

**MERRY ELECTRONICS CO., LTD. AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT**

June 30, 2023 AND 2022

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Merry Electronics Co., Ltd. and subsidiaries (the “Group”) as on June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended, as well as the related consolidated statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 2410 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4 (3) and 6 (7), the financial statements of certain insignificant consolidated subsidiaries and certain investments accounted for using the equity method were not reviewed by independent auditors. Those statements reflect total assets of NT\$4,796,865 thousand and NT\$4,423,773 thousand, constituting 16% and 14% of the consolidated total assets, and total liabilities

of NT\$1,554,179 thousand and NT\$2,139,811 thousand, constituting 9% and 11% of the consolidated total liabilities as at June 30, 2023 and 2022, respectively, and reflect total revenue of NT\$325,777 thousand, NT\$301,316 thousand, NT\$624,383 thousand and NT\$524,188 thousand, constituting 4%, 4%, 4% and 4% of the consolidated revenues for the three months and six months then ended, respectively, and total comprehensive income (loss) of NT\$42,087 thousand, NT\$116,519 thousand, NT\$(3,152) thousand and NT\$275,233 thousand, constituting 25%, 37, (1)% and 40% of the consolidated total comprehensive income for the three months and six months then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and certain investments accounted for using the equity method been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as on June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months then ended, and its consolidated cash flows for the six months then ended in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Liu, Mei-Lan
Hsu, Chien-Ye

For and on behalf of PricewaterhouseCoopers, Taiwan
July 27, 2023

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

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2023 and 2022 were reviewed, not audited)

Assets		Notes	June 30, 2023		December 31, 2022		June 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6 (1)	\$ 5,711,810	20	\$ 6,923,268	21	\$ 5,880,028	18
1110	Financial assets at fair value through profit or loss - current	6 (2)	404,360	1	389,181	1	502,565	2
1120	Current financial assets at fair value through other comprehensive income	6 (3)	258,602	1	251,448	1	108,825	-
1136	Current financial assets at amortized cost		521,262	2	185,601	1	1,055,142	3
1170	Accounts receivable, net	6 (4) (5)	6,692,799	23	8,709,698	26	6,180,729	19
1180	Accounts receivable due from related parties, net	7 (2)	38,810	-	61,771	-	203,236	1
1200	Other receivables		31,590	-	87,327	-	193,516	1
1210	Other receivables – related parties	7 (2)	106,907	-	118,270	-	784,590	2
130X	Inventories	6 (6)	3,763,540	13	4,910,577	15	5,251,753	16
1470	Other current assets		264,955	1	286,170	1	359,441	1
11XX	Current Assets		17,794,635	61	21,923,311	66	20,519,825	63
Non-current assets								
1510	Financial assets at fair value through profits or loss – non-current	6 (2)	26,484	-	27,284	-	27,380	-
1517	Non-current financial assets at fair value through other comprehensive income	6 (3)	545,396	2	526,509	2	754,009	2
1535	Financial assets at amortized cost – non-current		433,338	1	110,200	-	319,608	1
1550	Investments accounted for under equity method	6 (7)	4,740,775	16	5,028,458	15	4,733,027	15
1600	Property, plant and equipment	6 (8)	3,985,675	14	4,147,903	12	4,019,734	12
1755	Right-of-use assets	6 (9)	279,991	1	293,554	1	178,827	1
1780	Intangible assets	6 (10)	1,038,164	4	1,102,943	3	1,310,121	4
1840	Deferred income tax assets		219,849	1	160,015	1	209,281	1
1900	Other non-current assets		90,842	-	108,454	-	259,667	1
15XX	Non-current assets		11,360,514	39	11,505,320	34	11,811,654	37
1XXX	Total assets		\$ 29,155,149	100	\$ 33,428,631	100	\$ 32,331,479	100

(Continued)

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022

(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2023 and 2022 were reviewed, not audited)

	Liabilities and Equity	Notes	June 30, 2023		December 31, 2022		June 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowing	6 (11)	\$ 476,661	2	\$ 2,146,851	6	\$ 3,726,069	11
2120	Financial liabilities at fair value through profit or loss – current	6 (2)	300	-	10,137	-	17,519	-
2130	Contract liabilities – current	6 (21)	313,545	1	370,035	1	361,438	1
2150	Notes payable		-	-	-	-	2	-
2170	Accounts payable		4,657,289	16	5,015,885	15	4,811,813	15
2180	Accounts payable – related parties	7 (2)	2,297,766	8	4,198,902	13	2,285,044	7
2200	Other payables	6 (12)	1,807,764	6	1,194,443	4	1,827,822	6
2220	Other payables – related parties	7 (2)	24,920	-	82,414	-	143,565	-
2230	Current income tax liabilities		234,596	1	313,322	1	216,311	1
2320	Current portion of long-term liabilities	6 (14)	443,670	1	451,919	1	247,501	1
2399	Other current liabilities		412,902	1	340,051	1	325,561	1
21XX	Current Liabilities		<u>10,669,413</u>	<u>36</u>	<u>14,123,959</u>	<u>42</u>	<u>13,962,645</u>	<u>43</u>
	Non-current liabilities							
2527	Contract liabilities – non-current	6 (21)	627,852	2	650,862	2	737,400	3
2530	Bonds payable	6 (13)	2,967,947	10	2,953,838	9	2,939,564	9
2540	Long-term borrowings	6 (14)	727,231	3	904,528	3	1,121,633	4
2570	Deferred income tax liabilities		1,544,250	5	1,534,222	5	1,361,700	4
2580	Lease liabilities – non-current		122,518	1	140,904	-	57,959	-
2640	Net defined benefit liability – non-current		29,535	-	37,619	-	68,453	-
2670	Other non-current liabilities		25,790	-	26,413	-	51,091	-
25XX	Non-current liabilities		<u>6,045,123</u>	<u>21</u>	<u>6,248,386</u>	<u>19</u>	<u>6,337,800</u>	<u>20</u>
2XXX	Total liabilities		<u>16,714,536</u>	<u>57</u>	<u>20,372,345</u>	<u>61</u>	<u>20,300,445</u>	<u>63</u>
	Equity attributable to owners of parent							
	Share capital	6 (17)						
3110	Common stock		2,177,422	8	2,177,827	7	2,163,994	7
	Capital surplus	6 (18)						
3200	Capital surplus		4,724,746	15	4,720,866	14	4,638,486	14
	Retained earnings	6 (19)						
3310	Legal reserve		2,412,390	8	2,265,932	7	2,265,932	7
3320	Special reserve		768,186	3	748,930	2	748,930	2
3350	Unappropriated retained earnings		2,626,939	9	3,355,328	10	2,393,688	7
	Other equity interest	6 (20)						
3400	Other equity interest		(1,081,033)	(3)	(996,446)	(3)	(900,928)	(2)
31XX	Equity attributable to owners of the parent		<u>11,628,650</u>	<u>40</u>	<u>12,272,437</u>	<u>37</u>	<u>11,310,102</u>	<u>35</u>
36XX	Non-controlling interest	4 (3)	<u>811,963</u>	<u>3</u>	<u>783,849</u>	<u>2</u>	<u>720,932</u>	<u>2</u>
3XXX	Total equity		<u>12,440,613</u>	<u>43</u>	<u>13,056,286</u>	<u>39</u>	<u>12,031,034</u>	<u>37</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
3X2X	Total liabilities and equity		<u>\$ 29,155,149</u>	<u>100</u>	<u>\$ 33,428,631</u>	<u>100</u>	<u>\$ 32,331,479</u>	<u>100</u>

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, Unaudited)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2023		2022		2023		2022	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6 (21) and 7 (2)	\$ 8,356,287	100	\$ 8,004,468	100	\$ 15,487,192	100	\$ 14,022,811	100
5000 Operating costs	6 (6) and 7 (2)	(7,320,962)	(88)	(7,003,028)	(88)	(13,595,104)	(88)	(12,143,235)	(86)
5900 Net operating margin		<u>1,035,325</u>	<u>12</u>	<u>1,001,440</u>	<u>12</u>	<u>1,892,088</u>	<u>12</u>	<u>1,879,576</u>	<u>14</u>
Operating expenses	6 (24)(25)								
6100 Selling expenses		(102,058)	(1)	(119,076)	(1)	(213,938)	(1)	(230,079)	(2)
6200 General and administrative expenses		(270,123)	(3)	(288,890)	(4)	(522,706)	(3)	(558,626)	(4)
6300 Research and development expenses		(478,866)	(6)	(441,907)	(6)	(893,866)	(6)	(856,749)	(6)
6450 Expected credit impairment gain (loss)	12 (2)	<u>2,646</u>	<u>-</u>	<u>124,991</u>	<u>2</u>	<u>(7,929)</u>	<u>-</u>	<u>15,895</u>	<u>-</u>
6000 Total operating expenses		<u>(848,401)</u>	<u>(10)</u>	<u>(724,882)</u>	<u>(9)</u>	<u>(1,638,439)</u>	<u>(10)</u>	<u>(1,629,559)</u>	<u>(12)</u>
6900 Operating profit (loss)		<u>186,924</u>	<u>2</u>	<u>276,558</u>	<u>3</u>	<u>253,649</u>	<u>2</u>	<u>250,017</u>	<u>2</u>
Non-operating income and expenses									
7100 Interest income		29,285	-	11,979	-	46,588	-	22,322	-
7010 Other income	6 (22) and 7 (2)	124,543	2	180,324	2	190,868	1	232,514	2
7020 Other gains and losses	6 (23)	164,518	2	153,632	2	132,386	1	330,450	2
7050 Finance costs		(22,221)	-	(20,707)	-	(53,462)	-	(41,593)	-
7060 Share of profit of associates and joint ventures accounted for under the equity method	6 (7)	<u>17,791</u>	<u>-</u>	<u>(42,206)</u>	<u>-</u>	<u>(2,448)</u>	<u>-</u>	<u>(82,389)</u>	<u>(1)</u>
7000 Total non-operating income and expenses		<u>313,916</u>	<u>4</u>	<u>283,022</u>	<u>4</u>	<u>313,932</u>	<u>2</u>	<u>461,304</u>	<u>3</u>
7900 Profit before income tax		500,840	6	559,580	7	567,581	4	711,321	5
7950 Income tax expense	6 (26)	<u>(119,681)</u>	<u>(1)</u>	<u>(92,428)</u>	<u>(1)</u>	<u>(133,619)</u>	<u>(1)</u>	<u>(93,377)</u>	<u>-</u>
8200 Profit for the period		<u>\$ 381,159</u>	<u>5</u>	<u>\$ 467,152</u>	<u>6</u>	<u>\$ 433,962</u>	<u>3</u>	<u>\$ 617,944</u>	<u>5</u>

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, Unaudited)

Items	Notes	Three months ended June 30				Six months ended June 30				
		2023		2022		2023		2023		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
Other comprehensive income										
Components of other comprehensive income that will not be reclassified to profit or loss										
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income, net	6 (3) (20)	(\$ 41,572)	(1)	(\$ 144,635)	(2)	\$ 22,837	-	(\$ 270,214)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6 (26)	(838)	-	(957)	-	(1,040)	-	(2,316)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(42,410)	(1)	(145,592)	(2)	21,797	-	(272,530)	(2)
Components of other comprehensive income that will be reclassified to profit or loss										
8361	Financial statements translation differences of foreign operations	6 (20)	(48,540)	(1)	9,241	-	(58,655)	-	273,942	2
8367	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income, net	6 (3) (20)	1,330	-	(2,660)	-	514	-	(3,931)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method – components of other comprehensive income that will be reclassified to profit or loss	6 (7) (20)	(165,588)	(2)	(58,714)	-	(140,067)	(1)	115,607	1
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6 (26)	45,306	1	12,576	-	42,170	-	(70,344)	(1)
8360	Components of other comprehensive income that will be reclassified to profit or loss		(167,492)	(2)	(39,557)	-	(156,038)	(1)	315,274	2
8300	Total other comprehensive income (loss) for the period		(\$ 209,902)	(3)	(\$ 185,149)	(2)	(\$ 134,241)	(1)	\$ 42,744	-
8500	Total comprehensive(loss) for the period		<u>\$ 171,257</u>	<u>2</u>	<u>\$ 282,003</u>	<u>4</u>	<u>\$ 299,721</u>	<u>2</u>	<u>\$ 660,688</u>	<u>5</u>
Profit (loss), attributable to:										
8610	Owners of parent		\$ 362,554	5	\$ 392,647	5	\$ 418,560	3	\$ 502,936	4
8620	Non-controlling interest		18,605	-	74,505	1	15,402	-	115,008	1
	Total profit (loss) for the period		<u>\$ 381,159</u>	<u>5</u>	<u>\$ 467,152</u>	<u>6</u>	<u>\$ 433,962</u>	<u>3</u>	<u>\$ 617,944</u>	<u>5</u>
Comprehensive income attributable to:										
8710	Owners of parent		\$ 139,854	2	\$ 195,883	3	\$ 271,607	2	\$ 509,648	4
8720	Non-controlling interest		31,403	-	86,120	1	28,114	-	151,040	1
	Total comprehensive income (loss)		<u>\$ 171,257</u>	<u>2</u>	<u>\$ 282,003</u>	<u>4</u>	<u>\$ 299,721</u>	<u>2</u>	<u>\$ 660,688</u>	<u>5</u>
Basic earnings per share										
9750	Total basic earnings per share	6 (27)	<u>\$ 1.69</u>		<u>\$ 1.84</u>		<u>\$ 1.96</u>		<u>\$ 2.35</u>	
Diluted earnings per share										
9850	Total diluted earnings per share	6 (27)	<u>\$ 1.52</u>		<u>\$ 1.66</u>		<u>\$ 1.77</u>		<u>\$ 2.14</u>	

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

(Reviewed, Unaudited)

Equity attributable to owners of the parent

	Notes	Share capital - common stock	Capital surplus- additional paid-in capital	Legal reserve	Special reserve	Unappropriated Retained earnings	Other equity interest	Total	Non- Controlling interest	Total equity
<u>Six months ended June 2022</u>										
Balance at January 1, 2022		\$ 2,165,100	\$ 4,646,623	\$ 2,152,834	\$ 269,144	\$ 3,349,676	(\$ 969,246)	\$ 11,614,131	\$ 540,492	\$ 12,154,623
Profit (loss) for the period		-	-	-	-	502,936	-	502,936	115,008	617,944
Other comprehensive income for the period		-	-	-	-	-	6,712	6,712	36,032	42,744
Total comprehensive income (loss) for the period		-	-	-	-	502,936	6,712	509,648	151,040	660,688
Appropriation and distribution of 2021 retained earnings	6 (19)									
Legal reserve		-	-	113,098	-	(113,098)	-	-	-	-
Special reserve		-	-	-	479,786	(479,786)	-	-	-	-
Cash dividends		-	-	-	-	(866,040)	-	(866,040)	-	(866,040)
Share-based payment	6 (16)	(1,106)	(13,284)	-	-	-	61,606	47,216	-	47,216
Recognition of change in equity of associates in proportion to the Group's ownership	6 (7)	-	5,147	-	-	-	-	5,147	-	5,147
Acquired non-controlling interests in subsidiaries		-	-	-	-	-	-	-	29,400	29,400
Balance at June 30, 2022		\$ 2,163,994	\$ 4,638,486	\$ 2,265,932	\$ 748,930	\$ 2,393,688	(\$ 900,928)	\$ 11,310,102	\$ 720,932	\$ 12,031,034
<u>Six months ended June 2023</u>										
Balance at January 1, 2023		\$ 2,177,827	\$ 4,720,866	\$ 2,265,932	\$ 748,930	\$ 3,355,328	(\$ 996,446)	\$ 12,272,437	\$ 783,849	\$ 13,056,286
Profit (loss) for the period		-	-	-	-	418,560	-	418,560	15,402	433,962
Other comprehensive income for the period		-	-	-	-	-	(146,953)	(146,953)	12,712	(134,241)
Total comprehensive income (loss) for the period		-	-	-	-	418,560	(146,953)	271,607	28,114	299,721
Appropriation and distribution of 2022 retained earnings	6 (19)									
Legal reserve		-	-	146,458	-	(146,458)	-	-	-	-
Special reserve		-	-	-	19,256	(19,256)	-	-	-	-
Cash dividends		-	-	-	-	(981,235)	-	(981,235)	-	(981,235)
Share-based payments	6 (16)	(405)	(3,379)	-	-	-	62,366	58,582	-	58,582
Recognition of change in equity of associates in proportion to the Group's ownership	6 (7)	-	7,259	-	-	-	-	7,259	-	7,259
Balance at June 30, 2023		\$ 2,177,422	\$ 4,724,746	\$ 2,412,390	\$ 768,186	\$ 2,626,939	(\$ 1,081,033)	\$ 11,628,650	811,963	\$ 12,440,613

