

**Stock Code**

2477

Meiloon Industrial Co., Ltd.  
Parent Company Only Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditors' Report

Address: No. 99, Xingfu Road, Taoyuan District, Taoyuan City  
Tel: (03)326-1611

## Meiloon Industrial Co., Ltd.

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## Independent Auditors' Report

To Meiloon Industrial Co., Ltd.:

### Opinion

We have audited the accompanying parent company only financial statements of Meiloon Industrial Co., Ltd., which comprise the Parent Company Only Balance Sheets as of December 31, 2022 and 2021, and the Parent Company Only Statements of Comprehensive Income, Changes in Equity, Cash Flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies from January 1 to December 31, 2022, and 2021.

In our opinion, based on our audit results and auditor's report by other auditors (please refer to the Other Matters section), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows from January 1 to December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards in 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 Meiloon Industrial Co., Ltd. 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 audit results and other auditors' reports, 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 parent company only financial statements for the year ended December 31, 2022. 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, and we do not provide a separate opinion on these matters. The key audit matters that, in our judgment, should be communicated on the audit report are as follows:

#### I. Recognition of Sales Revenue

Please refer to Note 4.15 of the Parent Company Only Financial Statements for the accounting policy on revenue recognition and Note 6.18 thereof for the description of revenue recognition.

##### 1. Description of key audit matters:

Under the sales pattern of Meiloon Industrial Co., Ltd., it is mainly to deliver goods to customers directly by its manufacturing facilities in accordance with the

agreed trade terms, and revenue is recognized when all performance obligations are met. However, the timing of revenue recognition may be inappropriate due to the fact that the goods have not yet been actually delivered or the ownership of inventory and the risk of loss have not yet been transferred due to different terms and conditions under individual sales contracts. Therefore, we have identified the cut-off and recognition of sales revenue as an area of critical concern in our audit.

2. Our principal audit procedures with respect to the above key audit matters included the following:

- (1) We asked the regulatory authorities about the information to understand and review the procedures for recognizing sales revenue and apply them consistently during the period in which the financial statements were compared.
- (2) We understood and tested the effectiveness of the design and execution of internal controls over sales revenue.
- (3) We verified various documents for periods before and after the financial statement date to determine that sales, sales returns, and sales allowances have been properly closed.
- (4) We conducted spot checks on factory shipment documents and sales orders to confirm the correctness of the transaction conditions and the timing of revenue recognition.

## II. Valuation of Inventories

Please refer to Note 4.6 of the Parent Company Only Financial Statements for the accounting policy on inventories, refer to Note 5.2 thereof for the accounting estimates and assumptions uncertainties of inventory valuation; refer to Note 6.5 for the description of recognition of inventories.

1. Description of key audit matters:

The value of inventories may be affected by fluctuations in market demand, resulting in losses due to stagnation or obsolescence. When such inventories become outdated or prices decline, the cost of such inventories may not be recovered. As the determination of the possibility of impairment involves subjective judgments by management, we have identified the reasonableness of the evaluation of inventory valuation losses as an area of critical concern in our audit.

2. Our principal audit procedures with respect to the above key audit matters included the following:

- (1) We asked the regulatory authorities about the information to understand and review the procedures for provision for allowance for inventory valuation losses and apply them consistently during the period in which the financial statements were compared.
- (2) We compared and analyzed the difference between the provision for allowance for inventory valuation losses in previous years and the actual occurrence of write-offs or offsets, and evaluate the reasonableness of the provision policy for allowance for inventory valuation losses.

- (3) We verified the appropriateness of the inventory aging report system logic used by management to determine that obsolete inventory items beyond a certain age have been recognized in the statements.
- (4) We evaluated the reasonableness of obsolete or damaged inventory items identified individually by management and check them with relevant supporting documents.
- (5) We conducted spot checks on the most recent sale or purchase price of inventories at the end of the period to confirm that the inventories have been valued at the lower of cost or net realizable value.

## **Others**

The above parent company only financial statements of PT.MEILOON TECHNOLOGY INDONESIA and AlfaPlus Semiconductor Inc., invested companies accounted for under the equity method, for the years 2022 and 2021, have not been audited by us but by other auditors. Therefore, in our opinion on the financial statements referred to above, the information regarding the aforementioned investments accounted for using the equity method and the shares of profit of subsidiaries, associates and joint ventures recognized using the equity method, and the related information on the reinvestment business were based on the reports of the other auditors. The aforementioned investments accounted for using the equity method as of December 31, 2022 and December 31, 2021 amounted to NT\$575,647 thousand and NT\$ 441,294 thousand, respectively, accounting for 7.44% and 5.36% of total asset respectively as of December 31, 2022 and 2021. The aforementioned shares of profit (loss) of subsidiaries, associates and joint ventures recognized using the equity method for the years 2022 and 2021 were (NT\$71,253) thousand and (NT\$ 62,352) thousand, respectively, accounting for (16.73%) and (3.98%) of total comprehensive income of the current period.

## **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 Meiloon Industrial Co., Ltd.'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 Meiloon Industrial Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) of Meiloon Industrial Co., Ltd. are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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

1. 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.
2. 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 Meiloon Industrial Co., Ltd.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 Meiloon Industrial Co., Ltd.'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 Meiloon Industrial Co., Ltd. to cease to continue as a going concern.
5. 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.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of investments accounted for using equity method by the invested company to express an

opinion on the 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 the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and 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 significant in our audit of the parent company only financial statements of Meiloon Industrial Co., Ltd. for the year ended 2022 and are therefore the key audit matters. In our auditor's report, we describe these matters unless law or regulation precludes public disclosure about the specific matter or when, in extremely rare circumstances, we determine that such 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.

PKF Taiwan

Accountant Lin Yueh-Hsia

Accountant Lee Tsung-Ming

Approval Certificate No. by Securities and Futures Bureau,  
Financial Supervisory Commission, R.O.C. (formerly the  
Securities and Futures Commission, Ministry of Finance,  
R.O.C.):

(90) Taiwan.Finance.Securities. (VI) No. 145560 Letter

March 22, 2023

**Meiloon Industrial Co., Ltd.**  
**PARENT COMPANY ONLY BALANCE SHEET**  
December 31, 2022 and 2021

													Dollars
Code	ASSETS	Note	2022.12.31		2021.12.31		Code	LIABILITIES AND EQUITY	Note	2022.12.31		2021.12.31	
			Amount	%	Amount	%				Amount	%	Amount	%
11XX	Current assets						21XX	Current liabilities					
1100	Cash and cash equivalents	4 and 6.1	\$ 276,743	3.58	\$ 65,141	0.79	2100	Short-term borrowings	6.11 and 8	\$ 702,800	9.09	\$ 1,001,000	12.15
1110	Current financial assets measured at fair value through profit or loss	4 and 6.2	64,527	0.83	51,345	0.62	2150	Notes payable		1,369	0.02	2,928	0.04
1136	Current financial assets at amortized cost	4 and 6.3	1,067,558	13.80	951,172	11.55	2170	Accounts payable		11,796	0.15	63,051	0.77
1150	Notes receivable, net	4 and 6.4	836	0.01	611	0.01	2180	Accounts payable - related parties	7	926,814	11.98	847,454	10.29
1170	Accounts receivable, net	4 and 6.4	451,502	5.83	744,496	9.04	2200	Other payables		80,284	1.04	121,619	1.48
1180	Accounts receivable -related parties, net	4, 6.4 and 7	565	0.01	938	0.01	2230	Current income tax liabilities	4 and 6.14	160,345	2.07	22,342	0.27
1220	Current income tax assets	4 and 6.14	781	0.01	1,775	0.02	2280	Current lease liabilities	4 and 6.9	1,065	0.01	2,894	0.03
130X	Inventories, net	4 and 6.5	131,661	1.70	243,090	2.95	2322	Long-term borrowings, current portion	6.12 and 6.20	389,265	5.03	117,022	1.42
1410	Prepayments		6,497	0.08	22,582	0.27	2399	Other current liabilities, others	7	22,662	0.29	10,226	0.12
1470	Other current assets	7	19,736	0.26	22,843	0.28		Total current liabilities		2,296,400	29.68	2,188,536	26.57
	Total current assets		2,020,406	26.11	2,103,993	25.54	25XX	Non-current liabilities					
							2540	Long-term borrowings	6.12 and 6.20	824,007	10.65	1,011,071	12.27
							2572	Deferred income tax liabilities, income tax	4 and 6.14	527,706	6.82	664,876	8.07
							2580	Non-current lease liabilities	4 and 6.9	1,213	0.02	2,278	0.03
							2612	Long-term payables		2,544	0.03	-	-
							2630	Long-term deferred revenue	4 and 6.12	17,306	0.22	24,507	0.30
							2640	Net defined benefit liability, non-current	4 and 6.13	14,177	0.18	23,680	0.29
							2645	Guarantee deposits received		1,567	0.02	1,567	0.02
								Total non-current liabilities		1,388,520	17.94	1,727,979	20.98
							2XXX	Total liabilities		3,684,920	47.62	3,916,515	47.55
15XX	Non-current assets							EQUITY	6.15				
1517	Non-current financial assets measured at fair value through other comprehensive income	4 and 6.6	-	-	8,200	0.10	3100	Share capital					
1550	Investments accounted for using equity method	4 and 6.7	5,140,481	66.44	5,465,428	66.35	3110	Common stock		1,585,732	20.50	1,982,165	24.07
1600	Property, plant and equipment	4, 6.8 and 8	374,544	4.84	373,467	4.53	3200	Capital surplus					
1755	Right-of-use assets	4 and 6.9	1,455	0.02	3,825	0.05	3210	Capital surplus, additional paid-in capital		5	-	5	-
1760	Investment property, net	4, 6.10 and 8	98,222	1.27	98,438	1.20	3220	Capital surplus, treasury stock transactions		3,924	0.05	3,924	0.05
1780	Intangible assets, net	4	14,406	0.19	7,607	0.09	3250	Capital surplus, donated assets received		16	-	18	-
1840	Deferred income tax assets	4 and 6.14	85,423	1.10	154,445	1.88	3270	Capital surplus, premium from merger		382	-	382	-
1915	Prepayments for business facilities		753	0.01	18,684	0.23	3300	Retained earnings					
1920	Refundable deposits		1,839	0.02	2,789	0.03	3310	Legal reserve		848,462	10.97	684,503	8.31
1937	Overdue receivables, net	4 and 6.4	-	-	-	-	3320	Special reserve		318,635	4.12	244,598	2.97
	Total non-current assets		5,717,123	73.89	6,132,883	74.46	3350	Unappropriated retained earnings		1,285,784	16.62	1,723,401	20.92
							3400	Other equity					
							3410	Exchange differences on translation of foreign financial statements	4	9,669	0.12	(318,635)	(3.87)
1XXX	TOTAL ASSETS		\$ 7,737,529	100.00	\$ 8,236,876	100.00	3XXX	Total equity		4,052,609	52.38	4,320,361	52.45
								TOTAL LIABILITIES AND EQUITY		\$ 7,737,529	100.00	\$ 8,236,876	100.00

(Please refer to Notes and Schedules to Financial Statements)

Chairman: Wu Wei-Chung

Manager: Wu Ming-Shien

Accounting Supervisor: Kuo Li-Jung



Meiloon Industrial Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

January 1 to December 31, 2022 and 2021

Unit: (In Thousands of New Taiwan Dollars, Except Earnings Per Share that are in New Taiwan Dollars)

Code	Account Item	Note	2022		2021	
			Amount	%	Amount	%
4000	Net operating revenue	4, 6.18 and 7	\$ 3,205,664	100.00	\$ 3,307,244	100.00
5000	Operating costs	7	2,915,466	90.95	3,011,145	91.05
5900	Gross profit		290,198	9.05	296,099	8.95
6000	Operating expenses		224,947	7.01	272,401	8.23
6100	Selling expenses		63,367	1.97	69,180	2.09
6200	Administrative expenses		85,505	2.67	113,144	3.42
6300	R&D expenses		76,075	2.37	90,077	2.72
6900	Operating income		65,251	2.04	23,698	0.72
7000	Non-operating revenue and expenses					
7100	Interest income	6.19	28,566	0.89	8,145	0.25
7010	Other income	6.20 and 7	22,609	0.71	23,876	0.72
7020	Other gains and losses	6.21	126,999	3.96	95,270	2.88
7050	Finance costs	6.22	(21,864)	(0.68)	(15,501)	(0.47)
7055	Expected credit impairment gain	4 and 6.4	3,253	0.10	3,846	0.11
7375	Share of profit (loss) of associates and joint ventures accounted for using equity method	4 and 6.7	(142,557)	(4.45)	1,845,652	55.81
	Total non-operating income and expenses		17,006	0.53	1,961,288	59.30
7900	Net income before tax		82,257	2.57	1,984,986	60.02
7950	Income tax (expenses) benefits:	4 and 6.14	11,035	0.34	(346,688)	(10.48)
8200	Net income for the period		93,292	2.91	1,638,298	49.54
8300	Other comprehensive income (loss)					
8310	Items that will not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans	4 and 6.13	5,514	0.17	1,610	0.05
8349	Income tax related to items that will not be reclassified to profit or loss	4 and 6.14	(1,102)	(0.03)	(322)	(0.01)
			4,412	0.14	1,288	0.04
8360	Items that may be reclassified to profit or loss					
8381	Exchange differences on translation of foreign financial statements of subsidiaries, associates and joint ventures		410,381	12.80	(92,546)	(2.80)
8399	Income tax related to items that may be reclassified to profit or loss:	4 and 6.14	(82,077)	(2.56)	18,509	0.56
			328,304	10.24	(74,037)	(2.24)
	Other comprehensive income (loss) for the period (net of tax)		332,716	10.38	(72,749)	(2.20)
8500	Total comprehensive income (loss) for the period		\$ 426,008	13.29	\$ 1,565,549	47.34
9750	Basic earnings per share	4 and 6.16	\$ 0.50		\$ 8.27	
9850	Diluted earnings per share	4 and 6.16	\$ 0.50		\$ 8.21	

(Please refer to Notes and Schedules to Financial Statements)

Chairman: Wu Wei-Chung

Manager: Wu Ming-Shien

Accounting Supervisor: Kuo Li-Jung

Meiloon Industrial Co., Ltd.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
January 1 to December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Item	Capital surplus					Retained earnings			Other equity	Total
	Share capital	Capital premium	Treasury stock transactions	Donated assets received	Merger premium	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	
Balance on January 1, 2021	\$ 1,982,165	\$ 5	\$ 3,924	\$ 18	\$ 382	\$ 666,273	\$ 185,421	\$ 458,483	\$ (244,598)	\$ 3,052,073
Appropriation and distribution of retained earnings for 2020:										
Legal reserve	-	-	-	-	-	18,230	-	(18,230)	-	-
Special reserve	-	-	-	-	-	-	59,177	(59,177)	-	-
Cash dividends - NT\$1.45 per share	-	-	-	-	-	-	-	(287,414)	-	(287,414)
Net Income for 2021	-	-	-	-	-	-	-	1,638,298	-	1,638,298
Other comprehensive income (loss) for 2021 (net of tax)										
Gains (losses) on remeasurements of defined benefit plans	-	-	-	-	-	-	-	1,288	-	1,288
Decrease in exchange differences on translation of foreign financial statements	-	-	-	-	-	-	-	-	(74,037)	(74,037)
Total comprehensive income (loss) for 2021	-	-	-	-	-	-	-	1,639,586	(74,037)	1,565,549
Difference between consideration and carrying amount of subsidiaries disposed	-	-	-	-	-	-	-	(9,847)	-	(9,847)
Balance on December 31, 2021	1,982,165	5	3,924	18	382	684,503	244,598	1,723,401	(318,635)	4,320,361
Refund of unclaimed dividends	-	-	-	(2)	-	-	-	-	-	(2)
Appropriation and distribution of retained earnings for 2021:										
Legal reserve	-	-	-	-	-	163,959	-	(163,959)	-	-
Special reserve	-	-	-	-	-	-	74,037	(74,037)	-	-
Cash dividends - NT\$1.5 per share	-	-	-	-	-	-	-	(297,325)	-	(297,325)
Net Income for 2022	-	-	-	-	-	-	-	93,292	-	93,292
Other comprehensive income (loss) for 2022 (net of tax)										
Gains (losses) on remeasurements of defined benefit plans	-	-	-	-	-	-	-	4,412	-	4,412
Increase in exchange differences on translation of foreign financial statements	-	-	-	-	-	-	-	-	328,304	328,304
Total comprehensive income (loss) for 2022	-	-	-	-	-	-	-	97,704	328,304	426,008
Capital reduction by cash refund	(396,433)	-	-	-	-	-	-	-	-	(396,433)
Balance on December 31, 2022	\$ 1,585,732	\$ 5	\$ 3,924	\$ 16	\$ 382	\$ 848,462	\$ 318,635	\$ 1,285,784	\$ 9,669	\$ 4,052,609

(Please refer to Notes and Schedules to Financial Statements)

Chairman: Wu Wei-Chung

Manager: Wu Ming-Shien

Accounting Supervisor: Kuo Li-Jung

**Meiloon Industrial Co., Ltd.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
January 1 to December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

	2022	2021
Cash flows from operating activities:		
Net income before tax for the period	\$ 82,257	\$ 1,984,986
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	32,033	25,373
Amortization expense	8,048	4,754
Gain on reversal of expected credit impairment	(3,253)	(3,846)
Interest expense	21,864	15,501
Interest income	(28,566)	(8,145)
Dividend income	(6,105)	(1,769)
Profit from lease modification	(1,306)	(1,280)
Other income	(7,759)	(7,201)
Prepayments for business facilities transferred to expenses	-	152
Loss on disposal and abandonment of property, plant and equipment, net	197	1,415
Gain on disposal of investment property	-	(108,077)
Reversal of impairment loss on non-financial assets	-	(1,458)
Share of profit (loss) of associates and joint ventures accounted for using equity method	142,557	(1,845,652)
Changes in assets and liabilities related to operating activities		
Increase in financial assets measured at fair value through profit or loss	(13,182)	(7,359)
Decrease (increase) in notes receivable	(225)	38
Decrease (increase) in accounts receivable (including overdue receivables)	296,247	(176,047)
Decrease in accounts receivable - related parties	373	888
Decrease (increase) in inventories	111,429	(134,816)
Decrease (Increase) in prepayments	16,085	(2,270)
Decrease (increase) in other current assets	8,692	(8,873)
Increase (decrease) in notes payable	(1,559)	910
Increase (decrease) in accounts payable	(51,255)	55,505
Increase (decrease) in accounts payable - related parties	79,360	(120,990)
Increase (decrease) in other payables	(41,547)	52,432
Increase in other current liabilities	12,436	5,412
Increase in long-term payables	2,544	-
Decrease in net defined benefit liability	(3,989)	(1,578)
Cash inflow (outflow) generated from operations	655,376	(281,995)
Interest received	22,981	7,970
Dividends received	6,105	1,769
Interest paid	(14,413)	(7,935)
Income tax refund	994	-
Income tax paid	(2,289)	(14,676)
Net cash generated by (used in) operating activities	668,754	(294,867)

