	90,550
	<u>\$ 1,678,642</u>	<u>\$ 2,607,153</u>
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 322,770	\$ 4,038,861
Financial assets at amortised cost	866,600	-
Accounts receivable (including accounts receivable due from related parties)	10,388,880	4,601,685
Other receivables (including other receivables due from related parties)	37,264	61,283
Guarantee deposits paid	2,687	2,854
	<u>\$ 11,618,201</u>	<u>\$ 8,704,683</u>
	December 31, 2020	December 31, 2019
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 30,047	\$ 11,799
Short-term borrowings	1,954,640	89,940
Accounts payable (including accounts payable to related parties)	7,441,773	5,488,782
Other payables (including other payables to related parties)	472,679	505,902
Lease liability	4,200	7,974
Corporate bonds payable (including current portion)	2,203,801	2,229,959
Guarantee deposits received	1,017	1,017
	<u>\$ 12,108,157</u>	<u>\$ 8,335,373</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) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The 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 treasury is responsible for hedging the entire foreign exchange risk exposure. Exchange rate risk is measured through a forecast of highly probable USD and RMB income and expenditures. The Company treasury uses natural hedge to decrease the risk exposure in the foreign currency.
- iii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The 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, 2020

Sensitivity analysis						
Foreign currency amount (In thousands)				Effect on other comprehensive income		
	Exchange rate	Book value (NTD)	Degree of variation	Effects on profit or loss		
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
Cash in banks						
USD : NTD	28.4800	\$ 269,664	3%	\$ 8,090	\$ -	
RMB : NTD	4.3370	12,017	3%	361	-	
HKD : NTD	3.6730	738	3%	22	-	
SGD : NTD	21.5600	8,582	3%	257	-	
EUR : NTD	35.0200	101	3%	3	-	
JPY : NTD	0.2763	10	3%	-	-	
Receivables						
USD : NTD	28.4800	\$ 10,443,563	3%	\$ 313,307	\$ -	
Financial assets at amortised cost						
USD : NTD	28.4800	\$ 854,400	3%	\$ 25,632	\$ -	
Non-monetary items						
Current financial investments at fair value through other comprehensive income						
USD : NTD	28.4800	\$ 227,840	3%	\$ 6,335	\$ -	

December 31, 2020

	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effects on profit or loss	Effect on other comprehensive income
<u>Current financial investments at fair value through other comprehensive income</u>						
USD: NTD	\$ -	28.4800	\$ 15,357	3%	\$ -	\$ -
USD : THB	-	29.8000	10,517	3%	-	-
RMB : NTD	-	4.3800	442	3%	-	-
<u>Investments accounted for using the equity method</u>						
USD : NTD	\$ 177,602	28.4800	\$ 5,058,111	3%	\$ -	\$ 151,743
HKD : NTD	1,112,284	3.6730	4,085,419	3%	-	122,563
THB : NTD	615,456	0.9556	588,130	3%	-	17,644
RMB : NTD	109,087	4.3770	477,474	3%	-	14,324
VND : NTD	303,736,667	0.0012	364,484	3%	-	10,935
<u>Financial liabilities</u>						
<u>Non-monetary items</u>						
Bank loan						
USD : NTD	\$ 48,000	28.4800	\$ 1,367,040	3%	\$ 41,011	\$ -
Payables						
USD : NTD	\$ 230,692	28.4800	\$ 6,570,121	3%	\$ 197,104	\$ -
RMB : NTD	213,075	4.3770	932,629	3%	27,979	-
<u>Non-monetary items</u>						
<u>Current financial investments at fair value through other at fair value through other</u>						
USD : NTD	\$ -	28.4800	\$ 19,979	3%	\$ -	\$ -
USD : THB	-	29.8000	10,068	3%	-	-

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)									
Financial assets									
Monetary items									
Cash in banks									
	\$	43,661	29.9800	\$	1,308,957	3% \$	39,269	\$	-
		42,433	4.3050		182,674	3%	5,480		-
		1,060	3.8490		4,080	3%	122		-
		398	22.2800		8,867	3%	266		-
Receivables									
	\$	157,143	29.9800	\$	4,711,147	3% \$	141,334	\$	-
		69	3.8490		266	3%	8		-
Non-monetary items									
Current financial investments at fair value through other comprehensive income									
	\$	3,000	29.9800	\$	89,940	3% \$	-	\$	2,728
Non-current financial investments at fair value through other comprehensive income									
	\$	6,425	1.0098	\$	6,488	3% \$	-	\$	195
		300	29.9800		8,994	3%	-		270

December 31, 2019

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	
\$ 700	29.9800	\$ 20,986	3%	\$ 630	\$	-
\$ 144,447	29.9800	\$ 4,330,511	3%	\$	\$	129,915
942,409	3.8490	3,627,334	3%	-	-	108,820
549,051	1.0098	554,432	3%	-	-	16,633
109,239	4.3050	470,272	3%	-	-	14,108
\$ 3,000	29.9800	\$ 89,940	3%	\$ 2,698	\$	-
\$ 155,776	29.9800	\$ 4,670,164	3%	\$ 140,105	\$	-
197,913	4.3050	852,015	3%	25,560	-	-