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(Reviewed, Unaudited)

		Six months ended June 30	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 567,581	\$ 711,321
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense-property, plants and equipment	6 (8)(24)	271,125	243,906
Depreciation expense - right-of-use assets	6 (9)(24)	55,711	53,520
Amortization	6 (10)(24)	75,324	74,266
Expected credit impairment loss (gain)	12 (2)	7,929 (	15,895)
Finance costs		49,753	39,980
Interest expense-lease liability	6 (9)	3,709	1,613
Loss (gain) on financial assets or liabilities at fair value through profit or loss		(21,155) (	97,970)
Share of profit of associates and joint ventures accounted for using equity method	6 (7)	2,448	82,389
Compensation cost of employee restricted shares	6 (16)	58,582	47,216
Loss (gain) on disposal of property, plant and equipment	6 (23)	(19,204)	863
Interest income		(46,588) (	22,322)
Dividend income	6 (22)	(596) (	2,082)
Deferred income of government grants		(392) (	461)
Unrealized foreign exchange gains		(5,771) (	82,096)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets/liabilities mandatorily measured at fair value through profit or loss		(3,061) (	1,594)
Accounts receivable (including related parties)		2,256,419	3,262,791
Other receivables (including related parties)		69,799 (	13,159)
Inventories		1,109,130 (	8,999)
Other current assets		14,384	10,694
Changes in operating liabilities			
Notes payable		-	2
Accounts payable		(445,604) (	1,094,324)
Accounts payable – related parties		(2,012,369) (	1,397,410)
Other payables		(280,181) (	51,184)
Other payables – related parties		(57,478)	76,744
Contract liabilities		(79,052)	224,201
Other current liabilities		60,997	16,550
Net defined benefit liability – non-current		(8,083) (	14,086)
Cash inflow generated from operations		1,623,357	2,044,474
Interest received		45,880	16,489
Dividend received		596	2,082
Interest paid		(55,795) (	40,177)
Income taxes paid		(223,284) (	148,438)
Net cash inflows generated from operating activities		1,390,754	1,874,430

(Continued)

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(Reviewed, Unaudited)

		Six months ended June 30	
	Notes	2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets mandatorily measured at fair value through profit or loss		\$ -	(\$ 51,487)
Acquisition of financial assets at fair value through other comprehensive income		-	(444)
Increase in financial assets at amortized cost- current		(326,422)	-
Decrease in financial assets at amortized cost- current		-	40,044
Increase in financial assets at amortized cost – non-current		(333,931)	(318,694)
Decrease in financial assets at amortized cost – non-current		-	3,853
Acquisition of investments accounted for using equity method	6 (7)	(60,592)	-
Earnings distribution accounted for under equity method	6 (7)	213,003	-
Acquisition of property, plant and equipment	6 (28)	(207,927)	(399,575)
Proceeds from disposal of property, plant and equipment		25,246	3,108
Acquisition of intangible assets		(5,659)	(8,117)
Decrease in other non - current assets		5,771	511
(Increase) decrease in guarantee deposits paid		<u>8,024</u>	(<u>4,315</u>)
Net cash flows used in investing activities		(<u>682,487</u>)	(<u>735,116</u>)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6 (29)	(1,644,016)	(84,049)
Repayment of principal portion of lease liabilities	6 (29)	(58,785)	(55,371)
Increase in long-term borrowings	6 (29)	-	71,965
Decrease in long-term borrowings	6 (29)	(187,363)	(276,632)
Increase (decrease) in other non-current liabilities	6 (29)	(37)	20,511
Change in non-controlling interests		<u>-</u>	(<u>29,400</u>)
Net cash flows used in financing activities		(<u>1,890,201</u>)	(<u>352,976</u>)
Effect of change in foreign currency exchange		(<u>29,524</u>)	<u>251,721</u>
Net increase (decrease) in cash and cash equivalents		(1,211,458)	1,038,059
Cash and cash equivalents at beginning of period		<u>6,923,268</u>	<u>4,841,969</u>
Cash and cash equivalents at end of period		\$ 5,711,810	\$ 5,880,028

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2023 AND 2022

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

1. HISTORY AND ORGANISATION

Merry Electronics Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on December 24, 1975. The Company and its subsidiaries (collectively referred here in as the “Group”) are primarily engaged in manufacturing, processing, repairing, sales of electric appliance and audiovisual electric products, telecommunication equipment and apparatus electronic parts and components, computers and computing peripheral equipment, restrained telecom radio frequency equipment and medical appliances; planning, design, input as well as output of service items’ equipment; production as well as marketing management consultant of service items’ relevant business; and all business items that are not prohibited or restricted by law, except those that are subject to special approval. The Company’s shares were listed on the Taipei Exchange since August 1998 and transferred to the Taiwan Stock Exchange starting September 2000 with approval from the competent authority. The Company merged with its subsidiaries, Huges Hi-Tech Inc. and Biotest Medical Corporation, on September 1, 2005 and October 29, 2021, respectively. The Company was the surviving company while Huges Hi-Tech Inc. and Biotest Medical Corporation were the dissolved companies.

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

These consolidated financial statements were reported to the Board of Directors on July 27, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 “The disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8 “The definition of accounting estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

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

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by International Accounting Standards Board
Amendments to IFRS 16 "Leases" - Lease Liability in a Sale and Leaseback	January 1, 2024
IFRS 17 "Insurance contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance contracts"	January 1, 2023
Amendments to IFRS 17 "Initial application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of liabilities as current or non-current"	January 1, 2024
Amendments to IAS 1 "Presentation of Financial Statements" - Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" - Supplier Finance Arrangements	January 1, 2024
Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"	May 23, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2022, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

(2) Basis of preparation

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
Basis for preparation for the current period financial statements and the 2022 consolidated financial statements is the same.
- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business Activities	Ownership (%)			Description
			June 30, 2023	December 31, 2022	June 30, 2022	
MEHO	Merry Electronics (HK) Co., Ltd. (MEST)	Sales of the same products as the Company.	100.00%	100.00%	100.00%	
MEHO	Merry Electronics (Thailand) Co., Ltd. (METC)	The same main business as the Company.	99.99%	99.99%	99.99%	NOTE 1
MEHO	Merry Electronics (U.S.A.) Co., Ltd. ("MECA")	Agency selling microphone and security system manufactured by affiliates.	99.90%	99.90%	99.90%	NOTE 1
MEHO	Danny Dynamics Limited ("DDBV")	Equity investments.	100.00%	100.00%	100.00%	

Name of investor	Name of subsidiary	Main business Activities	Ownership (%)			Description
			June 30, 2023	December 31, 2022	June 30, 2022	
MEHO	Merry Electronics (Singapore) Pte. Ltd. ("MESG")	Manufacturing of other electronic components and circuit board.	100.00%	100.00%	100.00%	
MEHO	Merry Healthcare Co., LTD. ("MHKY")	Sales of medical device.	100.00%	100.00%	100.00%	NOTE 2
MEHO	Asian Elite International Ltd. ("MSCS")	Manufacturing and sales of speaker and amplifier.	100.00%	100.00%	100.00%	NOTE 1
MEHO	Indigo Enterprise Inc. ("INSA")	Equity investments.	100.00%	100.00%	100.00%	
MEHO	MERRY & LUXSHARE (VIETNAM) CO., LTD. ("MEVN")	Manufacturing of speaker system and microphone for consumer electronics used.	51.00%	51.00%	51.00%	NOTE 1
MEHO	MUtek Electronics Co., Ltd. (MUTT)	Manufacturing and application service of electrical appliances and audiovisual electronic products	51.00%	51.00%	51.00%	NOTE 1、3
MEHO	Merry Capital Inc. ("MCTT")	Equity investments	100.00%	100.00%	-	NOTE 2、4
MEST	Merry Electronics (Shenzhen) Co., Ltd. ("MECL")	The same main business as the Company.	100.00%	100.00%	100.00%	
DDBV	Universal Capital Investment ("UCMU")	Equity investments.	100.00%	100.00%	100.00%	NOTE 1
DDBV	Merrytech (HK) Co., Limited ("MTHK")	Equity investments.	100.00%	100.00%	100.00%	
INSA	Merry Electronics North America Inc. ("MENA")	Develop-to-order and appearance design of speaker and amplifier.	100.00%	100.00%	100.00%	NOTE 6
MENA	Seas Fabrikker ("SENM")	Manufacturing and sales of speaker monomer.	100.00%	100.00%	100.00%	NOTE 1
MHKY	Fulicare Co., Ltd. ("FUSA")	Sales of medical device.	96.01%	96.01%	96.01%	NOTE 2
FUSA	Fulicare Medical Instruments (Suzhou) Co., Ltd. ("FUSZ")	Sales of medical device.	100.00%	100.00%	100.00%	NOTE 1

Name of investor	Name of subsidiary	Main business Activities	Ownership (%)			Description
			June 30, 2023	December 31, 2022	June 30, 2022	
FUSA	Fulicare Medical Instruments (Xiamen) Co., Ltd. ("FUXM")	Manufacturing of medical device.	100.00%	100.00%	100.00%	NOTE 1
FUSA	Xiamen Etimbre Hearing Technology Co., Ltd. ("ETCX")	Research and development, manufacturing as well as sales of hearing aid, hearing device and acoustics equipment.	100.00%	100.00%	100.00%	NOTE 1
FUSZ and FUSA	Austar Hearing Science And Technology (Xiamen) Co., Ltd. ("ASCX")	Research and development, manufacturing as well as sales of hearing aid, hearing device and acoustics equipment.	99.50%	99.50%	99.50%	NOTE 2
ASCX	Xiamen Laiyate Medical Devices Co., Ltd. ("LACX")	Research and development as well as technical sales of software functions for hearing aid.	100.00%	100.00%	100.00%	NOTE 1
MESG	Merry Electronics Sdn Bhd. ("MEMP")	Research and development of microphone, receiver and speaker.	100.00%	100.00%	-	NOTE 2、5

Note 1: The financial statements of the entity as of and for the six months ended June 30, 2023 and 2022 were not reviewed by the independent auditors as the entity is not a significant subsidiary.

Note 2: The financial statements of the entity as of and for the six months ended June 30, 2023 were not reviewed by the independent auditors as the entity is not a significant subsidiary.

Note 3: The Company and Universal Global Scientific Industrial Co., Ltd. invested NTD 30,600 thousand and NTD 29,400 thousand in exchange for 51% and 49% ownership, respectively. It is resolved that the record date of the establishment is dated May 12, 2022. The registration was completed.

Note 4: On July 28, 2022, the establishment of Merry Capital Inc. was resolved by the Board of Directors. The investment is amounting to NTD 8,000 thousand, with 100% ownership. The registration was completed.

Note 5: On October 27, 2022, the investment of Merry Electronics Sdn Bhd was resolved. The investment is amounting to MYR 2,400 thousand, with 100% ownership. The registration was completed.

Note 6: On May 25, 2022, the subsidiaries between Sonavox Canada Inc. and Sonavox Canada

Holding had a merger, which was resolved by the respective Board of Directors, and Sonavox Canada Inc. was the surviving company, with the record date of merger on May 26, 2022. On December 12, 2022, the Group changed the name of the subsidiary, Sonavox Canada Inc. ('SOCV'), to Merry Electronics North America Inc.('MENA'), and the registration for the change had been completed.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

None.

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

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group's non-controlling interests amounted to \$811,963 thousand, \$783,849 thousand and \$720,932 thousand, respectively. The following is the information for non-controlling interests that are material to the Group and that belong to the Group's subsidiaries:

Name of subsidiary	Principal place of business	Non-controlling interests					
		June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	Shareholding ratio	Amount	Shareholding ratio	Amount	Shareholding ratio
MEVN	Vietnam	\$ 752,335	49%	\$ 726,429	49%	\$ 659,039	49%

The summarized financial information of the subsidiary is as follows:

Balance sheet

	MEVN		
	June 30, 2023	December 31, 2022	June 30, 2022
Current assets	\$ 1,359,334	\$ 1,139,436	\$ 1,770,652
Non-current assets	1,086,084	1,135,700	1,170,240
Current liabilities	(743,720)	(596,979)	(1,338,895)
Non-current liabilities	(149,836)	(190,065)	(257,019)
Total net assets	\$ 1,551,862	\$ 1,488,092	\$ 1,344,978

Statement of comprehensive income

	MEVN	
	Three months ended June 30	
	2023	2022
Revenue	\$ 646,897	\$ 1,299,384
Profit before income tax	42,914	156,640
Profit for the period from continuing operations	42,914	156,640
Profit for the period	42,914	156,640
Total comprehensive income for the period	\$ 42,914	\$ 156,640
Comprehensive income attributable to non-controlling interests	\$ 21,028	\$ 76,754

	MEVN	
	Six months ended June 30	
	2023	2022
Revenue	\$ 1,065,814	\$ 2,223,765
Profit before income tax	43,664	242,170
Profit for the period from continuing operations	43,664	242,170
Profit for the period	43,664	242,170
Total comprehensive income for the period	\$ 43,664	\$ 242,170
Comprehensive income attributable to non-controlling interests	\$ 21,395	\$ 118,663

Statement of cash flows

	MEVN	
	Six months ended June 30	
	2023	2022
Net cash inflows generated from (outflows used in) operating activities	\$ 117,345	(\$ 94,335)
Net cash outflows used in investing activities	(9,747)	(194,269)
Net cash inflows generated from (outflows used in) financing activities	(50,149)	164,645
Effect of change in foreign currency exchange	3,367	2,589
Net increase (decrease) in cash and cash equivalents	60,816	(121,370)
Cash and cash equivalents at beginning of period	77,160	141,199
Cash and cash equivalents at end of period	\$ 137,976	\$ 19,829

(4) Employee benefits

Pensions

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

(5) Income tax

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

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

There was no significant change in the reporting period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2022.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash on hand and revolving funds	\$ 11,554	\$ 2,006	\$ 1,129
Checking accounts and demand deposits	4,708,891	6,794,522	5,139,639
Time deposits	546,365	126,739	20,925
Short-term securities	445,000	1	718,335
	<u>\$ 5,711,810</u>	<u>\$ 6,923,268</u>	<u>\$ 5,880,028</u>

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

B. As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group's time deposits with maturity over 3 months had been classified as financial assets measured at amortized cost.