(Carried forward)

(Brought forward)

Cash flows from investing activities:

Disposal of financial assets measured at fair value through other comprehensive income	8,200	-
Acquisition of financial assets measured at amortized cost	(410,060)	(406,389)
Disposal of financial assets measured at amortized cost	293,674	-
Acquisition of investments accounted for using equity method	(153,104)	(62,795)
Acquisition of property, plant and equipment	(22,537)	(35,330)
Disposal of property, plant and equipment	791	245
Disposal of investment property	-	363,758
Acquisition of intangible assets	(5,763)	(2,610)
Increase in prepayments for business facilities	(549)	(13,169)
Decrease in refundable deposits	950	60
Dividends received	745,875	138,950
Other investing activities, disposal of right-of-use assets	730	-
Net cash generated by (used in) investing activities	<u>458,207</u>	<u>(17,280)</u>

Cash flows from financing activities:

Increase in short-term borrowings	6,820,400	7,696,540
Decrease in short-term borrowings	(7,118,600)	(7,448,340)
Proceeds from long-term borrowings	195,000	35,880
Repayments of long-term borrowings	(117,022)	-
Decrease in capital surplus overdue dividends	(2)	-
Decrease in guarantee deposits received	-	(5)
Cash dividends distributed	(297,325)	(287,414)
Capital reduction by cash refund	(396,433)	-
Repayments of lease principal	(1,377)	(1,677)
Disposal of ownership interests in subsidiaries (without losing control)	-	28,135
Net cash generated by (used in) financing activities	<u>(915,359)</u>	<u>23,119</u>
Increase (decrease) in cash and cash equivalents for the period	211,602	(289,028)
Balance of cash and cash equivalents, beginning of year	<u>65,141</u>	<u>354,169</u>
Balance of cash and cash equivalents, end of year	<u>\$ 276,743</u>	<u>\$ 65,141</u>

(Please refer to Notes and Schedules to Financial Statements)

Chairman: Wu Wei-Chung

Manager: Wu Ming-Shien

Accounting Supervisor: Kuo Li-Jung

Meiloon Industrial Co., Ltd.  
Notes to Parent Company Only Financial Statements  
December 31, 2022 and 2021

(Amounts are expressed in thousands of New Taiwan dollars, unless otherwise specified)

**I. Company History**

Meiloon Industrial Co., Ltd. (the “Company”) was incorporated as a for-profit organization under the Company Act of the Republic of China and other applicable laws in January, 1973 and was approved for public offering by the Securities and Futures Bureau, Financial Supervisory Commission (SFB; former Securities and Futures Commission, Ministry of Finance) in October 1997. In 1999, OTC trading was approved for the Company pursuant to the official letters (88) TPEX Listing No. 36709 and (88) Taiwan-Finance-Securities (I) No. 109345 issued by the Taipei Exchange and SFB, respectively, and the Company was officially listed on the TPEX on February 23, 2000. The Company applied to transfer from an OTC stock to a listed stock on June 27, 2001 and officially began trading in the centralized trading market on September 17, 2001.

The Company is mainly engaged in the design, research and development, manufacturing, and sales of audio and video electronic products for home, automotive, multimedia and professional use. For 2022 and 2021, the Company had 348 and 269 employees on average, respectively.

**II. The Date and Procedures for the Authorization of Financial Statements**

The parent company only financial statements were approved by the Board of Directors on March 22, 2023.

**III. Application of New and Revised Standards and Interpretations**

- (I) Initial application of the International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee (collectively, the “IFRSs”) endorsed and issued into effect in 2022 by the Financial Supervisory Commission (“FSC”)

The new, amended and revised standards and interpretations endorsed by the FSC, as applicable in 2022, are as follows:

New/Amended/Revised Standards and Interpretations	Effective Date of Issuance of IASB
Amendments to IFRS 3, “Updating a Reference to the Conceptual Framework”	January 1, 2022
Amendments to IAS 16, “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37, “Onerous Contracts — Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022

- (II) IFRSs approved by the FSC as applicable in 2023 have not been adopted

The new, amended and revised standards and interpretations endorsed by the FSC, as applicable in 2023, are as follows:

New/Amended/Revised Standards and Interpretations	Effective Date of Issuance of IASB
Amendments to IAS 1, “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8, “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12, “Deferred Income Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

(III) IFRSs that have been issued by the IASB but have not yet been approved by the FSC and issued into effect have not been adopted

As of the date of issuance of the parent company only financial statements, the Company has not adopted the following IFRSs that have been issued by the IASB but not yet endorsed by the FSC and issued into force:

New/Amended/Revised Standards and Interpretations	Effective Date of Issuance of IASB
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Undetermined
Amendments to IFRS 16, "Lease Liability in a Sale and Leaseback"	January 1, 2024
IFRS 17 "Insurance Contracts" and its Amendments, which replace IFRS 4 "Insurance Contracts"	January 1, 2023
Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1, "Non-current Liabilities with Covenants"	January 1, 2024

As of the date the parent company only financial statements were issued, the Company believed that the initial application of the IFRSs did not have a material impact on the Company's accounting policies. The Company, however, is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Company's financial position and financial performance and will disclose any material impact, if any, when the assessment is completed.

#### **IV. Summary of Significant Accounting Policies**

The significant accounting policies for the parent company only financial statements is summarized as follows:

(I) **Statement of Compliance**

The parent company only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(II) **Basis of Preparation**

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. For an asset, historical cost is generally the fair value of the consideration paid to acquire the asset; for a liability, it is generally the amount to be received to assume an obligation or the amount expected to be paid to settle the liability.

When preparing the parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit or loss for the period, other comprehensive income (loss) for the period and total equity in the parent company only financial statements to be the consistent with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to "Investments Accounted for Using the Equity Method, the Share of Profit (Loss) of Subsidiaries Accounted for Using the Equity Method", the "Share of Other Comprehensive Income (Loss) of Subsidiaries Accounted for Using the Equity Method", and other relevant equity items in these financial statements.

(III) Criteria for Classification of Current and Non-current Assets and Liabilities

Current assets include assets expected to be realized, or are intended to be sold or consumed, in the normal operating cycle; assets held primarily for trading purposes; assets expected to be realized within twelve months after the reporting period; and cash or cash equivalents, except for those restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Assets that are not classified as current assets are non-current assets. Current liabilities include liabilities expected to be settled in the normal operating cycle; liabilities held primarily for trading purposes; liabilities due to be settled within twelve months after the reporting period; and liabilities for which the Consolidated Company does not have unconditional right to defer settlement for at least twelve months after the reporting period. Liabilities that are not classified as current liabilities are non-current liabilities.

(IV) Foreign currency

In preparing the parent company only financial statements of the Company, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated into the functional currency using the spot exchange rate at that date. Non-monetary items in foreign currencies that are measured at fair value are retranslated using the exchange rate at the date when the fair value was determined. Non-monetary items in foreign currencies that are measured on a historical cost basis are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise.

(V) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, time deposits within three months, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

(VI) Inventories

Inventories are recorded at cost and calculated using the weighted-average method. In calculating product costs, variable manufacturing expenses are amortized on the basis of actual output, and fixed manufacturing expenses are amortized on the basis of normal capacity of production equipment. However, if the actual output is not much different from the normal capacity, it may also be amortized on the basis of actual output; if the actual output is abnormally higher than the normal capacity, it will be amortized on the basis of actual output. Inventories are subsequently measured at the lower of cost or net realizable value. Net realizable value refers to the balance of the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison between cost and net realizable value is made item by item. If the net realizable value of a finished product is expected to be equal to or greater than its cost, the raw materials used in the production of the finished product will not be offset below cost. When the price of the raw materials drops and the cost of the finished product exceeds the net realizable value, the raw material will be reduced to the net realizable value.

The amount of inventory reduced from cost to net realizable value is recognized as cost of goods sold, and the net realizable value of inventory is re-measured in each subsequent period. If the previous factors that caused the net realizable value of inventories to be lower than the cost have disappeared or there is evidence proving that the net realizable value has increased due to changes in economic conditions, the increase in the net realizable value of inventories is reversed within the scope of the original write-down amount and recognized as the decrease in the cost of goods sold in the current period.

(VII) Investments accounted for using equity method

The Company uses the equity method to account for its investments in subsidiaries and associates.

1. Investments in subsidiaries:

A subsidiary is an entity that is controlled by the Company (including a special purpose entity).

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income or loss of the subsidiary. The Company also recognizes the changes in the Company's share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately as profit for the period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized in profit or loss for the period. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

2. Investments in associates

Investments in associates are recorded at cost and subsequently evaluated using the equity method. An associate is an enterprise over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence means the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Under the equity method, the investment in an associate is adjusted for changes in the Company's share of the investee's net assets. When the Company's share of losses of an associate exceeds its interest in that associate, additional losses are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations or has made payments on behalf of that associate.



Any excess of the acquisition cost over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of the associate over the acquisition cost, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus and investments accounted for using the equity method. If the Company's ownership interest is reduced due to the subscription of additional new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate is recognized in the Company's parent company only financial statements only to the extent of interests in the associate that are not related to the Company.

(VIII) Property, plant and equipment

Property, plant and equipment used in the production of goods or for management purposes are presented at cost less accumulated depreciation and accumulated impairment. Cost includes incremental costs directly attributable to the acquisition of assets.

Depreciation is recognized on a straight-line basis to write off the cost of the assets less their residual value over their useful lives. Depreciation is recognized using the estimated useful lives of the assets below: 9 to 45 years for buildings; 5 to 10 years for plants and equipment; 3 years for molding machines; 3 to 8 years for test equipment; 5 to 10 years for transportation equipment; 3 to 12 years for other equipment. When the major components of property, plant and equipment have different useful lives, they are treated as separate items. The estimated useful lives, residual values and depreciation methods are reviewed at the end of the reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of property, plant and equipment is recognized in profit or loss as the difference between the disposal price and the carrying amount of the asset.

(IX) Lease

A contract is a lease or contains a lease if it transfers the right to control the use of an identified asset for a specified period of time in exchange for consideration.

Lessor

The lessor classifies each of its leases as either an operating or a finance lease. A lease is a finance lease if it transfers almost all the risks and rewards incidental to the ownership of the underlying asset; a lease is an operating lease if it does not transfer almost all the risks and rewards incidental to the ownership of the underlying asset.

In the case of an operating lease, the lessor recognizes the lease payments as income on a straight-line basis, but if another systematic basis is more representative of the pattern in which benefit derived from the use of the leased asset is diminished, that basis applies.

In the case of a finance lease, the lessor recognizes the finance lease receivables and the unearned finance income of the finance lease at the commencement date of the lease and allocates the finance income over the lease term on a systematic and reasonable basis so that there is a fixed rate of return for each period of the lease term.

#### Lessee

The lessee recognizes right-of-use assets and lease liabilities at the commencement date of the lease. Right-of-use assets are measured at cost and lease liabilities are measured at the present value of the lease payments that are not paid on that date.

Right-of-use assets are depreciated over the earlier of the period from the commencement of the lease to the end of the useful life of the right-of-use asset or the end of the lease term; provided that if the lessee will acquire ownership of the leased asset at the end of the lease term or if the cost of the right-of-use asset reflects the exercise of a purchase option, the depreciation period is from the commencement of the lease to the end of the useful life of the underlying asset.

Interest expenses on lease liabilities are calculated using the effective interest rate method so that the interest rate for each period calculated on the basis of balance of the lease liabilities is fixed. Lease payments are used to pay interest and reduce lease liabilities. Interest on lease liabilities is recognized in profit or loss.

#### (X) Investment properties

A property of the Company is recognized as an investment property if it is not held for sale at the end of the reporting period and is not used for the production or supply of goods or services, or for administrative purposes.

An investment property of the Company is stated initially at its cost and measured subsequently using the cost model. Buildings and structures in investment properties are depreciated using the straight-line method based on their estimated useful lives of 30 to 42 years. The estimated useful lives, residual values and depreciation methods are reviewed at the end of the reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

#### (XI) Intangible assets

##### Goodwill

As the Company elects to take the optional exemption under IFRS 1 for business combinations that occurred before January 1, 2012 (the date of transition to IFRSs), the goodwill arising in business combinations that occurred before such date is measured at the amount recognized in accordance with the generally accepted accounting principles as adopted in the Republic of China before the adoption of IFRSs. At the time of initial recognition, it is recognized as an asset at original cost and is not subsequently amortized and is measured at cost less accumulated impairment.

##### Other intangible assets

Other separately acquired intangible assets with finite useful lives are presented at cost less accumulated amortization and accumulated impairment. Amortization is recognized on a straight-line basis over the estimated useful lives of intangible assets as stated below: computer software, based on its economic benefits or contractual period. The estimated useful lives and amortization methods are reviewed at the end of the reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

#### (XII) Impairment loss

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified..

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount, the carrying amount is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss for the current period.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. The impairment loss reversed is recognized in profit or loss for the current period.

Goodwill should be tested for impairment annually and the impairment loss should be recognized in profit or loss for the current period and should not be reversed in subsequent periods.

### (XIII) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. However, accounts receivable that do not contain a significant financial component should be measured at transaction price at the time of initial recognition.

A financial asset is derecognized only if either (1) the contractual rights to the cash flows from the financial asset expire or (2) substantially all the risks and rewards of ownership of the financial asset are transferred, or control over the financial asset is not retained in the event that substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained.

For financial instruments with an active market, the fair value is based on the publicly quoted prices in the active market; for financial instruments without an active market, the fair value is estimated using valuation techniques.

Under a regular way, purchase or sale of financial assets is recognized and derecognized as applicable using trade-date accounting.

#### 1. Financial assets

Financial assets are classified into subsequently measured at amortized cost and at fair value through profit or loss based on (1) the business model of the financial assets under management and (2) the contractual cash flow characteristics of the financial assets.

#### Measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- (1) The financial asset is held under a business model whose objective is to hold the financial asset for contractual cash flows; and
- (2) The contractual terms of the financial asset give rise to cash flows on a specific date, which are solely attributable to the payment of principal and interest on the outstanding principal amount.

Gains or losses on financial assets measured at amortized cost are recognized in profit or loss, unless they are part of a hedging relationship in which case they are accounted for as hedges.

Interest income is calculated using the effective interest method.

#### Measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (1) The financial asset is held under a business model whose objective is achieved by collecting the contractual cash flows and selling the financial asset; and
- (2) The contractual terms of the financial asset give rise to cash flows on a specific date, which are solely attributable to the payment of principal and interest on the outstanding principal amount.

Gains or losses are recognized in other comprehensive income, except for impairment gains or losses and foreign currency exchange gains or losses. When an asset is derecognized, the cumulative gains or losses recognized in other comprehensive income are reclassified from equity to profit or loss.

In addition, for investments in specific equity instruments that should be originally measured at fair value through profit or loss, if neither held for trading nor contingent consideration recognized in the business combination, an irrevocable election may be made at initial recognition to present subsequent changes in fair value of such investments in other comprehensive income. In this case, the gain or loss is recognized in other comprehensive income, but dividends that are not part of the investment cost recovery are included in profit or loss. When an asset is derecognized, the cumulative gain or loss included in other comprehensive income or loss shall not be reclassified to profit or loss.

#### Measured at fair value through profit or loss

Financial assets are all measured at fair value through profit or loss, except when measured at amortized cost or at fair value through other comprehensive income.

A financial asset may be irrevocably designated as measured at fair value through profit or loss at the time of initial recognition to eliminate or significantly reduce any inconsistency in measurement or recognition that, if not designated, would otherwise arise from the application of different bases for measuring assets or liabilities or recognizing their gains and losses.

Gains or losses are recognized in profit or loss, unless they are part of a hedging relationship in which case they are accounted for as hedges.

## 2. Financial liabilities

Financial liabilities, except for derivatives that do not qualify for hedge accounting, those designated as measured at fair value through profit or loss, and contingent consideration in a business combination that should be classified as measured at fair value through profit or loss, should be classified as subsequently measured at amortized cost,

excluding financial liabilities arising from transfers that do not qualify for derecognition or from continuing involvement in transferred assets, financial guarantee contracts, and commitments to provide loans at below-market interest rates.

### 3. Impairment loss

Financial assets measured at amortized cost, contract assets and loan commitments and financial guarantee contracts to which impairment losses provisions apply are measured for impairment loss based on the expected credit loss model. At each reporting date, the Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL) when there has been a significant increase in credit risk of a financial instrument since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. However, for trade receivables or contract assets that do not contain a significant financing component which arise from transactions as defined in IFRS 15, the Company applies the simplified approach to measure their loss allowances at an amount equal to lifetime ECL.

#### (XIV) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured at the estimate of the cash flows to settle the present obligation, its carrying amount is the present value of those cash flows.

#### (XV) Revenue Recognition

The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

The revenue recognition is processed in the following steps: (1) Identify the contract with the customer, confirm that the contract is approved and committed to performance, confirm that the rights to the goods or services are identified, confirm that the payment terms for the goods or services are identified, confirm that the contract has commercial substance, and confirm that it is probable that consideration will be received for the transferred goods or services; (2) Identify and distinguish performance obligations.; (3) Determine the transaction price; (4) Allocate the transaction price to the respective performance obligations; and (5) Recognize the allocated revenue when each performance obligation is met.

The Company recognizes revenue when it provides a product in accordance with a contract and satisfies the performance obligation, usually by transferring control of the product. Revenue from services rendered under a contract is recognized to the extent of completion of the contract (output method or input method).

Lease revenue is recognized as a revenue on a straight-line basis over the lease term. Dividend income from investments is recognized when the right to dividends is established, the economic benefits associated with dividends are likely to flow in and the amount of dividends can be measured reliably. Interest income is recognized on an accrual basis over time based on the outstanding principal amount and the applicable effective interest rate.

If a contract has been performed by transferring goods or services to the customer before the customer pays the consideration or before the payment can be received from the customer, the performance amount is recognized as a contract asset. However, if there is an unconditional right to the contract consideration, which can be collected from the customer after a certain period of time, the performance amount is recognized as a receivable.

An obligation to transfer goods or services is recognized as a contract liability if consideration is received from the customer or the right to receive consideration unconditionally is obtained before the transfer of goods or services.

(XVI) Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Government grants are recognized in profit and loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs that the grants intend to compensate. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

(XVII) Employee benefits expenses

The Company has a retirement plan in place for regular employees and makes monthly pension contributions. Under the plan, payments of employee retirement benefits are calculated based on the years of service and the average salary six months before the employee's retirement. A labor retirement reserve of 2% of the total paid monthly salary is allocated on a monthly basis and deposited with the Bank of Taiwan in the name of the Supervisory Committee of Labor Retirement Reserve. The actual payment of employees' pensions is first paid from the labor retirement reserve, and if there is a shortfall, it will be charged to the current year's expenses. However, since the implementation of the Labor Pension Act from July 1, 2005, employees who choose to apply the new labor retirement scheme will instead receive monthly labor pension contributions of 6% of their fixed monthly salaries deposited into their individual accounts at the Bureau of Labor Insurance.