Non-current financial assets
mandatorily measured at fair value
through profit or loss
 USD:NTD

Investments accounted for using the

equity method

USD : NTD

HKD : NTD

THB : NTD

RMB : NTD

Financial liabilities

Monetary items

Bank borrowings

USD:NTD

Accounts payable

USD:NTD

RMB:NTD

Total exchange (loss) gain, including realised and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to \$169,910 thousand and \$73,253 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, 2020 and 2019 would have increased by \$794 thousand and \$654 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 \$43,398 thousand and \$75,498 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, 2020 and 2019 would have decreased/increased by \$5,509 thousand and \$180 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, 2020 and 2019, the provision matrix is as follows:

	Not past due	Up to 30 days	31 to 60 days	Over 90 days	Total
<u>December 31, 2020</u>					
Expected loss rate	0.01%	1.56%	26.34%	100.00%	
Total book value	\$ 10,091,321	\$ 12,684	\$ 3,151	\$ 2,129	\$ 10,109,285
Loss allowance	(\$ 1,024)	(\$ 198)	(\$ 830)	(\$ 2,129)	(\$ 4,181)

	Not past due	Up to 30 days	31 to 60 days	Over 90 days	Total
<u>December 31, 2019</u>					
Expected loss rate	0.01%	1.28%	33.11%	100.00%	
Total book value	\$ 4,455,759	\$ 6,431	\$ 7,471	\$ 216	\$ 4,469,877
Loss allowance	(\$ 394)	(\$ 82)	(\$ 2,474)	(\$ 216)	(\$ 3,166)

- ix. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2020</u>
	<u>Accounts receivable</u>
At January 1	\$ 3,166
Provision for impairment	1,015
At December 31	<u>\$ 4,181</u>
	<u>2019</u>
	<u>Accounts receivable</u>
At January 1	\$ 1,959
Provision for impairment	1,207
At December 31	<u>\$ 3,166</u>

For provisioned loss in 2020 and 2019, the impairment losses arising from customers' contracts are \$1,015 thousand and \$1,207 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, 2020				
Life time				
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at fair value through other comprehensive income Group 1	\$ 232,060	\$ -	\$ -	\$ 232,060

December 31, 2019				
Life time				
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at fair value through other comprehensive income Group 1	\$ 90,550	\$ -	\$ -	\$ 90,550

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, 2020 and 2019, the Company has \$6,673,250 thousand and \$8,316,340 thousand undrawn borrowing facilities, respectively.

Non-derivative financial liabilities:

December 31, 2020	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	\$ 1,368,830	\$ 587,600	\$ -	\$ -	\$ -	\$ 1,956,430
Accounts payable	95,324	92,652	-	-	-	187,976
Accounts payable to related parties	7,253,797	-	-	-	-	7,253,797
Other payables	383,542	2,171	-	-	-	385,713
Other payables to related parties	86,966	-	-	-	-	86,966
Lease liabilities	767	2,235	1,090	177	-	4,269
Other current liabilities	10,086	-	-	-	-	10,086
Long-term borrowings	828	2,531	84,284	635,779	87,718	811,140
Bonds payable	-	2,231,900	-	-	-	2,231,900

Derivative financial liabilities

Forward exchange contracts	30,047	-	-	-	-	30,047

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	5,384,900	-	-	-	-	5,384,900
Other payables	498,116	662	-	-	-	498,778
Other payables to related parties	7,124	-	-	-	-	7,124
Lease liabilities	2,533	4,653	830	-	-	8,016
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

(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:

<u>December 31, 2020</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	\$ -	\$ -	\$ 26,468	\$ 26,468
-Debt securities	-	-	-	-
-Forward exchange contracts	-	26,316	-	26,316
-Funds	52,157	-	-	52,157
-Call options of convertible bonds	-	-	446	446
Financial assets at fair value through other comprehensive income				
-Equity securities	1,402,262	-	44,320	1,446,582
-Debt securities	<u>232,060</u>	<u>-</u>	<u>-</u>	<u>232,060</u>
	<u>\$ 1,686,479</u>	<u>\$ 26,316</u>	<u>\$ 71,234</u>	<u>\$ 1,784,029</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contracts	<u>\$ -</u>	<u>\$ 30,047</u>	<u>\$ -</u>	<u>\$ 30,047</u>

<u>December 31, 2019</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	\$ 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>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contracts	<u>\$ -</u>	<u>\$ 11,799</u>	<u>\$ -</u>	<u>\$ 11,799</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:

	<u>Listed shares</u>	<u>Open-end fund</u>
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, 2020 and 2019, 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, 2020 and 2019:

	2020	2019
At January 1	\$ 54,761	\$ 63,913
Additions during the year	5,167	-
Merged and transferred to subsidiary during the year (Note)	- (	5,220)
Recovery of capital reduction during the year	- (	7,830)
Gains recognised in profit or loss	(1,844) (	1,910)
Gains/losses recognised in other comprehensive income	13,150	5,808
At December 31	<u>\$ 71,234</u>	<u>\$ 54,761</u>

Note: On February 26, 2019, the Board of Directors resolved the business combination of BTTT with the equity transfer date set on July 31, 2019. Please refer to Note 6(32) for details.