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

<u>Items</u>	<u>June 30,2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Current items:</u>			
Financial assets mandatorily measured at fair value through profit or loss			
-Funds	\$ 100,000	\$ 100,000	\$ 100,000
- forward exchange contract	14,470	7,076	118,708
-Bonds	280,000	280,000	280,000
Valuation adjustment	9,890	2,105	3,857
Total	<u>\$ 404,360</u>	<u>\$ 389,181</u>	<u>\$ 502,565</u>
<u>Non-current items:</u>			
Funds	\$ 29,350	\$ 29,350	\$ 29,350
Valuation adjustment	(2,866)	(2,066)	(1,970)
	<u>\$ 26,484</u>	<u>\$ 27,284</u>	<u>\$ 27,380</u>

<u>Items</u>	<u>June 30,2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Current items:</u>			
Financial liabilities held for trading-forward exchange contract	<u>\$ 300</u>	<u>\$ 10,137</u>	<u>\$ 17,519</u>

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

	Three months ended June 30	
	2023	2022
Net gains on financial assets (liabilities) at fair value through profit or loss	\$ 15,126	\$ 53,281
	Six months ended June 30	
	2023	2022
Net gains on financial assets (liabilities) at fair value through profit or loss	\$ 35,134	\$ 87,738

- 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:

June 30, 2023			
	Contract amount (Notional principal)	Contract period	Contract price
Forward foreign exchange contract to sell	USD 6,000 thousand	2023/06/29~ 2023/08/04	NTD 31.070~31.071
Forward foreign exchange contract to buy	USD 26,000 thousand	2022/12/28~ 2024/05/10	NTD 29.036~30.963
December 31, 2022			
	Contract amount (Notional principal)	Contract period	Contract price
Forward foreign exchange contract to sell	USD 24,000 thousand	2022/12/05~ 2023/01/30	NTD 30.368~30.625
Forward foreign exchange contract to buy	USD 31,000 thousand	2022/11/07~ 2023/12/29	NTD 29.488~31.901
June 30, 2022			
	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)
Forward foreign exchange contract to sell	USD 47,500 thousand	2022/03/15~ 2022/10/17	NTD 28.430~29.678
Forward foreign exchange contract to buy	USD 98,500 thousand	2021/11/02~ 2022/12/28	NTD 27.557~29.540

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

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

<u>Items</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Current items:</u>			
<u>Debt instruments</u>			
Bonds	\$ 144,625	\$ 144,625	\$ -
Valuation adjustment			
-through profit or loss	11,075	8,925	-
-through other comprehensive income	(2,173)	(2,687)	-
Sub-total	<u>153,527</u>	<u>\$ 150,863</u>	<u>-</u>
<u>Equity instruments</u>			
Stocks	\$ 106,080	\$ 106,080	\$ 106,080
Valuation adjustment			
-through other comprehensive income	(1,005)	(5,495)	2,745
Sub-total	<u>105,075</u>	<u>100,585</u>	<u>108,825</u>
Total	<u>\$ 258,602</u>	<u>\$ 251,448</u>	<u>\$ 108,825</u>
<u>Items</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Non-current items:</u>			
<u>Debt instruments</u>			
Bonds	\$ -	\$ -	\$ 144,625
Valuation adjustment			
-through profit or loss	-	-	3,975
-through other comprehensive income	-	-	(990)
Sub-total	<u>-</u>	<u>-</u>	<u>147,610</u>
<u>Equity instruments</u>			
Listed stocks	\$ 99,990	\$ 99,990	\$ 99,990
Unlisted stocks	<u>916,782</u>	<u>916,784</u>	<u>916,194</u>
Sub-total	<u>1,016,772</u>	<u>1,016,774</u>	<u>1,016,184</u>
Valuation adjustment			
-through other comprehensive income	(471,376)	(490,265)	(409,785)
Sub-total	<u>545,396</u>	<u>526,509</u>	<u>606,399</u>
Total	<u>\$ 545,396</u>	<u>\$ 526,509</u>	<u>\$ 754,009</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 \$803,998 thousand, \$777,957 thousand and \$862,834 thousand as on June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

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

	Three months ended June 30	
	2023	2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 41,572)	(\$ 144,635)
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognized through profit or loss	\$ 3,450	\$ 5,475
Fair value change recognized in other comprehensive income	\$ 1,330	(\$ 2,660)
Cumulative other comprehensive (loss) income reclassified to profit or loss		
Interest income recognized in profit or loss	\$ 1,447	\$ 1,421
	Six months ended June 30	
	2023	2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 22,837	(\$ 270,214)
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognized through profit or loss	\$ 2,150	\$ 10,200
Fair value change recognized in other comprehensive income	\$ 514	(\$ 3,931)
Cumulative other comprehensive (loss) income reclassified to profit or loss		
Interest income recognized in profit or loss	\$ 2,849	\$ 2,783

C. As on June 30, 2023, December 31, 2022 and June 30, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$803,998 thousand, \$777,957 thousand and \$862,834 thousand, respectively.

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

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

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

(4) Accounts receivable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts receivable	\$ 6,721,420	\$ 8,731,145	\$ 6,199,624
Less: Allowance for doubtful accounts	(28,621)	(21,447)	(18,895)
	<u>\$ 6,692,799</u>	<u>\$ 8,709,698</u>	<u>\$ 6,180,729</u>

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Not past due	\$ 6,649,961	\$ 8,524,130	\$ 6,090,341
Up to 30 days	27,764	177,174	90,843
31 to 90 days	21,900	15,153	5,363
91 to 180 days	5,138	4,853	3,256
Over 180 days	<u>16,657</u>	<u>9,835</u>	<u>9,821</u>
	<u>\$ 6,721,420</u>	<u>\$ 8,731,145</u>	<u>\$ 6,199,624</u>

The above aging analysis was based on past due date.

B. As of June 30, 2023, December 31, 2022, June 30, 2022, and January 1, 2022, the balances of receivables from contracts with customers amounted to \$6,692,799 thousand, \$8,709,698 thousand, \$6,180,729 thousand and \$9,365,119 thousand, respectively.

C. The Group insured against its accounts receivable, which the insured amount has been reviewed and granted by the insurance company. If bad debts occur, the insurance company will settle the claim up to 90% of the insured amount. As of June 30, 2023, December 31, 2022 and June 30, 2022, the balance of insured accounts receivable amounted to \$5,727,141 thousand, \$8,322,395 thousand and \$5,085,972 thousand, respectively.

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

E. The Group entered into a factoring agreement which has no right of recourse with ING BANK N.V., TAIPEI BRANCH and Bank of America on July 19, 2021. As of June 30, 2023, December 31, 2022 and June 30, 2022, there were no accounts receivable that were outstanding and expected to be transferred (reclassified as financial assets at fair value through other comprehensive income). Please refer to Note 6 (5) for information on transfer of financial assets.

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

(5) Transfer of financial assets

A. Transferred financial assets that are derecognized in their entirety
None for June 30, 2023, December 31, 2022 and June 30, 2022.

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

- i. On July 19, 2021, the Group entered into a factoring agreement with ING BANK N.V., TAIPEI BRANCH to sell its accounts receivable. In accordance with the agreement, the Group transferred first 90% of accounts receivable and has obligated to provide partial guarantees for the default risk of the transferred accounts receivable. Therefore, the Group has not derecognized the accounts receivable sold in their entirety and may not pledge these accounts receivable to a third party.
- ii. As of June 30, 2023, December 31, 2022 and June 30, 2022, the related information of the transferred accounts receivable sold that the Group continuously recognized to the extent of continuing involvement were as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Total carrying amount of the original assets before transferring	\$ 456,115	\$ 1,206,473	\$ 1,138,708
Carrying amount of the assets continuously recognized	45,612	120,647	113,871

(6) Inventories

	<u>June 30, 2023</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 1,456,888	(\$ 150,237)	\$ 1,306,651
Work in progress	476,158	(12,350)	463,808
Finished goods	<u>2,106,240</u>	<u>(113,159)</u>	<u>1,993,081</u>
	<u>\$ 4,039,286</u>	<u>(\$ 275,746)</u>	<u>\$ 3,763,540</u>

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 1,689,950	(\$ 137,852)	\$ 1,552,098
Work in progress	432,220	(13,370)	418,850
Finished goods	<u>3,112,290</u>	<u>(172,661)</u>	<u>2,939,629</u>
	<u>\$ 5,234,460</u>	<u>(\$ 323,883)</u>	<u>\$ 4,910,577</u>

	<u>June 30, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 2,106,466	(\$ 98,169)	\$ 2,008,297
Work in progress	897,710	(10,979)	886,731
Finished goods	<u>2,443,396</u>	<u>(86,671)</u>	<u>2,356,725</u>
	<u>\$ 5,447,572</u>	<u>(\$ 195,819)</u>	<u>\$ 5,251,753</u>

The cost of inventories recognized as expense for the period:

	<u>Three months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 7,338,486	\$ 6,946,168
Loss on scrapping inventory	16,817	89,185
Gain on reversal of slow-moving inventories and decline in market value	(34,341)	(32,277)
Gain on physical inventory	-	(48)
	<u>\$ 7,320,962</u>	<u>\$ 7,003,028</u>

	Six months ended June 30	
	2023	2022
Cost of goods sold	\$ 13,625,612	\$ 12,060,072
Loss on scrapping inventory	17,634	112,458
Gain on reversal of slow-moving inventories and decline in market value	(48,137)	(29,247)
Gain on physical inventory	(5)	(48)
	<u>\$ 13,595,104</u>	<u>\$ 12,143,235</u>

The Group reversed a previous inventory write-down because of the sale of certain written-down inventories by the Group for the three months and six months ended June 30, 2023 and June 30, 2022.

(7) Investments accounted for using the equity method

	Six months ended June 30	
	2023	2022
At January 1	\$ 5,028,458	\$ 4,699,769
Increase in investments accounted for using equity method	60,592	-
Share of profit or loss of investments accounted for using the equity method	(2,448)	(82,389)
Earnings distribution	(213,003)	-
Changes in capital surplus additional paid-in capital	7,259	5,147
Changes in other equity items	(140,067)	110,460
Credit balance of investments accounted for using the equity method transferred to non-current liabilities	(16)	40
At June 30	<u>\$ 4,740,775</u>	<u>\$ 4,733,027</u>

- A. The Company and the Group's subsidiary Merry Capital Inc. invested in CDIB-Mac Limited Partnership under the Board resolution on July 28, 2022 amounted to \$42,667 thousand and 1,000 thousand on May 25, 2023, respectively.
- B. The Group's subsidiary Merry Electronics (Shenzhen) Co., Ltd. ("MECL") has resolved during the Board of directors meeting on January 31, 2023 to invest in Dong Guan Get Pink Electronics Co., Ltd. amounting to RMB3,858 thousand (in equivalent to NT\$16,925 thousand), in exchange for 33% shareholding. The business registration has been completed.
- C. Details are as follows :

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Associates with significant influence			
Merry Electronics (Suzhou) Co., Ltd. (MECE)	\$ 3,067,182	\$ 3,251,933	\$ 3,107,182
Associates with insignificant influence			
Merry Electronics (Huizhou) Co., Ltd. (MECH)	1,164,815	1,311,066	1,195,294

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Guangdong Luxshare & Merry Electronics Co., Ltd. (MEDG)	399,074	407,293	389,328
Leohab Enterprise Co., Ltd. (LEOHAB)	34,442	39,582	41,223
CDIB-Mac Limited Partnership. (MAC FUND)	59,791	18,584	-
Dong Guan Get Pink Electronics Co., Ltd.	15,471	-	-
Merry Electronics (Shanghai)Co., Ltd. (MECS)	(1,093)	(1,109)	(1,099)
Subtotal	4,739,682	5,027,349	4,731,928
Add: Credit balance of investments accounted for using the equity method transferred to non-current liabilities	1,093	1,109	1,099
	<u>\$ 4,740,775</u>	<u>\$ 5,028,458</u>	<u>\$ 4,733,027</u>

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

<u>Investee</u>	<u>Three months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
MECE	(\$ 37,966)	(\$ 92,377)
MECH	56,701	48,149
MEDG	1,839	3,103
LEOHAB	(1,513)	(1,081)
MAC FUND	(1,180)	-
Dong Guan Get Pink Electronics Co., Ltd.	(90)	-
	<u>\$ 17,791</u>	<u>(\$ 42,206)</u>

<u>Investee</u>	<u>Six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
MECE	(\$ 101,830)	(\$ 145,623)
MECH	102,443	62,503
MEDG	3,503	4,026
LEOHAB	(3,033)	(3,296)
MAC FUND	(2,459)	-
Dong Guan Get Pink Electronics Co., Ltd.	(1,073)	-
MECS	1	1
	<u>(\$ 2,448)</u>	<u>(\$ 82,389)</u>

C. Associates

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

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Method of measurement
		June 30, 2023	December 31, 2022	June 30, 2022		
MECE	Mainland of China	49.00%	49.00%	49.00%	Holding more than 20% of voting right	Equity method

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

Balance sheet

MERRY ELECTRONICS (SUZHOU) CO., LTD.			
	June 30, 2023	December 31, 2022	June 30, 2022
Current assets	\$ 5,961,464	\$ 4,984,442	\$ 3,762,829
Non-current assets	4,700,946	5,534,283	6,150,584
Current liabilities	(4,163,974)	(3,594,226)	(3,421,243)
Non-current liabilities	(64,282)	(57,220)	(60,736)
Total net assets	<u>\$ 6,434,154</u>	<u>\$ 6,867,279</u>	<u>\$ 6,431,434</u>
Share in associate's net assets	\$ 3,152,735	\$ 3,364,967	\$ 3,151,403
Realized (unrealized) gain or loss from upstream and side stream transactions	(85,553)	(113,034)	(44,221)
Carrying amount of the associate	<u>\$ 3,067,182</u>	<u>\$ 3,251,933</u>	<u>\$ 3,107,182</u>

Statement of comprehensive income

MERRY ELECTRONICS (SUZHOU) CO., LTD.			
Three months ended June 30			
	2023	2022	
Revenue	<u>\$ 1,767,095</u>	<u>\$ 1,547,698</u>	
Profit (loss) for the period from continuing operations	<u>(\$ 103,214)</u>	<u>(\$ 130,806)</u>	
Total comprehensive income (loss)	<u>(\$ 103,214)</u>	<u>(\$ 130,806)</u>	

MERRY ELECTRONICS (SUZHOU) CO., LTD.			
Six months ended June 30			
	2023	2022	
Revenue	<u>\$ 3,667,023</u>	<u>\$ 2,963,635</u>	
Profit (loss) for the period from continuing operations	<u>(\$ 263,899)</u>	<u>(\$ 324,381)</u>	
Total comprehensive income (loss)	<u>(\$ 263,899)</u>	<u>(\$ 324,381)</u>	

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

Three months ended June 30			
	2023		2022
Share of profit of associates and joint ventures accounted for using the equity method	\$ 55,757	\$	50,171
Other comprehensive income (loss), net of tax	(48,734)	(	15,877)
Total comprehensive income	<u>\$ 7,023</u>	<u>\$</u>	<u>34,294</u>
Six months ended June 30			
	2023		2022
Share of profit of associates and joint ventures accounted for using the equity method	\$ 99,382	\$	63,234
Other comprehensive income (loss), net of tax	(41,021)		28,650
Total comprehensive income	<u>\$ 58,361</u>	<u>\$</u>	<u>91,884</u>

The investment income or loss accounted for under equity method of the above equity investments, except for MECE and MECH, is recognized based on the financial statements for the current period that was not reviewed by auditors.

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(8) Property, plant and equipment

Six months ended June 30, 2023

Cost	Opening balance	Additions	Reductions	Transfers	Effect of foreign currency exchange difference	Ending balance
Land	\$ 792,675	\$ -	\$ -	\$ -	(\$ 463)	\$ 792,212
Land improvements	599	-	-	-	(8)	591
Buildings and structures	1,774,209	7,203	(1,556)	40,807	(19,227)	1,801,436
Machinery	3,166,963	54,063	(24,364)	8,634	(49,555)	3,155,741
Transportation equipment	22,133	-	(3,163)	-	(425)	18,545
Office equipment	302,683	9,305	(2,020)	14,458	(4,670)	319,756
Others	286,053	14,253	(4,192)	28,772	(4,404)	320,482
Unfinished construction	124,368	57,565	-	(87,506)	(316)	94,111
Total	<u>6,469,683</u>	<u>142,389</u>	<u>(35,295)</u>	<u>5,165</u>	<u>(79,068)</u>	<u>6,502,874</u>
<u>Accumulated depreciation</u>						
Land improvements	(\$ 581)	(\$ 2)	\$ -	\$ -	\$ 8	(\$ 575)
Buildings and structures	(584,319)	(33,363)	1,556	1,977	12,263	(601,886)
Machinery	(1,377,578)	(196,907)	18,731	-	27,459	(1,528,295)
Transportation equipment	(16,450)	(931)	2,860	-	323	(14,198)
Office equipment	(202,973)	(17,686)	1,940	-	3,405	(215,314)
Others	(139,879)	(22,236)	4,166	(1,977)	2,995	(156,931)
Total	<u>(2,321,780)</u>	<u>(271,125)</u>	<u>29,253</u>	<u>-</u>	<u>46,453</u>	<u>(2,517,199)</u>
	<u>\$ 4,147,903</u>					<u>\$ 3,985,675</u>

Six months ended June 30, 2022

Cost	Opening balance	Additions	Reductions	Transfers	Effect of foreign currency exchange difference	Ending balance
Land	\$ 790,477	\$ -	\$ -	\$ -	\$ 451	\$ 790,928
Land improvements	543	-	-	-	8	551
Buildings and structures	1,484,904	2,015	(10,692)	71,265	43,906	1,591,398
Machinery	2,785,124	48,259	(11,634)	15,018	87,304	2,924,071
Transportation equipment	21,063	766	-	-	372	22,201
Office equipment	276,950	6,787	(11,412)	220	5,464	278,009
Others	241,388	11,478	(2,356)	-	6,461	256,971
Unfinished construction	208,125	118,108	(1,127)	(59,286)	961	266,781
Total	5,808,574	187,413	(37,221)	27,217	144,927	6,130,910
<u>Accumulated depreciation</u>						
Land improvements	(\$ 543)	\$ -	\$ -	\$ -	(\$ 8)	(\$ 551)
Buildings and structures	(508,737)	(37,247)	10,692	-	(10,840)	(546,132)
Machinery	(1,031,903)	(174,299)	10,320	-	(25,669)	(1,221,551)
Transportation equipment	(14,329)	(930)	-	-	(253)	(15,512)
Office equipment	(189,640)	(15,894)	11,349	-	(3,688)	(197,873)
Others	(112,419)	(15,536)	889	-	(2,491)	(129,557)
Total	(1,857,571)	(243,906)	33,250	-	(42,949)	(2,111,176)
	<u>\$ 3,951,003</u>					<u>\$ 4,019,734</u>

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

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

(9) Leasing arrangements - lessee

A. The Group leases various assets including land, buildings, machinery and equipment as well as business vehicles. Rental contracts are typically made for periods of 1 to 45 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The short-term leased premises of the Group are the office and dormitory.