Under the defined contribution plan, during the employees' service period, the Company's monthly contributions to the employee's individual pension accounts are recorded as pension expense in the current period; under the defined benefit pension plan, they are recognized as costs based on actuarial calculations. Actuarial gains and losses are recognized immediately on the statement of comprehensive income in other comprehensive income in the period in which they occur.

(XVIII) Share-based Payment Agreement

The Company recognize the costs of goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received, and an expense is recognized when the goods or services are consumed or sold. There are three settlement methods for share-based payment transactions, including equity-settled, cash-settled, and optionally-settled. The Company elects to take the optional exemption under IFRS 1 for the equity instruments acquired before January 1, 2012 (the date of transition to IFRSs).

(XIX) Income Tax

Income tax expense consists of current and deferred income taxes, which are recognized in profit or loss for the current period, except for income taxes recognized directly in equity or recognized in other comprehensive income items.

Current income tax is calculated on the basis of taxable income in the current year at the tax rate enacted or substantively enacted at the end of the reporting period. Adjustments to prior years' income tax estimates are included in the income tax expense in the year of adjustment.

The additional tax on undistributed earnings is recognized as income tax expense in the year the shareholders resolve to retain the earnings.

Deferred income tax is calculated and recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not recognized for assets or liabilities originally recognized in transactions other than a business combination that do not affect accounting and taxable profits and losses at the time of the transaction, and for temporary differences arising from investments in subsidiaries that are not likely to reverse in the foreseeable future. Deferred income tax liabilities are also not recognized for taxable temporary differences arising from the original recognition of goodwill. Deferred income tax is measured at the tax rate that will apply when the temporary differences are expected to reverse, based on tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities can be offset only to the extent that the offset of current income tax assets and liabilities is legally enforceable and they are levied by the same taxation authority on either the same entity or different entities that intend to settle current income tax liabilities and assets on a net basis, or where the income tax liabilities and assets will be realized simultaneously.

Deferred income tax assets are recognized for unused tax losses, income tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available for use, and the carrying amount of deferred income tax assets is reviewed and adjusted at the end of each reporting period.

(XX) Earnings per share

Basic earnings per share is calculated by dividing net income for the period by the weighted-average number of ordinary shares outstanding, except for the conversion of surplus to capital increase or capital surplus to capital increase, or the reduction due to capital reduction to cover losses, which are adjusted retrospectively in accordance with the proportion of capital increase and capital reduction. Diluted earnings per share is calculated in the same manner as basic earnings per share except that it is calculated after adjusting for the effects of all diluted potential common shares.

(XXI) Employees' Compensation and Directors' Remuneration

Employees' compensation and the liabilities arising therefrom are derived from the services provided by employees to the Company, and cost of employees' compensation should be recognized as an expense. The Company should recognize the expected cost of employees' compensation as when it has a legal obligation (or constructive obligation) and the amount of the liability can be reasonably estimated.

The amount of employees' compensation is provided in accordance with the Company's Articles of Incorporation. The amount of employees' compensation that can be paid is estimated based on the prescribed percentage during the accounting period in which the employees provide services, and is recognized as an expense. If there is any change in the resolution of the Board of Directors in the following year, it shall be treated as a change in accounting estimate and recorded as profit or loss for the following year.

The accounting treatment of directors' remuneration is handled as that of employees' compensation.

(XXII) Operating Segments Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). The operating results of the operating segment are regularly reviewed by the operating decision makers to make decisions on the allocation of resources to the segment and to evaluate its performance, and for which discrete financial information is available.

**V. Significant Accounting Judgments, Estimates and Key Sources of Assumption Uncertainty**

The preparation of the parent company only financial statements is affected by the application of accounting policies, assumptions, and estimates and requires management to make appropriate professional judgements.

The assumptions and estimates are the best estimates made in accordance with relevant IFRSs. The estimates and assumptions are based on past experience and other relevant factors, but actual results may differ from these estimates and assumptions.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods if the revisions affect both current and future periods.

The key assumptions made about the future and other key sources of estimation uncertainty at the end of the financial reporting date that have a significant risk for causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year are discussed below.

(I) Revenue Recognition

In principle, sales of goods are recognized as revenue when the conditions under which revenue is considered earned are satisfied. Provision for estimated sales returns and other allowances is made and adjusted based on historical experience and any known factors and recognized as a reduction in revenue from sale of goods for the period in which the products were sold. The Company periodically reviews the adequacy of the estimates used.

The amounts of provisions for estimated sales returns and other allowances as of December 31, 2022 and 2021 were both NT\$0 thousand.

(II) Valuation of Inventories

Inventories are valued at the lower of cost or net realizable value, and the Company is required to use judgements and estimates to determine the net realizable value of the inventory at the end of each reporting period. The value of the inventory is mainly estimated based on assumptions of future demand for the product within a specific time horizon and historical experience, and it may be significantly changed due to changes in industrial environment, market competition, or obsolescence.

The carrying amounts of inventories as of December 31, 2022 and 2021 were NT\$131,661 thousand and NT\$243,090 thousand, respectively.

(III) Financial Instrument Valuation

The provision for impairment of trade receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, existing market



conditions as well as forward-looking information. If actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amounts of accounts receivables (including overdue receivables) as of December 31, 2022 and 2021 were NT\$452,903 thousand and NT\$746,045 thousand, respectively (deduction of allowance for losses of NT\$5,915 thousand and NT\$9,168 thousand, respectively).

(IV) Deferred Income Tax Assets

Deferred income tax assets are recognized to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences can be utilized. The assessment of the realizability of deferred income tax assets requires management's significant accounting judgments, estimates and assumptions. Any changes in the global economic environment, industrial environment and laws and regulations may result in significant adjustments to deferred income tax assets.

The amounts of deferred income tax assets recognized as of December 31, 2022 and 2021 were NT\$85,423 thousand and NT\$154,445 thousand, respectively.

**VI. Explanation of Significant Accounts**

(I) Cash and cash equivalents

	2022.12.31	2021.12.31
Cash on hand	\$ 439	\$ 332
Checking deposits	23	7
Demand deposits	122,731	64,802
Time deposits (less than three months)	153,550	-
Amounts presented in the balance sheet	276,743	65,141
Less: Bank overdrafts	-	-
Amounts presented in the statement of cash flows	<u>\$ 276,743</u>	<u>\$ 65,141</u>

(II) Current financial assets measured at fair value through profit or loss

	2022.12.31	2021.12.31
Listed and OTC stocks	<u>\$ 64,527</u>	<u>\$ 51,345</u>

The Company recognized net gain/loss on financial assets held and measured at fair value through profit and loss amounted to NT\$ (12,956) thousand and NT\$7,359 thousand in 2022 and 2021, respectively.

(III) Current financial assets at amortized cost

	2022.12.31	2021.12.31
Restricted bank deposits (Note 1)	\$ 927,228	\$ 826,612
Time deposits with maturity of more than three months (Note 2)	140,330	124,560
Total	<u>\$ 1,067,558</u>	<u>\$ 951,172</u>

Note 1: These are foreign exchange deposits repatriated and deposited in a special account in accordance with "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act"

Note 2: Time deposits made as required by "The Management, Utilization, and Taxation of

Repatriated Offshore Funds Act” with original maturities of more than 3 months.

(IV) Net accounts receivable

	<u>2022.12.31</u>	<u>2021.12.31</u>
Notes receivable	\$ 836	\$ 611
Less: Allowance for loss	-	-
Net	<u>\$ 836</u>	<u>\$ 611</u>
	<u>2022.12.31</u>	<u>2021.12.31</u>
Accounts receivable	\$ 457,417	\$ 752,240
Less: Allowance for loss	(5,915)	(7,744)
Net	<u>\$ 451,502</u>	<u>\$ 744,496</u>
	<u>2022.12.31</u>	<u>2021.12.31</u>
Accounts receivable due from related parties (Note 7)	\$ 565	\$ 938
Less: Allowance for loss	-	-
Net	<u>\$ 565</u>	<u>\$ 938</u>
	<u>2022.12.31</u>	<u>2021.12.31</u>
Overdue receivables	\$ -	\$ 1,424
Less: Allowance for loss	-	(1,424)
Net	<u>\$ -</u>	<u>\$ -</u>

The average credit period of sales of goods was 30 to 90 days. No interest was charged on notes receivable or accounts receivable.

The Company applies the simplified approach to estimate expected credit losses for all accounts receivables (including notes receivable, accounts receivable, accounts receivable - related parties, and overdue receivables), i.e., the accounts receivables are measured using lifetime ECLs. The lifetime ECLs are estimated based on past default experience of the debtor and adjusted for forward looking estimates. The Company also distinguishes its customers into groups according to their levels of risk, and loss allowances are recognized in accordance with the ECL rate of the groups based on historical experience and forward-looking estimates.

The aging analysis of accounts receivables (including notes receivable, accounts receivable, accounts receivable - related parties, and overdue receivables) is as follows:

	<u>2022.12.31</u>		
<u>Aging analysis</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Total</u>
Not overdue	\$ 836	\$ 363,707	\$ 364,543
Overdue within 30 days	-	86,975	86,975
Overdue for 31-60 days	-	2,536	2,536
Overdue over 61 days	-	4,764	4,764
Total	<u>\$ 836</u>	<u>\$ 457,982</u>	<u>\$ 458,818</u>

The expected credit loss rates for the foregoing intervals are 0% - 1% for not past due, 1% - 2% for due less than 60 days, and 2% - 100% for over 61 days.

2021.12.31			
<u>Aging analysis</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Total</u>
Not overdue	\$ 611	\$ 654,034	\$ 654,645
Overdue within 30 days	-	80,369	80,369
Overdue for 31-60 days	-	12,112	12,112
Overdue over 61 days	-	8,087	8,087
Total	<u>\$ 611</u>	<u>\$ 754,602</u>	<u>\$ 755,213</u>

The expected credit loss rates for the foregoing intervals are 0% - 1% for not past due, 1% - 2% for due less than 60 days, and 2% - 100% for over 61 days.

Changes in allowance for losses are as follows:

Balance as at January 1, 2021	\$	16,009
Decrease in impairment in the current period		(3,846)
Write-off in the current period		(2,995)
Balance as at December 31, 2021		9,168
Decrease in impairment in the current period		(3,253)
Balance as at December 31, 2022	<u>\$</u>	<u>5,915</u>

(V) Inventories, net

	<u>2022.12.31</u>	<u>2021.12.31</u>
Merchandise	\$ 25,397	\$ 44,236
Raw materials	95,888	130,234
Finished products	44,910	45,470
Work-in-process and semi-finished products	56,496	69,603
Total	<u>222,691</u>	<u>289,543</u>
Less: Allowance for inventory valuation losses and obsolescence losses	<u>(91,030)</u>	<u>(46,453)</u>
Net	<u>\$ 131,661</u>	<u>\$ 243,090</u>

The breakdown of inventory-related expenses and losses recognized as cost of goods sold is as follows:

	<u>2022</u>	<u>2021</u>
Inventory valuation losses and obsolescence losses	\$ 44,577	\$ 151
Gain on physical inventory	(729)	(317)
Inventory scraps	597	-
Total (net)	<u>\$ 44,445</u>	<u>\$ (166)</u>

(VI) Non-current financial assets measured at fair value through other comprehensive income

	<u>2022.12.31</u>	<u>2021.12.31</u>
Equity instruments:		
Unlisted, OTC and emerging stocks		
Power Digital Card Co., Ltd.	\$ 17,115	\$ 17,115
SAFARI	6,527	6,527
DIMAGIC	12,289	12,289
Frontier Technology Co., Ltd.	3,000	3,000
Amazing Cool Technology Corporation	-	8,200
Subtotal	<u>38,931</u>	<u>47,131</u>
Less: Cumulative impairment	<u>(38,931)</u>	<u>(38,931)</u>
Total	<u>\$ -</u>	<u>\$ 8,200</u>

1. The above investments in equity instruments were held for long-term strategic purposes and not for trading, the Company therefore elected to designate these investments in equity instruments to be measured at fair value through other comprehensive income.
2. The breakdown of financial assets measured at fair value through other comprehensive income that are recognized in profit or loss and comprehensive income is as follows:

	<u>2022</u>	<u>2021</u>
<u>Equity instruments measured at fair value through other comprehensive income</u>		
Changes in fair value recognized in other comprehensive income	<u>\$ -</u>	<u>\$ -</u>
Dividend income recognized in profit or loss and still held at the end of the current period	<u>\$ -</u>	<u>\$ -</u>

(VII) Investments accounted for using equity method

The information of investments accounted for using equity method is as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Subsidiaries	\$ 5,135,968	\$ 5,459,244
Associates	4,513	6,184
Total	<u>\$ 5,140,481</u>	<u>\$ 5,465,428</u>

1. Investments in subsidiaries:

The subsidiaries of the Company are listed below:

<u>Name of investee</u>	<u>Number of shares held</u>	<u>Account amount</u>	<u>Holding ratio</u>
<u>2022.12.31</u>			
- No public offer			
Meiloon International Ltd.	114,676,493	\$ 678,893	100.00%
FINE STATION LIMITED	5,362,000	224,418	60.51%
MAKINGO DEVELOPMENT CORP.	25,185,000	3,272,876	100.00%
Loonchenfa Investment Co., Ltd.	40,250,000	361,294	70.00%
Suzhou YueTai Trading Co., Ltd.	-	1,964	100.00%
Fin-Core Corporation	385,714	403	35.06%
PT. MEILOON TECHNOLOGY INDONESIA	-	571,134	90.00%

Prosperity Development Co., Ltd.	2,500,000	24,986	100.00%
Total		<u>\$ 5,135,968</u>	

2021.12.31

- No public offer

Meiloon International Ltd.	114,676,493	\$ 690,396	100.00%
FINE STATION LIMITED	5,362,000	199,259	60.51%
MAKINGO DEVELOPMENT CORP.	25,185,000	3,762,949	100.00%
Loonchenfa Investment Co., Ltd.	40,250,000	342,725	70.00%
Suzhou YueTai Trading Co., Ltd.	-	3,436	100.00%
Fin-Core Corporation	385,714	403	35.06%
PT. MEILOON TECHNOLOGY INDONESIA	-	435,110	90.00%
Prosperity Development Co., Ltd.	2,500,000	24,966	100.00%
Total		<u>\$ 5,459,244</u>	

- (1) A parent-subsidary relationship exists when an investor obtains control of an investee. In the preparation of the consolidated financial statements for fiscal years 2022 and 2021, all the subsidiaries of the Company were included. As the investment gains or losses in subsidiaries Suzhou YueTai Trading Co. Ltd., Fin-Core Corporation, and Prosperity Development Co., Ltd. did not result in any significant impact to the fair representation of the Company's financial statements, they were recognized based on such companies' unaudited financial statements for the same years; as for the remaining subsidiaries, their investment gains or losses were measured based on the investees' financial statements which have been audited for the same years.
- (2) As of December 31, 2022 and 2021, the proportion of ownership held by the Company in FINE STATION LTD. were both 60.51%, and the proportion of ownership held by Meiloon International Ltd. in FINE STATION LTD. were both 39.49%, and therefore the total percentage of ownership in FINE STATION LTD. were both 100%.
- (3) For information concerning the nature of business, principal place of business, and place (country name) of incorporation of the subsidiaries above, please refer to Table 5 (Information on Reinvestments (Excluding Investees in Mainland China)) and Table 6 (Information on Investment in Mainland China).

2. Investments in associates

The associates of the Company are listed below:

Name of investee	Number of shares held	Account amount	Holding ratio
<u>2022.12.31</u>			
- No public offer			
AlfaPlus Semiconductor Inc.	7,125,088	<u>\$ 4,513</u>	20.47%
<u>2021.12.31</u>			
- No public offer			
AlfaPlus Semiconductor Inc.	7,125,088	<u>\$ 6,184</u>	20.47%

- (1) The investment gains or losses in associates above were measured based on the investees' financial statements which have been audited for the same years. The investment gains/losses recognized in 2022 and 2021 were NT\$(1,671) thousand and NT\$6,184 thousand, respectively.
- (2) The summarized financial information in respect of the Company's associates is set forth below:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Total assets	\$ 46,994	\$ 57,308
Total liabilities	<u>24,947</u>	<u>27,096</u>
Net assets	<u>\$ 22,047</u>	<u>\$ 30,212</u>
The Company's share of net assets of associates	<u>\$ 4,513</u>	<u>\$ 6,184</u>
	<u>2022</u>	<u>2021</u>
Total revenue	<u>\$ 30,151</u>	<u>\$ 100,930</u>
Total comprehensive income	<u>\$ (8,165)</u>	<u>\$ 17,991</u>
The Company's share of profit or loss of associates	<u>\$ (1,671)</u>	<u>\$ 6,184</u>
The Company's share of other comprehensive income of associates	<u>\$ -</u>	<u>\$ -</u>

3. As of December 31, 2022 and 2021, there was no indication of impairment loss on the long-term equity investments accounted for using the equity method as stated above.

(VIII) Property, plant and equipment

The breakdown of property, plant and equipment and adjustments to balances at the beginning and at the end are as follows:

Cost	Land	Buildings and Structures	Machinery and Equipment	Molding Equipment	Test Equipment	Transportation equipment	Other equipment	Construction in Progress	Total
Balance as at January 1, 2021	\$ 108,831	\$ 102,133	\$ 66,376	\$ 448	\$ 30,514	\$ 605	\$ 57,829	\$ 49,565	\$ 416,301
Increase in current period	1,912	8,309	4,223	3,387	1,668	2,629	3,194	10,008	35,330
Disposal in current period	-	-	(4,212)	-	(213)	-	(551)	-	(4,976)
Reclassification in the period	51,022	5,969	1,057	2,645	117	50	-	-	60,860
Balance as at December 31, 2021	161,765	116,411	67,444	6,480	32,086	3,284	60,472	59,573	507,515
Increase in current period	-	-	13,525	3,868	2,479	-	2,265	400	22,537
Disposal in current period	(509)	-	(640)	-	-	-	(765)	-	(1,914)
Reclassification in the period	-	-	14,144	6,750	173	-	-	(11,671)	9,396
Balance as at December 31, 2022	<u>\$ 161,256</u>	<u>\$ 116,411</u>	<u>\$ 94,473</u>	<u>\$ 17,098</u>	<u>\$ 34,738</u>	<u>\$ 3,284</u>	<u>\$ 61,972</u>	<u>\$ 48,302</u>	<u>\$ 537,534</u>
<b>Accumulated depreciation</b>									
Balance as at January 1, 2021	\$ -	\$ 38,559	\$ 8,466	\$ 75	\$ 19,244	\$ 300	\$ 41,414	\$ -	\$ 108,058
Provision in current period	-	5,946	7,513	1,649	2,734	311	4,550	-	22,703
Disposal in current period	-	-	(2,790)	-	(103)	-	(423)	-	(3,316)
Reclassification in the period	-	5,969	-	-	-	-	-	-	5,969
Balance as at December 31, 2021	-	50,474	13,189	1,724	21,875	611	45,541	-	133,414
Provision in current period	-	6,387	10,542	4,344	3,056	478	5,061	-	29,868
Disposal in current period	-	-	(162)	-	-	-	(764)	-	(926)
Balance as at December 31, 2022	<u>\$ -</u>	<u>\$ 56,861</u>	<u>\$ 23,569</u>	<u>\$ 6,068</u>	<u>\$ 24,931</u>	<u>\$ 1,089</u>	<u>\$ 49,838</u>	<u>\$ -</u>	<u>\$ 162,356</u>
<b>Cumulative impairment</b>									
Balance as at January 1, 2021	\$ -	\$ -	\$ 1,508	\$ -	\$ 504	\$ -	\$ 80	\$ -	\$ 2,092
Reversal in current period	-	-	(1,423)	-	-	-	(35)	-	(1,458)
Balance as at December 31, 2021	-	-	85	-	504	-	45	-	634
Change in current period	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ 504</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 634</u>
<b>Carrying amounts</b>									
2021.12.31	<u>\$ 161,765</u>	<u>\$ 65,937</u>	<u>\$ 54,170</u>	<u>\$ 4,756</u>	<u>\$ 9,707</u>	<u>\$ 2,673</u>	<u>\$ 14,886</u>	<u>\$ 59,573</u>	<u>\$ 373,467</u>
2022.12.31	<u>\$ 161,256</u>	<u>\$ 59,550</u>	<u>\$ 70,819</u>	<u>\$ 11,030</u>	<u>\$ 9,303</u>	<u>\$ 2,195</u>	<u>\$ 12,089</u>	<u>\$ 48,302</u>	<u>\$ 374,544</u>

1. The significant part of the Company's buildings includes main plants and others, and the related depreciation is calculated using the estimated useful lives of 9 to 45 years.
2. In 2022, the net amount of reclassification was NT\$9,396 thousand which was transferred from prepayments for business facilities; in 2021, the net amount of reclassification was NT\$54,891 thousand, in which an amount of NT\$3,869 thousand was transferred from prepayments for business facilities with the remaining amount of NT\$51,022 thousand transferred from investment properties.
3. For information concerning the property, plant and equipment pledged to others, please refer to Note 8.
4. For the prior year, the Company recognized impairment loss related to property, plant and equipment since the carrying amount of some equipment was expected to be unrecoverable.

