Stock Code
2477

Meiloon Industrial Co., Ltd. and its subsidiaries

Consolidated Financial Statements for Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

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Table of Contents for the Consolidated Financial Statements of Meiloon Industrial Co., Ltd. and its subsidiaries for the years ended December 31, 2022 and 2021

Statement

We hereby declare that the entities that should be included in the consolidated financial statements of affiliated companies for the year 2022 (from January 1, 2022 to December 31, 2022), under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those that should be included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with the International Financial Reporting Standards No. 10, and the information required to be disclosed in the consolidated financial statements of affiliated companies has already been disclosed in the above disclosed consolidated financial statements of parent and subsidiary companies. Consequently, we do not prepare separate consolidated financial statements of affiliated companies.

Company Name: Meiloon Industrial Co., Ltd.

Person-in-Charge: Wu Wei-Chung

March 22, 2023

Independent Auditors' Report

To Meiloon Industrial Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Meiloon Industrial Co., Ltd. and its subsidiaries (Meiloon Group), which comprise the Consolidated Statement of Balance Sheet as of December 31, 2022 and 2021, and the Consolidated Statements of Comprehensive Income, Changes in Equity, Cash Flows for the years then ended, and the notes to the consolidated 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 other auditors' reports (please refer to the Other Matters section), the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Meiloon Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated 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 and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of Meiloon Group, in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our 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

The key audit matters are those matters that, in our professional judgment, were most significant in our audit of the consolidated financial statements of Meiloon Group for the year ended 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming an audit opinion thereon, and we do not express 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 4.16 of the Consolidated Financial Statements for the accounting policy on revenue recognition, and refer to Note 6.22 thereof for the description of revenue recognition.

1. Description of key audit matters:

Under the sales pattern of Meiloon Group, 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 4.7 of the Consolidated Financial Statements for the accounting policy on inventories; refer to Note 5.2 thereof for the accounting estimates and assumptions uncertainties of inventories; 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.

Other Matters - Reference to Other Auditors' Reports

The financial statements of PT.MEILOON TECHNOLOGY INDONESIA, a subsidiary included in the aforementioned consolidated financial statements, have not been audited by us, but by other auditors. Therefore, in our opinion on the consolidated financial statements referred to above, the amounts included in the subsidiary's financial statements and the related information regarding the reinvestment business were based on the reports of the other auditors. The total assets of the subsidiary as of December 31, 2022 and December 31, 2021 amounted to NT$1,240,198 thousand and NT$836,297 thousand, respectively, accounting for 15.41% and 9.25% of the total consolidated assets. The operating revenue for the year ended December 31, 2022 and December 31, 2021 were NT$1,223 thousand and NT$0 thousand, respectively, accounting for 0.04% and 0.00% of the net consolidated operating revenue.

The financial statements of AlfaPlus Semiconductor Inc., an invested company 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 consolidated financial statements referred to above, the information regarding the aforementioned investments accounted for using the equity method and the shares of profit of 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$4,513 thousand and NT$6,184 thousand, respectively, accounting for 0.06% and 0.07% of the total consolidated assets. The aforementioned shares of profit (loss) of associates and joint ventures recognized using the equity method for the years 2022 and 2021 were (NT$1,671) thousand and NT$6,184 thousand, respectively, accounting for (0.39%) and 0.40% of the total comprehensive income of the current period.

Other Matters - Individual Financial Reports

Meiloon Industrial Co., Ltd. has prepared its individual financial reports for the years 2022 and 2021, on which we have issued an unmodified opinion, including audit on other matters, for information purposes.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, Interpretations developed by IFRIC or the former SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) of Meiloon Group are responsible for overseeing the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions

may cause Meiloon Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the group, in order to express an opinion on the consolidated financial statements. We are responsible for direction, supervision, and performance of the group audit, and 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 consolidated financial statements of Meiloon Group 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 Official Letter