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 84,202	\$ 86,854	\$ 87,757
Buildings and structures	193,414	202,878	86,264
Machinery and equipment	1,509	2,392	3,009
Transportation equipment	823	1,287	1,751
Office equipment	39	109	46
Other equipment	4	34	-
	<u>\$ 279,991</u>	<u>\$ 293,554</u>	<u>\$ 178,827</u>

	<u>Three months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 1,220	\$ 1,223
Buildings and structures	29,858	22,354
Machinery and equipment	348	342
Transportation equipment	223	391
Office equipment	37	33
Other equipment	15	-
	<u>\$ 31,701</u>	<u>\$ 24,343</u>

	<u>Six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 2,451	\$ 2,436
Buildings and structures	51,991	49,504
Machinery and equipment	708	711
Transportation equipment	456	788
Office equipment	75	81
Other equipment	30	-
	<u>\$ 55,711</u>	<u>\$ 53,520</u>

D. For the three months and six months ended June 30, 2023 and 2022, the additions to right-of-use assets were \$37,819 thousand, \$26,405 thousand, \$59,014 thousand and \$31,121 thousand, respectively.

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

<u>Items affecting profit or loss</u>	<u>Three months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	\$ 1,936	\$ 683
Expense on short-term lease contract	10,894	9,478
Expense on leased asset with low value	65	32
	<u>\$ 12,895</u>	<u>\$ 10,193</u>
<u>Items affecting profit or loss</u>	<u>Six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	\$ 3,709	\$ 1,613
Expense on short-term lease contract	25,059	17,807
Expense on leased asset with low value	135	115
	<u>\$ 28,903</u>	<u>\$ 19,535</u>

For the three and six months ended June 30, 2023 and 2022, the Group's total cash outflow for leases were \$46,362 thousand, \$39,033 thousand, \$87,688 thousand and \$74,906 thousand, respectively..

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(10) Intangible assets

Six months ended June 30, 2023				
Cost	Opening balance	Additions	Effect of foreign currency exchange difference	Ending balance
Goodwill	\$ 931,678	\$ -	\$ -	\$ 931,678
Computer software	622,674	9,242	(795)	631,121
Customer relationship	326,550	-	-	326,550
Trademarks	61,481	-	-	61,481
Know-how	115,748	-	-	115,748
Others	44,263	1,785	45	46,093
Total	2,102,394	\$ 11,027	(\$ 750)	2,112,671
<u>Accumulated amortization</u>				
Computer software	(\$ 478,230)	(\$ 36,067)	\$ 254	(\$ 514,043)
Customer relationship	(197,567)	(22,032)	-	(219,599)
Trademarks	(24,403)	(2,759)	-	(27,162)
Know-how	(104,174)	(11,574)	-	(115,748)
Others	(33,311)	(2,892)	14	(36,189)
Total	(\$ 837,685)	(\$ 75,324)	\$ 268	(912,741)
<u>Accumulated Impairment loss</u>				
Goodwill	(\$ 161,766)	\$ -	\$ -	(\$ 161,766)
	\$ 1,102,943			\$ 1,038,164

Six months ended June 30, 2022				
Cost	Opening balance	Additions	Effect of foreign currency exchange difference	Ending balance
Goodwill	\$ 931,678	\$ -	\$ -	\$ 931,678
Computer software	590,844	6,624	1,137	598,605
Customer relationship	326,550	-	-	326,550
Trademarks	61,481	-	-	61,481
Know-how	115,748	-	-	115,748
Others	38,093	913	191	39,197
Total	<u>2,064,394</u>	<u>\$ 7,537</u>	<u>\$ 1,328</u>	<u>2,073,259</u>
<u>Accumulated amortization</u>				
Computer software	(\$ 406,530)	(\$ 35,472)	(\$ 592)	(\$ 442,594)
Customer relationship	(153,503)	(22,033)	-	(175,536)
Trademarks	(18,885)	(2,759)	-	(21,644)
Know-how	(81,024)	(11,575)	-	(92,599)
Others	(28,273)	(2,427)	(65)	(30,765)
Total	<u>(\$ 688,215)</u>	<u>(\$ 74,266)</u>	<u>(\$ 657)</u>	<u>(763,138)</u>
	<u>\$ 1,376,179</u>			<u>\$ 1,310,121</u>

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

	Three months ended June 30	
	2023	2022
Operating costs	\$ 2,819	\$ 1,843
Selling expenses	3,490	3,118
Administrative expenses	19,119	21,064
Research and development expenses	12,285	11,020
	<u>\$ 37,713</u>	<u>\$ 37,045</u>
	Six months ended June 30	
	2023	2022
Operating costs	\$ 5,513	\$ 4,954
Selling expenses	7,066	6,396
Administrative expenses	39,364	41,048
Research and development expenses	23,381	21,868
	<u>\$ 75,324</u>	<u>\$ 74,266</u>

B. Goodwill allocated to the Group's cash generated unit

June 30, 2023			
Goodwill:	Cost	Accumulated Impairment Loss	Ending balance
Huges Hi-Tech Inc.	\$ 139,735	\$ -	\$ 139,735
MSCS and Indigo	581,644	(161,766)	419,878
ASCX	210,299	-	210,299
	<u>\$ 931,678</u>	<u>(\$ 161,766)</u>	<u>\$ 769,912</u>
December 31, 2022			
Goodwill:	Cost	Accumulated Impairment Loss	Ending balance
Huges Hi-Tech Inc.	\$ 139,735	\$ -	\$ 139,735
MSCS and Indigo	581,644	(161,766)	419,878
ASCX	210,299	-	210,299
	<u>\$ 931,678</u>	<u>(\$ 161,766)</u>	<u>\$ 769,912</u>
June 30, 2022			
Goodwill:	Cost	Accumulated Impairment Loss	Ending balance
Huges Hi-Tech Inc.	\$ 139,735	\$ -	\$ 139,735
MSCS and Indigo	581,644	-	581,644
ASCX	210,299	-	210,299
	<u>\$ 931,678</u>	<u>\$ -</u>	<u>\$ 931,678</u>

As of December 31, 2022, the recoverable amount of all cash-generating units calculated using the value-in-use did not exceed their carrying amount, so an impairment loss to goodwill was recognized amounting to \$161,766 thousand. The goodwill after the recognition of impairment loss amounted to \$419,878 thousand.

C. A goodwill impairment test has been conducted on December 31, 2022. The cash flow projections are based on financial budgets approved by the management covering a five-year period, the key assumptions used for value-in-use calculations are as follows:

<u>December 31, 2022</u>	<u>Huges Hi-Tech Inc.</u>	<u>MSCS and Indigo</u>	<u>ASCX</u>
Discount rate	1.49%	17.43%	14.98%
Growth rate	10%	7.71%~62%	3%~20%

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

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>June 30, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit loan	\$ 433,841	2.40%~5.10%	None
Secured borrowings	<u>42,820</u>	3.70%	Patents (Note)
	<u>\$ 476,661</u>		
<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit loan	\$ 2,102,771	1.60%~5.25%	None
Secured borrowings	<u>44,080</u>	3.95%	Patents (Note)
	<u>\$ 2,146,851</u>		
<u>Type of borrowings</u>	<u>June 30, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit loan	<u>\$ 3,726,069</u>	0.00%~5.10%	None

A. Interest expense recognized in profit or loss amounted to \$4,737 thousand, \$9,982 thousand, \$13,290 thousand and \$18,317 thousand for the three months and six months ended June 30, 2023 and 2022, respectively.

B. The Group provided endorsements and guarantees for the credit loans as of June 30, 2023, December 31, 2022 and June 30, 2022.

Note: The patents has been fully amortized into profit and loss.

(12) Other payables

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Dividend payable	\$ 981,235	\$ -	\$ 866,040
Payroll and bonus payable	297,588	399,878	331,332
Employee compensation payable	123,357	163,655	94,420
Payables on equipment (Including intangible assets)	49,243	106,217	59,716
Directors' remuneration payable	51,496	40,299	35,654
Others	<u>304,845</u>	<u>484,394</u>	<u>440,660</u>
	<u>\$ 1,807,764</u>	<u>\$ 1,194,443</u>	<u>\$ 1,827,822</u>

(13) Bonds payable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Bonds payable	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Less: Discount on bonds payable	(32,053)	(46,162)	(60,436)
	<u>\$ 2,967,947</u>	<u>\$ 2,953,838</u>	<u>\$ 2,939,564</u>

A. The details of the third domestic unsecured convertible bonds issued by the Company on August 11, 2021 are as follows:

- (a) The terms of the third domestic unsecured convertible bonds issued by the Company are as follows:
- The Company issued \$3,015,000 thousand, 0% third domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature three years from the issue date August 11, 2021 to August 11, 2024 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on August 11, 2021.
 - The bondholders have the right to ask for conversion of the bonds into common shares of the Company at any time during the period from the date after three months of the bonds issued to the maturity date by notifying the Taiwan Depository & Clearing Corporation through the dealer to the Company, except for (i) the stop transfer period as specified in the terms of the bonds or the laws/regulations; (ii) the book closure date of the issuance of bonus shares, and of cash dividends, the period between the date that is 15 business days before the book closure date of a capital increase to the ex-right date; (iii) the period between the record date of a capital reduction and the prior day before the commencement of stock trading after stocks are repurchased; (iv) the period from the commencement date of the cessation of conversion of the share certificate and the prior day before the commencement date of trading of the new share certificate. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - The conversion price of the bonds is set up based on the pricing model specified in

the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. As of June 30, 2023, the conversion price was \$110.6 (in dollars) per share.

- iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount, the Company has the right to redeem the convertible bonds in accordance with the Article 18 of the terms of issuance and conversion during the period from the date after three months of the bonds issue to 40 days before the maturity date.
 - v. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
 - (b) As of June 30, 2023, there were no bonds (face value) converted into common stock.
- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$96,857 thousand were separated from the liability component and were recognized in 'capital surplus - share options' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognized in 'financial assets at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts.

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>June 30, 2023</u>
Long-term bank borrowings				
Credit loan	Borrowing period is from 2020/2/20 to 2025/2/20; interest is repayable monthly; principal is repayable starting from 2022 (Note 1, 2)	0.80%~1.16%	None	\$ 205,556
Credit loan	Borrowing period is from 2020/2/20 to 2027/2/19; interest is repayable monthly; principal is repayable starting from 2022	1.10%~5.25%	None	922,653
Credit loan	Borrowing period is from 2022/9/27 to 2025/9/27; payment in installments; principal is repayable starting from 2023	2.00%~3.75%	None	42,692
				<u>1,170,901</u>
Less: Expiring within one year or one operating cycle				<u>(443,670)</u>
				<u>\$ 727,231</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings				
Credit loan	Borrowing period is from 2020/2/20 to 2025/2/20; interest is repayable monthly; principal is repayable starting from 2022 (Note 1, 2)	0.68%~1.03%	None	\$ 258,889
Credit loan	Borrowing period is 36 months starting from 2020/7/15 and extended every	5.89%	None	76,100

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Credit loan	Borrowing period is from 2020/2/20 to 2027/2/19; interest is repayable monthly; principal is repayable starting from 2022	0.98%~2.40%	None	
				<u>1,021,458</u>
				1,356,447
Less: Expiring within one year or one operating cycle				<u>(451,919)</u>
				<u>\$ 904,528</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>June 30, 2022</u>
Long-term bank borrowings				
Credit loan	Borrowing period is from 2020/2/20 to 2025/2/20; interest is repayable monthly; principal is repayable starting from 2022 (Note 1, 2)	0.43%~0.77%	None	\$ 295,556
Credit loan	Borrowing period is from 2020/2/20 to 2027/2/19; interest is repayable monthly; principal is repayable starting from 2022	0.73%~2.40%	None	
				<u>1,073,578</u>
				1,369,134
Less: Expiring within one year or one operating cycle				<u>(247,501)</u>
				<u>\$ 1,121,633</u>

The interest expense recognized in profit or loss for the three months and six months ended June 30, 2023 and 2022 amounted to \$7,291 thousand, \$3,009 thousand, \$14,219 thousand and \$5,790 thousand, respectively.

Note 1: In November 2019, the Company entered into a long-term loan contract with Taipei Fubon Bank for the total amount of \$302,222 thousand. As of June 30, 2023, the drawn amount was \$122,222 thousand.

Aforementioned contract conditions:

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

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

Note 2: In February 2020, the Company entered into a long-term loan contract with JIHSUN BANK for the total amount of \$283,333 thousand. As of June 30, 2023, the drawn amount was \$83,334 thousand.

Aforementioned contract conditions:

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

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

(15) Pensions

- A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 5.1% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The Company also contributes monthly an amount equal to 8% of managers' monthly salaries to the retirement fund. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.
- (b) The above pension costs of the Group for the three months and six months ended June 30, 2023 and 2022 were \$176 thousand, \$245 thousand, \$352 thousand and \$490 thousand, respectively.
- (c) The Company expects to pay contribution for pension plan amounting to \$2,860

thousand in 2024.

- 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 first-tier and second-tier subsidiaries, in Mainland China, Thailand subsidiary METC, US subsidiary MECA, Canadian subsidiary MENA, Vietnamese subsidiary MEVN, Hong Kong subsidiary MEST, Singaporean subsidiary MESG, Malaysian subsidiary MEMP have set up a defined contribution plan. Please refer to Note 6 (18) in the consolidated financial statements for the year ended December 31, 2022.
- (c) The above pension costs of the Group for the three months and six months ended June 30, 2023 and 2022 were \$38,053 thousand, \$38,036 thousand, \$75,896 thousand and \$75,058 thousand, respectively.

(16) Share-based payment

- A. For the six months ended June 30, 2023 and 2022, the Group’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Share price</u>	<u>Exercise price</u>	<u>Fair Value per unit</u>	<u>Vesting condition</u>
The 1 st restricted stocks to employees in 2019	2019/11/02	813 units	3 years	150.0	0	150.0	Note
The 2 nd restricted stocks to employees in 2019	2020/08/05	387 units	3 years	169.0	0	169.0	Note
The 1 st restricted stocks to employees in 2020	2021/05/31	416 units	3 years	107.5	0	107.5	Note
The 2 nd restricted stocks to employees in 2020	2021/07/30	1,504 units	3 years	111.0	0	111.0	Note
The 1 st restricted stocks to employees in 2021	2022/07/29	1,800 units	3 years	80.7	0	80.7	Note

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

as follows:

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

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

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

	<u>Six months ended June 30, 2023</u>		<u>Six months ended June 30, 2022</u>	
	No. of share	Weighted-average	No. of share	Weighted-average
	<u>(in thousands)</u>	<u>exercise price</u>	<u>(in thousands)</u>	<u>exercise price</u>
		<u>(in dollars)</u>		<u>(in dollars)</u>
At January 1	3,348	\$ -	2,417	\$ -
Restricted				
stocks retired	(41)	-	(111)	-
At June 30	<u>3,307</u>	-	<u>2,306</u>	-

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

	<u>Three months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Equity-settled	<u>\$ 29,729</u>	<u>\$ 23,076</u>
	<u>Six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Equity-settled	<u>\$ 58,582</u>	<u>\$ 47,216</u>

(17) Share capital

As of June 30, 2022, the Company's authorized capital was \$4,000,000 thousand, consisting of 400,000 thousand shares of ordinary stock (including 5,000 thousand shares reserved for employee stock options), and the paid-in capital was \$2,177,502 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):

	2023	2022
At January 1	217,783	216,510
Employee restricted shares retired	(41)	(111)
At June 30	<u>217,742</u>	<u>216,399</u>

- (a) The Company retired 8 thousand and 33 thousand employee restricted shares as resolved at the meeting of the Board of Directors on July 27, 2023 and April 27, 2023 with the capital reduction effective date set on July 27, 2023 and May 3, 2023. The capital reduction through retirement of employee restricted shares was completed.
- (b) The Company retired 71 thousand and 40 thousand employee restricted shares as resolved at the meeting of the Board of Directors on July 28, 2022 and April 28, 2022 with the capital reduction effective date set on July 28, 2022 and May 6, 2022. The capital reduction through retirement of employee restricted shares was completed.