- 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, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity securities	\$ 44,320	Market comparable companies	Price to book ratio multiple	\$ 15,818	The higher the multiplier, the higher the fair value
Private equity funds in venture capital	26,468	Net asset value	N/A	26,468	N/A
Call options of convertible bonds	446	Binary tree convertible bond valuation model	Risk-free interest rate	0.0544%	The higher the risk-free interest rate, the lower the fair value
			Stock price	146.5	The higher the stock price, the higher the fair value
			Volatility	32.86%	The higher the stock price volatility, the higher the fair value

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity securities	\$ 31,170	Market comparable companies	Price to book ratio multiple	\$ 313	The higher the multiplier, the higher the fair value
Private equity funds in venture capital	21,301	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

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, 2020			
			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%	446	(223)	-	-
	Volatility	±5%	223	(223)	-	-
Equity securities	Stock price	±10%	-	-	4,432	(4,432)
	Volatility	±5%	-	-	-	-
			<u>\$ 669</u>	<u>(\$ 446)</u>	<u>\$ 4,432</u>	<u>(\$ 4,432)</u>

			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%	-	-	3,117	(3,117)
	Volatility	±5%	-	-	-	-
			<u>\$ 3,893</u>	<u>(\$ 1,374)</u>	<u>\$ 3,117</u>	<u>(\$ 3,117)</u>

(4) Assessment of impact of COVID-19

The Company was adversely affected by the COVID-19 pandemic during the first three quarters of 2020. As a result, production of some of the Company's factories came to a halt and orders were delayed. As of December 31, 2020, all factories have resumed operations. Additionally, although the Company's sales orders from certain areas have declined because of the said pandemic, the Company's overall business and financial position were not significantly impacted based on the Company's assessment.

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: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- 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 6.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- 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 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 9.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 10.

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 11.

(4) Major shareholders information

Major shareholders information: None.

14. SEGMENT INFORMATION

Not applicable.

15. INITIAL APPLICATION OF IFRSs

Not applicable.

Item	Description	Amount
Cash on hand		\$ 242
Cash in banks		
Checking accounts		2,417
Demand deposits		28,999
Foreign exchange deposits	USD	269,664
	EUR	101
	RMB	12,017
	HKD	738
	SGD	8,582
	JPY	10
		<u>\$ 322,770</u>

Client Name	Summary	Amount	Note
A		\$ 5,811,200	
B		1,829,071	
C		1,312,522	
			The balance of each customer has not exceeded 5% of the accounts receivable
Others		1,152,311	
		<u>\$ 10,105,104</u>	

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Finished goods		\$ 1,007,280	\$ 996,997	Net realisable value Replacement cost
Raw materials		<u>15,201</u>	<u>15,201</u>	
		1,022,481	<u>\$ 1,012,198</u>	
Less: Allowance for slow-moving inventories and valuation loss		(<u>18,393</u>)		
		<u>\$ 1,004,088</u>		

Name	Beginning Balance		Addition		Decrease		Ending Balance		Pledged as collateral	Note
	Shares (in thousand shares)	Fair Value	Shares (in thousand shares)		Shares (in thousand shares)		Shares (in thousand shares)			
			Amount	Amount	Amount	Amount	Amount	Amount		
6679.TW	1,054	\$ 26,976	-	\$ -	-	(1,054)	(\$ 26,976)	-	\$ -	None
4943.TW	12,091	648,164	1,814	-	-	-	-	13,905	648,164	None
3290.TW	5,723	99,990	-	-	-	-	-	5,723	99,990	None
FUJITER Semiconductor CO., LTD.	2,781	27,811	-	-	-	(655)	-	2,126	27,811	None
NETVOX TECHNOLOGY CO., LTD.	324	2,976	-	-	-	-	-	324	2,976	None
EVER THAI AGRIPRODUCT CO., LTD.	683	6,425	-	-	-	-	-	683	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
MERRY FULING CO., LTD., TAIWAN	-	-	356	10,437	-	-	-	356	10,437	None
XS218687550	-	-	5,000	144,625	-	-	-	5,000	144,625	
		<u>823,237</u>		<u>155,062</u>		<u>(26,976)</u>			<u>951,323</u>	
Add: Valuation adjustment		1,614,986		1,620		(1,081,490)			535,116	
Less: Accumulated impairment		<u>(2,976)</u>		-		-			<u>(2,976)</u>	
		<u>\$ 2,435,247</u>		<u>\$ 156,682</u>		<u>(\$ 1,108,466)</u>			<u>\$ 1,483,463</u>	