March 22, 2023

Meiloon Industrial Co., Ltd. and its subsidiaries

Consolidated Statement of Balance Sheet

December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Code	ASSETS	Note	2022.12.31 Amount	2022.12.31 %	2021.12.31 Amount	2021.12.31 %
11XX	Current assets					
1100	Cash and cash equivalents	4 and 6.1	$ 2,275,263	28.27	$ 2,709,298	29.95
1110	Current financial assets measured at fair value through profit or loss	4 and 6.2	272,288	3.38	252,242	2.79
1136	Current financial assets at amortized cost	4 and 6.3	1,324,431	16.46	1,371,621	15.16
1150	Notes receivable, net	4 and 6.4	836	0.01	611	0.01
1170	Accounts receivable, net	4, 6.4 and 7	476,458	5.92	792,167	8.76
1220	Current tax assets	4 and 6.18	862	0.01	2,215	0.03
130X	Inventories, net	4 and 6.5	848,650	10.54	1,169,993	12.93
1410	Prepayments		124,896	1.55	170,434	1.88
1470	Other current assets	7	55,366	0.69	40,874	0.45
	Total current assets		5,379,050	66.83	6,509,455	71.96
15XX	Non-current assets					
1517	Non-current financial assets measured at fair value through other comprehensive income	4 and 6.6	-	-	8,200	0.09
1550	Investments accounted for using equity method	4 and 6.7	7,285	0.09	9,230	0.10
1600	Property, plant and equipment	4, 6.8 and 8	1,649,219	20.49	1,405,077	15.53
1755	Right-of-use assets	4 and 6.9	23,240	0.29	26,640	0.30
1760	Investment property, net	4, 6.10 and 8	694,075	8.62	574,182	6.35
1780	Intangible assets, net	4 and 6.11	22,381	0.28	14,858	0.17
1840	Deferred income tax assets	4 and 6.18	102,381	1.27	177,085	1.96
1915	Prepayments for business facilities	6.12	86,590	1.08	230,500	2.55
1920	Refundable deposits		6,234	0.08	7,215	0.08
1937	Overdue receivables, net	4 and 6.4	-	-	-	-
1960	Current prepayments for investments	6.13	73,657	0.92	78,912	0.87
1995	Other non-current assets, others		4,337	0.05	4,037	0.04
	Total non-current assets		2,669,399	33.17	2,535,936	28.04
1XXX	TOTAL ASSETS		$ 8,048,449	100.00	$ 9,045,391	100.00

Code	LIABILITIES AND EQUITY	Note	2022.12.31 Amount	2022.12.31 %	2021.12.31 Amount	2021.12.31 %
21XX	Current liabilities					
2100	Short-term borrowings	6.14 and 8	$ 702,800	8.73	$ 1,001,000	11.07
2133	Unearned revenue		74,462	0.92	40,510	0.45
2150	Notes payable		1,369	0.02	2,928	0.03
2170	Accounts payable		365,846	4.55	899,046	9.94
2200	Other payables	6.15	142,408	1.77	213,232	2.36
2230	Current tax liabilities	4 and 6.18	173,748	2.16	33,210	0.37
2280	Current lease liabilities	4 and 6.9	1,065	0.01	2,894	0.03
2322	Long-term borrowings, current portion	6.16 and 6.24	389,265	4.84	117,022	1.29
2399	Other current liabilities, others		26,879	0.33	14,167	0.16
	Total current liabilities		1,877,842	23.33	2,324,009	25.70
25XX	Non-current liabilities					
2540	Long-term borrowings	6.16 and 6.24	824,007	10.24	1,011,071	11.18
2551	Non-current provisions for employee benefits	4	153,241	1.90	144,438	1.60
2572	Deferred income tax liabilities, income tax	4 and 6.18	527,706	6.56	664,876	7.35
2580	Non-current lease liabilities	4 and 6.9	1,213	0.01	2,278	0.02
2612	Long-term payables	6.15	201,522	2.50	174,463	1.93
2630	Long-term deferred revenue		60,905	0.76	67,636	0.75
2640	Net defined benefit liability, non-current	4 and 6.17	14,177	0.18	23,680	0.26
2645	Guarantee deposits received		4,436	0.06	5,978	0.06
	Total non-current liabilities		1,787,207	22.21	2,094,420	23.15
2XXX	Total liabilities		3,665,049	45.54	4,418,429	48.85
31XX	Equity attributable to owners of the parent	6.19				
3100	Share capital					
3110	Common stock		1,585,732	19.70	1,982,165	21.91
3200	Capital surplus					
3210	Capital surplus, additional paid-in capital		5	-	5	-
3220	Capital surplus, treasury stock transactions		3,924	0.05	3,924	0.04
3250	Capital surplus, donated assets received		16	-	18	-
3270	Capital surplus, premium from merger		382	-	382	-
3300	Retained earnings					
3310	Legal reserve		848,462	10.54	684,503	7.57
3320	Special reserve		318,635	3.96	244,598	2.71
3350	Unappropriated retained earnings		1,285,784	15.98	1,723,401	19.05
3400	Other equity	4				
3410	Exchange differences on translation of foreign financial statements		9,669	0.12	(318,635)	(3.52)
36XX	Non-controlling interests	6.19	330,791	4.11	306,601	3.39
3XXX	Total equity		4,383,400	54.46	4,626,962	51.15
1XXX	TOTAL LIABILITIES AND EQUITY		$ 8,048,449	100.00	$ 9,045,391	100.00

(Please refer to Notes and Schedules to the Consolidated Financial Statements)

Chairman: Wu Wei-Chung　　Manager: Wu Ming-Shien　　Accounting Supervisor: Kuo Li-Jung

Meiloon Industrial Co., Ltd. and its subsidiaries

Consolidated Statement of Comprehensive Income

January 1 to December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars
(Earnings per share in New Taiwan dollars)