(18) Capital surplus

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

Six months ended June 30, 2023					
	Share premium	Share option	Employee restricted stocks	Others	Total
At January 1	\$ 4,070,017	\$ 96,857	\$ 290,864	\$263,128	\$4,720,866
Restricted stocks retired	-	-	(3,379)	-	(3,379)
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	-	7,259	7,259
At June 30	<u>\$ 4,070,017</u>	<u>\$ 96,857</u>	<u>\$ 287,485</u>	<u>\$ 270,387</u>	<u>\$4,724,746</u>

Six months ended June 30, 2022					
	Share	Share	Employee		
	premium	option	restricted	Others	Total
			stocks		
At January 1	\$ 4,035,505	\$ 96,857	\$ 267,825	\$246,436	\$4,646,623
Restricted stocks	-	-	(13,284)	-	(13,284)
retired					
Recognition of					
change in equity of					
associates in					
proportion to the					
Company's					
ownership	-	-	-	5,147	5,147
At June 30	<u>\$ 4,035,505</u>	<u>\$ 96,857</u>	<u>\$ 254,541</u>	<u>\$ 251,583</u>	<u>\$4,638,486</u>

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, after deduction of mandatory income tax, shall first be used to offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. After the provision or reversal of special reserve, the appropriation of the remaining earnings along with the unappropriated earnings of prior year shall be proposed by the Board of Directors and approved by the shareholders. The Board of Directors may, based on financial, business and operating perspectives, propose a distribution of earnings within an amount at least 30% of the new distributable earnings and not more than 80% of the accumulated distributable earnings for the current period. The dividends shall be preferably distributed in the form of cash, and can be appropriated in the shares. The ratio of cash dividends shall account for at least 30% of the total dividends distributed. All or partial of dividend and bonus that are distributed in the form of cash will be resolved and reported to the shareholders if more than 2/3 of the directors attend the Board of Directors' meeting and more than 1/2 of the directors present at the meeting have agreed.
- B. The Company's dividend policy is summarized below: as the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. In order to encourage employees and operation team, if the Company has any profit for the current year, the Company shall set aside 5% to 10% as employees' compensation and no more than 2% as directors' 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 requirement.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. In Accordance with Ruling No.1010051600 issued by Securities and Futures Bureau of the FSC on November 21, 2012, "unearned employee compensation" under employee restricted stock is not an unrealized item, and therefore is not required to set aside the special reserve. As of June 30, 2023, the special reserve set aside based on the above regulation amounted to \$499,042 thousand.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate- 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed 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 June 30, 2023, the balance of special reserve as aforementioned was \$269,144 thousand.
- (c) As of June 30, 2023, December 31, 2022 and June 30, 2022, the balance of special reserve was \$768,186 thousand, \$748,930 thousand and \$748,929 thousand.
- E. The Company distributed cash dividends amounting to \$4.5 (in dollars) per share and \$4 (in dollars) per share as resolved at the shareholders' meeting on June 14, 2023 and June 15, 2022.

	2023		2022	
	<u>Amounts</u>	<u>Cash dividends per share (NT\$) \$</u>	<u>Amounts</u>	<u>Cash dividends per share (NT\$) \$</u>
Legal reserve	\$ 146,458		\$ 113,098	
Special reserve	19,256		479,786	
Cash dividends	<u>981,235</u>	\$ 4.5	<u>866,040</u>	\$ 4.0
	<u>1,146,949</u>		<u>1,458,924</u>	

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

(20) Other equity items

		Unrealized gain (loss) from investments in debt instruments measured at fair value through other comprehensive income	Unrealized gain (loss) from investments in equity instruments measured at fair value through other comprehensive income	Cost of unearned employee compensation	Total
<u>2023</u>	<u>Exchange differences on translation of foreign financial statements</u>	<u>income</u>	<u>income</u>	<u>compensation</u>	<u>Total</u>
At January 1	(\$ 258,567)	(\$ 2,687)	(\$ 506,932)	(\$ 228,260)	(\$ 996,446)
Amortization of employee restricted stocks	-	-	-	58,582	58,582
Restricted stocks retired	-	-	-	3,784	3,784
Revaluation – gross	-	514	22,837	-	23,531
Revaluation – tax	-	-	(1,040)	-	(1,040)
Currency translation differences:					
-Group	(71,367)	-	-	-	(71,367)
-Tax on Group	14,274	-	-	-	14,274
-Associates	(140,067)	-	-	-	(140,067)
-Tax on associates	27,896	-	-	-	27,896
At June 30	<u>(\$ 427,831)</u>	<u>(\$ 2,173)</u>	<u>(\$ 485,135)</u>	<u>(\$ 165,894)</u>	<u>(\$1,081,033)</u>
		Unrealized gain (loss) from investments in debt instruments measured at fair value through other comprehensive income	Unrealized gain (loss) from investments in equity instruments measured at fair value through other comprehensive income	Cost of unearned employee compensation	Total
<u>2022</u>	<u>Exchange differences on translation of foreign financial statements</u>	<u>income</u>	<u>income</u>	<u>compensation</u>	<u>Total</u>
At January 1	(\$ 605,572)	\$ 2,941	(\$ 146,299)	(\$ 220,316)	(\$ 969,246)
Amortization of employee restricted stocks	-	-	-	47,216	47,216
Restricted stocks retired	-	-	-	14,390	14,390
Revaluation – gross	-	(3,931)	(270,214)	-	(274,145)
Revaluation – tax	-	-	(2,316)	-	(2,316)
Currency translation differences:					
-Group	237,910	-	-	-	237,910
-Tax on Group	(47,581)	-	-	-	(47,581)
-Associates	115,607	-	-	-	115,607
-Tax on associates	<u>(22,763)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,763)</u>
At June 30	<u>(\$ 322,399)</u>	<u>(\$ 990)</u>	<u>(\$ 418,829)</u>	<u>(\$ 158,710)</u>	<u>(\$ 900,928)</u>

(21) Operating revenue

	Three months ended June 30	
	2023	2022
Revenue from contracts with customers	\$ 8,356,287	\$ 8,004,468
	Six months ended June 30	
	2023	2022
Revenue from contracts with customers	\$ 15,487,192	\$ 14,022,811

A. Disaggregation of revenue from contracts with customers

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

Three months ended June 30, 2023						
	Electronic devices					
	Taiwan	Shenzhen	Singapore	Vietnam	Others	Total
Total segment revenue	\$ 5,968,226	\$ 2,159,342	\$ 2,030,788	\$ 646,897	\$ 1,434,370	\$ 12,239,623
Revenue from internal segment transactions	(6,224)	(2,086,207)	-	(609,268)	(1,181,637)	(3,883,336)
Revenue from external customer contracts	5,962,002	73,135	2,030,788	37,629	252,733	8,356,287
Main Region						
Europe	2,616,487	20,026	1,481,614	-	52,177	4,170,304
US	3,053,303	-	548,006	-	95,958	3,697,267
Mainland China	37,658	53,109	-	-	96,450	187,217
Taiwan	177,545	-	-	-	-	177,545
Others	77,009	-	1,168	37,629	8,148	123,954
	\$ 5,962,002	\$ 73,135	\$ 2,030,788	\$ 37,629	\$ 252,733	\$ 8,356,287
Six months ended June 30, 2023						
	Electronic devices					
	Taiwan	Shenzhen	Singapore	Vietnam	Others	Total
Total segment revenue	\$11,143,779	\$ 3,988,094	\$ 3,608,671	\$ 1,065,814	\$ 2,719,159	\$ 22,525,517
Revenue from internal segment transactions	(12,355)	(3,855,209)	-	(992,917)	(2,177,844)	(7,038,325)
Revenue from external customer contracts	11,131,424	132,885	3,608,671	72,897	541,315	15,487,192
Main Region						
Europe	4,773,716	40,432	2,529,487	-	109,589	7,453,224
US	5,881,842	-	1,078,011	-	187,834	7,147,687
Mainland China	62,560	92,453	-	-	226,005	381,018
Taiwan	267,390	-	-	-	-	267,390
Others	145,916	-	1,173	72,897	17,887	237,873
	\$11,131,424	\$ 132,885	\$ 3,608,671	\$ 72,897	\$ 541,315	\$ 15,487,192

Three months ended June 30, 2022						
Electronic devices						
	<u>Taiwan</u>	<u>Shenzhen</u>	<u>Singapore</u>	<u>Vietnam</u>	<u>Others</u>	<u>Total</u>
Total segment revenue	\$ 5,622,445	\$ 2,268,075	\$ 1,888,079	\$ 1,299,384	\$ 1,225,549	\$ 12,303,532
Revenue from internal segment transactions	(7,285)	(2,186,333)	-	(1,189,330)	(916,116)	(4,299,064)
Revenue from external customer contracts	<u>5,615,160</u>	<u>81,742</u>	<u>1,888,079</u>	<u>110,054</u>	<u>309,433</u>	<u>8,004,468</u>
Main Region						
Europe	2,758,747	32,124	1,469,137	-	54,862	4,314,870
US	2,227,328	-	418,891	-	152,839	2,799,058
Mainland China	132,136	49,616	-	-	93,606	275,358
Taiwan	430,639	2	-	-	301	430,942
Others	<u>66,310</u>	<u>-</u>	<u>51</u>	<u>110,054</u>	<u>7,825</u>	<u>184,240</u>
	<u>\$ 5,615,160</u>	<u>\$ 81,742</u>	<u>\$ 1,888,079</u>	<u>\$ 110,054</u>	<u>\$ 309,433</u>	<u>\$ 8,004,468</u>

Six months ended June 30, 2022						
Electronic devices						
	<u>Taiwan</u>	<u>Shenzhen</u>	<u>Singapore</u>	<u>Vietnam</u>	<u>Others</u>	<u>Total</u>
Total segment revenue	\$ 9,848,103	\$ 3,369,657	\$ 3,200,008	\$ 2,223,765	\$ 2,123,981	\$ 20,765,514
Revenue from internal segment transactions	(7,615)	(3,178,611)	-	(2,035,684)	(1,520,793)	(6,742,703)
Revenue from external customer contracts	<u>9,840,488</u>	<u>191,046</u>	<u>3,200,008</u>	<u>188,081</u>	<u>603,188</u>	<u>14,022,811</u>
Main Region						
Europe	4,494,433	58,585	2,424,016	-	118,894	7,095,928
US	4,277,620	-	775,941	-	278,448	5,332,009
Mainland China	211,183	132,459	-	-	189,500	533,142
Taiwan	757,827	2	-	-	301	758,130
Others	<u>99,425</u>	<u>-</u>	<u>51</u>	<u>188,081</u>	<u>16,045</u>	<u>303,602</u>
	<u>\$ 9,840,488</u>	<u>\$ 191,046</u>	<u>\$ 3,200,008</u>	<u>\$ 188,081</u>	<u>\$ 603,188</u>	<u>\$ 14,022,811</u>

B. Contract assets and liabilities :

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	<u>January 1, 2022</u>
Contract liabilities	<u>\$ 941,397</u>	<u>\$ 1,020,897</u>	<u>\$ 1,098,838</u>	<u>\$ 874,000</u>

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

	Three months ended June 30	
	2023	2022
Revenue recognized that was included in the contract liability balance at the beginning of the period	\$ 92,966	\$ 76,283
	Six months ended June 30	
	2023	2022
Revenue recognized that was included in the contract liability balance at the beginning of the period	\$ 209,333	\$ 141,054

(22) Other income

	Three months ended June 30	
	2023	2022
Compensation income	\$ -	\$ 115,414
Government grants	17,509	41,259
Sample income	40,715	11,848
Dividend income	596	2,082
Rent income	6,989	329
Other income	58,734	9,392
	<u>\$ 124,543</u>	<u>\$ 180,324</u>
	Six months ended June 30	
	2023	2022
Compensation income (note)	\$ -	\$ 115,414
Government grants	46,421	80,176
Sample income	68,124	21,048
Dividend income	596	2,082
Rent income	12,850	631
Other income	62,877	13,163
	<u>\$ 190,868</u>	<u>\$ 232,514</u>

Note: The Group had compensation agreement with Luxshare Limited.

(23) Other gains and losses

	Three months ended June 30	
	2023	2022
Foreign exchange gain	\$ 129,511	\$ 104,816
Gain on financial assets / liabilities at fair value through profit or loss	15,126	53,281
Loss on disposals of property, plant and equipment	20,027	(169)
Other losses	(146)	(4,296)
	<u>\$ 164,518</u>	<u>\$ 153,632</u>

	Six months ended June 30	
	2023	2022
Foreign exchange gain	\$ 80,710	\$ 249,760
Gains on financial assets / liabilities at fair value through profit or loss	35,134	87,738
Loss on disposals of property, plant and equipment	19,204 (	863)
Other losses	(2,662)	(6,185)
	<u>\$ 132,386</u>	<u>\$ 330,450</u>

(24) Expenses by nature

	Three months ended June 30	
	2023	2022
Employee benefit expense	\$ 788,181	\$ 786,428
Depreciation charge - property, plant and equipment	138,273	123,203
Depreciation charge - right-of-use assets	31,701	24,343
Amortization charge	37,713	37,045
	<u>\$ 995,868</u>	<u>\$ 971,019</u>
	Six months ended June 30	
	2023	2022
Employee benefit expense	\$ 1,523,500	\$ 1,501,743
Depreciation charge - property, plant and equipment	271,125	243,906
Depreciation charge - right-of-use assets	55,711	53,520
Amortization charge	75,324	74,266
	<u>\$ 1,925,660</u>	<u>\$ 1,873,435</u>

(25) Employee benefit expense

	Three months ended June 30	
	2023	2022
Wages and salaries	\$ 660,280	\$ 673,117
Share-based payments	29,729	23,076
Labor and health insurance fees	17,212	16,169
Pension costs	38,229	38,281
Other personnel expenses	42,731	35,785
	<u>\$ 788,181</u>	<u>\$ 786,428</u>
	Six months ended June 30	
	2023	2022
Wages and salaries	\$ 1,268,123	\$ 1,268,565
Share-based payments	58,582	47,216
Labor and health insurance fees	36,983	34,846
Pension costs	76,248	75,548
Other personnel expenses	83,564	75,568
	<u>\$ 1,523,500</u>	<u>\$ 1,501,743</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' remuneration. The ratio shall not be lower than 5~10% for employees' compensation and shall not be higher than 2% for directors' remuneration.

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

	Three months ended June 30	
	2023	2022
Employees' compensation	\$ 29,640	\$ 31,454
Directors' and supervisors' remuneration	9,880	11,467
	<u>\$ 39,520</u>	<u>\$ 42,921</u>
	Six months ended June 30	
	2023	2022
Employees' compensation	\$ 33,591	\$ 41,034
Directors' and supervisors' remuneration	11,197	13,678
	<u>\$ 44,788</u>	<u>\$ 54,712</u>

The abovementioned amounts were recognized in wages and salaries based on profit status of the current year. Employees' compensation was estimated at 6% and 6% of the profit for the six months ended June 30, 2023 and 2022, respectively. Directors' remuneration was estimated at 2% and 2% of the profit for the six months ended June 30, 2023 and 2022, respectively.

Employees' compensation and directors' remuneration of 2022 as resolved at the Board of Directors' meeting were in agreement with those amounts recognized in the profit or loss of 2022.