(IX) Leasing Transactions - Lessee

1. The breakdown of right-of-use assets and adjustments to balances at the beginning and at the end are as follows:

	Transportation equipment	Other equipment	Total
<u>Cost</u>			
Balance as at January 1, 2021	\$ 6,259	\$ 223	\$ 6,482
Increase in current period	4,197	-	4,197
Disposal in current period	(3,227)	-	(3,227)
Balance as at December 31, 2021	7,229	223	7,452
Disposal in current period	(3,032)	-	(3,032)
Balance as at December 31, 2022	<u>\$ 4,197</u>	<u>\$ 223</u>	<u>\$ 4,420</u>
<u>Accumulated depreciation</u>			
Balance as at January 1, 2021	\$ 4,322	\$ 78	\$ 4,400
Provision in current period	2,410	44	2,454
Disposal in current period	(3,227)	-	(3,227)
Balance as at December 31, 2021	3,505	122	3,627
Provision in current period	1,904	45	1,949
Disposal in current period	(2,611)	-	(2,611)
Balance as at December 31, 2022	<u>\$ 2,798</u>	<u>\$ 167</u>	<u>\$ 2,965</u>
<u>Carrying amounts</u>			
2021.12.31	<u>\$ 3,724</u>	<u>\$ 101</u>	<u>\$ 3,825</u>
2022.12.31	<u>\$ 1,399</u>	<u>\$ 56</u>	<u>\$ 1,455</u>



## 2. Lease Liabilities

The Company's analysis on lease liabilities as of December 31, 2022 is as follows:

	Future Minimum Lease Payments	Interest	Present value of minimum lease payments
Within 1 year	\$ 1,077	\$ 12	\$ 1,065
1-2 years	1,213	-	1,213
More than 2 years	-	-	-
Total	<u>\$ 2,290</u>	<u>\$ 12</u>	<u>\$ 2,278</u>
Information expressed in balance sheet			
Current lease liabilities			<u>\$ 1,065</u>
Non-current lease liabilities			<u>\$ 1,213</u>

The Company's analysis on lease liabilities as of December 31, 2021 is as follows:

	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Within 1 year	\$ 2,934	\$ 40	\$ 2,894
1-2 years	2,277	12	2,265
More than 2 years	13	-	13
Total	<u>\$ 5,224</u>	<u>\$ 52</u>	<u>\$ 5,172</u>
Information expressed in balance sheet			
Current lease liabilities			<u>\$ 2,894</u>
Non-current lease liabilities			<u>\$ 2,278</u>

## 3. Information on profit and loss items related to lease contracts is as follows:

	2022	2021
Interest expense on lease liabilities	<u>\$ 38</u>	<u>\$ 75</u>
Variable lease payments not included in the lease liability measurement	<u>\$ -</u>	<u>\$ -</u>
Income from sublease of right-to-use assets	<u>\$ -</u>	<u>\$ -</u>
Expense on short-term leases	<u>\$ -</u>	<u>\$ -</u>
Expense on low-value leased assets (excluding low-value leases of short-term leases)	<u>\$ -</u>	<u>\$ -</u>

## 4. The amounts recognized in the statement of cash flows are as follows:

	2022	2021
Total cash outflows from leases	<u>\$ 1,377</u>	<u>\$ 1,677</u>

## 5. Important leasing activities and terms

(1) The Company leases automotive vehicles for the use of business, with a lease term of 3 years. The lease agreement has specified the lease payments for each period. In 2022, the Company transferred and sold the lease rights of a portion of the underlying transportation equipment with the consent from the lessors. A gain on disposal was

subsequently recognized in the amount of NT\$558 thousand (presented in other income) and a gain on lease modification in the amount of NT\$1,306 thousand (presented in other gains and losses); in 2021, the lease terms for a portion of transportation equipment expired and the Company did not exercise the bargain purchase options as planned. Lease liabilities were written off and a gain on lease modification was recognized in the amount of NT\$1,280 thousand (presented in other gains and losses).

- (2) The Company leases copying machines for the use of business, with a lease term of 5 years. The lease agreement has specified the lease payments for each period.
- (3) The Company has bargain purchase options to acquire the lease equipment at the end of the lease terms. In addition, without the lessors' consent, the Company is prohibited from subleasing all or any portion of the underlying assets to any third party.

6. There is no impairment of the above right-to-use assets.

(X) Investment property, net

The breakdown of investment properties and adjustments to balances at the beginning and at the end are as follows:

	<u>Land</u>	<u>Buildings and Structures</u>	<u>Total Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Balance as at January 1, 2021	\$ 398,967	\$ 16,604	\$ 415,571	\$ 10,214	\$ 405,357
Disposal in current period	(255,681 )	-	(255,681 )	-	(255,681 )
Reclassification in current period (Note)	(51,022 )	(5,969 )	(56,991 )	(5,969 )	(51,022 )
Depreciation provision	-	-	-	216	(216 )
Balance as at December 31, 2021	92,264	10,635	102,899	4,461	98,438
Depreciation provision	-	-	-	216	(216 )
Balance as at December 31, 2022	<u>\$ 92,264</u>	<u>\$ 10,635</u>	<u>\$ 102,899</u>	<u>\$ 4,677</u>	<u>\$ 98,222</u>

Note: The decrease in reclassification of NT\$51,022 thousand is due to the transfer of property, plant and equipment.

1. The above investment properties are recognized with a previous GAAP revaluation as the deemed cost at the date of revaluation, and the measurement after recognition is based on the cost model.
2. Fair value information:
  - (1) The fair values of the above investment properties were determined based on the valuation report given by an independent professional valuer on March 17, 2022, using comparative unit method and land development analysis, as well as based on valuation reports issued on February 18 and 26, 2021 using comparative unit method and land development analysis. Significant assumptions and assessments in respect of the fair values are as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Fair Value	\$ 119,095	\$ 112,795
Land development profit margin	15.00% to 17.50%	15.00% and 18.00%
Consolidated interest rate on capital	1.97%, 2.23% 2.59% and 2.96%	1.46% 2.03% 2.27% and 2.37%

(2) The above fair values are classified in Level 3 of the fair value hierarchy.

3. The lease revenue recognized for the above investment properties in 2022 and 2021 was NT\$2,422 thousand and NT\$2,145 thousand, respectively, and the direct operating expenses of the investment properties generating lease revenue was NT\$491 thousand and NT\$535 thousand, respectively.
4. In 2021, the Company's Board of Directors resolved to sell two parcels of land (No. 187 and No. 188, Shuibiantou Section, Taoyuan City) to Cheng Guo Construction Company Limited for NT\$379,300 thousand, with gains on disposal of NT\$108,077 thousand after deducting land value-added tax and related necessary expenses.
5. For information concerning the investment properties pledged to others, please refer to Note 8.
6. There is no impairment of the above investment properties.

(XI) Short-term borrowings

The breakdown is as follows:

<u>Borrowing Nature</u>	<u>Borrowing Amount</u>	<u>Closing Interest Rate</u>	<u>Last Due Date</u>	<u>Collateral</u>
<u>2022.12.31</u>				
Credit borrowings	\$ 490,000	1.675%-1.940%	2023.2.20	-
Guaranteed borrowings	212,800	1.675%	2023.2.20	Land and buildings
Total	<u>\$ 702,800</u>			
<u>2021.12.31</u>				
Credit borrowings	\$ 789,000	0.69%-0.80%	2022.5.4	-
Guaranteed borrowings	212,000	0.75%	2022.1.5	Land and buildings
Total	<u>\$ 1,001,000</u>			

(XII) Long-term borrowings

Financing Institutions	Borrowing Period	Abstract	2022.12.31	2021.12.31
Taishin International Bank Jianpei Branch	2019.11.28-2024.11.28	For long-term credit borrowings, the principal is amortized on a monthly basis starting from the fourth year, with a floating interest rate. The interest rates as of December 31, 2022 and 2021 were 0.4745% and 0.00%, respectively. (Note)	\$ 383,333	\$ 400,000
Bank Sinopac Company Limited	2020.2.17-2025.2.15	For long-term credit borrowings, the principal is amortized on a monthly basis starting from the third year, with a floating interest rate. The interest rates as of December 31, 2022 and 2021 were 0.475% and 0.00%, respectively. (Note)	260,925	361,280
First Commercial Bank Co., Ltd.	2020.5.8-2027.5.8	For long-term credit borrowings, the principal is amortized on a monthly basis starting from the fourth year, with a floating interest rate. The interest rates as of December 31, 2022 and 2021 were 0.345% and 0.00%, respectively. (Note)	186,320	186,320
First Commercial Bank Co., Ltd.	2020.7.20-2027.7.20	For long-term credit borrowings, the principal is amortized on a monthly basis starting from the fourth year, with a floating interest rate. The interest rates as of December 31, 2022 and 2021 were 1.60% and 1.10%, respectively.	400,000	205,000
		Total	<u>1,230,578</u>	<u>1,152,600</u>
		Less: Government grants discount	<u>(17,306)</u>	<u>(24,507)</u>
		Net	<u>\$ 1,213,272</u>	<u>\$ 1,128,093</u>
		Current	\$ 389,265	\$ 117,022
		Non-current	<u>824,007</u>	<u>1,011,071</u>
		Total	<u>\$ 1,213,272</u>	<u>\$ 1,128,093</u>

Note: The amounts NT\$830,578 thousand and NT\$947,600 thousand recognized at December 31, 2022 and 2021, respectively, are loans from the government at preferential interest rates, as described in Note 6.20.

(XIII) Post-employment benefit plans

1. The Company has a retirement plan for regular employees in accordance with the Labor Standards Act and the Labor Pension Act.

(1) Defined benefit plan

The Company's retirement plan provides for the payment of pensions in segments, with two bases for each full year in the first 15 years of service and one base for each full year starting from the 16th year. In addition, the pension base is calculated by combining the preceding two items, with a maximum limit of 45 bases; and the calculation of the pension base is based on the average salary earned in the six months prior to the approved retirement. In accordance with the Labor Standards Act, 2% of employees' monthly salaries have been allocated for an employee pension fund on a monthly basis since August 1987 and deposited into a special account at the Bank of Taiwan in the name of the Supervisory Committee of Labor Retirement Reserve. Before the end of the year, if it is estimated that the special account balance is insufficient to cover the amount for employees who are expected to meet the retirement requirements in the following year, the shortfall will be allocated in a lump sum before the end of March of the following year. The special account is managed by an authority designated by the central competent authority, so the Company has no right to participate in the use of the pension fund.

(2) Defined contribution plan

On July 1, 2005, the Labor Pension Act came into effect. For the employees of the Company who choose to be covered by the new pension scheme, 6% of their fixed monthly salaries are allocated and deposited into their individual accounts at the Bureau of Labor Insurance.

2. The Company's defined benefit plan is listed below:

(1) Expenses recognized for defined benefit plans

	<u>2022</u>	<u>2021</u>
Current service cost	\$ 104	\$ 108
Net interest cost:		
Interest cost on defined benefit obligation	421	212
Expected return on plan assets	<u>(292)</u>	<u>(134)</u>
Net pension cost recognized in profit or loss	233	186
Gains (losses) on remeasurements of defined benefit plans recognized in other comprehensive income	<u>(5,514)</u>	<u>(1,610)</u>
Total amount recognized in comprehensive income	<u>\$ (5,281)</u>	<u>\$ (1,424)</u>

The amounts recognized in profit or loss for defined benefit plans are summarized by function as follows:

	<u>2022</u>	<u>2021</u>
Manufacturing expenses	\$ 27	\$ 21
Selling expenses	182	201
Administrative expenses	(322)	(381)
R&D expenses	346	345
Total	<u>\$ 233</u>	<u>\$ 186</u>

(2) The adjustments to the present value of the defined benefit obligation and the fair value of plan assets are as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Present value of defined benefit obligation	\$ 65,537	\$ 70,227
Fair value of plan assets	<u>(51,360)</u>	<u>(46,547)</u>
Net defined benefit liability	<u>\$ 14,177</u>	<u>\$ 23,680</u>

(3) Changes in present value of defined benefit obligation

	<u>2022</u>	<u>2021</u>
Defined benefit obligation at the beginning	\$ 70,227	\$ 70,880
Recognized in profit or loss:		
Current service cost	104	108
Interest cost	421	212
Gains (losses) on remeasurements recognized in other comprehensive income:		
Actuarial gain - changes in financial assumptions	(2,250)	(1,337)
Actuarial loss - changes in demographic assumptions	-	-
Actuarial loss - experience adjustment	341	364
Benefits paid from plan assets	<u>(3,306)</u>	<u>-</u>
Defined benefit obligation at the end	<u>\$ 65,537</u>	<u>\$ 70,227</u>

(4) Changes in the fair value of plan assets

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at the beginning	\$ 46,547	\$ 44,012
Recognized in profit or loss:		
Expected return on plan assets	292	134
Employer's Contribution	4,222	1,764
Gains (losses) on remeasurements recognized in other comprehensive income:		
Gains (losses) on remeasurements of defined benefit assets	3,605	637
Benefits paid from plan assets	<u>(3,306)</u>	<u>-</u>
Fair value of plan assets at the end	<u>\$ 51,360</u>	<u>\$ 46,547</u>

(5) The Company's employee pension funds are fully deposited in the Trust Department of the Bank of Taiwan. The expected rate of return on plan assets is estimated based on the historical compensation trends and the actuarial forecasts of the market for the assets during the duration of the defined benefit obligation, with reference to the Labor Pension Fund Supervisory Committee's utilization of the labor pension fund, and taking into account that the minimum return is not lower than the local bank's two-year time deposit rate.

- (6) The Company's present value of defined benefit obligation is calculated by a qualified actuary. The key assumptions for the actuarial valuation at the measurement date are presented below:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Discount rate	1.20%	0.60%
Future salary growth rate	2.00%	2.00%

Due to the pension system under the "Labor Standards Act", the Company is exposed to the following risks:

- a. Investment risk: The labor pension funds are invested in equity and debt securities, bank deposits, etc., which is conducted at the discretion of the central government's designated authorities and under the entrusted management. However, according to the "Labor Standards Act", the overall rate of return on assets shall not be lower than the interest rate on a two-year time deposit from local banks; in the event that the rate of return is lower than said interest rate, any shortfall is to be compensated by the National Treasury.
- b. Interest rate risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will also increase the return on the plan's debt investments. These will partially offset the impact of the net defined benefit liability.
- c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in plan participants' salaries will increase the present value of the defined benefit obligation.

(7) Sensitivity analysis

In calculating the present value of the defined benefit obligation, the Company must make judgments and estimates to determine the relevant actuarial assumptions at the reporting date, including discount rates and future salary changes. Any changes in actuarial assumptions could materially affect the amount of the Company's defined benefit obligation.

The amount by which the present value of the defined benefit obligation would increase (decrease) if there were a reasonably possible change in each of the significant actuarial assumptions, with all other assumptions held constant, is as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Discount rate		
Add 0.1%	\$ (361)	\$ (435)
Less 0.1%	<u>\$ 365</u>	<u>\$ 441</u>
Expected rate of increase in salary		
Add 0.1%	\$ 312	\$ 380
Less 0.1%	<u>\$ (309)</u>	<u>\$ (376)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as actuarial assumptions may be correlated with each other and changes in only a single assumption are unlikely.

- (8) The amounts the Company expects to contribute to the defined benefit plan and the average duration of the defined benefit obligation in the coming year are as follows:

	2022.12.31	2021.12.31
Amount expected to be contributed within one year	\$ 950	\$ 4,220
Average duration of defined benefit obligation	5.40 years	5.90 years

3. The Company's defined contribution plan recognized as current expenses in 2022 and 2021 were NT\$8,212 thousand and NT\$7,752 thousand, respectively. The amounts outstanding as of December 31, 2022 and 2021 were NT\$1,375 thousand and NT\$1,489 thousand, respectively, which were paid after the end of the reporting period.