Code	Account Item	Note	2022 Amount	2022 %	2021 Amount	2021 %
4000	Operating revenue	4, 6.22 and 7	$ 3,490,837	100.00	$ 3,763,996	100.00
5000	Operating costs		3,009,603	86.21	3,142,625	83.49
5900	Gross profit		481,234	13.79	621,371	16.51
6000	Operating expenses		512,466	14.69	648,802	17.24
6100	Selling expenses		157,684	4.52	184,690	4.91
6200	Administrative expenses		235,531	6.75	329,067	8.74
6300	R&D expenses		119,251	3.42	135,045	3.59
6900	Operating loss		(31,232)	(0.90)	(27,431)	(0.73)
7000	Non-operating revenue and expenses					
7100	Interest income	6.23	87,139	2.50	99,273	2.64
7010	Other income	6.9, 6.24 and 7	156,399	4.48	123,990	3.29
7020	Other gains and losses	6.8, 6.9, 6.10 and 6.25	52,471	1.50	2,428,938	64.53
7050	Finance costs	6.26	(25,883)	(0.74)	(19,364)	(0.51)
7055	Expected credit impairment (loss) gain	4 and 6.4	18,795	0.54	(7,491)	(0.20)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	4 and 6.7	(1,886)	(0.05)	5,936	0.16
	Total non-operating income and expenses		287,035	8.23	2,631,282	69.91
7900	Net income before tax		255,803	7.33	2,603,851	69.18
7950	Income tax expense	4 and 6.18	(171,870)	(4.92)	(977,199)	(25.96)
8200	Net income for the period		83,933	2.41	1,626,652	43.22
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 6.17	5,514	0.16	1,610	0.04
8349	Income tax related to items that will not be reclassified to profit or loss	4 and 6.18	(1,102)	(0.03)	(322)	(0.01)
			4,412	0.13	1,288	0.03
8360	Items that may be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements		427,427	12.24	(107,296)	(2.85)
8371	Exchange differences on translation of foreign financial statements of associates and joint ventures	4 and 6.7	(508)	(0.02)	(311)	(0.01)
8399	Income tax related to items that may be reclassified to profit or loss	4 and 6.18	(82,077)	(2.35)	18,509	0.49
			344,842	9.87	(89,098)	(2.37)
	Other comprehensive income (loss) for the period (net of tax)		349,254	10.00	(87,810)	(2.34)
8500	Total comprehensive income (loss) for the period		$ 433,187	12.41	$ 1,538,842	40.88
8600	Net profit attributable to:					
8610	Owners of the parent		$ 93,292		$ 1,638,298	
8620	Non-controlling interests		(9,359)		(11,646)	
			$ 83,933		$ 1,626,652	
8700	Total comprehensive income is attributable to:					
8710	Owners of the parent		$ 426,008		$ 1,565,549	
8720	Non-controlling interests		7,179		(26,707)	
			$ 433,187		$ 1,538,842	
9750	Basic earnings per share	4 and 6.20	$ 0.50		$ 8.27	
9850	Diluted earnings per share	4 and 6.20	$ 0.50		$ 8.21	

(Please refer to Notes and Schedules to the Consolidated Financial Statements)

Chairman: Wu Wei-Chung　　Manager: Wu Ming-Shien　　Accounting Supervisor: Kuo Li-Jung

Meiloon Industrial Co., Ltd. and its subsidiaries

Consolidated Statement of Changes in Equity

January 1 to December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

	Equity attributable to owners of the parent											
		Capital surplus				Retained earnings			Other equity			
Item	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	Total	Non-controlling interests	Total equity
Balance on January 1, 2021	$ 1,982,165	$ 5	$ 3,924	$ 18	$ 382	$ 666,273	$ 185,421	$ 458,483	$ (244,598)	$ 3,052,073	$ 295,326	$ 3,347,399
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)	-	(287,414)
Net income (loss) for 2021	-	-	-	-	-	-	-	1,638,298	-	1,638,298	(11,646)	1,626,652
Other comprehensive income (loss) for 2021 (net of tax)												
Gains (losses) on remeasurements of defined benefit plans	-	-	-	-	-	-	-	1,288	-	1,288	-	1,288
Decrease in exchange differences on translation of foreign financial statements	-	-	-	-	-	-	-	-	(74,037)	(74,037)	(15,061)	(89,098)
Total comprehensive income (loss) for 2021	-	-	-	-	-	-	-	1,639,586	(74,037)	1,565,549	(26,707)	1,538,842
Difference between consideration and carrying amount of subsidiaries disposed	-	-	-	-	-	-	-	(9,847)	-	(9,847)	37,982	28,135
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	306,601	4,626,962
Refund of unclaimed dividends	-	-	-	(2)	-	-	-	-	-	(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)	-	(297,325)
Net income (loss) for 2022	-	-	-	-	-	-	-	93,292	-	93,292	(9,359)	83,933
Other comprehensive income (loss) for 2022 (net of tax)												
Gains (losses) on remeasurements of defined benefit plans	-	-	-	-	-	-	-	4,412	-	4,412	-	4,412
Increase in exchange differences on translation of foreign financial statements	-	-	-	-	-	-	-	-	328,304	328,304	16,538	344,842
Total comprehensive income (loss) for 2022	-	-	-	-	-	-	-	97,704	328,304	426,008	7,179	433,187
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	17,011	17,011
Capital reduction by cash refund	(396,433)	-	-	-	-	-	-	-	-	(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	$ 330,791	$ 4,383,400