Name	Beginning Balance		Addition		Decrease		Ending Balance		Market Value or Net Assets Value			
	Number of shares (in thousand)	Amount	Number of shares (in thousand)	Amount	Number of shares (in thousand)	Amount	Percentage of Ownership	Amount	Unit Price (in dollars)	Total Amount	Pledged as collateral	Note
MERRY ELECTRONICS (HK) CO., LTD.	25,658	\$ 3,627,334	-	\$ 458,085	-	\$ -	100%	\$ 4,085,419	159.23	\$ 4,085,419	None	
DANNY DYNAMICS LIMITED	48,005	2,838,996	-	307,442	-	-	100%	3,146,438	65.54	3,146,438	None	
LEOHAB ENTERPRISE CO., LTD.	13,395	66,395	-	- (8,409)	(16,583)	4,986	21%	49,812	9.99	49,812	None	
MERRY ELECTRONICS (U.S.A.) CO., LTD.	999	36,408	-	-	(9,035)	999	99.9%	27,373	27.40	27,373	None	
MERRY ELECTRONICS (SINGAPORE) PTE., LTD.	800	660,634	-	467,499	-	-	100%	1,128,133	1,410.17	1,128,133	None	
MERRY ELECTRONICS (THAILAND) CO., LTD.	5,060	554,432	-	3,698	-	-	99.99%	558,130	110.30	558,130	None	
MERRY HEALTHCARE CO., LTD.	20,902	541,594	8,040	177,033	-	-	100%	718,627	24.83	718,627	None	
GUANGDONG LUXSHARE & MERRY ELECTRONICS CO., LTD.	-	376,606	-	-	(3,767)	-	49%	372,839	-	372,839	None	Note
Suzhou Meisheng Electronics Co.,Ltd.	-	93,666	-	10,969	-	-	70%	104,635	-	104,635	None	Note
INDIGO ENTERPRISE INC	-	794,473	-	-	(38,306)	-	70%	756,167	-	756,167	None	Note
BIOTEST MEDICAL CORPORATION	9,000	27,792	-	-	(6,140)	9,000	100	21,652	2.41	21,652	None	
MERRY & LUXSHARE (VIETNAM) CO., LTD.	-	-	-	364,484	-	-	51	364,484	-	364,484	None	Note
		<u>\$ 9,618,330</u>		<u>\$ 1,789,210</u>		<u>(\$ 73,831)</u>		<u>\$ 11,333,709</u>		<u>\$ 11,333,709</u>		

Note: It is a limited company without shares.

Item	Beginning Balance		Addition	Decrease	Transfer	Ending Balance		Collateral
	Initial Cost	Revaluation Increment				Initial Cost	Revaluation Increment	

Note: "Property, Plant and Equipement": Please refer to Note 6(8)

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Item	Beginning Balance	Addition	Decrease	Ending Balance	Note

Note:“Property,Plant and Equipement”:Please refer to Note 6(8).

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Nature	Description	Ending Balance	Range of Interest			Note
			Contract Period	Rate	Collateral	
Unsecured borrowings	Standard Chartered Hong Kong	\$ 587,600	2020.09.11 - 2021.03.10	0.00%	None	
	HSBC Bank (Taiwan)	1,139,200	2020.10.14 - 2021.03.18	0.53%-0.63%	None	
Unsecured borrowings	Mizuho Bank	227,840	2020.10.22 - 2021.03.18	0.63%-0.66%	None	
		<u>\$ 1,954,640</u>				

Item	Description	Amount	Note

Note : “Other Current Liabilities”Please refer to Note 6(14).

Creditor	Description	Amount	Contract Period	Interest Rate	Collateral	Note
Jih Sun International Bank	Unsecured borrowings	\$ 100,000	2020.2.20-2025.2.20	0.30%~0.40%	None	Note
Taipei Fubon Bank	Unsecured borrowings	220,000	2020.2.20-2025.2.20	0.37%	None	Note
Taishin International Bank	Unsecured borrowings	300,000	2020.2.20-2027.2.19	0.40%	None	
E.SUN Commercial Bank	Unsecured borrowings	79,950	2020.3.30-2025.3.15	0.35%	None	
Chang Hwa Bank	Unsecured borrowings	100,000	2020.2.20-2025.2.15	0.50%	None	
		<u>\$ 799,950</u>				

Note : Please refer to Note 6(16) for information on restrictive loan covenants.

Bonds Name	Trustee	Issuance Date	Interest Payment Date	Coupon Rate	Amount							
					Total Issuance Amount	Repayment Paid	Ending Balance	Unamortized Premiums (Discounts)	Carrying Amount	Repayment Term	Collateral	Note
Merry Electronics Co.,Ltd.	Fubon Securities Co.,Ltd	2018.12.11	2021.12.11	0.00%	\$ 3,000,000	\$ 768,100	\$ 2,231,900	(\$ 28,099)	\$ 2,203,801	Amortized with cash by bond's face value at maturity	None	
The Second Domestic unsecured convertible												
Less: Current portion of corporate bonds payable									(2,203,801)			
									\$ -			

Item	Description	Amount	Note

Note:“Deferred Tax Liabilities”:Please refer to Note 6(29).