(XIV) Income Tax

The profit-seeking enterprise income tax rates for 2022 and 2021 were both 20%, and the income basic tax rates were both 12%. In addition, the rates of the corporate surtax applicable to 2021 and 2020 unappropriated earnings were 5%. Information of the deferred income tax assets and liabilities, as well as a reconciliation of income tax expense and income tax payable are as follows:

1. The components of deferred income tax assets and liabilities and the changes during the year are as follows:

	2022			
	Balance at the beginning	Recognized in profit or loss	Recognized in other comprehensive income	Balance at the end
Temporary differences:				
Unrealized inventory valuation losses	\$ 9,240	\$ 8,455	\$ -	\$ 17,695
Impairment losses on financial assets	10,746	-	-	10,746
Excess of bad debts losses	330	(51)	-	279
Excess of pension contributions	4,484	(798)	-	3,686
Investment loss recognized under the equity method for long-term investments	33,843	14,556	-	48,399
Difference between acquisition cost of long-term investments and net equity value	1,918	-	-	1,918
Exchange differences on translation of foreign financial statements	79,659	-	(82,077)	(2,418)
Unrealized exchange losses	977	1,723	-	2,700
Investment gain recognized under the equity method for long-term investments	(616,611)	139,847	-	(476,764)
Gains (losses) on remeasurements of defined benefit plans	691	-	(1,102)	(411)
Land value-added tax	(48,265)	152	-	(48,113)
Unused tax losses	12,557	(12,557)	-	-
Deferred income tax benefit (expense)		\$ 151,327	\$ (83,179)	
Deferred income tax liabilities, net	\$ (510,431)			\$ (442,283)
Information expressed in balance sheet:				
Deferred Income Tax Assets	\$ 154,445			\$ 85,423
Deferred income tax liabilities	\$ 664,876			\$ 527,706



	2021			
	Balance at the beginning	Recognized in profit or loss	Recognized in other comprehen- sive income	Balance at the end
Temporary differences:				
Unrealized inventory valuation losses	\$ 9,226	\$ 14	\$ -	\$ 9,240
Impairment losses on financial assets	10,746	-	-	10,746
Excess of bad debts losses	2,036	(1,706)	-	330
Excess of pension contributions	4,799	(315)	-	4,484
Investment loss recognized under the equity method for long-term investments	22,471	11,372	-	33,843
Difference between acquisition cost of long-term investments and net equity value	1,918	-	-	1,918
Exchange differences on translation of foreign financial statements	61,150	-	18,509	79,659
Unrealized exchange losses	589	388	-	977
Investment gain recognized under the equity method for long-term investments	(291,536)	(325,075)	-	(616,611)
Gains (losses) on remeasurements of defined benefit plans	1,013	-	(322)	691
Land value-added tax	(48,265)	-	-	(48,265)
Unused tax losses	5,228	7,329	-	12,557
Deferred income tax benefit (expense)		<u>\$ (307,993)</u>	<u>\$ 18,187</u>	
Deferred income tax liabilities, net	<u>\$ (220,625)</u>			<u>\$ (510,431)</u>
Information expressed in balance sheet:				
Deferred Income Tax Assets	<u>\$ 119,176</u>			<u>\$ 154,445</u>
Deferred income tax liabilities	<u>\$ 339,801</u>			<u>\$ 664,876</u>

Information about the Company's unused loss carryforwards:

Year in which loss incurred	2022.12.31	2021.12.31	Validity Period
108	\$ -	\$ 12,095	2029
109	-	50,691	2030
Total	<u>\$ -</u>	<u>\$ 62,786</u>	

2. Items not recognized as deferred income tax assets:

	2022.12.31	2021.12.31
Temporary differences (affecting items in profit or loss for current period)	<u>\$ 16,681</u>	<u>\$ 19,867</u>

3. Items not recognized as deferred income tax liabilities:

Deferred income tax liabilities are not recognized because the Company can control the timing of the reversal of temporary differences arising from the earnings of some foreign subsidiaries and is confident that they will not reverse in the foreseeable future. The related amounts are as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Temporary differences (affecting items in profit or loss for current period)	\$ 54,550	\$ 57,612

4. Income tax recognized in profit or loss:

A. The composition of income tax expense recognized in profit or loss for the current period is as follows:

	<u>2022</u>	<u>2021</u>
Current income tax expense:	\$ 145,520	\$ 13,895
Adjustments to current income tax of prior periods	(5,228 )	24,800
Deferred income tax expense (benefit)	<u>(151,327 )</u>	<u>307,993</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ (11,035 )</u>	<u>\$ 346,688</u>

B. A reconciliation of current accounting income, income tax expense recognized in profit or loss and income tax payable at the end is as follows:

	<u>2022</u>	<u>2021</u>
Net income before tax	\$ 82,257	\$ 1,984,986
Tax on net income before tax at the statutory rate	\$ 16,451	\$ 396,997
Permanent differences		
- Gains or losses accounted for using the equity method	(1,392 )	993
- Gains on disposal of land	13	(21,615 )
- Losses on financial assets	2,600	-
- Dividend income	(1,221 )	(354 )
- Others	(7 )	(1,470 )
Temporary differences		
- Unrealized exchange losses	1,723	388
- Losses on inventory obsolescence	8,455	14
- Reversal on excess pensions recognized	(798 )	(315 )
- Reversal on excess allowance for bad debts recognized	(51 )	(1,706 )
- Gains or losses accounted for using the equity method	147,842	(370,123 )
Effect of loss carryforwards on income tax	(7,336 )	(2,809 )
Income tax paid in Mainland China and third regions on income from China sources	(74,587 )	-
Additional tax on undistributed earnings	53,828	-
Taxation in accordance with “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”	-	13,895
Current income tax expense:	<u>\$ 145,520</u>	<u>\$ 13,895</u>

	2022	2021
Accrued income tax (current income tax)	\$ 145,520	\$ 13,895
Add: Income tax payable (tax refund receivable), beginning of year	20,567	(3,452)
Adjustments to current income tax of prior periods	(5,228)	24,800
Tax refund received	994	-
Less: Provisional and withholding taxes	(2,289)	(781)
Income tax payable paid	-	(13,895)
Income tax payable at the end	<u>\$ 159,564</u>	<u>\$ 20,567</u>

Separately recognized as follows:

	2022.12.31	2021.12.31
Current tax liabilities	\$ 160,345	\$ 22,342
Current tax assets	(781)	(1,775)
Net	<u>\$ 159,564</u>	<u>\$ 20,567</u>

5. Income tax benefit (expense) recognized in other comprehensive income:

	2022	2021
Exchange differences on translation of foreign financial statements	\$ (82,077)	\$ 18,509
Gains (losses) on remeasurements of defined benefit plans	(1,102)	(322)
Total	<u>\$ (83,179)</u>	<u>\$ 18,187</u>

6. Income tax Assessment:

The Company's profit-seeking enterprise annual income tax return for the year ended 2020, except for 2019, have been approved and put on record by the tax authorities.

7. Information on undistributed earnings:

	2022.12.31	2021.12.31
Before 1997	\$ -	\$ -
After 1998	1,285,784	1,723,401
Total	<u>\$ 1,285,784</u>	<u>\$ 1,723,401</u>

(XV) Equity

1. Share capital

	2022.12.31	2021.12.31
Authorized shares (in thousands)	<u>300,000</u>	<u>300,000</u>
Issued shares - common shares (in thousands)	<u>158,573</u>	<u>198,217</u>
Shares outstanding at the beginning (in thousands)	198,217	198,217
Less: Capital reduction by cash refund	(39,644)	-
Shares outstanding at the end (in thousands)	<u>158,573</u>	<u>198,217</u>

The Company, through the resolution of the shareholders' regular meeting on June 23, 2022, handled capital reduction by cash refund of NT\$396,433 thousand, canceled 39,644 thousand shares, and the base date of capital reduction by cash refund was set on

September 5, 2022. This capital reduction case has been approved for change registration by the Ministry of Economic Affairs.

2. Capital surplus

Capital surplus, pursuant to the Company Act, refers to the premiums generated through capital stock transactions between the company and its shareholders, including premiums over shares issued above par value, donations from shareholders and others generated in accordance with generally accepted accounting principles, and can only be offset a deficit when surplus reserves is not sufficient to offset losses, and to be capitalized or distributed as cash dividends from realized capital surplus in accordance with the resolution of the shareholders' meeting. In addition, according to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be capitalized shall not exceed 10% of the paid-in capital each year.

3. Legal reserve

In accordance with the Company Act, when distributing surplus, a company shall set aside 10% of its net income after tax as legal reserve until the total amount of its share capital is reached. The legal reserve is only used to offset losses according to law. When the company incurs no loss, it may, with the approval of the shareholders' meeting, issue new shares or distribute cash from the legal reserve, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

4. Special reserve

Special surplus is provided and reversed in accordance with Letters of FSC Issuance No. 1010012865 and FSC Issuance No. 1010047490, and the Q&A on "Special Surplus Set Aside by International Financial Reporting Standards (IFRSs) Application". If there is a subsequent reversal of the balance of other equity reduction, the reversed portion of the surplus may be distributed. In addition, the FSC has issued Letter FSC Issuance No. 1090150022 on March 31, 2021. After the issuance of this letter, the original Letters of FSC Issuance No. 1010012865 and FSC Issuance No. 1010047490 were declared void on December 31, 2021 and March 31, 2021, respectively. Subsequent actions will be carried out in accordance with relevant letters.

5. Distribution of earnings

- A. According to the Company's Articles of Incorporation, if there is a surplus in the annual accounts, the Company shall first pay taxes and offset accumulated losses in previous years and then set aside 10% as legal reserve, except when the legal reserve has reached the total amount of capital. After setting aside the special reserve as required by law, if there is still a surplus, the Board of Directors shall prepare a proposal for distribution and submit it to the shareholders' meeting for resolution.
- B. The Company's earnings distribution plan for 2020 was approved at the shareholders' meeting on July 2, 2021, and it was resolved to distribute a cash dividend of NT\$1.45 per share.
- C. The Company's earnings distribution plan for 2021 was approved at the shareholders' meeting on June 23, 2022, and it was resolved to distribute a cash dividend of NT\$1.50 per share.
- D. Regarding the approval of the Board of Directors on the proposal and the resolution of the shareholders' meeting for the distribution of earnings, please go to the "Market Observation Post System" of the Taiwan Stock Exchange for inquiries.

6. Dividend policy

Cash dividends are given priority in the distribution of dividends of the Company, and the ratio of stock dividends distributed is not more than 50% of the total dividends.

7. Other equity

The relevant exchange difference arising from the translation of the net assets of foreign operations from its functional currency into New Taiwan dollars is directly recognized in other comprehensive income and accumulated in the exchange differences on translating the financial statements of foreign operations under other equity items.

(XVI) Earnings per share

	2022		
	<u>Amount after tax</u>	<u>Weighted average shares outstanding (in thousands)</u>	<u>Earnings per share (New Taiwan dollars)</u>
<u>Basic earnings per share</u>			
Net profit for current period attributable to owners of the parent	\$ 93,292	185,400	\$ 0.50
<u>Diluted earnings per share</u>			
Net profit for current period attributable to owners of the parent	\$ 93,292	185,400	
Effect of dilutive potential common shares - employees' compensation	-	341	
Net profit for current period attributable to owners of the parent plus the effect of potential common shares	\$ 93,292	185,741	\$ 0.50
2021			
	<u>Amount after tax</u>	<u>Weighted average shares outstanding (in thousands)</u>	<u>Earnings per share (New Taiwan dollars)</u>
<u>Basic earnings per share</u>			
Net profit for current period attributable to owners of the parent	\$ 1,638,298	198,217	\$ 8.27
<u>Diluted earnings per share</u>			
Net profit for current period attributable to owners of the parent	\$ 1,638,298	198,217	
Effect of dilutive potential common shares - employees' compensation	-	1,366	
Net profit for current period attributable to owners of the parent plus the effect of potential common shares	\$ 1,638,298	199,583	\$ 8.21

(XVII) Summary statement of of employee benefits, depreciation, depletion and amortization expenses incurred for current period by function

by function by performance	2022			2021		
	Recognized in cost of revenue	Recognized in operating expenses	Total	Recognized in cost of revenue	Recognized in operating expenses	Total
Employee benefits expense	108,265	135,292	243,557	71,408	181,974	253,382
Salary expense	95,061	114,485	209,546	61,783	153,531	215,314
Labor and health insurance expense	6,276	10,027	16,303	4,743	11,184	15,927
Pension expense	2,814	5,631	8,445	2,049	5,889	7,938
Remuneration of directors	-	1,488	1,488	-	7,938	7,938
Other employee benefits expense	4,114	3,661	7,775	2,833	3,432	6,265
Depreciation expense (Note)	16,185	15,644	31,829	9,074	16,051	25,125
Amortization	2,469	5,579	8,048	115	4,639	4,754

Note: Depreciation of leased assets was recorded as NT\$204 thousand and NT\$248 thousand in 2022 and 2021, respectively, as a deduction from rental income.

1. As of December 31, 2022 and 2021, the Company had 348 and 269 employees on average, respectively, and the number of directors who have not served as employees were both 3.
2. Companies which are listed on the Taiwan Stock Exchange or on the Taipei Exchange for OTC trading should disclose additional information as set forth below:
  - (1) For the current year, the average employee benefit expense was NT\$702 thousand ((total amount of employee benefit expense - total amount of remuneration of directors for the current year) / (total number of employees - total number of directors who have not served as employees for the current year)).  
For the prior year, the average employee benefit expense was NT\$923 thousand ((total amount of employee benefit expense - total amount of remuneration of directors for the prior year) / (total number of employees - total number of directors who have not served as employees for the prior year)).
  - (2) For the current year, the average employee salary expense was NT\$607 thousand (total amount of employee salary expense for the current year / (total number of employees - total number of directors who have not served as employees for the current year)).  
For the prior year, the average employee salary expense was NT\$809 thousand (total amount of employee salary expense for the prior year / (total number of employees - total number of directors who have not served as employees for the prior year)).
  - (3) The average employee salary expense decreased by 24.97% ((average employee salary expense for the current year - average employee salary expense for the prior year) / average employee salary expense for the prior year).
  - (4) In 2021, an audit committee was established to replace the role of supervisors, so there was no remuneration for supervisors for 2022; the remuneration of supervisors before the audit committee was established for 2021 was NT\$640 thousand.
3. Employees' compensation and remuneration of directors and management policy
  - (1) The Company has established a comprehensive employee benefit system as required by law to offer its employees with the right remuneration and benefits packages.

Employee compensation includes monthly salaries, bonuses given based on operating performance, and other financial benefits given to employees in accordance with the Articles of Incorporation based on the Company's profitability in a fiscal year. The Company conducts a regular performance review to its employees each year. The results of such performance review are used as the basis for the employee promotion, training, and compensation decisions.

(2) Pursuant to Article 7 of the "Company's Remuneration Committee Charter":

The Committee shall exercise the due care of a prudent administrator in performing the duties as stated below and submitting its advices to the Board of Director for further discussion:

- I. review the Charter on a periodic basis and provide advices on its revision;
- II. establish the policies, systems, standards, and structures relating to the performance review and remuneration of directors and supervisors, as well as members of the management, and perform periodic review on these policies, systems, standards, and structures;
- III. review the remuneration of directors and supervisors, as well as members of the management on a periodic basis.

In the performance of the duties described above, the Committee shall follow the principles set forth below:

- I. Ensure that the remuneration arrangements comply with applicable regulatory requirements and are sufficient to recruit outstanding talents.
  - II. Performance assessments and remuneration levels of directors and supervisors, as well as members of the management shall take into account the general pay levels for such positions in the industry, as well as the reasonableness of the correlation between the individual's performance and the company operational performance and future risk exposure.
  - III. There shall be no incentive for the directors or members of the management to pursue remuneration by engaging in activities that exceed the tolerable risk level of the company.
  - IV. For directors and members of the executive management, the percentage of bonus to be distributed based on their short-term performance and the time for payment of any variable remuneration shall be determined with regard to the characteristics of the industry and the nature of the company's business.
  - V. A member of the Committee may not participate in discussion and voting with respect to the decisions on such a member's individual remuneration.
- (3) In accordance with the Articles of Incorporation, if the Company makes a profit in the year, it shall allocate up to 2% as directors' remuneration and not less than 2% as employees' compensation. The employees' compensation for 2022 and 2021 is estimated as NT\$1,696 thousand and NT\$40,673 thousand, respectively, based on 2.00% of the net profit before tax. The directors' remuneration for 2022 and 2021 is estimated as NT\$848 thousand and NT\$8,000 thousand, respectively, based on 1.00% and 0.39% of the net profit before tax, respectively. If there is any difference between the amount resolved by the Board of Directors and the estimated amount, it will be recorded as profit or loss for the year of the Board of Directors' resolution.
- (4) The employees' compensation and directors' remuneration of the Company for the year 2021 was approved by the Board of Directors to be calculated at 2.00% and 0.39% of the net income before tax, respectively, and the allotments were NT\$40,673 thousand and NT\$8,000 thousand, respectively, consistent with the original estimates.
- (5) The above-mentioned information on employees' compensation and directors' remuneration can be inquired from the "Market Observation Post System" of the Taiwan Stock Exchange.

(XVIII) Operating revenue

The analysis on the Company's operating revenue is as follows:

	2022	2021
Revenue from the sale of goods	\$ 3,207,975	\$ 3,317,272
Less: Sales returns and allowances	(2,311)	(10,028)
Net sales revenue	<u>\$ 3,205,664</u>	<u>\$ 3,307,244</u>

1. The breakdown by operating segment is as follows:

Loudspeaker Segment	2022	2021
Speakers	\$ 3,108,202	\$ 3,211,735
Materials	96,959	94,544
Other goods	503	965
Total	<u>\$ 3,205,664</u>	<u>\$ 3,307,244</u>

2. The breakdown of contract revenue by geographic area is as follows:

	2022	2021
Europe	\$ 1,119,125	\$ 1,200,571
Americas	1,274,904	1,390,266
Taiwan	2,418	15,948
Asia	806,290	667,713
Other regions	2,927	32,746
Total	<u>\$ 3,205,664</u>	<u>\$ 3,307,244</u>

(XIX) Interest income

The analysis on the Company's interest income is as follows:

	2022	2021
Interest on bank deposits	\$ 11,285	\$ 493
Interest income from financial assets measured at amortized cost	17,266	7,632
Other interest income	15	20
Total	<u>\$ 28,566</u>	<u>\$ 8,145</u>

(XX) Other income

The analysis on the Company's other income is as follows:

	2022	2021
Rental income (Note 7)	\$ 2,050	\$ 1,722
Dividend income	6,105	1,769
Other income - government grant income	7,201	16,402
Other income - transfer of lease rights	558	-
Other income - others (Note 7)	6,695	3,983
Total	<u>\$ 22,609</u>	<u>\$ 23,876</u>

The incomes from government grants for 2022 and 2021 are as described below:

1. In 2020, the Company applied to the Ministry of Economic Affairs for the "High-Performance Graphene Composite Loudspeaker Technology Development Program", which was completed in 2021. A total of government grants of NT\$8,551 thousand was received, recognized in other income.



2. In 2020, the Company applied to the Industrial Development Bureau, Ministry of Economic Affairs for the Thematic R&D Program of “Innovative Research and Development in Traditional Industries Affected by Severe Pneumonia with Novel Pathogens” with the “Small HOCL Diaphragm-Free Electrolysis Equipment for Epidemic Prevention”, which was completed in 2021. A government grant of NT\$650 thousand was received, recognized in other income.
3. The Company obtained government loans at preferential interest rates under the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” for capital expenditures and operating turnover purposes, and the balances of the loans as of December 31, 2022 and 2021 were NT\$830,578 thousand and NT\$947,600 thousand, respectively. The fair value of project loans was estimated at an interest rate of 1.60%. The difference between the loan amount obtained and the fair value was considered as low-interest government loan grants, which was recognized as long-term deferred income and transferred to other income in phases during the loan period. The Company recognized NT\$7,201 thousand in government grants by the loan period in both 2022 and 2021.