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended June 30	
	2023	2022
Current tax:		
Current tax on profits for the period	\$ 87,839	\$ 100,302
Surtax on undistributed earnings	15,881	-
Prior year income tax overestimation	<u>(6,163)</u>	<u>(2,431)</u>
Total current tax	97,557	97,871
Deferred tax:		
Origination and reversal of temporary differences	22,124	(5,443)
Income tax expense	<u>\$ 119,681</u>	<u>\$ 92,428</u>

		Six months ended June 30	
		2023	2022
Current tax:			
Current tax on profits for the period	\$	130,190	\$ 148,216
Surtax on undistributed earnings		15,881	-
Prior year income tax overestimation	(	6,121)	(2,431)
Total current tax		139,950	145,785
Deferred tax:			
Origination and reversal of temporary differences	(	6,331)	(52,408)
Income tax expense	\$	133,619	\$ 93,377

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

		Three months ended June 30	
		2023	2022
Exchange differences changes on translation of foreign financial statements - the Group	\$	12,268	\$ 476
Exchange differences changes on translation of foreign financial statements - associates		33,038	12,100
Changes in fair value of financial assets at fair value through other comprehensive income	(	838)	(957)
	\$	44,468	\$ 11,619

		Six months ended June 30	
		2023	2022
Exchange differences changes on translation of foreign financial statements - the Group	\$	14,274	(\$ 47,581)
Exchange differences changes on translation of foreign financial statements - associates		27,896	(22,763)
Changes in fair value of financial assets at fair value through other comprehensive income	(	1,040)	(2,316)
	\$	41,130	(\$ 72,660)

- B. The investment in Merry Electronics (HK) Co., Ltd. and Merry Electronics (U.S.A.) Co., Ltd., of which the undistributed earnings of the investee company were used as permanent investment and were not distributed, and the losses were not compensated before 2000. Therefore, no deferred income tax arising from the difference between the carrying amount of the long-term equity investments and its tax bases had been recognized. However, for the profit from the above-mentioned reinvested companies, based on the overall operation planning, the earnings arising from these companies after 2001 are intended to be distributed and repatriated. Accordingly, deferred income tax liabilities and assets arising from this portion of earnings or losses are recognized since 2001.
- C. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.
- D. Merry Healthcare Co., Ltd. Taiwan Branch (CAYMAN) income tax returns

through 2022 have been assessed and approved by the Tax Authority.
E. Fulicare Co., Ltd. Taiwan Branch (SAMOA) income tax returns through 2022
have been assessed and approved by the Tax Authority.

(27) Earnings per share

Three months ended June 30, 2023			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 362,554	214,032	\$ 1.69
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	362,554	214,032	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	312	
Convertible bonds	5,682	27,125	
Employee restricted shares	-	1,404	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 368,236	242,873	\$ 1.52
Three months ended June 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 392,647	213,691	\$ 1.84
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	392,647	213,691	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	409	
Convertible bonds	5,867	25,795	
Employee restricted shares	-	408	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 398,514	240,303	\$ 1.66

Six months ended June 30, 2023			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 418,560	214,032	\$ 1.96
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	418,560	214,032	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	915	
Convertible bonds	11,287	27,125	
Employee restricted shares	-	1,404	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 429,847	243,476	\$ 1.77

Six months ended June 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 502,936	213,691	\$ 2.35
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	502,936	213,691	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	868	
Employee restricted shares	11,660	25,795	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	-	408	
	\$ 541,596	240,762	\$ 2.14

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.

(28) Supplemental cash flow information

A. Investing activities with partial cash payments

	Six months ended June 30	
	2023	2022
Acquisition of property, plant and equipment	\$ 147,554	\$ 214,630
Add: Beginning balance of payable on equipment	105,829	199,508
Ending balance of prepayments for equipment	18,762	146,692
Less: Beginning balance of prepayments for equipment	(14,975)	(104,024)
Ending balance of payable on equipment	(49,243)	(57,231)
Cash paid during the period	<u>\$ 207,927</u>	<u>\$ 399,575</u>

B. Financing activities with no cash flow effects:

	Six months ended June 30	
	2023	2022
Dividend payable	<u>\$ 981,235</u>	<u>\$ 866,040</u>

(29) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Lease Liabilities</u>	<u>Convertible bonds</u>	<u>Long-term Borrowings (including those matured within one year</u>	<u>Dividends payables</u> \$	<u>Other non- current liabilities</u>	<u>Liabilities from financing activities- gross</u>
At January 1, 2023	\$ 2,146,851	\$208,436	\$2,953,838	\$1,356,447	-	\$ 26,413	\$ 6,691,985
Changes in cash flow from financing	(1,644,016)	(58,785)	-	(187,363)	-	(37)	(1,890,201)
Additions	-	59,014	-	-	981,235	-	1,040,249
Impact of changes in foreign exchange rate	(26,174)	(6,699)	-	1,817	-	(179)	(31,235)
Amortization of discounts on corporate bonds	-	-	14,109	-	-	-	14,109
Changes in other non-cash items	-	(1,901)	-	-	-	(407)	(2,308)
At June 30, 2023	<u>\$ 476,661</u>	<u>\$ 200,065</u>	<u>\$2,967,947</u>	<u>\$1,170,901</u>	<u>\$981,235</u>	<u>\$ 25,790</u>	<u>\$ 5,822,599</u>

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Convertible bonds</u>	<u>Long-term Borrowings (including those matured within one year</u>	<u>Dividends payables</u> \$	<u>Other non- current liabilities</u>	<u>Liabilities from financing activities- gross</u>
At January 1, 2022	\$3,738,289	\$112,601	\$2,925,589	\$1,558,655	-	\$ 29,309	\$ 8,364,443
Changes in cash flow from financing	(84,049)	(55,371)	-	(204,667)	-	20,511	(323,576)
Additions	-	-	-	-	866,040	-	866,040
Impact of changes in foreign exchange rate	71,829	(974)	-	15,146	-	1,691	87,692
Amortization of discounts on corporate bonds	-	-	13,975	-	-	-	13,975
Changes in other non-cash items	-	31,745	-	-	-	(420)	31,325
At June 30, 2022	<u>\$3,726,069</u>	<u>\$ 88,001</u>	<u>\$2,939,564</u>	<u>\$1,369,134</u>	<u>\$ 866,040</u>	<u>\$ 51,091</u>	<u>\$ 9,039,899</u>

(30) Government grants

	<u>Six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
MECL	\$ 30,232	\$ 53,127
MEHO	8,135	6,610
ASCX	4,991	9,796
FUCX	2,365	279
OTHER	698	10,364
	<u>\$ 46,421</u>	<u>\$ 80,176</u>

The above are mainly the subsidies granted from local government, such as Shenzhen Science and Technology Innovation Commission, Development and Reform Bureau in Longhua District, Shenzhen Municipality, Industry and Information Technology Bureau of Shenzhen Municipality. The rest subsidies are not disclosed due to their amounts less than 5% of the total government grants.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Name</u>	<u>Relationship</u>
Merry Electronics (Suzhou) Co., Ltd. (MECE)	Affiliated company
Merry Electronics (Huizhou) Co., Ltd. (MECH)	Affiliated company
Leohab Enterprise Co., Ltd. (LEOHAB)	Affiliated company
Merry Fuling Co., Ltd. Taiwan Branch (MHNCTW)	Other related party
Luxshare Precision Limited	Other related party (Note)
Luxshare Precision Industry Co., Ltd	Other related party (Note)
Luxshare Electronic Technology (Kunshan) Co., Ltd.	Other related party (Note)
Dongguan Luxshare Precision Industry Co., Ltd.	Other related party (Note)
Luxshare Precision Industry (Chuzhou), Ltd.	Other related party (Note)

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

(2) Significant related party transactions

A. Operating revenue

		Three months ended June 30	
		2023	2022
Sales of goods			
Luxshare Precision Limited	\$	37,630	\$ 110,054
Affiliated company		851	12,335
Other related party		31	89
	\$	<u>38,512</u>	<u>\$ 122,478</u>
		Six months ended June 30	
		2023	2022
Sales of goods			
Luxshare Precision Limited	\$	72,897	\$ 188,053
Affiliated company		2,066	22,388
Other related party		232	302
	\$	<u>75,195</u>	<u>\$ 210,743</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 to 120 days end of month and 30 to 120 days end of month to the third parties.

B. Purchases

		Three months ended June 30	
		2023	2022
Purchases of goods			
MECE	\$	1,726,129	\$ 1,431,661
MECH		1,109,335	1,345,921
Other related party		17,113	17,493
	\$	<u>2,852,577</u>	<u>\$ 2,795,075</u>
		Six months ended June 30	
		2023	2022
Purchases of goods			
MECE	\$	3,576,663	\$ 2,631,431
MECH		2,095,356	2,334,470
Other related party		25,474	46,040
	\$	<u>5,697,493</u>	<u>\$ 5,011,941</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 to 65 days end of month and 30 to 120 days end of month to the third parties.

C. Receivables from related parties

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts receivable:			
Other related party	\$ 38,810	\$ 61,692	\$ 135,797
Affiliated company	-	79	67,439
Total	<u>\$ 38,810</u>	<u>\$ 61,771</u>	<u>\$ 203,236</u>
Other receivable:			
MECH	\$ 106,727	\$ 118,270	\$ 668,997
Luxshare Co., Ltd	-	-	115,414
MECE	180	-	179
Total	<u>\$ 106,907</u>	<u>\$ 118,270</u>	<u>\$ 784,590</u>

Other receivables as of June 30, 2023, December 31, 2022 and June 30, 2022 mainly were the purchases of raw materials on behalf of MECH and MECE, and the billing to Luxshare Co., Ltd. for the compensation.

D. Payables to related parties

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts payable:			
MECE	\$ 1,325,383	\$ 3,182,757	\$ 1,090,614
MECH	952,594	1,003,565	1,167,489
Other related party	19,789	12,580	26,941
Total	<u>\$ 2,297,766</u>	<u>\$ 4,198,902</u>	<u>\$ 2,285,044</u>
Other payable:			
Affiliated company	<u>\$ 24,920</u>	<u>\$ 82,414</u>	<u>\$ 143,565</u>

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

E. Equipment Payables

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
MECH	\$ 7,784	\$ -	\$ -
Other related party	344	834	-
Total	<u>\$ 8,128</u>	<u>\$ 834</u>	<u>\$ -</u>

F. Property transactions

(a) Acquisition of property, plant and equipment:

	<u>Three months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
MECH	\$ 7,582	\$ 5,606
Other related party	339	-
	<u>\$ 7,921</u>	<u>\$ 5,606</u>

	Six months ended June 30	
	2023	2022
MECH	\$ 7,582	\$ 5,606
Other related party	339	-
	<u>\$ 7,921</u>	<u>\$ 5,606</u>

(b) Disposal of property, plant and equipment:

Three months and Six months ended June 30, 2023 : None.

	Three months ended June 30, 2022		Six months ended June 30, 2022	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
MECH	\$ 1,406	(\$ 163)	\$ 1,406	(\$ 163)

G. Other revenue

Three months and Six months ended June 30, 2023 : None.

	Three months ended June 30, 2022	Six months ended June 30, 2022
Luxshare Co., Ltd.	<u>\$ 115,414</u>	<u>\$ 115,414</u>

Other revenue is the billing to Luxshare Co., Ltd. for the compensation.

(3) Key management compensation

	Three months ended June 30	
	2023	2022
Short-term employee benefits	\$ 20,793	\$ 21,693
Post-employment benefits	49	115
Share-based payments	6,844	7,104
	<u>\$ 27,686</u>	<u>\$ 28,912</u>
	Six months ended June 30	
	2023	2022
Short-term employee benefits	\$ 30,638	\$ 33,421
Post-employment benefits	98	242
Share-based payments	13,688	14,209
	<u>\$ 44,424</u>	<u>\$ 47,872</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

	June 30, 2023	December 31, 2022	June 30, 2022
Property, plant and equipment	<u>\$ 46,459</u>	<u>\$ 39,774</u>	<u>\$ 141,556</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

No significant change for the period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2022.

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 430,844	\$ 416,465	\$ 529,945
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 650,471	\$ 627,094	\$ 715,224
Qualifying debt instrument	153,527	150,863	147,610
	<u>\$ 803,998</u>	<u>\$ 777,957</u>	<u>\$ 862,834</u>
Financial assets at amortized cost/ Loans and receivables			
Cash and cash equivalents	\$ 5,711,810	\$ 6,923,268	\$ 5,880,028
Financial assets at amortized at cost	954,600	295,801	1,374,750
Accounts receivable (including due from related parties)	6,731,609	8,771,469	6,383,965
Other receivables (including due from related parties)	138,497	205,597	978,106
Guarantee deposits paid	50,599	59,608	66,272
	<u>\$ 13,587,115</u>	<u>\$ 16,255,743</u>	<u>\$ 14,683,121</u>
	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 300	\$ 10,137	\$ 17,519
Short-term borrowings	476,661	2,146,851	3,726,069
Notes payable	-	-	2
Accounts payable (including payable to related parties)	6,955,055	9,214,787	7,096,857
Other payable (including payable to related parties)	1,832,684	1,276,857	1,971,387
Lease liability	200,065	208,436	88,001

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Corporate bonds payable (including maturing within one year or one operating cycle)	2,967,947	2,953,838	2,939,564
Long-term borrowings (including maturing within one year or one operating cycle)	1,170,901	1,356,447	1,369,134
Guarantee deposits received	<u>4,710</u>	<u>4,725</u>	<u>34,224</u>
	<u>\$ 13,608,323</u>	<u>\$ 17,172,078</u>	<u>\$ 17,242,757</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 was 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 currencies, primarily with respect to the USD, RMB and HKD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- ii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RMB, HKD, THB, CAD and MYR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

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	June 30, 2023			December 31, 2022			June 30, 2022		
	Book value			Book value			Book value		
	Foreign currency amount (In thousands)	Exchange rate	(NTD)	Foreign currency amount (In thousands)	Exchange rate	(NTD)	Foreign currency amount (In thousands)	Exchange rate	(NTD)
<u>(Foreign currency: functional currency)</u>									
<u>Financial assets</u>									
<u>Monetary items</u>									
<u>Cash in banks</u>									
USD : NTD	\$ 33,679	31.14	\$ 1,048,764	\$ 107,122	30.71	\$ 3,289,717	\$ 45,655	29.72	\$ 1,356,867
RMB : NTD	35,420	4.28	151,668	54,641	4.41	240,858	48,163	4.44	213,796
USD : HKD	9,060	7.84	282,128	8,229	7.80	252,713	8,553	7.85	254,195
USD : RMB	13,429	7.27	418,179	6,924	6.97	212,636	2,515	6.70	74,746
USD : THB	32,172	35.32	1,001,836	32,957	34.35	1,012,109	12,002	35.09	356,699
<u>Financial assets at fair value through profit or loss - current</u>									
USD : NTD	\$ 465	31.14	\$ 14,470	\$ 230	30.71	\$ 7,076	\$ 3,994	29.72	\$ 118,708
<u>Receivables</u>									
USD : NTD	\$ 178,278	31.14	\$ 5,551,589	\$ 241,758	30.71	\$ 7,424,389	168,175	29.72	4,998,173
USD : RMB	70,434	7.27	2,193,315	111,650	6.97	3,428,772	50,253	6.70	1,493,519
USD : THB	25,962	35.32	808,457	21,302	34.35	654,184	23,749	35.09	705,820
<u>Non-monetary items</u>									
<u>Current financial assets at fair value through other comprehensive income</u>									
USD : NTD	\$ 5,000	31.14	\$ 155,700	\$ 5,000	30.71	\$ 153,550	\$ 5,000	29.72	\$ 148,600
<u>Investments accounted for under equity method</u>									
USD : NTD	\$ 98,497	31.14	\$ 3,067,182	\$ 105,892	30.71	\$ 3,251,933	\$ 104,549	29.72	\$ 3,107,182
HKD : NTD	292,834	3.97	1,163,722	332,646	3.94	1,309,957	315,257	3.79	1,194,195
RMB : NTD	96,811	4.28	414,545	92,399	4.41	407,293	87,706	4.44	389,328
<u>Financial liabilities</u>									
<u>Monetary items</u>									
<u>Bank loan</u>									
USD : RMB	\$ 17	7.27	\$ 120	\$ 10,000	6.97	\$ 307,100	\$ 30,913	6.70	\$ 918,734
USD : CAD	-	-	-	2,600	0.74	79,846	2,600	0.77	77,272
RMB : NTD	49,478	4.28	211,867	42,950	4.41	189,324	46,413	4.44	206,027
<u>Payables</u>									
RMB : NTD	\$ 170,815	4.28	\$ 731,430	\$ 235,688	4.41	\$ 1,038,913	\$ 259,777	4.44	\$ 1,153,150
USD : NTD	176,085	31.14	5,483,287	272,072	30.71	8,355,331	147,392	29.72	4,380,490
USD : RMB	32,208	7.27	1,002,957	49,601	6.97	1,523,247	32,007	6.70	951,248