Item	Quantity	Amount	Note
Telephone receivers/speakers	157,746	\$ 9,931,771	
Headset speakers	10,827	7,149,768	
Wireless electronic products	6,455	9,387,776	
Others	205,318	490,866	
		26,960,181	
Less: Sales returns		(9,831)	
Sales discounts and allowances		(45,324)	
Net sales revenue		26,905,026	
Technical service revenue		11,023	
Operating revenue, net		\$ 26,916,049	

Item	Amount
Raw materials at beginning of year	\$ 1,136
Add: Raw materials purchased during the year	597,055
Less: Raw materials at end of year	(15,201)
Used raw materials transferred to expenses	(52)
Raw materials sold	(582,965)
Finished goods cost	(27)
Finished goods at beginning of year	874,580
Add: Finished goods cost purchased during the year	24,737,467
Less: Finished goods at end of year	(1,007,280)
Finished goods used and transferred to expenses	(167)
Cost of sales	24,604,573
Cost of raw materials sales	582,965
Gain on reversal of inventories	(41,567)
Operating costs	<u>\$ 25,145,971</u>

Item	Selling expenses	Administrative expenses	Research and development expense	Total	Note
Wages and salaries	\$ 61,772	\$ 347,747	\$ 434,394	\$ 843,913	
Freight	31,111	265	669	32,045	
Administrative service fee	47,351	13,426	-	60,777	
Insurance expense	7,123	24,660	32,372	64,155	
Service expense	-	38,970	2,844	41,814	
Material expense	-	-	34,556	34,556	
					The balance of each expense account has not exceeded 5% of the total expense
Other expenses	<u>27,232</u>	<u>90,880</u>	<u>125,917</u>	<u>244,029</u>	
	<u>\$ 174,589</u>	<u>\$ 515,948</u>	<u>\$ 630,752</u>	<u>\$ 1,321,289</u>	

Item	Description	Amount	Note
Amortisation of discounts on bonds		\$ 30,454	
Accounts receivable financing		4,495	
Bank borrowings		4,888	
Lease liability		317	
		<u>\$ 40,154</u>	

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Function		Year ended December 31, 2020			Year ended December 31, 2019		
Nature		Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense							
Wages and salaries	\$	9,062	\$ 694,136	\$ 703,198	\$ 14,944	\$ 758,377	\$ 773,321
Labour and health insurance fees		594	58,433	59,027	877	56,223	57,100
Pension costs		180	31,550	31,730	453	29,674	30,127
Directors' remuneration		-	26,380	26,380	-	69,276	69,276
Other personnel expenses		5,296	131,483	136,779	625	97,079	97,704
Depreciation Expense		876	24,933	25,809	923	26,836	27,759
Depletion Expense		-	-	-	-	-	-
Amortisation Expense		16,004	34,715	50,719	14,407	41,218	55,625

Note:

1. As at December 31, 2020 and 2019, the Company had 765 and 654 employees, including 5 and 5 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 information :

(1) Average employee benefit expense in current year was \$1,225 thousand ((Total employee benefit expense of current year-Total directors' remuneration of current year)/ (Number of employees of current year-Number of non-employee directors of current year)).

Average employee benefit expense in previous year was \$1,477 thousand ((Total employee benefit expense of previous year - Total directors' remuneration of previous year)/ (Number of employees of previous year-Number of non-employee directors of previous year)).

(2) Average employee salaries in current year were \$925 thousand (Total wages and salaries of current year/ (Number of employees of current year-Number of non-employee directors of current year)).

Average employee salaries in previous year were \$1,192 thousand (Total wages and salaries of previous year/ (Number of employees of previous year-Number of non-employee directors of previous year)).

- (3) Adjustments of average employee salaries were -22.4% ((Average wages and salaries of current year - Average wages and salaries of previous year)/Average wages and salaries of previous year).
- (4) The Company set up an audit committee and therefore, it has no supervisors.
- (5) The Company's Compensation Policy is as follows:
- A. The directors' and managers' emoluments are distributed in accordance with 'Director and Manager Remuneration Management Regulations', except for the regulations stipulated in the laws or the Company's Articles of Incorporation.
 - B. The directors' and managers' performance assessment and salary compensation, which is determined based on the general pay levels in the same industry, also take into consideration the correlation between the individual's performance and the Company operational performance and future risk exposure.
 - C. The Remuneration Committee regularly assesses the degree to which performance goals for the directors and managers have been achieved, and sets the types and amounts of their individual salary compensation based on the results of the reviews conducted in accordance with the performance assessment standards. The annual report shall disclose the results of the individual performance assessments of the directors and managers and the connection between and reasonableness of the contents and amounts of their individual salary compensation and performance assessment results, and reports it at a shareholders' meeting.
 - D. The managers' compensation is conducted in accordance with the Company's relevant management system such as 'Employee Compensation Distribution Regulations'.
 - E. Directors' emoluments include remuneration and transportation allowance.
 - F. Managers' and employees' emoluments include salaries, bonuses, employee compensation, restricted stocks and employee stock ownership trust, etc.
 - G. Managers' and employees' emoluments are calculated based on the general pay levels in the same industry, and by taking into account the individual work experience and performance, previous salaries and individual performance assessed in accordance with the 'Employee Performance Assessment Management Regulations'.
 - H. Directors' and managers' emoluments will be reviewed by the Remuneration Committee and resolved by the Board of Directors.