(XXI) Other gains and losses

The analysis on the Company’s other gains and losses is as follows:

	2022	2021
Gains on disposals of property, plant and equipment	\$ 5	\$ 43
Gain on disposal of investment property	-	108,077
Gain on disposal of investments	44	-
Gains (losses) on financial assets at fair value through profit or loss, net	(13,000 )	7,359
Gains (losses) on foreign exchange, net	138,901	(21,335 )
Profit from lease modification	1,306	1,280
Gain on reversal of impairment of property, plant and equipment	-	1,458
Loss on disposal of property, plant and equipment	(202 )	(1,458 )
Miscellaneous Disbursements	(55 )	(154 )
Total	\$ 126,999	\$ 95,270

(XXII) Finance costs

The analysis on the Company’s financial costs is as follows:

	2022	2021
Interest on bank loans	\$ 14,621	\$ 8,221
Discount on long-term borrowings (Notes 6.12 and 6.20)	7,201	7,201
Interest on lease liabilities	38	75
Accrued interest on deposit	4	4
Total	\$ 21,864	\$ 15,501

The Company’s capitalized interests for 2022 and 2021 were both NT\$0 thousand.

(XXIII) Other information on net income/loss

The following items were deducted from net income/loss:

	<u>2022</u>	<u>2021</u>
Impairment losses on financial assets		
Expected credit impairment losses	\$ -	\$ -
Depreciation and amortization expenses		
Depreciation of property, plant and equipment	\$ 29,868	\$ 22,703
Depreciation of investment properties	216	216
Depreciation of right-of-use assets	1,949	2,454
Amortization of intangible assets	8,048	4,754
Total	<u>\$ 40,081</u>	<u>\$ 30,127</u>
R&D expenditures recognized as expenses when incurred	<u>\$ 76,075</u>	<u>\$ 90,077</u>
Employee benefits expense		
Post-employment benefits		
Defined contribution plan	\$ 8,212	\$ 7,752
Defined benefit plan	233	186
Subtotal	<u>8,445</u>	<u>7,938</u>
Salaries, bonuses and dividends, etc.	209,546	215,314
Total	<u>\$ 217,991</u>	<u>\$ 223,252</u>

(XXIV) Financial instruments

1. Categories of financial instruments

	<u>2022.12.31</u>	<u>2021.12.31</u>
<u>Financial assets</u>		
Measured at amortized cost		
Cash and cash equivalents	\$ 276,743	\$ 65,141
Time deposits with maturity of more than three months	140,330	124,560
Restricted bank deposits	927,228	826,612
Notes and accounts receivable, net	452,903	746,045
Refundable deposits	1,839	2,789
Subtotal	<u>1,799,043</u>	<u>1,765,147</u>
Measured at fair value		
Current financial assets measured at fair value through profit or loss	64,527	51,345
Non-current financial assets measured at fair value through other comprehensive income	-	8,200
Subtotal	<u>64,527</u>	<u>59,545</u>
Total	<u>\$ 1,863,570</u>	<u>\$ 1,824,692</u>

### Financial liabilities

#### Measured at amortized cost

Short-term borrowings	\$	702,800	\$	1,001,000
Notes and accounts payable		939,979		913,433
Other payables		80,284		121,619
Current lease liabilities		1,065		2,894
Long-term borrowings, current portion		389,265		117,022
Long-term borrowings		824,007		1,011,071
Non-current lease liabilities		1,213		2,278
Non-current long-term payables		2,544		-
Guarantee deposits received		1,567		1,567
Total	\$	<u>2,942,724</u>	\$	<u>3,170,884</u>

## 2. Financial Risk Management Purpose

The objective of our financial risk management is to control the financial risks relating to the business activities of the Company. These risks include foreign currency risk, interest rate risk, credit risk, and liquidity risk. The Company seeks to minimize the effects of these financial risks by establishing policies to identify, assess, and avoid the market uncertainties in order to reduce the potentially adverse effects the market fluctuations may have on its financial performance.

The Company is always monitoring the effects of exchange rate fluctuations on the Company. Compliance with policies, procedures, and internal controls, as well as exposure limits of the relevant risks was reviewed by internal auditors on a continuous basis. The Company did not enter into or trade financial instruments for speculative purposes.

## 3. Market Risk

The Company's operating activities exposed it primarily to the market risks arising from changes in foreign currency exchange rates and interest rates. The Company monitors and responds to the risks arising from exchange rate fluctuations on a continuous basis. In addition, the Company uses its own capital and bank loans to accommodate the operational needs of the business in a flexible approach. As the current market interest rates are expected to remain low for a long period of time, there is no significant risk presented from the changes in interest rate and therefore no derivative financial instruments was used to manage interest rate risk.

### (1) Foreign currency exchange rate risk

Certain business activities of the Company as well as net investments in its foreign operations are denominated in foreign currencies, which exposed the Company to foreign currency risk.

As the net investments in foreign operations are strategic investments, no tools were used to hedge its exposure.

Information on sensitivity analysis of foreign currency exchange rate risk (calculated mainly based on foreign currency monetary items at the end of the financial reporting period) and foreign currency assets and liabilities with significant exchange rate fluctuations are as follows:

2022.12.31						
	Currency	Foreign Currency Amount (NT\$)	Period-end Measure- ment Exchange Rate	Account Amount (In thousands of New Taiwan dollars)	Change Range	Impact on profit or loss before tax
<u>Monetary items</u>						
Financial assets						
Cash and cash equivalents	US Dollar	\$ 8,374,782	30.7100	\$ 257,190	1%	\$ 2,572
Cash and cash equivalents	Chinese Yuan	510,516	4.4132	2,253	1%	23
Cash and cash equivalents	British Pound	57,904	37.0900	2,148	1%	21
Time deposits	US Dollar	4,569,501	30.7100	140,330	1%	1,402
Restricted bank deposits	US Dollar	30,193,040	30.7100	927,228	1%	9,273
Receivables	US Dollar	12,770,363	30.7100	392,178	1%	3,922
Receivables	British Pound	1,253,391	37.0900	46,488	1%	465
Receivables	Chinese Yuan	2,155,202	4.4132	9,511	1%	95
Financial liabilities						
Accounts payable	US Dollar	22,258,154	30.7100	683,548	1%	6,835
Accounts payable	Chinese Yuan	43,465,887	4.4132	191,824	1%	1,918
Accounts payable	British Pound	1,205,691	37.0900	44,719	1%	447
Accounts payable	Euro	200,486	32.7200	6,560	1%	66
2021.12.31						
	Currency	Foreign Currency Amount (NT\$)	Period-end Measure- ment Exchange Rate	Account Amount (In thousands of New Taiwan dollars)	Change Range	Impact on profit or loss before tax
<u>Monetary items</u>						
Financial assets						
Cash and cash equivalents	US Dollar	\$ 1,444,537	27.6800	\$ 39,985	1%	\$ 400
Cash and cash equivalents	Euro	46,562	31.3200	1,458	1%	15
Cash and cash equivalents	British Pound	19,583	37.3000	730	1%	8
Time deposits	US Dollar	4,500,000	27.6800	124,560	1%	1,246
Restricted bank deposits	US Dollar	29,863,163	27.6800	826,612	1%	8,266
Receivables	US Dollar	24,565,467	27.6800	679,972	1%	6,800
Receivables	Euro	220,315	31.3200	6,900	1%	69
Receivables	British Pound	941,371	37.3000	35,113	1%	351
Receivables	Chinese Yuan	4,526,442	4.3454	19,669	1%	197
Financial liabilities						
Accounts payable	US Dollar	21,139,325	27.6800	585,137	1%	5,851
Accounts payable	Chinese Yuan	48,375,048	4.3454	210,209	1%	2,102
Accounts payable	British Pound	1,252,551	37.3000	46,720	1%	467
Accounts payable	Euro	487,622	31.3200	15,272	1%	153

The foreign exchange gains and losses (including realized and unrealized) for 2022 and 2021 were NT\$138,901 thousand and NT\$(21,335) thousand, respectively.

The non-monetary items of the Company could not be significantly affected by changes in foreign exchange rates, and are not disclosed in this note.

(2) Interest rate risk

Interest rate risk is the risk of a change in the fair value of a financial instrument as well as in future cash flows resulting from fluctuations in market interest rates. The Company's interest rate risk for cash flow arises primarily from floating interest rate demand deposits and short-term and long-term borrowings. The Company's borrowings included long-term borrowings at the prime rates according government policy as well as short-term and long-term borrowings at low and floating interest rates, and the net asset amount of the Company's financial instruments exposed to interest rate risk for cash flow was not significant. The effect of the changes in interest rates, after assessment, was minimal to the Company.

4. Credit Risk Management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company adopted a policy of only dealing with creditworthy counterparties as reasonably practicable, as a means of mitigating the risk of financial loss from defaults. In addition to determining the creditworthiness of counterparties before transactions, ongoing monitoring of the Company's credit exposure and the credit status of the counterparties was also performed in the course of transactions. The Company also continues to diversify its customer base and expand into overseas markets to reduce customer concentration risk.

There was no credit risk concentration on one customer for 2022 and 2021, so the exposure to credit risks were limited.

The credit risk and concentration risk was also limited because the counterparties of liquidity transactions were banks with high credit ratings from international credit rating agencies.

5. Liquidity Risk Management

The Company manages liquidity risk with the objective to maintain a level of cash and cash equivalents, highly liquid marketable securities, and line of credit deemed adequate to finance the Company's operations and to ensure financial flexibility of the Company.

The table below summarizes the analysis of the Company's financial liabilities with agreed repayment periods based on maturity dates and undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay:

	2022.12.31			
	Within 6 months	6-12 months	More than 1 year	Total
Non-derivative financial liabilities				
Short-term borrowings	\$ 702,800	\$ -	\$ -	\$ 702,800
Notes payable	1,369	-	-	1,369
Accounts payable	938,610	-	-	938,610
Other payables	41,912	38,372	2,544	82,828
Lease liabilities	539	538	1,213	2,290
Long-term borrowings	164,095	225,170	841,313	1,230,578
Total	\$ 1,849,325	\$ 264,080	\$ 845,070	\$ 2,958,475

	2021.12.31			
	Within 6 months	6-12 months	More than 1 year	Total
Non-derivative financial liabilities				
Short-term borrowings	\$ 1,001,000	\$ -	\$ -	\$ 1,001,000
Notes payable	2,928	-	-	2,928
Accounts payable	910,505	-	-	910,505
Other payables	72,132	49,487	-	121,619
Lease liabilities	839	2,095	2,290	5,224
Long-term borrowings	40,142	76,880	1,035,578	1,152,600
Total	<u>\$ 2,027,546</u>	<u>\$ 128,462</u>	<u>\$ 1,037,868</u>	<u>\$ 3,193,876</u>

## 6. Fair value of financial instruments

### (1) Fair value of financial instruments measured at amortized cost

The management considered that the carrying amounts of financial assets and financial liabilities at amortized cost recognized in the parent company only financial statements approximate their fair values.

### (2) Valuation techniques and assumptions used to measure fair value

The fair value of financial assets and financial liabilities is determined by following methods:

- The fair values of financial assets and financial liabilities with standard terms and conditions that are traded in active markets are determined by reference to market quotes, respectively.
- The fair value of derivative instruments is measured using quoted prices provided by banks.
- The fair value of stocks that are not publicly quoted is determined according to generally accepted pricing models based on the market approach or discounted cash flow analysis.

### (3) Fair value measurements recognized in the parent company only balance sheets

The table below provides an analysis of how financial instruments are measured at fair value after initial recognition according to the degree of observability of fair value, categorized into Levels 1 to 3.

- Level 1 fair value measurements are those derived from publicly quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than publicly quoted prices in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for assets or liabilities based on unobservable market information (unobservable inputs).

#### A. Financial assets and liabilities measured at fair value on a recurring basis

The Company's financial assets and liabilities that were measured at fair value on a recurring basis are grouped into Levels 1 to 3:

	2022.12.31			
	Level 1	Level 2	Level 3	Total
Current financial assets measured at fair value through profit or loss				
- Listed and OTC stocks	\$ 64,527	\$ -	\$ -	\$ 64,527
	2021.12.31			
	Level 1	Level 2	Level 3	Total
Current financial assets measured at fair value through profit or loss				
- Listed and OTC stocks	\$ 51,345	\$ -	\$ -	\$ 51,345
Non-current financial assets measured at fair value through other comprehensive income				
- Non-publicly quoted equity instruments	-	-	8,200	8,200
Total	\$ 51,345	\$ -	\$ 8,200	\$ 59,545

There were no transfers between Level 1 and 2 financial assets that were measured at fair value on a recurring basis for 2022 and 2021.

In 2022, disposals for financial assets that were measured at fair value on a recurring basis on Level 3 were NT\$8,200 thousand; there were no disposals for financial assets that were measured at fair value on a recurring basis on Level 3 for 2021.

There were no purchases for financial assets that were measured at fair value on a recurring basis on Level 3 for 2022 and 2021.

A review on the Company's policies adopted in fair value measurement as well as its processes is performed at least once at each reporting date or as deemed required. If the use of unobservable inputs is required in the measurement of fair value, the Company will carefully evaluate the valuation process and give priority to the most relevant market parameters.

B. Financial assets and liabilities measured at fair value on a non-recurring basis:

None

(XXV) Capital Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern and expand its business while maximizing the return to shareholders through the maintenance of an optimal capital structure. The strategy used in the management of the Company's capital structure is to plan the required capital expenditures based on factors including the scale of the Company's businesses, future growth of the industry, product development plans, and changes in the external environment. The Company then calculates the required working capital and cash based on the industry characteristics, estimates the probable product profit, operating profit margin, and cash flow, and considers risk factors such as fluctuations in the economic cycle of the industry and product life cycle to determine the most appropriate capital structure for the Company.

The Company's debt ratios as of December 31, 2022 and 2021 are as follows:

	2022.12.31	2021.12.31
Total liabilities	\$ 3,684,920	\$ 3,916,515
Total assets	\$ 7,737,529	\$ 8,236,876
Debt ratio	47.62%	47.55%

## VII. Transactions with Related Parties

### (I) Name of related parties and relationship with the Company

Name of related party	Relationship with the Company
Dongguan Meiloon Acoustic Equipments Co., Ltd.	Subsidiary
MAKINGO DEVELOPMENT CORP.	Subsidiary
Loonchenfa Investment Co., Ltd.	Subsidiary
Prosperity Development Co., Ltd.	Subsidiary
Well Care Hygienic Company Limited	Other related parties (Its chairman is the same as the Company's)
HOCL Inc.	With a significant impact on the entity

### (II) Significant transactions with related parties

#### 1. Sales

Transaction Amount	2022	2021
Subsidiary	\$ 409	\$ 1,163
Other related parties	18	383
With a significant impact on the entity	129	-
Total	\$ 556	\$ 1,546

The sales prices were determined at cost plus markup, with collection terms of 60 to 75 days, which were not significantly different from those of sales to unrelated parties.

#### 2. Purchases

Transaction Amount	2022	2021
Subsidiary (MAKINGO)	\$ 2,489,381	\$ 2,874,575
Other subsidiaries	-	155
Total	\$ 2,489,381	\$ 2,874,730

The sales prices to subsidiaries were determined at sales order price with markdown and the payment terms were within 75 days, which were not significantly different from those of sales to unrelated parties.

#### 3. Accounts receivable

Outstanding balance	2022.12.31	2021.12.31
Subsidiary	\$ 505	\$ 536
Other related parties	-	402
With a significant impact on the entity	60	-
Total	\$ 565	\$ 938

The above accounts receivable include purchase payments on behalf of subsidiaries.



#### 4. Other receivables

<u>Outstanding balance</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Other related parties	\$ 312	\$ 5

The above other receivables include rental income, management income and advances.

#### 5. Accounts payable

<u>Outstanding balance</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Subsidiary (MAKINGO)	\$ 926,814	\$ 847,454

#### 6. Rental income (recorded as other income)

<u>Transaction Amount</u>	<u>2022</u>	<u>2021</u>
Subsidiary	\$ 23	\$ 16
Other related parties	96	96
Total	\$ 119	\$ 112

The rent is determined by the mutual agreement with reference to the market conditions and is charged on a monthly basis.

#### 7. Management income (recorded as other income)

<u>Transaction Amount</u>	<u>2022</u>	<u>2021</u>
Subsidiary	\$ 360	\$ 360
Other related parties	79	96
Total	\$ 439	\$ 456

#### 8. Transactions of property

The Company sold parcels of land to subsidiaries in 2022. The sales prices and the loss from disposals after deducting related expenses were NT\$830 thousand and NT\$83 thousand, respectively.

#### 9. Others

- (1) The Company's purchases of raw materials and goods on behalf of subsidiaries for 2022 and 2021 were NT\$4,361 thousand and NT\$12,044 thousand, respectively.
- (2) As of December 31, 2021, the payment received in advance from the sales of parcels of land to subsidiaries was NT\$664 thousand, which was presented in other current liabilities - others.

#### (III) Compensation of key management personnel

The compensation of the Company's key management personnel for the period is as follows:

	<u>2022</u>	<u>2021</u>
Short-term benefits	\$ 19,245	\$ 33,824
Post-employment benefits	383	268
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	\$ 19,628	\$ 34,092

Short-term benefits include salary, bonus, employees' compensation and directors' remuneration.

## **VIII. Pledged Assets**

As of December 31, 2022 and 2021, the following assets were provided as collateral for bank borrowings:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Land - cost and revaluation increment	\$ 152,282	\$ 152,791
Building and structures, net	54,771	60,985
Total	<u>\$ 207,053</u>	<u>\$ 213,776</u>

(The above includes investment properties)

## **IX. Significant Contingencies and Unrecognized Contractual Commitments**

- (I) As of December 31, 2022 and 2021, the amounts of guarantee letters issued by the Company for the acquisition of technology rights were both US\$650 thousand.
- (II) As of December 31, 2022 and 2021, the total amount of promissory notes issued by the Company as guarantees for financial transactions and borrowing lines to various banks and financial institutions were NT\$1,492,000 thousand and US\$10,500 thousand, NT\$1,271,280 thousand and US\$5,500 thousand, respectively.

## **X. Significant Disaster Losses: None**

## **XI. Significant Events after the Balance Sheet Date: None**

## **XII. Others: None**

## **XIII. Note Disclosure**

### **(I) Significant Transaction Information**

1. Funds lending to others: Please refer to Schedule I for details.
2. Endorsement for others: None.
3. Securities held at the end of the period: Please refer to Schedule II for details.
4. Cumulative purchase or sale of the same securities amounting to at least NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of properties amounting to at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of properties amounting to at least NT\$300 million or 20% of the paid-in capital: None.
7. Purchase or sale of goods with related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Schedule III for details.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Schedule IV for details.
9. Trading in derivatives: None.

### **(II) Information on Reinvestment Business**

Relevant information such as the name and location of the investee: Please refer to Schedule V for details.

### **(III) Information on Investment in Mainland China**

1. Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the Mainland China area: Please refer to Schedule VI for details.

2. Significant transactions with investee companies in Mainland China directly or indirectly through third regions, as well as their prices, payment terms, and unrealized gains or losses: Please refer to Schedule VII for details.

(IV) Information on Major Shareholders

1. The name, number of shares and shareholding ratio of shareholders with an equity ratio of 5% or more: Please refer to Schedule VIII for details.