(Please refer to Notes and Schedules to the Consolidated Financial Statements)

Chairman: Wu Wei-Chung　　Manager: Wu Ming-Shien　　Accounting Supervisor: Kuo Li-Jung

Meiloon Industrial Co., Ltd. and its subsidiaries

Consolidated Statement 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	$ 255,803	$ 2,603,851
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	122,054	107,287
Amortization expense	8,682	5,316
Expected credit loss (reversal of impairment loss)	(18,795)	7,491
Interest expense	25,883	19,364
Interest income	(87,139)	(99,273)
Dividend income	(6,105)	(1,769)
Loss (gain) on disposal and abandonment of property, plant and equipment, net	392	(2,494,778)
Gain on disposal of investment property	-	(108,077)
Prepayments for business facilities transferred to expenses	8,689	152
Reversal of impairment loss on non-financial assets	-	(17,639)
Other impairment losses	-	75,581
Profit from lease modification	(1,306)	(1,280)
Other income	(7,759)	(7,201)
Share of profit (loss) of associates and joint ventures accounted for using equity method	1,886	(5,936)
Changes in assets and liabilities related to operating activities		
Increase in financial assets measured at fair value through profit or loss	(20,046)	(23,655)
Decrease (increase) in notes receivable	(225)	38
Decrease (increase) in accounts receivable (including overdue receivables)	334,378	(128,449)
Decrease (increase) in inventories	321,343	(532,393)
Decrease in prepayments	45,538	20,922
Decrease (increase) in other current assets	(9,456)	93,764
Increase in unearned revenue	33,952	19,235
Increase (decrease) in notes payable	(1,559)	910
Increase (decrease) in accounts payable	(533,200)	188,706
Decrease in other payables	(75,982)	(30,903)
Increase (decrease) in other current liabilities	12,712	(26,880)
Increase (decrease) in long-term deferred revenue	470	(7,865)
Increase in long-term payables	27,059	14,788
Increase (decrease) in provisions for employee benefits	8,803	(16,328)
Decrease in net defined benefit liability	(3,989)	(1,578)
Cash inflow (outflow) generated from operations	442,083	(346,599)
Interest received	82,103	106,523
Dividends received	6,105	1,769
Interest paid	(13,486)	(9,683)
Income tax refund	9,849	14,761
Income tax paid	(185,489)	(650,455)
Net cash generated by (used in) operating activities	341,165	(883,684)

(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	(1,403,005)	(1,225,506)
Disposal of financial assets measured at amortized cost	1,450,873	2,719,133
Acquisition of property, plant and equipment	(169,579)	(378,193)
Disposal of property, plant and equipment	791	199,408
Acquisition of investment property	(7,577)	(85,397)
Disposal of investment property	-	363,758
Acquisition of intangible assets	(6,877)	(2,610)
Other non-current assets, other increase	-	(120)
Decrease in prepayments for investments	6,495	19,975
Increase in prepayments for business facilities	(32,116)	(179,908)
Decrease in refundable deposits	981	178,424
Other investing activities, disposal of right-of-use assets	730	-
Net cash generated by (used in) investing activities	(151,084)	1,608,964
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)	-
Increase (decrease) in guarantee deposits received	(1,542)	746
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
Change in non-controlling interests	17,011	-
Net cash generated by (used in) financing activities	(899,890)	23,870
Effect of exchange rate changes on cash and cash equivalents	275,774	(30,610)
Increase (decrease) in cash and cash equivalents for the period	(434,035)	718,540
Balance of cash and cash equivalents, beginning of year	2,709,298	1,990,758
Balance of cash and cash equivalents, end of year	$ 2,275,263	$ 2,709,298

(Please refer to Notes and Schedules to the Consolidated Financial Statements)

Chairman: Wu Wei-Chung Manager: Wu Ming-Shien Accounting Supervisor: Kuo Li-Jung

Meiloon Industrial Co., Ltd. and its subsidiaries
Notes to Consolidated Financial Statements
January 1 to December 31, 2022 and 2021
(Amounts are expressed in thousands of New Taiwan dollars, unless otherwise specified)

I. Company History

The consolidated financial statements are prepared by Meiloon Industrial Co., Ltd. and its subsidiaries as described below (the Consolidated Company). All significant internal transactions between the parent and subsidiaries and their balances have been eliminated from the consolidated financial statements, and the interests in subsidiaries held by investors other than the parent are recognized as non-controlling interests.

