

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

2024 Annual Shareholders' Meeting Minutes

(Translation)

Time:	9:00 a.m., May 29, 2024 (Wednesday)
Venue:	Merry Electronics Co., Ltd.'s headquarters (No. 22, 23rd Road, Taichung Industrial Park, Nantun Dist., Taichung City, Taiwan)
Total outstanding shares of Merry Electronics Company Limited:	220,404,947
Total amount of voting shares:	220,378,347
Total shares represented by Shareholders present in person or by proxy	154,792,322
Percentage of shares held by shareholders present in person or by proxy (excluding 26,600 new restricted employee shares repurchased)	70.23%
Present directors:	ZONG CYUAN Investment Co., Ltd. Representative: LIAO, LU-LEE SHANDE Investment Co., Ltd. Representative: HUANG, CHAO-LI LIN, SHIH-CHIEH TONG-CIAN Investment Co., Ltd.

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

Representative: LIAO, KENG-PIN

Present independent directors:

WU, HUEI-HUANG
SHER, JIH-HSIN
(Chairman of the Audit Committee)
I, CHANG-YUN

Attendance:

LIU, MEI-LAN, CPA from
PricewaterhouseCoopers Taiwan, and
LAM RU-HSUAN, Deputy General
Manager of Finance

Chairperson:

LIAO, LU-LEE

Recorder:

CHENG, HUI-FEN

The aggregate shareholding of the shareholders present in person or proxy constituted a quorum. The Chairperson called the meeting to order.

I. Chairperson's Remark (omitted)

II. Matters for Report

1. The Company's 2023 Business Report.

Explanation: For the business report, please refer to Attachment 1.

(Noted)

2. Audit Committee's review report on the 2023 Financial Statements.

Explanation:

For the Audit Committee's audit report on the financial statements of 2023, please refer to Attachment 2.

(Noted)

3. Report on the distribution of employee and director remuneration for the year 2023.

Explanation:

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

- (1) According to the Articles of Incorporation, if the company has profits in a given year, a portion of the profits should be allocated to employee remuneration at a rate of 5% to 10%, and director remuneration should not exceed 2%.
- (2) The employee and director remuneration for the year 2023 have been approved by the board of directors on February 22, 2024. 10% of the profits, equivalent to NT\$184,910,469, have been allocated for employee remuneration, and 2% of the profits, equivalent to NT\$36,982,094, have been allocated for director remuneration. Both types of remuneration have been distributed in cash. The amounts approved by the board of directors are consistent with the estimated amounts recorded as expenses for the year 2023.

(Noted)

4. Report on the distribution of cash dividends for the year 2023.

Explanation:

- (1) In accordance with Article 22 of Association, a report on the distribution of cash dividends for the year 2023 is presented to the shareholders' meeting.
- (2) Upon approval by the board of directors, a cash dividend of NT\$1,030,914,177 has been distributed to shareholders, equivalent to a cash dividend of NT\$4.7000 per share.

(Noted)

5. Report on the correlation and reasonableness of the performance evaluation results and remuneration of directors and managers.

Explanation:

- (1) The individual performance of each director has been evaluated according to the "Remuneration Committee Organization Regulations" and "Director and Manager Remuneration Management Rules" of the company. The evaluation results are used as the basis for calculating the remuneration of each director.
- (2) The individual performance of each manager has been evaluated according to the "Employee Performance Evaluation Management Rules" of the company. The evaluation results are used as the basis for calculating

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

the remuneration of each manager.

- (3) The individual performance evaluation results and the content and amount of remuneration of directors and managers are reasonable and have been reviewed by the Remuneration Committee. The board of directors has approved the resolution without objections.

(Noted)

6. Report on the company's sustainable development policy and promotion plan.

Explanation:

- (1) In order to conform to the global trend of sustainability, Merlin will incorporate sustainability into its corporate vision by 2024 - "Creating delightful experiences for a healthy and sustainable future". The company values the voices of stakeholders and is committed to implementing ESG sustainable development. It has established four sustainability principles and set short-, medium-, and long-term goals to strengthen its sustainability, improve ESG information disclosure, and create a new era of shared prosperity for shareholders, customers, employees, suppliers, society, and the environment
- (2) The report will cover governance, environment, and social aspects, please refer to Attachment 3.

(Noted)

Meeting proceedings:

Report item 1

Shareholder (Account Number 122700) excerpt:

Regarding the business report, please explain how the company will continue to develop AI technology, integrate the Merry data analysis platform, deepen its understanding of customer service, improve factory productivity, and strengthen employee capabilities. Please also explain how the combination of products and AI can create more value. Last year, due to the war between Ukraine and Russia and the lifting of the COVID-19 pandemic restrictions, many companies saw an increase in inventory, but our company was not affected. However, the net amount of accounts receivable, accounts receivable

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

from related parties, other accounts receivable, and other accounts receivable from related parties in 2023 was higher than in 2022. Please explain the reason for this. Although the operating income for 2023 was higher than that of 2022, the net profit for the current period was lower than that of 2022. Please explain the reason for this. Among the departmental revenues, Vietnam's revenue decreased but net profit increased. Please explain the reason for this. In other departments, revenue increased, but net profit decreased. Please explain the reason for this. There were compensation income recorded in 2023 and 2022, and will there be any in 2024?

Summary of President HUANG, CHAO-LI's reply:

The four aspects of AI empowerment include customer, employee, factory, and product. For customers, we use AI for CRM, quick quoting, and customer service chatbots. For employees, we use RPA, ChatGPT, and the GPT built using Merry data to increase their knowledge, action, and decision-making capabilities. For factories, we use automation and data collection and analysis to identify key factors that improve operational efficiency, including activation rates and yield. Regarding products, though we are still striving to apply AI in daily operation, the business growth opportunity in microphone products is relatively higher since the AI in components requires more data collection.

The reason for accounts receivable increased is that, in previous years, we would factor accounts receivable based on the need for funds. However, due to increased bank interest rates and company fund level, accounts receivable were not factored at the end of 2023, resulting in a higher net accounts receivable balance than that of 2022.

While the operating revenue for 2023 was higher than that of 2022, the net profit for the current period was lower than that of 2022 mainly due to the decrease in non-operating income. Particularly, the exchange gain of 2022 was much higher than that of 2023 mainly because the exchange rate of TWD against the US dollar depreciated sharply in 2022, generating significant exchange gain, whereas the exchange rate of TWD against the US dollar first depreciated, then appreciated in 2023, resulting in minor exchange gain.