	June 30, 2023			December 31, 2022			June 30, 2022		
	Sensitivity analysis			Sensitivity analysis			Sensitivity analysis		
<u>(Foreign currency: functional currency)</u>	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>									
<u>Monetary items</u>									
<u>Cash in banks</u>									
USD : NTD	3%	\$ 31,463	\$ -	3%	\$ 98,691	\$ -	3%	\$ 40,706	\$ -
RMB : NTD	3%	4,550	-	3%	7,226	-	3%	6,414	-
USD : HKD	3%	8,464	-	3%	7,581	-	3%	7,626	-
USD : RMB	3%	12,545	-	3%	6,379	-	3%	2,242	-
USD : THB	3%	30,055	-	3%	30,363	-	3%	10,701	-
<u>Financial assets at fair value through profit or loss - current</u>									
USD : NTD	3%	\$ 434	\$ -	3%	\$ 212	\$ -	3%	\$ 3,561	\$ -
<u>Receivables</u>									
USD : NTD	3%	\$ 166,548	\$ -	3%	222,732	\$ -	3%	\$ 149,945	\$ -
USD : RMB	3%	65,799	-	3%	102,863	-	3%	44,806	-
USD : THB	3%	24,254	-	3%	19,626	-	3%	21,175	-
<u>Non-monetary items</u>									
<u>Current financial assets at fair value through other comprehensive income</u>									
USD : NTD	3%	\$ -	\$ 4,671	3%	\$ -	\$ 4,607	3%	-	\$ 4,458
<u>Investments accounted for under equity method</u>									
USD : NTD	3%	\$ -	\$ 92,015	3%	\$ -	\$ 97,558	3%	-	\$ 93,215
HKD : NTD	3%	-	34,912	3%	-	39,299		-	35,826
RMB : NTD	3%	-	12,436	3%	-	12,219	3%	-	11,680
<u>Financial liabilities</u>									
<u>Monetary items</u>									
<u>Bank loan</u>									
USD : RMB	3%	\$ 3,600	\$ -	3%	\$ 9,213	\$ -	3%	\$ 27,562	\$ -
USD : CAD	3%	-	-	3%	2,395	-	3%	2,318	-
RMB : NTD	3%	6,356	-	3%	5,680	-	3%	6,181	-
<u>Payables</u>									
RMB : NTD	3%	\$ 21,943	\$ -	3%	\$ 31,167	\$ -	3%	\$ 34,595	\$ -
USD : NTD	3%	164,499	-	3%	250,660	-	3%	131,415	-
USD : RMB	3%	30,089	-	3%	45,697	-	3%	28,537	-

Total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2023 and 2022 amounted to a gain of \$129,511 thousand, a gain of \$104,816 thousand, a gain of \$80,710 thousand, and a gain of \$249,760 thousand, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 3% with all other variables held constant, post-tax profit for the six months ended June 30, 2023 and 2022 would have increased/decreased by \$795 thousand and \$821 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 \$19,514 thousand and \$21,457 thousand, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- ii. If the borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit (loss), net of tax for the six months ended June 30, 2023 and 2022 would have increased/decreased by \$1,648 thousand and \$5,095 thousand, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.
- iii. If the Current investments in debt instrument interest rate had increased/decreased by 0.25% with all other variables held constant, profit (loss), net of tax for the six months ended June 30, 2023 and 2022 would have decreased/increased by \$543 thousand and \$531 thousand, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. In accordance with the internal and explicit credit policy, each operating entities within the Group shall conduct management and credit risk analysis for each new customer before setting the terms and conditions for payment and delivery. The internal risk control system assesses the credit quality of the customer by taking into account its financial position, past experience and other factors. The limits of individual risks are set by the Board of Directors according to internal or external ratings, and the use of credit limits is regularly monitored. The main credit risk comes from cash and cash equivalents and deposits with banks and financial institutions. It also comes from customers' credit risks and includes outstanding receivables. For banks and financial institutions, only good credit rating agencies will be accepted as trading counterparts.
- iii. For banks and financial institutions, the Group transacts with a variety of banks and

financial institutions, mainly domestic and overseas well-known financial institutions, to avoid concentration in any single counterparty and to minimize credit risk. The Group can only enter into the financial services and loan agreement provided by banks and financial institutions after being approved by the Board of Directors or authorized management according to the Company's delegation of authorization policy. To prevent legal risks, all the Group signs with banks and financial institutions after all documents are examined by counsel or legal advisor profession. The Group periodically checks the credit rating, conditions and quality of service as well as transactions. According to the Group's operating condition, the credit limits and utilization of credit limits are monitored on a regular basis and maintained within a reasonable range to ensure it meets the needs of the operation.

- iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Group classifies customers' accounts receivable, contract assets in accordance with geographic area. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- viii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- ix. The Group used the forecastability of adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. As of June 30, 2023, December 31, 2022 and June 30, 2022, the provision matrix is as follows:

<u>June 30, 2023</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.04%	\$ 6,649,961	\$ 2,509
Up to 30 days	3.98%	27,764	1,104
31~90 days	14.67%	21,900	3,213
91~180 days	100.00%	5,138	5,138
Over 180 days	100.00%	16,657	16,657
		<u>\$ 6,721,420</u>	<u>\$ 28,621</u>

<u>December 31, 2022</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.03%	\$ 8,524,130	\$ 2,851
Up to 30 days	0.29%	177,174	522
31~90 days	22.35%	15,153	3,386
91~180 days	100.00%	4,853	4,853
Over 180 days	100.00%	9,835	9,835
		<u>\$ 8,731,145</u>	<u>\$ 21,447</u>
<u>June 30, 2022</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.06%	\$ 6,090,341	\$ 3,443
Up to 30 days	1.93%	90,843	1,756
31~90 days	11.54%	5,363	619
91~180 days	100.00%	3,256	3,256
Over 180 days	100.00%	9,821	9,821
		<u>\$ 6,199,624</u>	<u>\$ 18,895</u>

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

	<u>2023</u>	<u>2022</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 21,447	\$ 35,425
Allowance (reversal) of impairment loss	7,929	(15,895)
Effect of foreign exchange	(755)	(635)
At June 30	<u>\$ 28,621</u>	<u>\$ 18,895</u>

- xi. For the six months ended June 30, 2023 and 2022, there was no loss allowance for investments in debt instruments at fair value through other comprehensive income.

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	<u>Lifetime</u>	<u>Lifetime</u>	<u>Lifetime</u>
	<u>12 months</u>	<u>12 months</u>	<u>12 months</u>
Financial assets at amortized cost			
Group 1	<u>\$ 954,600</u>	<u>\$ 295,801</u>	<u>\$ 1,374,750</u>
Financial assets at fair value through other comprehensive income			
Group 2	<u>\$ 153,527</u>	<u>\$ 150,863</u>	<u>\$ 147,610</u>

Group 1: Time deposits designated as investment grade.

Group 2: Debt instruments designated as investment grade.

(c) Liquidity risk

- 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.
- 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 \$16,516,328 thousand, \$15,421,095 thousand and \$14,406,098 thousand in undrawn borrowing facilities as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

Non-derivative financial liabilities

June 30, 2023	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	\$ 37,229	\$ 450,284	\$ -	\$ -	\$ -	\$ 487,513
Accounts payable	3,391,475	1,265,814	-	-	-	4,657,289
Accounts payable - related parties	1,918,040	379,726	-	-	-	2,297,766
Other payables (including related parties)	1,806,862	25,822	-	-	-	1,832,684
Lease liabilities	19,412	56,616	77,836	31,917	18,535	204,316
Bonds payable	-	-	3,000,000	-	-	3,000,000
Long-term borrowings	121,473	373,849	391,119	323,501	-	1,209,942

Derivative financial liabilities

Forward exchange contracts	300	-	-	-	-	300
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Non-derivative financial liabilities

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

Derivative financial liabilities

Forward exchange contracts	10,137	-	-	-	-	10,137
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Non-derivative financial liabilities

June 30, 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	\$ 1,667,824	\$2,073,699	\$ -	\$ -	\$ -	\$ 3,741,523
Notes payable	2	-	-	-	-	2
Accounts payable	3,416,304	1,395,509	-	-	-	4,811,813
Accounts payable - related parties	1,883,542	401,502	-	-	-	2,285,044
Other payables (including related parties)	1,908,147	63,240	-	-	-	1,971,387
Lease liabilities	9,803	23,622	14,125	24,090	25,135	96,775
Bonds payable	-	-	-	3,000,000	-	3,000,000
Long-term borrowings	50,417	208,819	450,896	687,069	-	1,397,201

Derivative financial liabilities

Forward exchange contracts	12,946	4,573	-	-	-	17,519
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(3) Fair value information

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

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

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

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

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

	Fair value			
<u>June 30,</u> <u>2023</u>	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities				
Bonds payable	<u>\$ 2,967,947</u>	<u>\$ -</u>	<u>\$2,938,341</u>	<u>\$ -</u>
	Fair value			
<u>December 31,</u> <u>2022</u>	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities				
Bonds payable	<u>\$ 2,953,838</u>	<u>\$ -</u>	<u>\$2,879,204</u>	<u>\$ -</u>
	Fair value			
<u>June 30,</u> <u>2022</u>	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities				
Bonds payable	<u>\$ 2,939,564</u>	<u>\$ -</u>	<u>\$2,856,476</u>	<u>\$ -</u>

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

<u>June 30, 2023</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	\$ -	\$ -	\$ 26,484	\$ 26,484
-Bonds investments	-	-	280,000	280,000
-Forward exchange contracts	-	14,470	-	14,470
-Fund	109,890	-	-	109,890
Financial liabilities at fair value through other comprehensive income				
- Equity securities	260,168	-	390,303	650,471
- Debt securities	-	153,527	-	153,527
	<u>\$ 370,058</u>	<u>\$ 167,997</u>	<u>\$ 696,787</u>	<u>\$ 1,234,842</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contracts	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ 300</u>

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity securities	\$ -	\$ -	\$ 27,284	\$ 27,284
-Bonds investments	-	-	280,000	280,000
-Forward exchange contracts	-	7,076	-	7,076
-Fund	102,105	-	-	102,105
Financial liabilities at fair value through other comprehensive income				
- Equity securities	230,211	-	396,883	627,094
- Debt securities	-	150,863	-	150,863
	<u>\$ 332,316</u>	<u>\$ 157,939</u>	<u>\$ 704,167</u>	<u>\$ 1,194,422</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contracts	<u>\$ -</u>	<u>\$ 10,137</u>	<u>\$ -</u>	<u>\$ 10,137</u>
June 30, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity securities	\$ -	\$ -	\$ 27,380	\$ 27,380
-Forward exchange contracts	-	118,708	-	118,708
-Fund	103,857	-	-	103,857
-Bonds investments	-	-	280,000	280,000
Financial liabilities at fair value through other comprehensive income				
- Equity securities	227,862	-	487,362	715,224
- Debt securities	-	147,610	-	147,610
	<u>\$ 331,719</u>	<u>\$ 266,318</u>	<u>\$ 794,742</u>	<u>\$ 1,392,779</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contracts	<u>\$ -</u>	<u>\$ 17,519</u>	<u>\$ -</u>	<u>\$ 17,519</u>

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

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

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

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

E. For the six months ended June 30, 2023 and 2022, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the six months ended June 30, 2023 and 2022:

	<u>Six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
At January 1	\$ 704,167	\$ 1,026,433
Current increase	-	1,487
Losses recognized in loss	(800)	(2,570)
Losses recognized in other comprehensive income	(6,580)	(230,608)
At June 30	<u>\$ 696,787</u>	<u>\$ 794,742</u>

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

	Fair value at June 30, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity investment:					
Equity securities	\$ 139,791	Market comparable companies	Price to book ratio multiple		1 The higher the multiplier, the higher the fair value
Private equity funds in venture capital	26,484	Net asset value	N/A	N/A	N/A
Private placement shares (listed companies)	250,512	Market price method	Discount for lack of marketability	18.8%-27%	The higher the discount for marketability, the lower the fair value
Non-derivative debt investment:					
Convertible bonds	\$ 280,000	Discounted cash flow method	Discount rate		- The higher the discount rate, the lower the fair value
	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity investment:					
Equity securities	\$ 127,692	Market comparable companies	Price to book ratio multiple		1 The higher the multiplier, the higher the fair value
Private equity funds in venture capital	27,284	Net asset value	N/A	N/A	N/A
Private placement shares (listed companies)	269,191	Market price method	Discount for lack of marketability	20.5%-26.6%	The higher the discount for marketability, the lower the fair value
Non-derivative debt investment:					
Convertible bonds	\$ 280,000	Discounted cash flow method	Discount rate		- The higher the discount rate, the lower the fair value

	<u>Fair value at June 30, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity investment:					
Equity securities	\$ 151,615	Market comparable companies	Price to book ratio multiple		1 The higher the multiplier, the higher the fair value
Private equity funds in venture capital	27,380	Net asset value	N/A	27,380	N/A
Private placement shares (listed companies)	335,747	Market price method	Discount for lack of marketability	17.6%-18.3%	The higher the discount for marketability, the lower the fair value
Non-derivative debt investment:					
Convertible bonds	\$ 280,000	Discounted cash flow method	Discount rate		- The higher the risk-free interest rate, the lower the fair value

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

		<u>June 30, 2023</u>			
		<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
<u>Input</u>	<u>Change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
Financial assets					
Equity securities					
Price to book ratio multiple	±10%	\$ -	\$ -	\$ 13,979	(\$ 13,979)

			December 31, 2022			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity securities	Price to book ratio multiple	±10%	\$ _____ -	\$ _____ -	\$ 12,769	(\$ 12,769)
			June 30, 2022			
			Recognized in profit or loss		Recognized in other comprehensive income	
Equity securities	Price to book ratio multiple	±10%	\$ _____ -	\$ _____ -	\$ 15,162	(\$ 15,162)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6 (2).
- J. Significant inter-company transactions during the reporting periods: Purchases or sales of goods from or to related parties reaching \$100 million or more: Please refer to table 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in Mainland China: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: None.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. Business organization is divided into Taiwan, Shenzhen, Singapore 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 six months ended June 30, 2023 is as follows:

	<u>Taiwan</u>	<u>Shenzhen</u>	<u>Singapore</u>	<u>Vietnam</u>	<u>Others</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 11,131,424	\$ 132,885	\$ 3,608,671	\$ 72,897	\$ 541,315	\$ 15,487,192
Inter-segment revenue	<u>12,355</u>	<u>3,855,209</u>	<u>-</u>	<u>992,917</u>	<u>2,177,844</u>	<u>7,038,325</u>
Total revenue	<u>\$ 11,143,779</u>	<u>\$ 3,988,094</u>	<u>\$ 3,608,671</u>	<u>\$ 1,065,814</u>	<u>\$ 2,719,159</u>	<u>\$ 22,525,517</u>
Segment pre-tax profit (loss)	<u>\$ 515,063</u>	<u>(\$ 190,941)</u>	<u>\$ 405,825</u>	<u>\$ 43,664</u>	<u>\$ 140,169</u>	<u>\$ 913,780</u>

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

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

	<u>Taiwan</u>	<u>Shenzhen</u>	<u>Singapore</u>	<u>Vietnam</u>	<u>Others</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 9,840,488	\$ 191,046	\$ 3,200,008	\$ 188,081	\$ 603,188	\$ 14,022,811
Inter-segment revenue	<u>7,615</u>	<u>3,178,611</u>	<u>-</u>	<u>2,035,684</u>	<u>1,520,793</u>	<u>6,742,703</u>
Total revenue	<u>\$ 9,848,103</u>	<u>\$ 3,369,657</u>	<u>\$ 3,200,008</u>	<u>\$ 2,223,765</u>	<u>\$ 2,123,981</u>	<u>\$ 20,765,514</u>
Segment pre-tax profit (loss)	<u>\$ 629,184</u>	<u>(\$ 494,283)</u>	<u>\$ 295,309</u>	<u>\$ 242,170</u>	<u>\$ 259,157</u>	<u>\$ 931,537</u>

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

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

D. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4. The Group's segment profit (loss) is measured with the current profit (loss), 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.