MERRY ELECTRONICS CO., LTD.

Loans to others

Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 1

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance for the year ended December 31, 2020	Balance at December 31, 2020	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
													Item	Value			
0	MEHO	BTIT	Other receivables	Y	\$ 180,000	\$ -	-	-	2	\$ -	Business operation	\$ -	-	\$ -	4,708,678	\$ 4,708,678	
0	MEHO	METC	Other receivables	Y	200,000	-	-	-	2	-	Business operation	-	-	-	4,708,678	4,708,678	
1	ASCX	ETCX	Other receivables	Y	4,377	-	-	-	2	-	Business operation	-	-	-	35,476	4,708,678	
2	MECL	ETCX	Other receivables	Y	8,754	-	-	-	2	-	Business operation	-	-	-	1,120,096	4,708,678	

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, 2020

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, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Relationship with the endorser/ guarantor (Note 2)	Company name											
0	MEHO	2	BTTT	\$ 9,417,357	\$ 1,700,000	\$ -	\$ -	\$ -	0.00%	\$ 11,771,696	Y	N	N	
0	MEHO	2	SENM	9,417,357	28,480	28,480	-	-	0.24%	11,771,696	Y	N	N	
0	MEHO	2	SOCV	9,417,357	99,680	99,680	74,048	-	0.85%	11,771,696	Y	N	N	

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

(1) The Company is '0'.

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

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

(1) Having business relationship.

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

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

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

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

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

MERRY ELECTRONICS CO., LTD.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Note
				Number of shares	Book value (in thousands)	Ownership (%)	Fair value (in thousands)	
The Company	76324296A KGI Taiwan Multi-Asset Income Fund A TWD	-	Financial assets mandatorily measured at fair value through profit or loss	5,015	\$ 50,000	-	\$ 52,157	
			Valuation adjustment		2,157			
The Company	JAFCO	-	Non-current Financial assets mandatorily measured at fair value through profit or loss	875	\$ 52,157	0.71%	\$ 26,468	
			Equity instruments measured at fair value through other comprehensive income	683	40,980	-	42,687	
The Company	2881B.TW	-	Equity instruments measured at fair value through other comprehensive income	585	35,100	-	36,797	
The Company	2882B.TW	-	Equity instruments measured at fair value through other comprehensive income	300	30,000	-	29,880	
The Company	5871A	-	Equity instruments measured at fair value through other comprehensive income	3,000	89,550	-	85,815	
The Company	P18QNB13F10306	-	Equity instruments measured at fair value through other comprehensive income		195,630		\$ 195,179	
			Valuation adjustment		(451)			
					\$ 195,179			
The Company	Stock - 4943.TW	-	Measured at fair value through other comprehensive income - non-current	13,905	648,164	8.84%	1,202,761	
The Company	Stock - 3290.TW	-	Measured at fair value through other comprehensive income - non-current	5,723	99,990	5.75%	90,137	
The Company	Stock - FUJITER Semiconductor CO.,LTD.	-	Measured at fair value through other comprehensive income - non-current	2,126	27,811	9.79%	16,563	
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 AGR1-PRODUCT CO.,LTD.	-	Measured at fair value through other comprehensive income - non-current	683	6,425	5.17%	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 Intelligent Technology Limited	-	Measured at fair value through other comprehensive income - non-current	75	8,772	6.35%	8,772	
The Company	Stock - MERRY FULING CO., LTD., TAIWAN BRANCH (SAMOA)	-	Measured at fair value through other comprehensive income - non-current	356	10,437	19.00%	10,437	
The Company	Bond - XS218687550	-	Equity instruments measured at fair value through other comprehensive income	5,000	144,625	-	146,245	
					951,323		\$ 1,483,463	
			Valuation adjustment		535,116			
					(2,976)			
					\$ 1,483,463			
MEST	Stock - Perfect Fortune Inc.	-	Measured at fair value through other comprehensive income - non-current	2,126	7,810	18.33%	60,297	
MEST	Stock - LOYAL WIRE& CABLE COMPANY LTD.	-	Measured at fair value through other comprehensive income - non-current	1,159	7,530	18.33%	29,393	
			Valuation adjustment		15,340		\$ 89,690	
					74,350			
					\$ 89,690			

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

MERRY ELECTRONICS CO., LTD.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2020

Table 4

Expressed in thousands of NTD (Except as otherwise indicated)														
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at				Disposal				Balance as at December 31, 2020	
					January 1, 2020		Addition		Disposal		Gain (loss) on disposal		Number of shares	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
					Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount					
The Company	Stocks	Long-term investments accounted for using the equity method - MEVN	MERRY & LUXSHARE (VIETNAM) CO., LTD.	A subsidiary	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ 366,710

MERRY ELECTRONICS CO., LTD.