Due to the impact of COVID-19, there was a transfer of production capacity from China to Vietnam factory in 2022. After the lifting of the pandemic in 2023, part of the orders was transferred back to China, causing a decrease in

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

revenue for the Vietnam factory. The company had predicted the same in 2023 and continued to conduct cost saving and expense control measures. Therefore, though the Vietnam factory's revenue decreased, its net profit increased.

Regarding the departmental revenue issue, the company has 18 locations worldwide. Besides the main locations, others include Thailand, Norway, Canada, Xiamen, Suzhou, etc., which are classified as "Others" under revenue data. The data total includes both pre- and post- elimination data.

While the Group's consolidated gross profit is shown as a single figure in the financial report, the profit comes from each company according to their functions and positions in the value chain.

The compensation income contract ended in 2023, so no compensation income is expected in 2024.

Report item 2

Shareholder (Account Number 122700) excerpt:

Regarding non-operating income and expenses, other comprehensive income, and total comprehensive income for the period, all were attributed to exchange losses. The shareholder asks the Audit Committee to explain why. The financial statements on pages 130 and 133 of the annual report for non-operating income and expenses, as well as the significant impact of exchange rate fluctuations on the Group's monetary items, and page 157 for the exchange differences in foreign operations' financial statements, have different representations. The shareholder asks the Audit Committee to explain why. On page 178 of the annual report for inventory allowance for obsolescence and impairment losses and page 179 for inventory obsolescence and impairment (recovery) losses, excluding write-downs and inventory surplus, it seemed like the company was losing more than NT\$100 million. Please explain why.

Please explain the amount of inventory allowance for obsolescence and impairment losses and the actual amount of disposals. I do not understand the definition and reason, and requests the company's assistance in explaining.

Summary of Audit Committee Member Yi, Chang-Yun's reply:

The income statement has changed to comprehensive income statement that includes other comprehensive income items. For the exchange differences in the financial statements of foreign operations, it used to be called the cumulative translation adjustment. Because we have investments overseas, we

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

need to translate the financial statements and result in cumulative translation adjustments. If you have any concerns about this, we can explain to you after the meeting.

In 2023, though the operating revenue increased, and inventory was managed well by the management team, resulting in a decrease compared to 2022. Regarding the inventory allowance for obsolescence and impairment losses on page 178 of the annual report, the company's good inventory management is reflected in the decrease in inventory allowance for obsolescence and impairment losses from 2022 to 2023. The Audit Committee has fulfilled its responsibilities by carefully reviewing the financial statements and reporting to the board of directors for approval.

Summary of President HUANG, CHAO-LI's reply:

The provision for inventory obsolescence is not the same as scrapping. As long as the inventory is purchased and stay on the book over a certain period of time, according to accounting principles, a provision for obsolescence needs to be made. The figure on page 178 of the annual report is the provision for obsolescence, which shows that the inventory obsolescence for 2022 is NT\$323 million, and that for 2023 is NT\$243 million. The reason for the high provision in 2022 is due to a shortage of materials in the market, which led to the company having to take in more inventory for production preparation and resulting in a higher inventory provision. In 2023, the inventory was put into production and therefore the provision for inventory obsolescence was reversed. Page 179 of the annual report discloses the actual inventory scrap amount. The main reason for the scrap is that when the product life cycle ends, customers would ask us to scrap the inventory ordered based on their instructions, and compensate us accordingly. The scrap amount includes cases where the material purchase has a minimum order quantity (MOQ) requirement or excess materials after the product life cycle ends.

Under accounting principles, inventory can be divided into raw materials, work-in-progress, and finished goods. The provision for inventory obsolescence will be made based on the length of time the inventory remains in the warehouse. When inventories are used, the provision for obsolescence will be reversed.

Report item 6

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

Shareholder (Account Number 122700) First Speech Summary:

According to the company's sustainability report, the implementation of sustainable plans in the future may reduce production costs, such as electricity bills. Could the company explain the methods it has adopted? Also, what is the cost of purchasing renewable energy certificates for the company's use of renewable energy in 2023? The tax-free meal allowance for employees has been raised from NT\$2,400 to NT\$3,000. Could the company explain the ways of caring for employees it has adopted?

Summary of President HUANG, CHAO-LI's reply:

Solar panels have been installed on the roofs of all our factories. After the construction of all the solar panels is completed, they can supply around 15% of the green electricity needed by the group. For example, in this building, the electricity generated from Monday to Friday is used for self-consumption. This way, the electricity bills paid to Taiwan Power Company will be reduced. Regarding green energy certificates, since our customers also demand us to implement carbon neutrality and net-zero sustainability, we have set carbon neutrality and net-zero sustainability goals for 2030, 2035, and 2040. If there is not enough green energy generated, we will purchase green energy certificates instead. Basically, the group spends less than NT\$500,000 on green energy certificates per year.

Regarding employee care, it is not only about meals but also includes reasonable salaries, a good working environment, and training for career development. Every year, we increase salaries by about 3% to 5%, which is an increase in employee income. There was also a salary increase this year. The government increased the tax-exempt amount for employee meal allowances. We sought and obtained agreements from employees to put part of their salary increase in meal allowances so as to reduce their tax burden.

Shareholder (Account Number 122700) Second Speech Summary:

As electricity prices are going to increase, and the company needs to purchase green energy, where will the company buy the green energy? Most of Taiwan's green energy is already purchased by TSMC. Will it be enough for us? Or, because the company has production bases in other regions besides Taiwan, is the issue of purchasing green energy not that serious? Could the company explain this?

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

Summary of President HUANG, CHAO-LI's reply:

We have a total of 18 locations worldwide, and all of them require green energy. We have firstly conducted an inventory to identify which locations have higher electricity consumption. Then, we have optimized and reduced the electricity usage in those areas. The third step is to generate our own electricity. For our factories, we have installed solar panels on the roofs, and the solar energy can supply 15% of our group's green energy needs. We also purchase green energy. As you mentioned, most of the green energy in Taiwan has already been purchased by TSMC, so we will use alternative solutions if we cannot purchase enough green energy. If we still cannot obtain enough green energy, we will purchase green energy certificates as a substitute. Therefore, the priority for green energy strategy is to conduct an inventory, reduce electricity usage, generate our own power, purchase green energy, and finally purchase green energy certificates. Currently, we are purchasing green energy certificates at our China location.

III. Matters for Acknowledgement

1. Proposal: Acknowledgement of the 2023 business report, individual financial report, and consolidated financial report.