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

	Six months ended June 30	
	2023	2022
Adjusted revenue from reportable segments	\$ 22,525,517	\$ 20,765,514
Elimination of inter-segment revenue	(7,038,325)	(6,742,703)
Total consolidated operating revenue	<u>\$ 15,487,192</u>	<u>\$ 14,022,811</u>

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

	Six months ended June 30	
	2023	2022
Adjusted income from reportable segments before income tax	\$ 913,780	\$ 931,537
Elimination of inter-segment income	(346,199)	(220,216)
Income from continuing operations before income tax	<u>\$ 567,581</u>	<u>\$ 711,321</u>

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Loans to others
Six months ended June 30, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

													<u>Collateral</u>		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Footnote
<u>No.</u>	<u>Creditor</u>	<u>Borrower</u>	<u>General ledger account</u>	<u>Is a related party</u>	<u>Maximum outstanding balance for the three months ended June 30, 2023</u>	<u>Balance at June 30, 2023</u>	<u>Actual amount drawn down</u>	<u>Interest rate</u>	<u>Nature of loan (Note 2)</u>	<u>Amount of transaction with the borrower</u>	<u>Reason for short-term financing</u>	<u>Allowance for doubtful accounts</u>	<u>Item</u>	<u>Value</u>			
0	MEHO	FUXM	Other receivables	Y	\$ 60,000	\$ 60,000	\$ -	-	2	\$ -	Acquisition for plant	\$ -	-	\$ -	\$4,651,460	\$11,628,650	
1	MESG	MENA	Other receivables	Y	124,560	124,560	71,622	1.13	2	-	Business operation	-	-	-	2,608,626	2,608,626	
2	MESG	SENM	Other receivables	Y	46,710	46,710	15,570	3.52	2	-	Business operation	-	-	-	2,608,626	2,608,626	

Note 1: (1) The ceiling on MESG total loans to others is MESG’s net assets; for short-term financing, the limit to a single party is 40% of MESG’s net assets.
(2) The restrictions in (1) shall not apply to short-term financing among affiliates in the group. The limit to a single party is MESG’s net assets.
(3) For MESG’s business transactions, limit on loans granted for a single party is the amount of the transactions.
(4) The limit on the Company’s loans granted for Fulicare Medical Instruments (Xiamen) Co., Ltd. ("FUXM") is within 40% of the Company’s net assets, for short-term financing purpose.

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others
Six months ended June 30, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

			Party being Endorsed/guaranteed												
Number (Note 1)	Endorser/ guarantor	Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on	Maximum	Outstanding endorsement/ guarantee amount as of June 30, 2023	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote	
				endorsements/ guarantees provided for a single party (Note 3)	outstanding endorsement/ guarantee amount as of June, 2023										
0	MEHO	MENA	2	\$ 9,302,920	\$ 189,954	\$ 80,964	\$ -	\$ -	0.70%	\$ 11,628,650	Y	N	N		

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

- (1) The Company is ‘0’.
- (2) The subsidiaries are numbered in order starting from ‘1’.

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

- (1) Having business relationship.
- (2) The Company holds over 50% of the voting rights directly or indirectly.
- (3) This company holds over 50% of the voting rights of the Company directly or indirectly.
- (4)The Company holds over 90% of the voting rights directly or indirectly.

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

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
June 30, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

				As of June 30, 2023				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	Number of shares	Book value (in thousands)	Ownership (%)	Fair value (in thousands)	Note
The Company	Fund - 76324296A KGI Taiwan Multi-Asset Income Fund A TWD	-	Financial assets mandatorily measured at fair value through profit or loss - current	5,015	\$ 50,000	-	\$ 56,419	
The Company	Fund - UPAMC Wealthy Fund	-	Financial assets mandatorily measured at fair value through profit or loss - current	5,000	50,000	-	53,471	
The Company	Bond - The Company Bond - SYNergy Private Placement (YDB8AA)	-	Financial assets mandatorily measured at fair value through profit or loss - current	-	280,000	-	280,000	
					380,000		\$ 389,890	
			Valuation adjustment		9,890			
					\$ 389,890			
The Company	Fund - JAFCO	-	Financial assets mandatorily measured at fair value through profit or loss - non-current	975	\$ 29,350	0.71%	\$ 26,484	
			Valuation adjustment		(2,866)			
					\$ 26,484			
The Company	Stock - 2881B.TW	-	Equity instruments measured at fair value through OCI - current	683	\$ 40,980	-	\$ 40,912	
The Company	Stock - 2882B.TW	-	Equity instruments measured at fair value through OCI - current	585	35,100	-	34,223	
The Company	Stock - 5871A	-	Equity instruments measured at fair value through OCI - current	300	30,000	-	29,940	
The Company	Bond-XS218687550	-	Equity instruments measured at fair value through OCI - current	-	144,625		153,527	
					250,705		\$ 258,602	
					7,897			
					\$ 258,602			
The Company	Stock - 4943.TW	-	Measured at fair value through other comprehensive income - non-current	7,712	\$ 648,164	8.89%	\$ 83,891	
The Company	Stock - 3290.TW	-	Measured at fair value through other comprehensive income - non-current	5,723	99,990	5.72%	155,093	
The Company	Stock - FUJITER Semiconductor CO.,LTD.	-	Measured at fair value through other comprehensive income - non-current	2,126	27,811	9.79%	20,535	
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 AGRI-PRODUCT CO.,LTD.	-	Measured at fair value through other comprehensive income - non-current	683	6,425	4.83%	2,329	
The Company	Stock - -SUNSINO SME Development Co., Ltd.	-	Measured at fair value through other comprehensive income - non-current	169	2,123	0.36%	2,283	
The Company	Stock - -LINSATION Intelligent Technology Limited	-	Measured at fair value through other comprehensive income - non-current	75	8,772	6.19%	2,859	
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%	10,863	
The Company	Stock - 6558.TW	-	Measured at fair value through other comprehensive income - non-current	7,300	188,340	7.79%	166,621	
					995,038		\$ 444,474	
			Valuation adjustment		(550,564)			
					\$ 444,474			
MEST	Stock - Perfect Fortune Inc	-	Measured at fair value through other comprehensive income - non-current	2,126	\$ 8,450	18.33%	\$ 73,645	
MEST	Stock - LOYAL WIRE& CABLE COMPANY LTD	-	Measured at fair value through other comprehensive income - non-current	1,159	8,146	18.33%	22,139	
ASCX	Stock - DeTing (Xiamen) Health Technology Co., Ltd.	-	Measured at fair value through other comprehensive income - non-current	-	428	10.00%	428	
ASCX	Stock - Beijing Wanling Hearing Aids	-	Measured at fair value through other comprehensive income - non-current	-	4,710	19.64%	4,710	
					21,734		\$ 100,922	
			Valuation adjustment		79,188			
					\$ 100,922			

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Six months ended June 30, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchase/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)	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	\$ 3,541,939	23%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(\$ 1,843,749)	27%	(Note 3)
The Company	MEVN	A subsidiary of the Company	Purchases	990,828	6%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(863,137)	12%	(Note 3)
The Company	MECH	Investment accounted for using the equity method	Purchases	1,155,392	7%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(389,068)	6%	
The Company	MECE	Investment accounted for using the equity method	Purchases	3,576,663	23%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(1,325,383)	19%	
METC	The Company	Parent company	Purchases	1,434,436	9%	60 - 120 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(1,177,655)	17%	(Note 3)
MESG	MECL	A subsidiary of the Company	Purchases	305,626	2%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(246,092)	4%	(Note 3)
MESG	METC	A subsidiary of the Company	Purchases	2,016,826	13%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(804,396)	12%	(Note 3)
MESG	MECH	Investment accounted for using the equity method	Purchases	938,083	6%	60 - 65 days end of month after offsetting with accounts receivable	(Note 1)	30~120 days end of month for the third parties	(560,365)	8%	

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
June 30, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance of accounts receivable due from related party			Overdue receivables		Amount collected subsequent to the balance sheet date (Note2)	Allowance for doubtful accounts	Note
			General ledger account	Amount	Turnover rate	Amount	Action taken			
The Company	METC	A subsidiary of the Company	Accounts receivable	\$ 1,177,655	2.47	\$ -	-	\$ 230,497	\$ -	(Note 1)
MECL	The Company	Parent Company	Accounts receivable	1,843,749	2.72	-	-	493,165	-	(Note 1)
MECL	MESG	A subsidiary of the Company	Accounts receivable	246,092	2.27	-	-	52,984	-	(Note 1)
METC	MESG	A subsidiary of the Company	Accounts receivable	804,396	5.53	-	-	322,880	-	(Note 1)
MEVN	The Company	Parent Company	Accounts receivable	863,137	2.50	-	-	125,039	-	(Note 1)
MECE	The Company	Parent Company	Accounts receivable	1,325,383	3.18	-	-	-	-	
MECH	The Company	Parent Company	Accounts receivable	389,068	5.04	-	-	177,438	-	
MECH	MESG	A subsidiary of the Company	Accounts receivable	560,365	3.63	-	-	164,801	-	

Note 1: Inter-company transactions between companies within the Group are eliminated.
Note 2: The balance was as at July 27, 2023.

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
Six months ended June 30, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Transaction							Percentage of consolidated total operating revenues or total assets (Note 3)
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	
0	MEHO	MECL	1	Purchases	\$ 3,541,939	The price is based on the profitability of the product	23%
0	MEHO	MECL	1	Accounts payable	1,843,749	The balance shown was net of receivables as agreed by both parties	6%
0	MEHO	MEVN	1	Purchases	990,828	The price is based on the profitability of the product	6%
0	MEHO	MEVN	1	Accounts payable	863,137	The balance shown was net of receivables as agreed by both parties	3%
1	METC	MEHO	2	Purchases	1,434,436	The price is based on the profitability of the product	9%
1	METC	MEHO	2	Accounts payable	1,177,655	The balance shown was net of receivables as agreed by both parties	4%
2	MESG	MECL	3	Purchases	305,626	The price is based on the profitability of the product	2%
2	MESG	MECL	3	Accounts payable	246,092	The balance shown was net of receivables as agreed by both parties	1%
2	MESG	METC	3	Purchases	2,016,826	The price is based on the profitability of the product	13%
2	MESG	METC	3	Accounts payable	804,396	The balance shown was net of receivables as agreed by both parties	3%

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

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

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

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

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Information on investees
Six months ended June 30, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as on June 30, 2023			Net profit (loss) of the investee for the year ended June 30, 2023	Investment income (loss) recognized by the Company for the year ended June 30, 2023	Note
				Balance as on June 30, 2023	Balance as on December 31, 2022	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	\$ 4,561,493	(\$ 41,168)	\$ 25,984	(Note 1)
The Company	DDBV	British Virgin IS.	General investment business	1,479,925	1,479,925	48,005	100.00	3,067,378	(129,309)	(101,829)	(Note 1)
The Company	LEOHAB										
The Company	ENTERPRISE CO.,LTD.	Taichung City	Plastic injection molding and metal stamping	96,666	96,666	4,986	21.00	34,442	(14,441)	(3,033)	
The Company	MECA	U.S.A.	Technique, marketing and after service	28,887	28,887	999	99.90	36,096	517	516	
The Company	MESG	SINGAPORE	Sales of microphone, receiver and speaker	92,132	92,132	800	100.00	2,608,626	336,245	336,245	
The Company	METC	THAILAND	Microphone, components and product and sale of other electric products	484,358	484,358	5,060	99.99	716,389	45,609	46,150	(Note 1)
The Company	MHKY	CAYMAN	Sales of medical device	857,946	857,946	27,992	100.00	337,061	(41,168)	(41,168)	
The Company	INSA	SAMOA	General investment business	1,293,008	1,199,977	302	100.00	651,834	8,610	8,610	
The Company	MEVN	VIETNAM	Manufacture of microphone and speaker	366,710	366,710	-	51.00	783,043	43,664	16,711	(Note 1)
The Company	MUTT	New Taipei City	Manufacturing and application service of electrical appliances and audiovisual electronic products	30,600	30,600	3,060	51.00	22,864	(9,436)	(4,812)	
The Company	MCTT	Taichung City	General investment business	8,000	8,000	800	100.00	9,107	868	868	
The Company	MAC FUND	Taipei City	General investment business	61,867	19,200	-	42.67	58,422	(5,631)	(2,403)	
MESG	MEMP	Malaysia	Research and development of microphone, receiver and speaker	15,969	15,969	2,400	100.00	12,392	(3,465)	-	(Note 2)
MCTT	MAC FUND	Taipei City	General investment business	1,450	450	-	1.00	1,369	(5,631)	(56)	
DDBV	UCMU	MAURITIUS	General investment business	151	151	5	100.00	-	-	-	(Note 2)
DDBV	MTHK	HONG KONG	General investment business	1,392,956	1,392,956	48,000	100.00	3,067,182	(129,309)	-	(Note 2)
MHKY	FUSA	SAMOA	General investment business	795,943	795,943	27,160	96.01	338,000	(41,140)	-	(Note 2)
INSA	MENA	CANADA	Sale and development of speaker and power amplifier	92,445	30	56,954	100.00	89,651	(22,840)	-	(Note 2)
MENA	SENM	NORWAY	Manufacture and sales of speaker monomer	23	23	-	100.00	59,239	3,848		(Note 2)

Note 1: The investment income included unrealized gains or losses and realized gains arising from upstream transactions.
Note 2: The investee is second subsidiary and investment income (loss) is not shown.
Note 3: Please refer to Note 4 (3).

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Information on investees in Mainland China
Six months ended June 30, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for six months ended June 30, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2023	Net income of investee for six months ended June 30, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for six months ended June 30, 2023	Book value of investments in Mainland China as of June 30, 2023 (Note 4)	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2023	Note
					Remitted to Mainland China	Remitted back to Taiwan							
MEDG	Research and development of sound equipment, earphones, mobile power supply, charging box, cable, connector, electronic components, plastic hardware, mold and antenna	\$ 856,400	(Note 1)	\$ 452,564	\$ -	\$ -	\$ 452,564	\$ 7,149	49.00%	\$ 3,503	\$ 399,074	\$ -	
MSCS	Manufacture of speaker and amplifier	148,039	(Note 1)	110,497	-	-	110,497	(18,928)	100.00%	(18,928)	113,553	-	
MECL	Microphone, receiver, speaker, security system, induction cooker and other electronic component	408,263	(Note 2)	453,191	-	-	453,191	(162,542)	100.00%	(162,542)	2,997,340	2,282,120	Note 3
MECE	Manufacture and sales of microphone, receiver and speaker	2,679,414	(Note 2)	1,369,285	-	-	1,369,285	(263,899)	49.00%	(101,830)	3,067,182	295,185	Note 3
MECS	International trade, transit trade and trading consulting; trading amongst companies in bonded area and trading agency in the area	7,107	(Note 2)	6,055	-	-	6,055	1	49.00%	1	(1,093)	40,321	
MECH	Manufacture and sales of microphone, receiver, speaker and mobile phone	428,200	(Note 2)	420,687	-	-	420,687	211,883	49.00%	102,443	1,164,815	213,003	Note 3
FUSZ	Manufacture of medical device	274,833	(Note 2)	310,763	-	-	310,763	(1,117)	96.01%	(1,072)	235,536	-	
ETCX	Retail sales of hearing products	19,269	(Note 2)	19,009			19,009	(3,259)	96.01%	(3,129)	(26,401)		
ASCX	Manufacture and sales of hearing aid, hearing device and acoustics equipment	56,784	(Note 2)	293,281			293,281	16,820	95.53%	16,068	24,638		
LACX	Research and development and technical sales of software for hearing aid use	21,410	(Note 2)	22,180	-	-	22,180	(456)	95.53%	(436)	41,053	-	
FUXM	Sales of medical device	298,169	(Note 2)	302,995	-	-	302,995	(38,162)	96.01%	(36,640)	41,595	-	
DONG GUAN GET PINK	Manufacture and sales of earphones and speaker	67,442	(Note 2)	-	-	-	-	(3,251)	33.00%	(1,073)	15,471	-	

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Information on investees in Mainland China
Six months ended June 30, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Note 1: Reinvesting in the investee in Mainland China through the parent company.
Note 2: Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
Note 3: The financial statements that are audited and attested by R.O.C. parent company’s CPA.
Note 4: The amount in the table is translated into New Taiwan dollars at the closing exchange rates prevailing at the balance sheet date.

<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2023</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission (MOEA) (Note 1)</u>
Merry Electronics Co., Ltd.	\$ 3,868,131	\$ 4,178,588	\$ 6,977,190

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

MERRY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
Six months ended June 30, 2023

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Counterparty	Sales (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/ guarantee or collaterals		Financing				
		Amount	%	Amount	%	Balance on June 30, 2023	%	Balance on June 30, 2023	Purpose	Maximum balance during the three months ended June 30, 2023	Balance on June 30, 2023	Interest rate	Interest during the three months ended June 30, 2023	Others
MECL	MEHO	(\$ 3,541,939)	23%	-	-	(\$ 1,843,749)	27%	-	-	-	-	-	-	-
MECL	MESG	(305,626)	2%	-	-	(246,092)	4%	-	-	-	-	-	-	-
MECE	MEHO	(3,576,663)	23%	-	-	(1,325,383)	19%	-	-	-	-	-	-	-
MECH	MEHO	(1,155,392)	7%	-	-	(389,068)	6%	-	-	-	-	-	-	-
MECH	MESG	(938,083)	6%	-	-	(560,365)	8%	-	-	-	-	-	-	-