**XIV. Department Information**

Information on operating segments has been disclosed in the consolidated financial statements as required.

## Schedule I

Meiloon Industrial Co., Ltd.  
Statement of Financing Provided to Others  
December 31, 2022

Unit: In Thousands of New Taiwan Dollars

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party or Not	Maximum Amount in Current Period	Balance at the end (Note 6)	Amount Actually Drawn	Interest Rate Range	Nature of Financing (Note 2)	Transaction Amount	Reasons for Short-term Financing	Provision for impairment loss allowance	Collateral		Financing Limit to Each Borrower (Notes 3 and 5)	Aggregate Financing Limit (Notes 4 and 5)
													Name	Value		
1	MAKINGO DEVELOPMENT CORP.	PT.MEILOON TECHNOLOGY INDONESIA	Other receivables	Yes	443,638	642,467	428,862	-	2	-	Working capital	-	-	-	642,467	3,212,336
1	MAKINGO DEVELOPMENT CORP.	Dongguan Meiloon Acoustic Equipments Co., Ltd.	Other receivables	Yes	-	642,467	-	-	2	-	Working capital	-	-	-	642,467	3,212,336
2	Meida Technology (Suzhou) Co., Ltd.	Dongguan Meiloon Acoustic Equipments Co., Ltd.	Other receivables	Yes	174,016	49,822	26,479	-	2	-	Working capital	-	-	-	49,822	498,222

Note 1: (1) The issuer is entered as 0; (2) The investees are numbered in order starting from the Arabic numeral 1 according to the company.

Note 2: 1 for those with business dealings; 2 for those with the need for short-term financing.

Note 3: For companies with which the Company has business dealings, the amount of individual loans shall not exceed the amount of business dealings between the two parties. The transaction amount refers to the higher of purchase or sale between the two parties. For companies with the need for short-term financing, the amount of individual loans shall not exceed 10% of the net value of the Company's most recent financial statements audited and certified by an accountant.

Note 4: The total loan amount of the Company shall not exceed 40% of the net value of the Company's most recent financial statements audited and certified by an accountant.

Note 5: The Board of Directors authorizes the subsidiary, MAKINGO DEVELOPMENT CORP., to lend funds in an aggregate amount equal to 100% of the net value of the most recent audited or certified financial statements, and the amount of any individual loan shall not exceed 20% of the net value of the most recent audited or certified financial statements or accounts. The Board of Directors authorizes the sub-sidiary, Meida Technology (Suzhou) Co., Ltd., to lend funds in an aggregate amount equal to 100% of the net value of the most recent audited or certified financial statements, and the amount of any individual loan shall not exceed 10% of the net value of the most recent audited or certified financial statements or accounts.

Note 6: The amount adopted by the Board of Directors.

## Schedule II-Part I

## Meiloon Industrial Co., Ltd.

## Breakdown of Securities Held at the End of the Period (excluding investments in subsidiaries, associates and joint ventures)

December 31, 2022

Unit: shares; thousands of New Taiwan dollars

Securities held by	Type and Name of Securities	Relationship with the Security Issuer	Account	Period-end				Remarks
				Number of Shares	Carrying amounts	Shareholding	Fair Value	
Meiloon Industrial Co., Ltd.	Shares of Domestic Listed and OTC Companies							
	Cathay Financial Holdings	-	Financial assets measured at fair value through profit or loss	75,467	\$ 3,019	-	\$ 3,019	-
	First Financial Holding	-	Financial assets measured at fair value through profit or loss	1,368,154	36,256	-	36,256	-
	Ruentex Ind. Ltd	-	Financial assets measured at fair value through profit or loss	26,347	1,713	-	1,713	-
	Chunghwa Telecom	-	Financial assets measured at fair value through profit or loss	80,000	9,040	-	9,040	-
	YangMing	-	Financial assets measured at fair value through profit or loss	200,000	13,100	-	13,100	-
	Asia Pacific Telecom	-	Financial assets measured at fair value through profit or loss	229,400	1,399	-	1,399	-
			Subtotal		64,527			
Loonchenfa Investment Co., Ltd.	Bond funds							
	Capital Safe Income Fund	-	Financial assets measured at fair value through profit or loss	2,194,614	35,958	-	35,958	-
Dongguan Meiloon Acoustic Equipments Co., Ltd.	Equity funds							
	GF Shanghai-Hong Kong-Shenzhen Hybrid Fund	-	Financial assets measured at fair value through profit or loss	4,000,000	14,585	-	14,585	-

## Schedule II-Part II

## Meiloon Industrial Co., Ltd.

## Breakdown of Securities Held at the End of the Period (excluding investments in subsidiaries, associates and joint ventures)

December 31, 2022

Unit: shares; thousands of New Taiwan dollars

Securities held by	Type and Name of Securities	Relationship with the Security Issuer	Account	Period-end				Remarks	
				Number of Shares	Carrying amounts	Shareholding	Fair Value		
MAKINGO DEVELOPMENT CORP.	Bond funds								
	Amundi Global High Yield Fund	-	Financial assets measured at fair value through profit or loss	4,831	\$ 1,347	-	\$ 1,347	-	
	Corporate Bond								
	AT&T Corporate Bond	-	Financial assets measured at fair value through profit or loss	-	47,682	-	47,682	-	
	Standard Chartered Corporate Bond	-	Financial assets measured at fair value through profit or loss	-	29,199	-	29,199	-	
	Barclays Corporate Bond	-	Financial assets measured at fair value through profit or loss	-	57,271	-	57,271	-	
	Saudi Arabian Oil Corporate Bond	-	Financial assets measured at fair value through profit or loss	-	21,719	-	21,719	-	
			Subtotal		155,871				
			Total		\$ 272,288				
Meiloon Industrial Co., Ltd.	Stock								
	Power Digital Card Co., Ltd.	-	Non-current financial assets measured at fair value through other comprehensive income	410,080	\$ 17,115	0.87%	\$ -	-	
	SAFARI	-	Non-current financial assets measured at fair value through other comprehensive income	12,500,000	6,527	0.44%	-	-	
	DIMAGIC	-	Non-current financial assets measured at fair value through other comprehensive income	200	12,289	1.45%	-	-	
	Frontier Technology Co., Ltd.	-	Non-current financial assets measured at fair value through other comprehensive income	190,000	3,000	19.00%	-	-	
				Subtotal		38,931			
				Cumulative impairment Net		(38,931)			
					\$ -				

## Schedule III

## Meiloon Industrial Co., Ltd.

Purchase or Sale of Goods with Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital  
January 1 to December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Purchasing (Selling) Company	Counterparty Name	Relationship	Transaction Details				Circumstances and Reasons for Differences in Trading Conditions from Ordinary Transactions		Notes/Accounts Payable or Receivable		Remarks
			Purchase (Sale)	Amount	Percentage of Total Purchases (Sales)	Credit Period	Unit Price	Credit Period	Balance	Percentage of Total Notes/Accounts Payable or Receivable	
Meiloon Industrial Co., Ltd.	MAKINGO DEVELOPMENT CORP.	Subsidiary of the Company	Purchases	2,489,381	93.71%	Within 75 days	-	-	(926,814 )	(98.74%)	
MAKINGO DEVELOPMENT CORP.	Dongguan Meiloon Acoustic Equipments Co., Ltd.	Sub-subsidiary of the Company	Purchases	2,558,219	99.95%	Within 90 days	-	-	(149,299 )	(99.16%)	

Note 1: The Company's purchases from Dongguan Meiloon Acoustic Equipments Co., Ltd. are resold through MAKINGO DEVELOPMENT CORP.

## Schedule IV

## Meiloon Industrial Co., Ltd.

Receivables from related parties amounting to at least NT\$100 million or  
20% of the paid-in capital:

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Company name	Counterparty Name	Relationship	Balance of Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amounts Received in Subsequent Period from Related Parties	Provision for impairment loss allowance
					Amount	Actions Taken		
MAKINGO DEVELOPMENT CORP.	Meiloon Industrial Co., Ltd.	The Company's parent company	\$ 926,814	2.81	\$ -	-	\$ 208,184	-
Dongguan Meiloon Acoustic Equipments Co., Ltd.	MAKINGO DEVELOPMENT CORP.	Group company of the same parent company	149,299	13.06	-	-	149,299	-
MeiXin Audio Equipment (Dongguan) Co., Ltd.	Dongguan Meiloon Acoustic Equipments Co., Ltd.	Group company of the same parent company	244,032 (Note 1)	0.80	-	-	21,959	-

Note 1: It refers to processing income receivable.



## Schedule V

Meiloon Industrial Co., Ltd.  
Information on Reinvestment (excluding investees in Mainland China)  
January 1 to December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Name of Investor	Name of investee	Location	Main Business Items	Original Investment Amount		Period-end Holding			Current Profit and Loss of the Investee	Investment Gains and Losses Recognized in Current Period	Remarks
				End of the Period	End of Last Year	Number of Shares	Ratio	Carrying amounts			
Meiloon Industrial Co., Ltd.	Meiloon International Ltd.	Hong Kong	Investment company	520,580	520,580	114,676,493	100.00%	678,893	(21,740)	(21,740)	Subsidiary
Meiloon Industrial Co., Ltd.	FINE STATION LTD.	British Virgin Islands	Trading and investment company	201,996	201,996	5,362,000	60.51%	224,418	36,964	22,365	Subsidiary
Meiloon Industrial Co., Ltd.	MAKINGO DEVELOPMENT CORP.	British Virgin Islands	Trading and investment company	830,647	830,647	25,185,000	100.00%	3,272,876	(77,507)	(77,362)	Subsidiary (Note 1)
Meiloon Industrial Co., Ltd.	Prosperity Development Co., Ltd.	Taoyuan City	Real estate development, construction, leasing and sales	25,000	25,000	2,500,000	100.00%	24,986	20	20	Subsidiary
Meiloon Industrial Co., Ltd.	Loonchenfa Investment Co., Ltd.	Taoyuan City	Investment company	402,500	402,500	40,250,000	70.00%	361,294	9,914	6,940	Subsidiary
Meiloon Industrial Co., Ltd.	AlfaPlus Semiconductor Inc.	Hsinchu City	Manufacture of electronic parts and components, wholesale and retail of electronic materials	98,316	98,316	7,125,088	20.47%	4,513	(8,165)	(1,671)	Investee evaluated by the equity method
Meiloon Industrial Co., Ltd.	Fin-Core Corporation	Taoyuan City	International trade, manufacture of electronic parts and components as well as wholesale of electronic materials	87,000	87,000	385,714	35.06%	403	-	-	Subsidiary
Meiloon Industrial Co., Ltd.	PT. MEILOON TECHNOLOGY INDONESIA	Indonesia	Production and sales of loudspeakers, speakers, crossovers, pre-cut boards and DVD players	688,669	535,565	-	90.00%	571,134	(77,313)	(69,582)	Subsidiary
Meiloon International Ltd.	FINE STATION LTD.	British Virgin Islands	Trading and investment company	117,945	117,945	3,500,000	39.49%	141,980	36,964	14,599	Subsidiary
MAKINGO DEVELOPMENT CORP.	AUDIOXPERTS INC.	United States of America	Trading company	13,415	13,415	45,000	90.00%	(13,099)	(1)	(1)	Sub-subsidiary
MAKINGO DEVELOPMENT CORP.	HOCL Inc.	Japan	Production and sales of slightly acidic electrolyzed water	9,082	9,082	2,550,000	17.23%	2,772	(1,245)	(215)	Investee evaluated by the equity method
Loonchenfa Investment Co., Ltd.	PT. TAIFA JAYA DEVELOPMENT	Indonesia	Land development and investment	127,998	127,998	-	73.91%	(67,602)	(17,640)	(13,038)	Sub-subsidiary

Note 1: This refers to adding the unrealized gross profit of NT\$5,551 thousand from upstream transactions at the beginning of the period and deducting the unrealized gross profit of NT\$5,406 thousand from upstream transactions of the current period.

## Schedule VI

Meiloon Industrial Co., Ltd.  
Information on Investment in Mainland China  
January 1 to December 31, 2022

Unit: In thousands of NTD; in USD; in HKD; in RMB

Name of Investee in Mainland China	Main Business Items	Amount of Paid-in Capital	Investment Method	Accumulated Outflow of Investment from Taiwan at the Beginning of the Period	Amount of Outflow or Inflow during the Period		Accumulated Outflow of Investment from Taiwan at the End of the Period	Current Profit and Loss of the Investee	Shareholding ratio of the Company's Direct or Indirect Investment	Investment Gains and Losses Recognized in Current Period (Notes 4 and 5)	Ending Investment Carrying Amount (Notes 4 and 5)	Gain on repatriated investment as of the Current Period
					Outflow	Inflow						
Dongguan Meiloon Acoustic Equipments Co., Ltd.	Production and sales of loudspeakers, speakers, crossovers and DVD players	RMB92,770,000	(Note 1)	520,580	-	-	520,580	(41,667)	100.00%	(40,081) (Note 6)	503,764	81,325
MeiXin Audio Equipment (Dongguan) Co., Ltd.	Production and sales of pre-cut boards, amplifiers, crossovers and multimedia speakers	USD8,148,000	(Note 1)	201,996	-	-	201,996	7,590	100.00%	7,590	308,749	-
Meida Technology (Suzhou) Co., Ltd.	Production and sales of loudspeakers, amplifiers, crossovers and projectors	USD2,000,000	(Note 1)	760,154	-	-	760,154	44,249	100.00%	44,249	205,375	745,875
Suzhou YueTai Trading Co., Ltd.	Wholesale, import and export of various kinds of audio-visual equipment and parts	USD950,000	(Note 2)	29,531	-	-	29,531	(1,527)	100.00%	(1,527)	1,964	-
Mei Fong (Suzhou) Co. Ltd.	Business management, property management, non-residential real estate leasing, and housing leasing	RMB45,000,000	(Note 3)	-	-	-	-	(6,521)	100.00%	(6,521)	191,162	-

Accumulated Outflow of Investment from Taiwan to Mainland China at the End of the Period	Investment Amount Authorized by Investment Commission, MOEAIC	Upper Limit on Investment to Mainland China stipulated by Investment Commission, MOEAIC
USD38,048,049.44, NTD156,168 and RMB30,592,000	USD65,378,400.94, NTD112,320 and HKD2,150,000	Note 7

Note 1: Investment method: Reinvestment in Mainland China companies through third region companies.

Note 2: Investment method: Direct investment in Mainland China companies.

Note 3: Investment method: Reinvestment through reinvestment in the company in Mainland China - Dongguan Meiloon Acoustic Equipments Co., Ltd. According to the MOEAIC, since Dongguan Meiloon Acoustic Equipments Co., Ltd. is not a holding company, it does not need to apply for approval from the MOEAIC for reinvestment in Mainland China.

- Note 4: Except for Suzhou YueTai Trading Co., Ltd., which has no significant impact on the fair presentation of the Company's financial statements and is therefore recognized in its pre-audited financial statements for the same period, all the investment gains and losses are recognized in the financial statements audited or certified by the parent company's certified accountant in Taiwan.
- Note 5: Except for the direct investment in Suzhou YueTai Trading Co., Ltd., the investment gain or loss and the carrying value of the investment in Dongguan Meiloon Acoustic Equipments Co., Ltd., MeiXin Audio Equipment (Dongguan) Co., Ltd., and Meida Technology (Suzhou) Co., Ltd. are recognized in the third region because they are reinvested through the third region, and the investment gain or loss and the carrying value of the investment in Mei Fong (Suzhou) Co., Ltd. is recognized in Dongguan Meiloon Acoustic Equipments Co., Ltd. because it is reinvested through Dongguan Meiloon Acoustic Equipments Co., Ltd..
- Note 6: This includes the realized gross profit of NT\$756 thousand recognized on sidestream transactions in the beginning of the period and the unrealized loss of NT\$830 thousand on sidestream transactions for the current period.
- Note 7: The Company is an enterprise certified by the Industrial Development Bureau, Ministry of Economic Affairs to be in compliance with the operating scope of the operating headquarters. In accordance with the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China, there is no restriction on the amount of investment in the Mainland China by the Company.

## Schedule VII

Meiloon Industrial Co., Ltd.  
Transactions with Investees in Mainland China Directly or Indirectly through  
Third Regions  
January 1 to December 31, 2022

Unit: In Thousands of New Taiwan Dollars

### I. Sales

The Company's sales to its Mainland China investees are as follows:

<u>Object</u>	<u>Amount</u>	<u>Percentage of the Company's net sales</u>	<u>Unrealized gain or loss at the end of the period</u>	<u>Accounts receivable at the end of the period</u>
Dongguan Meiloon Acoustic Equipments Co., Ltd.	\$ 139	-	\$ -	\$ 369

Note: Accounts receivable at the end of the period include the outstanding balance of raw materials purchased on behalf of subsidiaries.

The sales prices to related parties were determined at cost plus markup (3%), with collection terms of 75 days, which were not significantly different from those of sales to unrelated parties.

### II. Purchases

The Company's purchases from its Mainland China investees are as follows:

<u>Object</u>	<u>Amount</u>	<u>Percentage of the Company's net sales</u>	<u>Unrealized gain or loss at the end of the period</u>	<u>Accounts receivable at the end of the period</u>
Dongguan Meiloon Acoustic Equipments Co., Ltd.	\$ 2,489,381	93.71%	\$ 5,406	\$ 926,814

The sales prices to subsidiaries were determined at sales order price with markdown and the payment terms were within 75 days, which were not significantly different from those of sales to unrelated parties.

The Company's purchases from Dongguan Meiloon Acoustic Equipments Co., Ltd. are made through MAKINGO DEVELOPMENT CORP.

### III. Others

From January 1, 2022 to December 31, 2022, the Company purchased raw materials on behalf of Dongguan Meiloon Acoustic Equipments Co., Ltd. for a total amount of NT\$1,989 thousand.

Schedule VIII

Meiloon Industrial Co., Ltd.  
Information on Major Shareholders

December 31, 2022

Name of Major Shareholder	Number of Shares Held	Shareholding
Famingo Pte Ltd.	28,929,666	18.24%
Shiling Investment Co., Ltd.	11,004,192	6.94%
Lierdo Co., Ltd.	10,756,084	6.78%
Tonghong Investment Co., Ltd.	10,134,372	6.39%
Jinbai Investment Co., Ltd.	8,644,124	5.45%

Description: The above information was obtained by the Company on application to Taiwan Depository & Clearing Corporation (TDCC).

- (1) The information on major shareholders in this schedule is calculated by TDCC based on the information of shareholders holding 5% or more of the Company's common and preferred shares that have been delivered without physical registration (including treasury shares), as of the last business day of each quarter. The number of share capital recorded in the Company's financial statements may be different from the actual number of shares already delivered without physical registration by the Company due to differences in the preparation and calculation basis.
- (2) If the aforementioned information contains shares which are held in trust by the shareholders, the information is disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10%, in accordance with the Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on the reported share equity of insider, please refer to the Market Observation Post System.

Meiloon Industrial Co., Ltd.