Explanation:

- (1) In accordance with Article 36 and Article 14-4, Item 3 of the Securities and Exchange Act, as well as Article 219 and Article 230 of the Company Act, the Board of Directors has prepared the 2023 business report, profit distribution statement, individual financial report, and consolidated financial report, which have been reviewed and audited by the Audit Committee and have been issued an audit report.
- (2) Please refer to Attachment 1 for the business report and Attachment 4 for the individual financial report and consolidated financial report.

Meeting proceedings:

Shareholder (Account Number 122700) First Speech Summary:

What are the "land improvements" included in Property, plant and equipment? Also, what is the calculation basis for customer value of intangible assets, and how is it amortized?

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

Summary of President HUANG, CHAO-LI's reply:

When our company conducts mergers and acquisitions, if the purchase amount exceeds the net assets of the acquired company, the difference is classified based on nature and may include goodwill and customer relationships etc. Goodwill does not need to be amortized, while customer relationships are amortized over 7 years based on the appraisal report value.

The "land improvements" included in Property, plant and equipment refer to the Thai factory's walls and are subject to depreciation and amortization.

Shareholder (Account Number 122700) Second Speech Summary:

On page 142 and 143 of the annual report, several companies such as DANNY, MERRYTECH (HK), FULICARE, MERRY HEALTHCARE, and MUtek Electronic Co., Ltd. had zero operating income and negative profit. Please explain the reason. Could the presentation of the subsidiary names be clearer to help shareholders understand?

Summary of CFO LAM RU-HSUAN's reply:

Companies with zero operating income can be classified into two categories. The first is the holding company, which has no operating income, but its non-operating income and expenses recorded the profit and loss from the invested company. For example, MERRY HEALTHCARE recorded investment losses from its operating subsidiaries, hence the negative P&L in this period. The second is like MUtek Electronic Co., Ltd., where revenue has not yet incurred, and the benefits of the investment will be shown in future years.

In addition, the subsidiary names and codes are adequately disclosed on page 163 of the annual report, and the company will assess other suitable ways of expression if any.

Voting Results:

154,792,322 shares were presented at the time of voting (including votes casted electronically: 73,745,571); 133,961,618 votes were in favor of the proposal (including votes casted electronically: 52,946,872), representing 86.54% of the total represented shares present; 424,902 votes were cast against the proposal (including votes casted electronically: 424,902); 20,405,802 votes were either invalidly cast or abstained (including votes casted electronically: 20,373,797). **RESOLVED**, that the above proposal be and hereby was acknowledged as proposed.

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

2. Proposal: Approval of the 2023 profit distribution plan.

Explanation:

- (1) The 2023 profit distribution plan has been approved by the board of directors and reviewed and audited by the Audit Committee, with an audit report issued.
- (2) This profit distribution plan is to distribute the distributable profits of the 2023 and distribute a cash dividend of NT\$ 1,030,914,177 to shareholders, which is NT\$ 4.7000 per share.
- (3) The cash dividends will be distributed to shareholders in proportion to their holdings as recorded in the shareholder registry on the ex-dividend date, rounded down to the nearest whole integer for amounts below NT\$ 1. Any remaining fractional dividends will be recorded as other income of the company. Matters related to the ex-dividend date and distribution will be handled by the board of directors.
- (4) In the event that the total number of issued shares changes due to share buybacks, the issuance of new shares through employee stock ownership plans, the conversion of unsecured convertible bonds into common shares, or other factors that affect the dividend payout rate, authorization is given to the chairman of the board to fully handle the matter.
- (5) Please refer to Attachment 5 for the profit distribution table of the 2023.

Voting Results:

154,792,322 shares were presented at the time of voting (including votes casted electronically: 73,745,571); 135,154,223 votes were in favor of the proposal (including votes casted electronically: 54,139,477), representing 87.31% of the total represented shares present; 83,407 votes were cast against the proposal (including votes casted electronically: 83,407); 19,554,692 votes were either invalidly cast or abstained (including votes casted electronically: 19,522,687). **RESOLVED**, that the above proposal be and hereby was acknowledged as proposed.

IV. Matters for Discussion

1. Discussion on the amendment of certain provisions in the “Asset Acquisition or Disposal Procedure” of the company.

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

Explanation:

- (1) Certain provisions in the “Asset Acquisition or Disposal Procedure” of the company are to be amended, as well as the addition of new provisions and minor textual revisions, in accordance with current operations.
- (2) Please refer to Attachment 6 for a comparison table of the amendments to the document.

Meeting proceedings:

Shareholder (Account Number 122700) excerpt:

Please explain who is the authorizer in the content of BM2-003 Regulations of Authorization and Approval under “Asset Acquisition or Disposal Procedure” revision and where are the related party transaction clauses? The company already has an Audit Committee, so does the revised document mentioned “If the company does not establish an audit committee” refer to subsidiary companies? Can the revisions and reference documents be explained clearly?

Summary of CFO LAM RU-HSUAN’s reply:

Regulations of Authorization and Approval of the company regulates different decision-making levels based on different amounts. As for the related party transaction regulation in section 5.6.4, please refer to page 48 of the meeting manual, which has a complete disclosure and complies with regulations from the authority.

The “Asset Acquisition or Disposal Procedure” is applicable to both the company and its subsidiary companies. If a subsidiary separately formulates an “Asset Acquisition or Disposal Procedure”, it shall be followed. If there is no separate procedure for the subsidiary, then the “Asset Acquisition or Disposal Procedure” of the company shall be applied. For example, the company has established an Audit Committee, but subsidiary companies may not necessarily have one. The powers of the Audit Committee for subsidiary companies may be executed by supervisors or the company secretary, respectively. The amendments were made based on the actual situation and to ensure consistency across the company and its subsidiaries.

Voting Results:

154,792,322 shares were presented at the time of voting (including votes casted electronically: 73,745,571); 125,834,600 votes were in favor of the proposal

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

(including votes casted electronically: 44,819,854), representing 81.29% of the total represented shares present; 5,252,259 votes were cast against the proposal (including votes casted electronically: 5,252,259); 23,705,463 votes were either invalidly cast or abstained (including votes casted electronically: 23,673,458).

RESOLVED, that the above proposal be and hereby was approved as proposed.

2. The reason for exempting the restrictions on competitive activities for directors (including independent directors) is being discussed.

Explanation:

- (1) According to Article 209 of the Association, if a director conducts an activity within the scope of the company's business for themselves or others, they should explain the important content of their behavior to the shareholders' meeting and obtain their approval.
- (2) Directors (including independent directors) may have concurrent businesses similar to those of the company. In order to meet practical business needs, with the premise of not damaging the interests of the company, it is proposed to ask for the consent of the shareholders' meeting to exempt the restrictions on competitive activities for directors.
- (3) Please refer to Attachment 7 for the main content of directors' (including independent directors') non-competition agreements.