(I)Parent (the Company):

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.

(II)Subsidiaries:

Name of Subsidiaries	Nature of Business	Percentage of direct and indirect shareholding of the parent		Whether to be included in the consolidated entity			
		2022.12.31	2021.12.31	2022.12.31	Remarks	2021.12.31	Remarks
Meiloon International Ltd.	Investment company	100.00%	100.00%	Yes	-	Yes	-
Dongguan Meiloon Acoustic Equipments Co., Ltd.	Production and sales of loudspeakers, speakers, crossovers and DVD players	100.00%	100.00%	Yes	-	Yes	-
Mei Fong (Suzhou) Co., Ltd.	Business management, property management, non-residential real estate leasing, and housing leasing	100.00%	100.00%	Yes	-	Yes	-
FINE STATION LTD.	Trading and investment company	100.00%	100.00%	Yes	-	Yes	-
MeiXin Audio Equipment (Dongguan) Co., Ltd.	Production and sales of pre-cut boards, amplifiers, crossovers and multimedia speakers	100.00%	100.00%	Yes	-	Yes	-
MAKINGO DEVELOPMENT CORP.	Trading and investment company	100.00%	100.00%	Yes	-	Yes	-
Meida Technology (Suzhou) Co., Ltd.	Production and sales of loudspeakers, amplifiers, crossovers and projectors	100.00%	100.00%	Yes	-	Yes	-
AUDIOXPERTS INC.	Trading company	90.00%	90.00%	Yes	Note 2	Yes	Note 2

Name of Subsidiaries	Nature of Business	Percentage of direct and indirect shareholding of the parent		Whether to be included in the consolidated entity			
		2022.12.31	2021.12.31	2022.12.31	Remarks	2021.12.31	Remarks
Loonchenfa Investment Co., Ltd.	Investment company	70.00%	70.00%	Yes	-	Yes	-
PT. TAIFAJAYA DEVELOPMENT	Land development and investment company	73.91%	73.91%	Yes	-	Yes	-
Prosperity Development Co., Ltd.	Real estate development, construction, leasing and sales	100.00%	100.00%	Yes	Note 2	Yes	Note 2
Suzhou YueTai Trading Co., Ltd.	Wholesale, import and export of various kinds of audio-visual equipment and parts	100.00%	100.00%	Yes	Note 2	Yes	Note 2
Fin-Core Corporation	International trade, manufacture of electronic parts and components as well as wholesale of electronic materials	35.06%	35.06%	Yes	Note 1 Note 2	Yes	Note 1 Note 2
PT. MEILOON TECHNOLOGY INDONESIA	Production and sales of loudspeakers, speakers, crossovers, pre-cut boards and DVD players	90.00%	90.00%	Yes	-	Yes	-

Note 1: Although the shareholding ratio is less than 50%, the parent still has actual control over this company because half of the board members are the same.

Note 2: Due to its lack of significant impact on the presentation of the consolidated financial statements, its financial statements have not been audited by the auditor, and the auditor has not issued an audit report with a reservation on the financial statements for the years 2022 and 2021.

(III)The Consolidated Company had an average of 1,875 and 2,275 employees in 2022 and 2021, respectively.

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

The consolidated financial statements were submitted to the Board of Directors for authorization 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	January 1, 2022

Intended Use”	
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 these consolidated financial statements, the Consolidated 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 consolidated financial statements were issued, the Consolidated Company believed that the initial application of the IFRSs did not have a material impact on the Consolidated Company’s accounting policies. The Consolidated Company, however, is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Consolidated 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 of the Consolidated Company is summarized as follows:

(I)Statement of Compliance

The consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” as well as the IFRS, IAS and Interpretations developed by IFRIC or the former SIC as endorsed and issued into effect by the FSC.

(II)Basis of Preparation

The consolidated 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.

(III)Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and the entities (subsidiaries) controlled by the Company. Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is achieved and until the date when control ceases.

Appropriate adjustments have been made to the financial statements of subsidiaries to allow their accounting policies to be consistent with those used by the Company.

All significant transactions, balances, income and expenses between the Company and its subsidiaries have been eliminated on consolidation.

(IV)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.