Statement of Cash and Cash Equivalents

Statement 1

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Item	Description	Amount
Cash on hand	Foreign currency (including CNY22 thousand, EUR3 thousand, and US\$3 thousand)	\$ 359
Petty cash	Petty cash	80
	Subtotal	<u>439</u>
Bank deposits		
	Checking deposits	23
	Demand deposits	14,565
	Foreign currency demand deposits (including US\$3,372 thousand, CNY488 thousand, and GBP58 thousand)	108,166
Time deposits	Foreign currency time deposit with a maturity of less than 3 months (US\$ 5,000 thousand)	153,550
	Subtotal	<u>276,304</u>
	Total	<u><u>\$ 276,743</u></u>

Note: Foreign exchange rate

TWD:USD = 30.71:1

TWD:EUR = 32.72:1

TWD:GBP = 37.09:1

TWD:HKD = 3.938:1

TWD:CNY = 4.4132:1

TWD:VND = 0.0013:1

TWD:JPY = 0.2324:1

TWD:CAD = 22.67:1

TWD:IDR = 0.002:1

Meiloon Industrial Co., Ltd.

Statement of Notes Receivable

Statement 2

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

<u>Customer Name</u>	<u>Description</u>	<u>Amount</u>
Unrelated parties:		
Individuals	Lease receivable	\$ 750
Je Cheeng Industrial Co., Ltd.	Lease receivable	<u>86</u>
Total		<u>\$ 836</u>

Meiloon Industrial Co., Ltd.

Statement of Accounts Receivable

Statement 3

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Customer Name	Description	Amount
Unrelated parties:		
D&M HOLDINGS INC	Loans	\$ 135,870
QSC, LLC	Loans	76,546
RUARK AUDIO LIMITED	Loans	46,488
SOUNDBOKS ApS	Loans	30,874
CRESTRON ELECTRONICS, INC.	Loans	25,414
Others (note)	Loans	142,225
Subtotal		457,417
Less: Allowance for loss		(5,915)
Net		451,502
Related parties:		
Dongguan Meiloon Acoustic Equipments Co., Ltd.	Loans	369
MAKINGO DEVELOPMENT CORP.	Loans	136
HOCL Inc.	Loans	60
Subtotal		565
Total		\$ 452,067

Note: The amount of individual client included in others does not exceed 5% of the account balance.



## Meiloon Industrial Co., Ltd.

## Statement of Inventories

## Statement 4

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Description	Amount		Remarks
	Cost	Net Realizable Value	
Merchandise	\$ 25,397	\$ 25,397	Market price is measured at net realizable value
Raw materials	95,888	58,892	Market price is measured at net realizable value
Finished products	44,910	20,897	Market price is measured at net realizable value
Work-in-process and semi-finished products	56,496	26,475	Market price is measured at net realizable value
Total	222,691	\$ 131,661	Market price is measured at net realizable value
Less: Allowance for inventory valuation losses and obsolescence losses	(91,030)		
Net	\$ 131,661		

Meiloon Industrial Co., Ltd.

Statement of Prepayments

Statement 5

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Item	Description	Amount
Prepaid insurance premiums	Insurances including trade credit insurance, fire insurance, and auto insurance	\$ 1,839
Prepayment for purchases	Payment for purchase of materials	1,205
Other prepaid expenses	Including expense for software maintenance	1,042
Overpaid sales tax	Overpaid sales tax	2,291
Prepaid sales tax	Prepaid sales tax	<u>120</u>
Total		<u>\$ 6,497</u>

Meiloon Industrial Co., Ltd.

Statement of Other Current Assets

Statement 6

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other receivables	Advance and interest receivable	\$ 6,194
Tax refund receivable	Sales tax refund receivable	1,812
Temporary payments	Temporary payments for employees and revolving fund of foreign offices, and advance payment on behalf of employees	<u>11,730</u>
Total		<u>\$ 19,736</u>

Meiloon Industrial Co., Ltd.

Statement of Non-Current Assets

Statement 7

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Item	Description	Amount	Remarks
Investments			
accounted for using equity method		\$ 5,140,481	Refer to Statement 8
Property, plant and equipment		374,544	Refer to Note 6.8
Right-of-use assets		1,455	Refer to Note 6.9
Investment property, net		98,222	Refer to Note 6.10
Intangible assets		14,406	Refer to Statement 9
Deferred Income Tax Assets		85,423	Refer to Note 6.14
Prepayments for business facilities	Down payment for equipment	753	
Refundable deposits	Security deposits for lease of office and automobiles	1,839	
Total		<u>\$ 5,717,123</u>	

Meiloon Industrial Co., Ltd.  
Statement of Changes in Investments Accounted for Using Equity Method  
January 1 to December 31, 2022

Statement 8

Unit: In Thousands of New Taiwan Dollars

Name	Amount at the beginning		Increase in this period		Decrease in this period		Balance, at end of period			Market Value or Net Assets Value		Provision of Collateral or Pledges	Remarks
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Shareholding	Amount	Unit Price	Total Amount		
Meiloon International Ltd.	114676493	\$ 690,396	-	\$ 10,237	-	\$ 21,740	114676493	100.00%	\$ 678,893	-	\$ 678,893	None	(Note 1)
FINE STATION LTD.	5362000	199,259	-	25,159	-	-	5362000	60.51%	224,418	-	217,513	None	(Note 2)
MAKINGO DEVELOPMENT CORP.	25,185,000	3,762,949	-	333,164	-	823,237	25,185,000	100.00%	3,272,876	-	3,278,282	None	(Note 3)
AlfaPlus Semiconductor Inc.	7,125,088	6,184	-	-	-	1,671	7,125,088	20.47%	4,513	-	4,513	None	(Note 4)
Loonchenfa Investment Co., Ltd.	40250000	342,725	-	18,569	-	-	40250000	70.00%	361,294	-	361,294	None	(Note 5)
Suzhou Yuetai Trading Co., Ltd.	-	3,436	-	55	-	1,527	-	100.00%	1,964	-	1,964	None	(Note 6)
Fin-Core Corporation	385,714	403	-	-	-	-	385,714	35.06%	403	-	403	None	
PT. MEILOON TECHNOLOGY INDONESIA	-	435,110	-	205,606	-	69,582	-	90.00%	571,134	-	571,134	None	(Note 7)
Prosperity Development Co., Ltd.	2,500,000	24,966	-	20	-	-	2,500,000	100.00%	24,986	-	24,986	None	(Note 8)
<b>Total</b>		<b>\$ 5,465,428</b>		<b>\$ 592,810</b>		<b>\$ 917,757</b>			<b>\$ 5,140,481</b>				

Note 1: The increase for the period was due to the recognition of exchange difference from the translation of foreign financial statements in the amount of NT\$10,237 thousand; the decrease for the period was due to the recognition of loss on investment in the amount of NT\$21,740 thousand.

Note 2: The increase for the period was due to the recognition of gain on investment in the amount of NT\$22,365 thousand and exchange difference from the translation of foreign financial statements in the amount of NT\$2,794 thousand.

Note 3: The increase for the period was due to the recognition of exchange difference from the translation of foreign financial statements in the amount of NT\$333,164 thousand; the decrease for the period was due to the distribution of cash dividends in the amount of NT\$745,875 thousand and the recognition of loss on investment in the amount of NT\$77,362 thousand.

Note 4: The decrease for the period was due to the recognition of loss on investment in the amount of NT\$1,671 thousand.

Note 5: The increase for the period was due to the recognition of gain on investment in the amount of NT\$6,940 thousand and exchange difference from the translation of foreign financial statements in the amount of NT\$11,629 thousand.

Note 6: The increase for the period was due to the recognition of exchange difference from the translation of foreign financial statements in the amount of NT\$55 thousand; the decrease for the period was due to the recognition of loss on investment in the amount of NT\$1,527 thousand.

Note 7: The increase for the period was due to the input of new investment in the amount of NT\$153,104 thousand and exchange difference from the translation of foreign financial statements in the amount of NT\$52,502 thousand; the decrease for the period was due to the recognition of loss on investment in the amount of NT\$69,582 thousand.

Note 8: The increase for the period was due to the recognition of gain on investment in the amount of NT\$20 thousand.

Meiloon Industrial Co., Ltd.

Statement of Changes in Intangible Assets

Statement 9

January 1 to December 31, 2022

Unit: In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Amount at the beginning</u>	<u>Increase in this period</u>	<u>Amortization in the period</u>	<u>Balance at the end</u>	<u>Remarks</u>
Computer software costs	\$ 7,607	\$ 14,847	\$ 8,048	\$ 14,406	The estimated economic benefits are amortized over the years

Note: The increase for the period was due to acquiring of new assets in the amount of NT\$5,763 thousand and the transfer from prepayment of equipment in the amount of NT\$9,084 thousand.

Meiloon Industrial Co., Ltd.

Statement of Short-Term Loans

Statement 10

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Type of Loan	Financing Institutions	Balance at the end	Contract Period	Interest Rate Range	Loan Commitments	Collateral
Guaranteed borrowings	First Commercial Bank Jianguo Branch	\$ 212,800	2023.2.20	1.675%	Note 1	Land and buildings
Credit borrowings	First Commercial Bank Jianguo Branch	380,000	2023.2.20	1.675%	Note 1	-
Credit borrowings	Taishin International Bank Jianguo Branch	50,000	2023.1.13	1.865%	Note 2	-
Credit borrowings	Taishin International Bank Jianguo Branch	60,000	2023.1.31	1.940%	Note 2	-
Total		<u>\$ 702,800</u>				

Note 1: Loan commitment of NT\$592,800 thousand in total.

Note 2: Loan commitment of NT\$250,000 thousand in total.

## Meiloon Industrial Co., Ltd.

## Statement of Notes Payable

Statement 11

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Customer Name	Description	Amount
Kuai Ji Wood Co., Ltd.	Consumables	\$ 384
Lion Travel Service Co., Ltd.	Airfare	297
Fastrong Technologies Corp.	Material costs	234
Individuals	Labor costs	184
FedEx Express International B.V., Taiwan Branch (the Netherlands)	Courier expenses	101
Hua Rui International Logistics Co., Ltd.	Transportation expenses	86
Others (note)	Courier expenses	83
Total		\$ 1,369

Note: The amount of individual client included in others does not exceed 5% of the account balance.



Meiloon Industrial Co., Ltd.

Statement of Accounts Payable

Statement 12

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

<u>Customer Name</u>	<u>Description</u>	<u>Amount</u>
Unrelated parties:		
Hsiang Yi Precise Industry Co., Ltd.	Loans	\$ 2,815
Lung Chen Plastics Fac. Co., Ltd.	Loans	2,728
Shean Reng Enterprise Company	Loans	1,381
Jenhaur (JH) Co., Ltd.	Loans	1,291
Just-For-You Enterprise Co., Ltd.	Loans	950
Others (note)	Loans	2,631
Subtotal		<u>11,796</u>
Related parties:		
MAKINGO DEVELOPMENT CORP.	Loans	926,814
Total		<u>\$ 938,610</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

Meiloon Industrial Co., Ltd.

Statement of Other Payables

Statement 13

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Item	Description	Amount
Salaries and bonuses payable	Accrued salaries and bonuses at end of period	\$ 20,211
Employee compensation payable	Undistributed employee compensation from the prior period	33,833
Remuneration of directors payable	Undistributed remuneration of directors from the prior period	4,539
Other expenses payable (note)	Pensions and labor expenses	21,701
Total		\$ <u>80,284</u>

Note: The amount of individual item included in others does not exceed 5% of the account balance.

Meiloon Industrial Co., Ltd.

Statement of Other Current liabilities

Statement 14

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Item	Description	Amount
Receipts under custody	Income tax and premiums on labor insurance and national health insurance withheld	\$ 905
Temporary receipts	Temporary receipts from repatriation of liquidation of subsidiaries	2,041
Unearned receipts	Unearned lease income and sales revenue	19,716
Total		<u>\$ 22,662</u>

Meiloon Industrial Co., Ltd.

Statement of Lease Liabilities

Statement 15

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Item	Description	Lease Term	Discount Rate (%)	Balance at the end	Remarks
Transportation equipment	For use of business	3 years	1.74%	\$ 2,216	
Other equipment	For use of business	5 years	5.81%	62	
Total				2,278	
Less: classified as current lease liabilities				(1,065 )	
Non-current lease liabilities				\$ 1,213	

Meiloon Industrial Co., Ltd.

Statement of Non-Current Liabilities

Statement 16

December 31, 2022

Unit: In Thousands of New Taiwan Dollars

Item	Description	Amount	Remarks
Long-term borrowings		\$ 1,213,272	Refer to Note 6.12
Long-term borrowings, current portion		(389,265 )	Refer to Note 6.12
Deferred income tax liabilities, income tax		527,706	Refer to Note 6.14
Non-current lease liabilities		1,213	Refer to Statement 15
Long-term payables	Accrued employee compensation and remuneration of directors at end of the period	2,544	
Long-term deferred revenue	Deferred income from subsidized borrowings at low interest rates	17,306	Refer to Note 6.12
Net defined benefit liability, non-current		14,177	Refer to Note 6.13
Guarantee deposits received	Security deposits for office lease	1,567	
Total		<u>\$ 1,388,520</u>	

Meiloon Industrial Co., Ltd.

Statement of Operating Revenue, Net

Statement 17

2022

Unit: In Thousands of New Taiwan Dollars

Description	Quantity (in thousands)	Amount
Revenue from sale of goods		
Car audio speakers	120	\$ 143,229
Wall speakers	315	756,658
Sound systems	279	893,107
Monoblock amplifiers	96	84,901
Wireless speakers	405	987,757
Computer speakers	59	242,550
Sales of materials		96,959
Other goods		503
Total		\$ 3,205,664

## Meiloon Industrial Co., Ltd.

Statement of Cost of Revenue  
2022

Statement 18

Unit: In Thousands of New Taiwan Dollars

Item	Amount	
	Subtotal	Total
(1) Cost of goods sold for manufactured products:		
Direct raw materials		\$ 314,121
Balance, beginning of year	\$ 130,234	
Raw material purchased for the period	294,029	
Balance, end of year	(95,888)	
Add: Transferred from work in progress and semi-finished goods	34,228	
Add: Gain on physical inventory	885	
Less: Transfer costs	(1,286)	
Less: Scraps	(279)	
Less: Transferred to finished goods	(13,746)	
Less: Sales of raw materials	(34,056)	
Direct labor		62,254
Manufacturing expenses (refer to Statement 19)		86,891
Manufacturing costs		463,266
Work in progress and semi-finished goods balance, beginning of year		69,603
Work in progress and semi-finished goods balance, end of year		(56,496)
Add: Transferred from finished goods		20,564
Add: Expenses transferred		71
Add: Gain on physical inventory		187
Less: Scraps		(87)
Less: Transferred to raw materials		(34,228)
Cost of finished goods		462,880
Finished goods balance, beginning of year		45,470
Finished goods balance, end of year		(44,910)
Add: Transferred from raw materials		13,746
Less: Transfer costs		(397)
Less: Loss on physical inventory		(343)
Less: Scraps		(231)
Less: Transferred to work in progress and semi-finished goods		(20,564)
Cost of goods sold		455,651
(2) Cost of goods sold for purchased products:		
Balance, beginning of year	44,236	
Product purchased for the period	2,362,475	
Balance, end of year	(25,397)	
Sales of raw materials	34,056	
Cost of goods sold		2,415,370
(3) Losses on inventory:		
Inventory valuation losses and obsolescence losses	44,577	
Inventory scraps	597	
Gain on physical inventory	(729)	
Loss on inventory, total		44,445
Total cost of revenue		\$ 2,915,466

Meiloon Industrial Co., Ltd.

Statement of Manufacturing Expenses

Statement 19

2022

Unit: In Thousands of New Taiwan Dollars

Item	Amount
Salaries expense (including pensions and overtime pay)	\$ 35,621
Insurance premiums	6,401
Depreciation	16,185
Miscellaneous expenses	13,229
Others (note)	<u>15,455</u>
Total	<u>\$ 86,891</u>

Note: The amount of individual item included in others does not exceed 5% of the account balance.



Meiloon Industrial Co., Ltd.

Statement of Selling Expenses

Statement 20

2022

Unit: In Thousands of New Taiwan Dollars

Item	Amount
Salaries expense (including pensions and overtime pay)	\$ 22,900
Insurance premiums	6,259
Royalties	5,068
Expenses for market research	12,326
Export expenses	3,211
Miscellaneous expenses	7,096
Others (note)	<u>6,507</u>
Total	<u>\$ 63,367</u>

Note: The amount of individual item included in others does not exceed 5% of the account balance.

Meiloon Industrial Co., Ltd.

Statement of Administrative Expenses

Statement 21

2022

Unit: In Thousands of New Taiwan Dollars

Item	Amount
Salaries expense (including pensions and overtime pay)	\$ 48,127
Depreciation	6,802
Miscellaneous expenses	5,027
Others (note)	<u>25,549</u>
Total	<u>\$ 85,505</u>

Note: The amount of individual item included in others does not exceed 5% of the account balance.

Meiloon Industrial Co., Ltd.

Statement of Research and Development Expenses

Statement 22

2022

Unit: In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Amount</u>
Salaries expense (including pensions and overtime pay)	\$ 49,937
Insurance premiums	4,412
Depreciation	8,248
Others (note)	<u>13,478</u>
Total	<u>\$ 76,075</u>

Note: The amount of individual item included in others does not exceed 5% of the account balance.

Meiloon Industrial Co., Ltd.  
Statement of Non-Operating Income and Expenses      Statement 23  
2022

Unit: In Thousands of New Taiwan Dollars

Item	Description	Amount
Interest income	Interest income from bank deposits and financial assets, and impute interest on security deposits	\$ 28,566
Other income:		
Lease income	The net revenue on lease of land and properties after deducting relevant expenses including depreciation	2,050
Dividend income	Income from cash dividends on financial assets measured at fair value through profit and loss - current	6,105
Other income - government grant income	Government-subsidized borrowings at low interest rates	7,201
Other income - transfer of lease rights	Gain earned from transfer of lease rights	558
Other income - others	Incomes received from third party compensation and for management	6,695
Subtotal		<u>22,609</u>
Other gains and losses:		
Gains on disposals of property, plant and equipment	Gains on sales of property, plant and equipment	5
Gain on disposal of investments	Gains on sales of financial assets measured at fair value through profit and loss - current	44
Net loss on financial assets measured at fair value through profit or loss	Net loss on financial assets measured at fair value at end of the period	(13,000)
Gains on foreign exchange, net	Net gains on foreign exchange transactions	138,901
Profit from lease modification	Gain generated from failure to exercise the bargain purchase option of the lease agreement as planned	1,306
loss on disposal of property, plant and equipment	Loss on sales of property, plant and equipment	(202)
Miscellaneous Disbursements	Including loss on input taxes which are non-deductible	(55)
Subtotal		<u>126,999</u>
Finance costs	Interests on bank borrowings, discounts on long-term borrowings, interests on lease liabilities, and imputed interests on security deposits	(21,864)
Expected credit impairment gain	Gain on reversal of expected credit loss on accounts receivable	3,253
Share of loss on subsidiaries, associates, and joint ventures accounted for using the equity method	Net loss on investment accounted for using the equity method	(142,557)
Net		<u>\$ 17,006</u>