Meeting proceedings:

Shareholder (Account Number 122700) excerpt:

Please explain the reason for exempting the restrictions on competitive activities for independent director Sher, Jih-Hsin?

Summary of CFO LAM RU-HSUAN's reply:

According to Article 209 of the Association, if a director conducts an activity within the scope of the company's business for themselves or others, they should explain the important content of their behavior to the shareholders' meeting. Although Tainan Enterprise's main business is different from that of the company, the company, based on the consideration of rigor and full disclosure, still proposes that Sher, Jih-Hsin, the independent director, also serves as an independent director of Tainan Enterprise, and asks for the consent of the shareholders' meeting to exempt the restrictions on competitive activities for Sher, Jih-Hsin, the independent director, with the current view of not damaging the interests of the company.

Voting Results:

(Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language)

154,792,322 shares were presented at the time of voting (including votes casted electronically: 73,745,571); 132,858,635 votes were in favor of the proposal (including votes casted electronically: 51,843,889), representing 85.83% of the total represented shares present; 514,142 votes were cast against the proposal (including votes casted electronically: 514,142); 21,419,545 votes were either invalidly cast or abstained (including votes casted electronically: 21,387,540). **RESOLVED**, that the above proposal be and hereby was approved as proposed.

V. Extemporary motions: None.

VI. Meeting adjourned: There was no other business and extemporary motion, the Chairperson announced the meeting adjourned on 10:33 a.m.

Note: This shareholder meeting minutes only include the summary of the proceedings. The content and procedures of the meeting are subject to the meeting's video recording.

Attachment 1

Merry Electronics Co., Ltd. 2023 Business Report

I. Operational policy

2023 annual operational core: “revenue-orientated, diversified development, AI empowerment, and accelerated carbon reduction”.

II. General Condition of Implementation

2023 was a year full of opportunities and challenges. Facing a volatile global economic environment, MERRY has demonstrated its resilience as a learning organization and adheres to the business policy of "focusing on profits, customer optimization, risk diversification, and net-zero and sustainability." We successfully created fruitful results and once again set a new revenue record. At the same time, the Company has won many awards, including "SGS ESG AWARD - Sustainability Report - Gold Award," "TCSA Taiwan Corporate Sustainability Award - Sustainability Report - Gold Award," "MSCI ESG Rating - BBB," "iF Design Award (Micro hollow sleeping earbuds)," "EE Awards Asia Awards - Best Sensor of the Year," "2023 Taichung City Happy Workplace Five-Star Award", "Ministry of Education Sports Administration Sports Enterprise Certification," "Taichung City's Elderly-friendly Outstanding Enterprise - Excellence Award," "Health Promotion Administration Outstanding Healthy Workplace - Healthy Silver Age Award." These recognitions once again demonstrate MERRY's determination to pursue corporate sustainability.

Looking towards 2024, developments in the international political and economic situation, geo-economic fragmentation, net-zero transition policies of countries in response to climate risks, continued decline in inflation, and tightening of monetary policy will greatly impact the recovery of the global economy. MERRY's business policy in 2024 is "revenue-orientated, diversified development, AI empowerment, and accelerated carbon reduction," which is briefly described as follows:

For "revenue-oriented", MERRY continues to build core electroacoustic capabilities, deepen relationships with existing customers, and actively optimizes the competitiveness of product quotations. At the same time, the Company further invests in and effectively allocates R&D resources, constantly launches new products, and enhances the competitiveness of its products. As the Company continues to develop the gaming industry, the Company has strengthened its business communication technology and extended it to video terminals to further expand its business. The Company hopes that when economic growth regains

momentum, these efforts will enable it to actively face challenges, seize opportunities, expand new customers in the field of electroacoustics, expand market share, and achieve greater success.

For "diversified development," MERRY actively promotes development in four aspects: "customer diversification," "product diversification," "market diversification," and "production capacity diversification." In terms of customer diversification, the Company not only deepens cooperation with existing customers, but also actively seeks opportunities of new customers to develop a global customer base. In terms of product diversification, the Company expands its product diversity and further creates greater value from differentiation through technology integration, audio-visual solutions, and software and algorithm services. In terms of market diversification, the Company continues to develop the consumer market in depth, and will actively cross over into different fields, such as commercial, medical, educational, and military markets. In terms of production capacity diversification, the Company adopts the China+ strategy and expands Outside China by establishing production base in Southeast Asia, in order to diversify its production capacity while maximizing manufacturing benefits.

In terms of "AI empowerment," MERRY continues to develop its AI technology, and integrates its data analysis platform to better understand customer service, improve factory productivity, and strengthen employees' application ability. Furthermore, the Company hopes to create greater value by combining products with AI. For the Company's employees, the application of AI technology will bring more opportunities and challenges. MERRY will continue to incorporate AI technology into its corporate culture, so that employees can gradually master new skills and knowledge as they learn about AI technology, thereby improving their work efficiency and creativity.

For "accelerated carbon reduction," MERRY is actively taking carbon reduction actions in response to the rapid global climate change. The Company joined RE100 in 2021, set medium- and long-term targets for the use of renewable energy, and plans to complete the target review of the SBTi in 2024, in order to strengthen green supply chain management. In addition, the Company moved the target for achieving carbon neutrality from 2050 to 2040 to achieve the carbon reduction target sooner. The Company adopts the cradle-to-cradle design concept for products, and incorporates sustainable design and green products into its core competitiveness, making the Company's products more in line with environmental protection requirements and raising the Company's awareness of social responsibility. MERRY will continue to fulfill its commitment to the sustainable development of the Earth, and make every effort to accelerate carbon reduction actions for the sake of the environment for future generations.

In 2024, MERRY will still face many challenges, but the Company will follow the short-,

medium- and long-term strategies and the above-mentioned operating guidelines, and work with all employees to create greater value for shareholders, customers, suppliers, and partners. In an environment full of changes and challenges, MERRY will continue to pursue sustainable development, innovation, and progress.

Finally, we would like to thank all shareholders, customers, suppliers, and partners for their support for MERRY. It is your trust and love that has allowed MERRY to gain the success it has today. We look forward to continuing to work with everyone and embrace a new, more sustainable future.

III. Results of Implementation of Business Plan

The consolidated operating income of the company and its subsidiaries was NT\$36,690,383 thousand, representing an increase of NT\$1,291,693 thousand or 3.65% from the NT\$35,398,690 thousand in 2022; the consolidated net profit before tax was NT\$1,885,495 thousand, a decrease of NT\$163,531 thousand or 7.98% from the NT\$2,049,026 thousand of 2022, mainly due to the decrease in other profits.