(V)Foreign currency

The financial statements of each consolidated entity are presented in the common currency (functional currency) of the primary economic environment in which the entity operates. The functional currency of the Company and Meiloon International Ltd., FINE STATION LTD., Loonchenfa Investment Co., Ltd., Prosperity Development Co., Ltd. and Fin-Core Corporation is New Taiwan Dollar; that of MAKINGO DEVELOPMENT CORP. and AUDIOXPERTS INC. is US Dollar; that of Dongguan Meiloon Acoustic Equipments Co., Ltd., MeiXin Audio Equipment (Dongguan) Co., Ltd., Meida Technology (Suzhou) Co., Ltd., Suzhou YueTai Trading Co., Ltd. and Mei Fong (Suzhou) Co., Ltd. is Chinese Yuan; and that of PT. TAIFA JAYA DEVELOPMENT is Indonesian Rupiah. In preparing the consolidated financial statements, the operating results and financial position of each consolidated entity are translated into New Taiwan Dollar.

The subsidiary PT. MEILOON TECHNOLOGY INDONESIA has decided to change its functional currency from "Indonesian Rupiah" to "US Dollar" due to the change in economic conditions and in consideration of the efficiency of the Group's financing management, and to defer the translation from January 1, 2022 in accordance with IFRS 21 "The Effects of Changes in Foreign Exchange Rates."

In preparing the financial statements of each consolidated entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the exchange rates prevailing at the date 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.

In preparing the consolidated financial statements, the assets and liabilities of foreign operations are translated into New Taiwan dollars using the spot exchange rate prevailing at the end of the reporting period; income and expense items are translated at the average exchange rate for the period, and the resulting exchange differences are recognized in other comprehensive income and accumulated in equity under the exchange differences on translation of foreign financial statements.

(VI)<u>Cash and cash equivalents</u>

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.

(VII)<u>Inventories</u>

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.

Premises under construction are measured at the lower of cost or net realizable value. The comparison between cost and net realizable value is made item by item. Net realizable value refers to the balance of the estimated selling price in normal circumstances less costs to be incurred to completion and selling expenses. If the net realizable value is less than the cost, the cost will be written down to the net realizable value and recognized as the construction cost of the current year. If the net realizable value subsequently increases, it is reversed within the amount of the original write-down and recognized as the decrease in the construction cost of the current year.

(VIII)Investments accounted for using equity method

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.

If the Company does not subscribe for new shares issued by an associate in proportion to its shareholding, resulting in a change in its shareholding ratio and leading to an increase or decrease in the net equity of the investment, the increase or decrease is adjusted against capital surplus and the investment accounted for using the equity method. However, if the Company's ownership interest is reduced as a result of not subscribing for or acquiring the new shares of the associate in proportion to its shareholding, the amount recognized in other comprehensive income or loss in relation to that associate is reclassified in proportion to the decrease on the same basis as that required for the direct disposal of the related assets or liabilities by the associate.

When a transaction occurs with an associate, unrealized gains or losses are eliminated in proportion to the shareholding.

(IX)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 52 years for buildings; 3 to 20 years for plants and equipment; 2 to 3 years for molding machines; 3 to 15 years for test equipment; 5 years for transportation equipment; 2 to 15 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.

(X)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 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.

(XI)Investment properties

A property of the Consolidated 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 Consolidated 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 20 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.

(XII)Intangible assets and long-term prepaid rent

Goodwill

As the Consolidated 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 for patents and trademarks, over the approved useful lives; for computer software and other intangible assets, over the economic benefits or contractual lives. 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.

(XIII)Impairment loss

At the end of each reporting period, the Consolidated 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 Consolidated 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.

(XIV)Financial instruments

Financial assets and financial liabilities are recognized when the Consolidated 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 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 loss provisions apply are measured for impairment loss based on the expected credit loss model. At each reporting date, the Consolidated 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 Consolidated 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 Consolidated Company applies the simplified approach to measure their loss allowances at an amount equal to lifetime ECL.

(XV)Provisions

Provisions are recognized when the Consolidated 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.

(XVI)Revenue Recognition

The Consolidated 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 Consolidated 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 Consolidated 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.

(XVII)Government Grants

Government grants are not recognized until there is reasonable assurance that the Consolidated 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 Consolidated Company recognizes expenses for the related costs that the grants intend to compensate. Government grants whose primary condition is that the Consolidated 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.

(XVIII)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 Consolidated 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 in full immediately in the period in which they occur and are included in other comprehensive income in the consolidated statement of comprehensive income.

(XIX)Share-based Payment Agreement

The Consolidated Company recognizes 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 Consolidated 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).

(XX)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.

(XXI)Earnings per share

Basic earnings per share is calculated by the dividing net profit 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.

(XXII)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.

(XXIII)Operating Segments Information

An operating segment is a component of the Consolidated 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 Consolidated 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. <u>Significant Accounting Judgments, Estimates and Key Sources of Assumption Uncertainty</u>

The preparation of the consolidated 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 of the Consolidated Company 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)<u>Revenue Recognition</u>

In principle, sales revenue is recognized at the completion of the profit-making process. The related provision for returns and discounts is estimated based on historical experience and other known reasons, and is recognized as a deduction from sales revenue in the period in which the products are sold, and the Consolidated Company periodically reviews the reasonableness of the estimate.