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

Year ended December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Relationship between the original owner and the counterparty		Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate		Other commitments
							Original owner sold the estate to the counterparty	acquirer				real estate	For business use	
MEVN	Plant	May 11, 2020	\$ 483,488	411,436	HOP LUC CONSTRUCTION JOINT STOCK COMPANY	None	-	-	-	-	-	-	-	-

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, 2020

Table 6

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)	Unit price	Credit term	Balance (Note 2)	Percentage of total notes/accounts receivable (payable)	Note
The Company	MECL	A subsidiary of the Company	Purchases	\$ 10,838,828	31%	(Note 1)	30~120 days end of month for the third parties	\$ (3,767,983)	35%	(Note 3)
The Company	MECE	Investment accounted for using the equity method	Purchases	9,815,633	28%	(Note 1)	30~120 days end of month for the third parties	(2,420,239)	23%	
The Company	MECH	Investment accounted for using the equity method	Purchases	3,614,382	10%	(Note 1)	30~120 days end of month for the third parties	(754,255)	7%	
The Company	Luxshare-ICT (Vietnam) Limited	Other related party	Purchases	509,662	1%	(Note 1)	30~120 days end of month for the third parties	(93,618)	1%	
The Company	MEVN	A subsidiary of the Company	Purchases	426,183	1%	(Note 1)	30~120 days end of month for the third parties	(208,719)	2%	(Note 3)
METC	The Company	Parent Company	Purchases	573,052	2%	(Note 1)	30~120 days end of month for the third parties	(271,532)	3%	(Note 3)
MESG	MECH	Investment accounted for using the equity method	Purchases	2,113,650	6%	(Note 1)	30~120 days end of month for the third parties	(715,525)	7%	
MESG	METC	A subsidiary of the Company	Purchases	1,171,234	3%	(Note 1)	30~120 days end of month for the third parties	(162,512)	2%	(Note 3)
MESG	MECL	A subsidiary of the Company	Purchases	1,283,027	4%	(Note 1)	30~120 days end of month for the third parties	(423,290)	4%	(Note 3)

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, 2020

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 2)	Allowance for doubtful accounts
					Amount	Action taken		
The Company	METC	A subsidiary of the Company	\$ 271,532	2.89	\$ -	-	\$ -	-
MECL	The Company	Parent Company	3,767,983	3.92	-	-	3,194,020	-
MECL	MESG	A subsidiary of the Company	423,290	3.61	-	-	138,472	-
METC	MESG	A subsidiary of the Company	162,512	8.24	-	-	65,724	-
MEVN	The Company	Parent Company	208,719	4.08	-	-	181,236	-

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

Note 2: The balance was as at February 25, 2021.

MERRY ELECTRONICS CO., LTD.

Significant inter-company transactions during the reporting periods
Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 8

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	
0	MEHO	MECL	1	Purchases	\$ 10,838,828	31%
0	MEHO	MECL	1	Accounts payable	3,767,983	11%
0	MEHO	MEVN	1	Purchases	426,183	1%
0	MEHO	MEVN	1	Accounts payable	208,719	1%
1	METC	MEHO	2	Purchases	573,052	2%
1	METC	MEHO	2	Accounts payable	271,532	1%
2	MESG	MECL	3	Purchases	1,283,027	4%
2	MESG	METC	3	Purchases	1,171,234	3%
2	MESG	MECL	3	Accounts payable	423,290	1%
2	MESG	METC	3	Accounts payable	162,512	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, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount			Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Note
				Balance as at December 31, 2020	Balance as at December 31, 2019		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	\$ 4,085,419	\$ 429,868	\$ 417,441	(Note 1)
The Company	DDBV	British Virgin IS.	General investment business	1,479,925	1,479,925		48,005	100.00	3,146,438	262,744	259,314	(Note 1)
The Company	LEOHAB ENTERPRISE CO., LTD.	Taichung City	Plastic injection molding and metal stamping	96,666	96,666		4,986	21.00	49,812	13,959	2,931	
The Company	MECA	U.S.A	Technique, marketing and after service	28,887	28,887		999	99.90	27,373 (	7,485) (	7,478)	
The Company	MESG	SINGAPORE	Sales of microphone, receiver and speaker	92,132	92,132		800	100.00	1,128,133	518,927	518,927	
The Company	METC	THAILAND	Microphone, components and product and sale of other electric products	484,358	484,358		5,060	99.99	558,130	32,314	33,401	(Note 1)
The Company	MHKY	CAYMAN	Sales of medical device	887,287	648,129		24,979	100.00	718,627 (	71,578) (	71,578)	
The Company	INSA	SAMOA	General investment business	865,832	865,832		-	70.00	756,167 (	53,739) (	37,617)	
The Company	BTTT	Taichung City	Sales of medical device	14,640	14,640		9,000	100.00	21,652 (	6,140) (	6,140)	
The Company	MEVN	VIETNAM	Manufacture of microphone and speaker	366,710	-		-	51.00	364,484	24,720	12,607	
DDBV	UCMU	MAURITIUS	General investment business	151	151		5	100.00	-	687	-	(Note 2)
DDBV	MTHK	HONG KONG	General investment business	1,392,956	1,392,956		48,000	100.00	3,146,355	262,057	-	(Note 2)
MHKY	FUSA	SAMOA	General investment business	818,916	579,758		-	97.12	732,331 (	69,894)	-	(Note 2)
INSA	SOCV	CANADA	Sale and development of speaker and power amplifier	30	30		-	100.00	40,445 (	10,562)	-	(Note 2)
SOCV	SOCA	CANADA	General investment business	11,112	11,112		-	100.00	68,001	6,212	-	(Note 2)
SOCA	SENM	NORWAY	Manufacture and sales of speaker monomer	23	23		-	100.00	54,606	6,455	-	(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, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 10