IV. Financial Revenue and Expenses and Profitability Analysis

1. Financial Revenue and Expenses

Unit: NT\$ in thousands of dollars

Account	Consolidated number of 2023	Consolidated number of 2022
Other incomes	603,813	554,479
Other gains and losses	(40,545)	318,148
Financial costs	(100,497)	(105,635)
Gains and losses of affiliates for using equity method and joint ventures accounted	284,801	208,914
Total	747,572	975,906

2. Profitability Analysis

Unit: NT\$ in thousands of dollars

Subject		Consolidated number of 2023	Consolidated number of 2022
Financial structure (%)	Debt to asset ratio	58.66%	60.94%
	Current ratio	130.69%	155.22%
Solvency (%)	Liquidity ratio	106.54%	120.36%
	Return on assets	4.52%	5.06%
Profitability (%)	Return on shareholders' equity	10.69%	12.86%
	Operating income to paid-in capital ratio	51.89%	49.27%
	Earnings per share after tax(NTD)	6.16	6.81

V. Research and development status

1、In 2023, a total of 62 new products and extension models were developed.

2、In the 2023 year, 53 new patents have been approved and 60 are in review.

3、The 2023 consolidated research and development expense was NT\$1,964,625 thousand, an increase of NT\$163,895 thousand from the NT\$1,800,730 thousand in 2022, accounting for 5.35% of the consolidated sales revenue

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

Attachment 2

Merry Electronics Co., Ltd. The Audit Committee's Review Report

The undersigned, being the Audit Committee of the Company, hereby confirm that the 2023 business report, profit distribution table and individual financial statement and consolidated financial statement, which were audited and issued by certified public accountants Liu, Mei-Lan and Hsu, Chien-Yeh from PricewaterhouseCoopers Taiwan, are not incorrect and issue a report thereupon in accordance with Article 219 of the Company Act and the Article 14-4 for Securities and Exchange Act for your review.

Merry Electronics Co., Ltd.

Chairman of the Audit Committee: Sher, Jih-Hsin

February 22, 2024

Attachment 3

Sustainability Development Policy and Promotion Plan

Explanation follows based on governance, environment, and social aspects:

<Governance>

Under the board of directors, there are Sustainability Development and Nomination Committee and Sustainability Promotion Team, responsible for discussing important issues related to operations including economy, environment, society, and risk management, and reporting to the board of directors.

<Environment>

A. Climate Initiative

The governance level understands the potential impacts of climate change on operations and long-term development. Since 2020, we have been promoting management policy related to TCFD, gradually enhancing recognition of climate issues and climate risks and opportunities in 2022 and incorporating quantitative indicators, implement climate governance, policy-making, and target-setting. We also invest resources in evaluating and planning for transformation and continue to track the achievement of goals.

B. Environmental Sustainability Goal—Carbon Neutrality by 2040

In response to the global climate action for net-zero carbon emissions, we has set "Carbon Neutrality by 2040" as goal for the group's environmental sustainability actions. Our primary goals are to reduce energy carbon emissions and use renewable energy, actively integrate environmental sustainability concepts into product design and development, improve the efficiency of environmental resource use, and ultimately resort to carbon offset mechanisms as a final means to offset carbon emissions.

<Social>

Employees: Employees are the most important partners in our operations, we aiming to create a secure, equal, and diverse working environment. We expect our employees to receive four types of income in a friendly workplace environment: salary and professional ability, friendship, and charity feedback. We continue to promote activities based on four DNAs—"understand music, love reading, fond of exercise, and volunteer." to help employees balance work and life.

Details of the above for 2023 are disclosed in the 2023 Meritronics Sustainability Report. Please visit the official website (<https://www.merry.com.tw>) for more information.

Attachment 4

CPA's Audit Report, Individual Financial Statements and Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. The key audit matters in relation to the parent company only financial statements for the year ended

December 31, 2023 are outlined as follows:

Cut-off on sales revenue from distribution warehouse

Description

Refer to Note 4 (30) for accounting policy on revenue recognition.

The Company recognizes revenue upon delivery of goods or pick-up of goods (the transfer of control of ownership) by customers at warehouse. Warehouse sales revenue constitutes 41% of total operating revenue for the year ended December 31, 2023. The Company's revenue recognition is based on inventory movement records of warehouse based on the reports provided by warehouse custodians or bill of lading reports recorded on network platform. As the hubs are located in various locations and there are numerous custodians, the frequency and contents of statements provided by custodians vary, and customers are from different places, the process of revenue recognition contains numerous manual procedures, which would potentially result in inaccurate timing of revenue recognition and the discrepancy between physical inventory quantities in the hubs and quantities per accounting records. Thus, we consider the cut-off on sales revenue from distribution warehouse a key audit matter.

How our audit addressed the matter

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

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

Investments accounted for using equity method - valuation of inventories

Description

The Company receives orders from customers and the subsidiaries are tasked to manufacture the products. The subsidiaries (shown as investments accounted for using equity method) have a high risk of incurring inventory valuation loss and obsolescence due to fluctuations in market demand

and rapidly evolving technology. Further, the measurement of net realizable value of inventories involves subjective judgement resulting in a high degree of estimation uncertainty. Thus, we consider the allowance for inventory valuation loss of the subsidiaries (shown as investments accounted for using equity method) a key audit matter.

How our audit addressed the matter

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

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

Other matter - audits of the other auditors

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for under the equity method that are included in the consolidated financial statements and disclosures in Note 13. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on reports of the other auditors. The balance of these investments accounted for under equity method amounted to NT\$480,811 thousand and NT\$39,582 thousand, constituting 1.61% and 0.13% of total assets as of December 31, 2023 and 2022, respectively, and comprehensive income (loss) was (NT\$5,001) thousand and (NT\$3,146) thousand, constituting (0.43%) and (0.2%) of total comprehensive income for the years then ended.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material

misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Liu, Mei Lan

Hsu, Chien-Yeh

For and on behalf of PricewaterhouseCoopers, Taiwan

February 22, 2024

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

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

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

Assets	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,510,496	8	\$ 4,077,520	14
1110	Financial assets at fair value through profit or loss - current	6(2)	524,580	2	389,181	1
1120	Financial assets at fair value through other comprehensive income - current	6(3)	105,206	-	251,448	1
1136	Current financial assets at amortised cost		-	-	30,710	-
1170	Accounts receivable, net	6(4)(5)	6,909,818	23	6,135,004	20
1180	Accounts receivable - related parties	7(2)	5,624	-	6,650	-
1200	Other receivables		141,864	1	53,958	-
1210	Other receivables - related parties	7(2)	2,638,436	9	1,234,195	4
130X	Inventories, net	6(6)	1,236,568	4	2,642,209	9
1410	Prepayments		88,509	-	78,257	-
1479	Other current assets		10,791	-	6,487	-
11XX	Total current assets		<u>14,171,892</u>	<u>47</u>	<u>14,905,619</u>	<u>49</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	45,828	-	27,284	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	270,021	1	430,786	2
1550	Investments accounted for under equity method	6(7)	13,690,685	46	13,416,962	44
1600	Property, plant and equipment, net	6(8)	1,360,514	5	1,305,747	4
1755	Right-of-use assets		3,360	-	4,990	-
1780	Intangible assets	6(9)	194,340	1	237,153	1
1840	Deferred income tax assets	6(27)	106,762	-	78,449	-
1990	Other non-current assets, others		5,626	-	20,086	-
15XX	Total non-current assets		<u>15,677,136</u>	<u>53</u>	<u>15,521,457</u>	<u>51</u>
1XXX	Total assets		<u>\$ 29,849,028</u>	<u>100</u>	<u>\$ 30,427,076</u>	<u>100</u>

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11)	\$ 790,000	3	\$ 1,378,960	4
2120	Financial liabilities at fair value through profit or loss - current	6(2)	1,726	-	10,137	-
2130	Current contract liabilities	6(21)	282,209	1	364,860	1
2170	Accounts payable		1,358,309	5	1,212,916	4
2180	Accounts payable - related parties	7(2)	6,964,294	23	7,808,084	26
2200	Other payables	6(12)	724,126	2	475,300	2
2220	Other payables - related parties	7(2)	207,436	1	341,618	1
2230	Current income tax liabilities		303,215	1	173,123	1
2320	Long-term liabilities, current portion	6(13)(14)	3,341,619	11	291,346	1
2399	Other current liabilities, others		366,941	1	238,416	1
21XX	Total current liabilities		<u>14,339,875</u>	<u>48</u>	<u>12,294,760</u>	<u>41</u>
	Non-current liabilities					
2527	Non-current contract liabilities	6(21)	590,487	2	650,861	2
2530	Corporate bonds payable	6(13)	-	-	2,953,838	10
2540	Non-current portion of non-current borrowings	6(14)	755,105	3	714,463	2
2570	Deferred income tax liabilities	6(27)	1,505,933	5	1,501,291	5
2640	Accrued pension liabilities	6(15)	36,054	-	37,619	-
2670	Other non-current liabilities		327	-	1,807	-
25XX	Total non-current liabilities		<u>2,887,906</u>	<u>10</u>	<u>5,859,879</u>	<u>19</u>
2XXX	Total liabilities		<u>17,227,781</u>	<u>58</u>	<u>18,154,639</u>	<u>60</u>
	Equity					
	Share capital	6(17)				
3110	Share capital - common stock		2,193,163	7	2,177,827	7
	Capital surplus	6(18)				
3200	Capital surplus		4,872,974	16	4,720,866	15
	Retained earnings	6(19)				
3310	Legal reserve		2,412,390	8	2,265,932	8
3320	Special reserve		768,186	3	748,930	3
3350	Unappropriated retained earnings		3,583,885	12	3,355,328	11
	Other equity interest	6(20)				
3400	Other equity interest		(1,209,351)	(4)	(996,446)	(4)
3XXX	Total equity		<u>12,621,247</u>	<u>42</u>	<u>12,272,437</u>	<u>40</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	Total liabilities and equity		<u>\$ 29,849,028</u>	<u>100</u>	<u>\$ 30,427,076</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

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

Items	Notes	Year ended December 31				
		2023		2022		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(21) and 7	\$ 26,701,755	100	\$ 25,903,833	100
5000	Operating costs	6(6) and 7	(24,858,294)	(93)	(24,077,390)	(93)
5900	Net operating margin		<u>1,843,461</u>	<u>7</u>	<u>1,826,443</u>	<u>7</u>
	Operating expenses	6(25)(26)				
6100	Selling expenses		(229,217)	(1)	(204,985)	(1)
6200	General and administrative expenses		(567,116)	(2)	(512,616)	(2)
6300	Research and development expenses		(818,554)	(3)	(713,199)	(2)
6450	Expected credit impairment (loss) gain	12(2)	(1,123)	-	11,780	-
6000	Total operating expenses		<u>(1,616,010)</u>	<u>(6)</u>	<u>(1,419,020)</u>	<u>(5)</u>
6900	Operating profit		<u>227,451</u>	<u>1</u>	<u>407,423</u>	<u>2</u>
	Non-operating income and expenses					
7100	Interest income	6(22)	74,498	-	38,955	-
7010	Other income	6(23) and 7	99,942	-	53,580	-
7020	Other gains and losses	6(24)	(103,276)	-	434,987	2
7050	Finance costs		(60,738)	-	(51,772)	-
7070	Share of profit of associates and joint ventures accounted for using equity method	6(7)				
			<u>1,389,335</u>	<u>5</u>	<u>930,299</u>	<u>3</u>
7000	Total non-operating income and expenses		<u>1,399,761</u>	<u>5</u>	<u>1,406,049</u>	<u>5</u>
7900	Profit before income tax		<u>1,627,212</u>	<u>6</u>	<u>1,813,472</u>	<u>7</u>
7950	Income tax expense	6(27)	(306,894)	(1)	(358,074)	(1)
8200	Profit for the year		<u>\$ 1,320,318</u>	<u>5</u>	<u>\$ 1,455,398</u>	<u>6</u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial losses on defined benefit plans	6(15)	(\$ 6,348)	-	\$ 11,395	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)(20)	4,100	-	(349,843)	(1)
8330	Share of other comprehensive loss of associates and joint ventures accounted for using equity method		3,246	-	(10,728)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	<u>1,269</u>	-	<u>(2,279)</u>	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>2,267</u>	-	<u>(351,455)</u>	<u>(1)</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation	6(20)	(98,016)	(1)	349,431	1
8367	Unrealized gains from investments in debt instruments measured at fair value through other comprehensive income	6(3)(20)	2,687	-	(5,628)	-
8380	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	6(20)	(94,837)	-	83,321	-
8399	Income tax relating to the components of other comprehensive income	6(20)(27)	<u>38,261</u>	-	<u>(85,747)</u>	-
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		<u>(151,905)</u>	<u>(1)</u>	<u>341,377</u>	<u>1</u>
8300	Other comprehensive loss for the year		<u>(\$ 149,638)</u>	<u>(1)</u>	<u>(\$ 10,078)</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 1,170,680</u>	<u>4</u>	<u>\$ 1,445,320</u>	<u>6</u>
	Earnings per share	6(28)				
9750	Basic earnings per share		<u>\$ 6.16</u>		<u>\$ 6.81</u>	
9850	Diluted earnings per share		<u>\$ 5.49</u>		<u>\$ 6.07</u>	

The accompanying notes are an integral part of these parent company only financial statements.