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

(II)<u>Valuation of Inventories</u>

Inventories are valued at the lower of cost or net realizable value, and the Consolidated 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. .

As of December 31, 2022 and 2021, the carrying amounts of the Consolidated Company's inventories were NT$848,650 thousand and $1,169,993 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 Consolidated Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Consolidated 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.

As of December 31, 2022 and 2021, the carrying amounts of accounts receivables (including overdue receivables) were NT$477,294 thousand and NT$792,778 thousand, respectively (deduction of allowance for losses of NT$26,320 thousand and NT$44,989 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.

As of December 31, 2022 and 2021, the deferred income tax assets recognized by the Consolidated Company were NT$102,381 thousand and NT$177,085 thousand, respectively.

VI. Explanation of Significant Accounts

(I)Cash and cash equivalents

	2022.12.31	2021.12.31
Cash on hand	$ 9,398	$ 11,222
Checking deposits	36	19
Demand deposits	753,221	1,478,251
Time deposits (less than three months)	1,512,608	1,219,806
Amounts presented in the balance sheet	2,275,263	2,709,298
Less: Bank overdrafts	-	-
Amounts presented in the statement of cash flows	$ 2,275,263	$ 2,709,298

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

	2022.12.31	2021.12.31
Listed and OTC stocks	$ 64,527	$ 51,345
Bond funds	37,305	37,602
Equity funds	14,585	18,038

Corporate bonds	155,871	145,257
Total	$ 272,288	$ 252,242

The net loss recognized for financial assets measured at fair value through profit and loss held by the Consolidated Company in 2022 and 2021 was NT$(51,161) thousand and NT$(982) thousand, 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)	397,203	545,009
Total	$ 1,324,431	$ 1,371,621

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” *Ac*t

Note 2: As of December 31, 2022 and 2021, the conservation to time deposits with maturity of more than three months, including the ones in accordance with “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”, were NT$140,330 thousand and NT$124,560 thousand, respectively.

(IV)Net accounts receivable

	2022.12.31	2021.12.31
Notes receivable	$ 836	$ 611
Less: Allowance for loss	-	-
Net	$ 836	$ 611

	2022.12.31	2021.12.31
Accounts receivable	$ 500,826	$ 835,330
Less: Allowance for loss	(24,428)	(43,565)
Net	$ 476,398	$ 791,765

	2022.12.31	2021.12.31
Accounts receivable - related parties (Note 7)	$ 60	$ 402
Less: Allowance for loss	-	-
Net	$ 60	$ 402

	2022.12.31	2021.12.31
Overdue receivables	$ 1,892	$ 1,424
Less: Allowance for loss	(1,892)	(1,424)
Net	$ -	$ -

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

The Consolidated 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 Consolidated 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 the Consolidated Company's receivables (including notes receivable, accounts receivable, accounts receivable – related parties, and overdue receivables) is as follows:

2022.12.31

Aging analysis	Notes receivable	Accounts receivable	Total
Not overdue	$ 836	$ 381,998	$ 382,834
Overdue within 30 days	-	93,631	93,631
Overdue for 31-60 days	-	6,001	6,001
Overdue over 61 days	-	21,148	21,148
Total	$ 836	$ 502,778	$ 503,614

The expected credit loss rates for the foregoing intervals are 0% to 1% for not past due, 1% to 2% for due less than 60 days, and 2% to 100% for over 61 days, except for those evaluated on an individual basis, taking into account the customer's operating condition and solvency.

2021.12.31

Aging analysis	Notes receivable	Accounts receivable	Total
Not overdue	$ 611	$ 704,102	$ 704,713
Overdue within 30 days	-	96,587	96,587
Overdue for 31-60 days	-	14,882	14,882
Overdue over 61 days	-	21,585	21,585
Total	$ 611	$ 837,156	$ 837,767

The expected credit loss rates for the foregoing intervals are 0% to 1% for not past due, 1% to 2% for due less than 60 days, and 3% to 100% for over 61 days, except for those evaluated on an individual basis, taking into account the customer's operating condition and solvency.

Changes in allowance for losses are as follows:

Balance as at January 1, 2021	$ 40,538
Increase in impairment in the current period	7,491
Write-off in the current period	(2,995)

Exchange rate adjustment	(45)
Balance as at December 31, 2021	44,989
Decrease in impairment in the current period	(18,795)
Exchange rate adjustment	126
Balance as at December 31, 2022	$ 26,320

(V)Inventories, net

	2022.12.31	2021.12.31
Raw materials	$ 565,754	$ 591,292
Finished products	237,266	314,662
Work-in-process and semi-finished products	299,430	410,282
Inventory in transit	16	17
Premises under construction	5,128	1,850
Total	1,107,594	1,318,103
Less: Allowance for inventory valuation losses and obsolescence losses	(258,944)	(148,110)
Net	$ 848,650	$ 1,169,993

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

	2022	2021
Loss on inventory valuation (gain on recovery)	$ 109,003	$ (59,829)
Loss on inventory scraps	21,420	72,613
Gain on physical inventory	(3,833)	(3,568)
Revenue from sale of scraps	(1,153)	(7,113)
Net	$ 125,437	$ 2,103

The recovery in net realizable value of inventories in 2021 was due to the scrapping and sale of inventories for which an allowance for valuation and obsolescence losses had been provided in prior years.