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, 2020	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020 (Note 5)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020 (Note 3)
					Remitted to Mainland China	Remitted back to Taiwan						
MECL	Microphone, receiver, speaker, security system, induction cooker and other electronic component	417,221	(Note 2)	\$ 453,191	\$ -	\$ -	\$ 453,191	\$ 201,437	100.00%	\$ 201,437	\$ 2,800,241	\$ 2,282,120
MECE	Manufacture and sales of microphone, receiver and speaker	2,738,859	(Note 2)	1,369,285	-	-	1,369,285	528,719	49.00%	255,644	3,146,355	295,185
MECS	International trade, transit trade and trading consulting; trading amongst companies in bonded area and trading agency in the area	7,264	(Note 2)	6,055	-	-	6,055	(437)	49.00%	(214)	(1,070)	40,321
Perfect Fortune Inc.	Electric wire, electric cable and other wire processing	42,607	(Note 2 - 4)	107,624	-	-	107,624	14,166	18.33%	-	60,294	4,125
LOYAL WIRE& CABLE COMPANY LTD.	Electric wire, electric cable and other wire processing	122,572	(Note 2 - 4)	-	-	-	-	5,845	18.33%	-	29,392	-
MECH	Manufacture and sales of microphone, receiver, speaker and mobile phone	437,700	(Note 2)	420,687	-	-	420,687	465,563	49.00%	229,121	910,702	-
FUSZ	Manufacture of medical device	280,930	(Note 2)	310,763	-	-	310,763	(4,769)	97.12%	(4,611)	733,577	-
MEDG	Research and development of sound equipment, earphones, mobile power supply, charging box, cable, connector, electronic components, plastic hardware, mould and antenna	875,400	(Note 1)	452,564	-	-	452,564	(10,931)	49.00%	(5,350)	372,839	-
MSCS	Manufacture of speaker and amplifier	151,324	(Note 1)	79,728	-	-	79,728	11,819	70.00%	8,273	104,635	-
ETCX	Retail sales of hearing products	19,697	(Note 2)	2,237	16,772	-	19,009	(3,650)	97.12%	(3,574)	8,179	-

MERRY ELECTRONICS CO., LTD.
Information on investees in Mainland China
Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 10

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, 2020	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020 (Note 5)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Note
					Remitted to Mainland China	Remitted back to Taiwan							
ASCX	Manufacture and sales of hearing aid, hearing device and acoustics equipment	58,044	(Note 2)	275,537	-	-	275,537	16,085	96.63%	15,355	78,170	\$ -	-
LACX	Research and development and technical sales of software for hearing aid use	21,885	(Note 2)	22,180	-	-	22,180	(2,513)	96.63%	(2,435)	28,767	-	-
ASCZ	Manufacture of hearing aid and acoustics for rehabilitation device	17,508	(Note 2)	17,744	-	-	17,744	(3,889)	96.63%	(3,755)	26,909	-	-
FUXM	Sales of medical device	304,784	(Note 2)	94,845	208,150	-	302,995	(61,408)	97.12%	(59,563)	226,195	-	-
							<u>\$ 3,837,362</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.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceasing on investments in Mainland China imposed by the Investment Commission of MOEA (Note 1)
	\$	\$	\$
Merry Electronics Co., Ltd	3,837,362	3,727,090	7,063,018

Note 1: (2001) Tai-Cai-Zheng (1) Letter No. 006 (30 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, 2020

Table 11

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Counterparty	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsemments/guarantees or collaterals		Maximum balance during the year ended December 31, 2020		Financing		Interest during the year ended December 31, 2020	
		Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Balance at December 31, 2020	Interest rate	Balance at December 31, 2020	Interest rate	Balance at December 31, 2020	Others
MECL	MEHO	(\$ 10,838,828)	31%	-	-	(\$ 3,767,983)	35%	\$	-	-	-	\$	-	-	-
MECL	MESG	(1,283,027)	4%	-	-	(423,290)	4%	-	-	-	-	-	-	-	-
MECE	MEHO	(9,815,633)	28%	-	-	(2,420,239)	23%	-	-	-	-	-	-	-	-
MECH	MEHO	(3,614,382)	10%	-	-	(754,255)	7%	-	-	-	-	-	-	-	-
MECH	MESG	(2,113,650)	6%	-	-	(715,525)	7%	-	-	-	-	-	-	-	-

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