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

	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Retained Earnings			Financial statements translation differences of foreign operations	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings		
<u>Year 2022</u>								
Balance at January 1, 2022		\$ 2,165,100	\$ 4,646,623	\$ 2,152,834	\$ 269,144	\$ 3,349,676	(\$ 969,246)	\$ 11,614,131
Profit for the year		-	-	-	-	1,455,398	-	1,455,398
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	9,178	(19,256)	(10,078)
Total comprehensive income (loss)		-	-	-	-	1,464,576	(19,256)	1,445,320
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)
Share-based payment	6(16)	12,727	57,551	-	-	-	(7,944)	62,334
Recognition of change in equity of associates in proportion to the Company's ownership		-	16,692	-	-	-	-	16,692
Balance at December 31, 2022		\$ 2,177,827	\$ 4,720,866	\$ 2,265,932	\$ 748,930	\$ 3,355,328	(\$ 996,446)	\$ 12,272,437
<u>Year 2023</u>								
Balance at January 1, 2023		\$ 2,177,827	\$ 4,720,866	\$ 2,265,932	\$ 748,930	\$ 3,355,328	(\$ 996,446)	\$ 12,272,437
Profit for the year		-	-	-	-	1,320,318	-	1,320,318
Other comprehensive loss for the year	6(20)	-	-	-	-	(5,066)	(144,572)	(149,638)
Total comprehensive income (loss)	6(19)	-	-	-	-	1,315,252	(144,572)	1,170,680
Appropriation and distribution of 2022 retained earnings		-	-	-	-	-	-	-
Legal reserve		-	-	146,458	-	(146,458)	-	-
Special reserve		-	-	-	19,256	(19,256)	-	-
Cash dividends		-	-	-	-	(981,235)	-	(981,235)
Convertible bonds converted into common shares	6(13)	10	90	-	-	-	-	100
Share-based payment	6(16)	15,326	125,063	-	-	-	(8,079)	132,310
Equity instruments at fair value through other comprehensive income reclassified to investments accounted for using equity method	6(3)	-	-	-	-	60,254	(60,254)	-
Recognition of change in equity of associates in proportion to the Company's ownership		-	26,955	-	-	-	-	26,955
Balance at December 31, 2023		\$ 2,193,163	\$ 4,872,974	\$ 2,412,390	\$ 768,186	\$ 3,583,885	(\$ 1,209,351)	\$ 12,621,247

The accompanying notes are an integral part of these parent company only financial statements.

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

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,627,212	\$ 1,813,472
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(25)	35,464	23,356
Depreciation expense - right-of-use assets	6(25)	4,143	5,055
Amortization	6(9)(25)	58,894	49,219
Expected credit impairment (gain) loss	12(2)	1,123	(11,780)
Impairment loss - non-financial assets	6(7)(24)	65,510	161,766
Finance costs		60,394	23,289
Interest expense - lease liability		344	234
Loss (gain) on financial assets or liabilities at fair value through profit or loss		(13,435)	9,376
Proceeds from disposal of available-for-sale financial assets-non-current	6(24)	(16,500)	-
Share of profit of associates and joint ventures accounted for using equity method	6(7)	(1,389,335)	(930,299)
Dividend income	6(3)(23)	(7,775)	(8,850)
Interest income	6(22)	(74,498)	(38,955)
Gain on disposal of property, plant and equipment	6(24)	-	(15)
Share-based payments	6(16)	132,310	62,334
Unrealized foreign exchange (gain) loss		114,538	(204,450)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets (liabilities) at fair value through profit or loss		(8,878)	(3,020)
Accounts receivable		(977,283)	939,673
Accounts receivable - related parties		1,026	3,061
Other receivables		53,053	(15,816)
Other receivables - related parties		(382,972)	(527,162)
Inventories		1,405,641	(780,941)
Prepayments		(10,252)	(64,806)
Other current assets		(5,689)	49,133
Changes in operating liabilities			
Accounts payable		185,814	274,098
Accounts payable - related parties		(736,670)	1,513,861
Contract liabilities		(143,026)	178,047
Other payables		120,170	120,180
Other payables - related parties		(134,182)	246,781
Other current liabilities		128,658	(17,404)
Other non-current liabilities		(7,912)	(31,108)
Cash inflow generated from operations		85,887	2,838,329
Interest paid		(37,002)	(17,471)
Income taxes paid		(160,945)	(65,663)
Interest received		75,884	40,714
Dividend income		7,775	8,850
Net cash flows (used in) from operating activities		(28,401)	2,804,759

(Continued)

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

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets mandatorily measured at fair value through profit or loss		(\$ 140,480)	(\$ 51,309)
Proceeds from disposal of financial assets at fair value through other comprehensive income		161,125	-
Decrease in financial assets at amortized cost - current		30,450	976,541
Decrease in financial assets at amortized cost - non-current		-	3,853
Acquisition of investments accounted for using equity method	6(7)	(483,584)	(57,800)
Proceeds from disposal of investments accounted for using equity method	6(7)	243,600	29,341
Acquisition of property, plant and equipment	6(29)	(86,572)	(121,842)
Proceeds from disposal of property, plant and equipment		-	15
Acquisition of intangible assets	6(29)	(11,890)	(21,913)
Decrease in guarantee deposits paid		376	1,242
Recognition of dividends received from investments accounted for using equity method	6(7)	213,003	-
Net cash flows (used in) from investing activities		(73,972)	758,128
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings		(587,600)	(459,080)
Increase in long-term borrowings		400,000	-
Decrease in long-term borrowings		(291,346)	(286,111)
Cash dividends paid	6(30)	(981,235)	(866,040)
Repayment of principal portion of lease liabilities		(4,470)	(5,184)
Net cash flows used in financing activities		(1,464,651)	(1,616,415)
Net (decrease) increase in cash and cash equivalents		(1,567,024)	1,946,472
Cash and cash equivalents at beginning of year		4,077,520	2,131,048
Cash and cash equivalents at end of year		\$ 2,510,496	\$ 4,077,520

The accompanying notes are an integral part of these parent company only financial statements.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

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

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group’s 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Cut-off on sales revenue from distribution warehouse

Description

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

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

How our audit addressed the matter

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

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

Valuation of inventories

Description

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

respectively.

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

How our audit addressed the matter

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

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

Other matter - audits of other independent auditors

We did not audit the financial statements of certain investments accounted for under the equity method that are included in the consolidated financial statements and disclosures in Note 13. Those financial statements were audited by other independent auditors, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on reports of the other independent auditors. The balance of these investments accounted for under equity method amounted to NT\$480,811 thousand and NT\$39,582 thousand, constituting 1.47% and 0.12% of total assets as of December 31, 2023 and 2022, respectively, and the comprehensive loss of associates accounted for using equity method was (NT\$5,001) thousand and (NT\$3,146) thousand, constituting (0.40%) and (0.19%) of total comprehensive income for the years then ended.

Other matter - parent company only financial reports

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting

Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

Liu, Mei Lan

Hsu, Chien-Yeh

For and on behalf of PricewaterhouseCoopers, Taiwan

February 22, 2024

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

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

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

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

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

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

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

(Continued)

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

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

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

Attachment 5

Merry Electronics Co., Ltd. 2023 Profit Distribution Table

Subject	Amount (NTD)
Beginning retained earnings	2,208,379,211
add: 2023 net profit after tax	1,320,317,586
add: adjustments on re-measurement on define benefit plans recognized in retained earnings	(5,065,488)
add: Proceeds from disposal of financial assets at fair value through other comprehensive income	60,254,124
less: 10% legal reserve	(137,550,622)
less: set aside or reversed special reserve	(204,825,673)
Distributable net profit	3,241,509,138
Subject for distribution	
less: cash bonus for shareholders (Note)	(1,030,914,177)
Unappropriated retained earnings	2,210,594,961

Note: The order of surplus distribution is:

1. The special surplus reserve reversed in the current year;
2. The increase in distributable surplus in the current year other than 1.;
3. The undistributed surplus at the beginning of the period.

Attachment 6

**Comparison of Amendments to the
Procedures for Acquisition and Disposal of Assets**

Amendment Article	Current Article	Description
<p>5. Operating Procedures</p> <p>5.3.1. For the acquisition or disposal of real property, it is required to consider the publicly announced current value, appraised value and the actual transaction price of the neighboring real property to determine the transaction terms and price and then prepare an analysis report and submit to the superiors in a hierarchical chain. If the amount is less than NT\$ 300 million, such transaction shall be properly approved in accordance with regulation of acquisition and disposal of fixed assets in BM2-003 Regulations of Authorization and Approval. If the amount is NT\$ 300 million or more, such transaction shall not be commenced until it is approved by the board of directors. Such transaction with related party shall be executed in accordance with Article 【5.6.4.】</p>	<p>5. Operating Procedures</p> <p>5.3.1. For the acquisition or disposal of real property, it is required to consider the publicly announced current value, appraised value and the actual transaction price of the neighboring real property to determine the transaction terms and price and then prepare an analysis report and submit to the chairperson. If the amount does not exceed NT\$ 300 million, such transaction shall be submitted to the chairperson for approval and reported in the latest following board meeting. If the amount exceeds NT\$ 300 million, such transaction shall not be commenced until it is approved by the board of directors.</p>	<ol style="list-style-type: none"> 1. Modify the content refer to the current process. 2. Modify the text as appropriate.

Amendment Article	Current Article	Description
<p>5.3.2. For the acquisition or disposal of other fixed assets, it shall be done by one of the following: price inquiry, price survey, price negotiation or bidding. If the amount <u>is less than</u> NT\$ 300 million (inclusive), such transaction shall be properly approved in accordance with <u>BM2-003 Regulations of Authorization and Approval</u>. If the amount <u>is</u> NT\$ 300 million <u>or more</u>, such transaction shall be submitted to the board of directors for approval.</p>	<p>5.3.2. For the acquisition or disposal of other fixed assets, it shall be done by one of the following: price inquiry, price survey, price negotiation or bidding. If the amount <u>does not exceed</u> NT\$ 300 million (inclusive), such transaction shall be properly approved in accordance with <u>the authorization rules</u>. If the amount <u>exceeds</u> NT\$ 300 million, such transaction shall be submitted to the board of directors for approval.</p>	<ol style="list-style-type: none"> 1. Modify the content refer to the current process. 2. Modify the text as appropriate.
<p>5.7.1. <u>If</u> the Company <u>engages</u> in derivatives trading, <u>it</u> shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into their Procedures:</p>	<p>5.7.1. The Company engaging in derivatives trading shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into their Procedures:</p>	<p>Modify the text as appropriate.</p>
<p><u>5.11.7. If the company does not establish an audit committee, the duties shall be carried out by the supervisor, supervisor(s), or company secretary. If the supervisor, supervisor(s), or company secretary is not authorized to exercise such duties, the relevant provisions do not apply. If there is no audit committee,</u></p>		<ol style="list-style-type: none"> 1. <u>New to the “Procedures”.</u> 2. Add this clause according to the current process.

Amendment Article	Current Article	Description
<p><u>supervisor, supervisor(s), or company secretary appointed, the relevant provisions do not apply.</u></p>		
<p><u>5.11.8. Unaddressed matters in this procedure shall be handled in accordance with the commercial regulations of the jurisdiction where the company is located, as well as the securities exchange law, company law, and other commercial regulations of the ultimate parent company's jurisdiction within the group.</u></p>		<ol style="list-style-type: none"> 1. <u>New to the "Procedures"</u>. 2. Add this clause according to the current process.
<p>7. Reference <u>7.1 BM2-003 Regulations of Authorization and Approval</u></p>	<p>7. Reference</p>	<ol style="list-style-type: none"> 1. <u>New to the "Procedures"</u>. 2. Add this clause according to the current process.

Attachment 7

Proposal of removal of the non-competition restrictions on the Directors (including independent director)

Title	Name	Current Position in other companies
Director	Shande Investemnt Co., Ltd. Corporate Representative : Huang, Chao-Li	<ul style="list-style-type: none">■ Director of Fulicare Co., Ltd.■ Director of Xiamen Etimbre Hearing Technology Co., Ltd.■ Director of Fulicare Medical Technology (Suzhou) Co., Ltd.■ Director of Austar Hearing Science & Technology (Xiamen) Co., Ltd.■ Director of Merry Fuling Co., Ltd.
Independent Director	Sher, Jih-Hsin	<ul style="list-style-type: none">■ Independent Director of Tainan Enterprises Co., Ltd.