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

	2022.12.31	2021.12.31
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	38,931	47,131

Less: Cumulative impairment	(38,931)	(38,931)
Total	$ -	$ 8,200

1. The above investments in equity instruments were held for long-term strategic purposes and not for trading, the Consolidated 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:

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

(VII)Investments accounted for using equity method

Name of investee	Number of shares held	Account amount	Holding ratio
2022.12.31			
- No public offer			
AlfaPlus Semiconductor Inc.	7,125,088	$ 4,513	20.47%
HOCL Inc.	2,550,000	2,772	17.23%
Total		$ 7,285	
2021.12.31			
- No public offer			
AlfaPlus Semiconductor Inc.	7,125,088	$ 6,184	20.47%
HOCL Inc.	2,550,000	3,046	17.23%
Total		$ 9,230	

1. The recognition of the Consolidated Company's investment profit or loss for 2022 and 2021 excludes HOCL Inc., which has no material effect on the fair presentation of the Consolidated Company's financial statements, and its recognition of investment profit or loss is calculated in accordance with the evaluation of its self-clearing financial statements for the same period, and that of AlfaPlus Semiconductor Inc. is calculated in accordance with the evaluation of the investee's financial statements audited and certified by the auditors for the same period. The amounts of investment profit (loss) recognized using the equity method for 2022 and 2021 above were NT$(1,886) thousand and NT$5,936 thousand, respectively.
2. The Consolidated Company has no individual significant investments in associates or joint ventures. When the associates or joint ventures are foreign operations and their functional currencies are different from that of the Consolidated Company, the exchange differences arising from their foreign currency translation are recognized in other comprehensive income. The amounts recognized in other comprehensive income for 2022 and 2021 were NT$(508) thousand and NT$(311) thousand, respectively.

3. The Consolidated Company holds less than 20% of the voting rights of HOCL Inc., but the Consolidated Company still has significant influence over it in substance.
4. As of December 31, 2022 and 2021, there was no indication of impairment of the Consolidated Company's investments accounted for using the equity method.

Financial information related to the associates of the Consolidated Company is summarized as follows:

	2022.12.31	2021.12.31
Total assets	$ 85,935	$ 101,938
Total liabilities	49,605	55,675
Net assets	$ 36,330	$ 46,263
Consolidated Company's share of net assets of associates	$ 6,974	$ 8,950

	2022	2021
Total revenue	$ 68,271	$ 140,894
Total comprehensive income	$ (9,410)	$ 16,550
Consolidated Company's share of profit or loss of associates	$ (1,886)	$ 5,936
Consolidated Company's share of other comprehensive income of associates	$ (508)	$ (311)

(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	$ 1,049,327	$ 735,190	$ 395,228	$ 126,583	$ 30,220	$ 338,273	$ 502,014	$ 3,285,666
Increase in current period	1,912	8,308	43,958	27,818	4,799	6,356	10,729	274,313	378,193
Disposal in current period	-	(645,284)	(218,684)	(30,423)	(21,611)	(10,267)	(119,479)	-	(1,045,748)
Reclassification in current period (Note 1)	51,022	5,969	3,043	2,645	183	50	111	-	63,023
Effect of exchange rate changes	-	(3,729)	(4,920)	(1,634)	(340)	(187)	(1,250)	(35,838)	(47,898)
Balance as at December 31, 2021	161,765	414,591	558,587	393,634	109,614	26,172	228,384	740,489	2,633,236
Increase in current period	-	-	31,336	20,955	5,641	1,236	27,605	82,806	169,579
Disposal in current period	(509)	-	(2,436)	-	(1,216)	(2,945)	(4,099)	-	(11,205)
Reclassification in current period	-	-	67,997	6,750	8,667	537	10,272	(20,238)	73,985

(Note 2)									
Effect of exchange rate changes	-	4,653	16,061	6,982	1,565	562	4,455	95,545	129,823
Balance as at December 31, 2022	$ 161,256	$ 419,244	$ 671,545	$ 428,321	$ 124,271	$ 25,562	$ 266,617	$ 898,602	$ 2,995,418
Accumulated depreciation									
Balance as at January 1, 2021	$ -	$ 419,645	$ 537,851	$ 352,319	$ 98,955	$ 27,480	$ 261,876	$ -	$ 1,698,126
Provision in current period	-	13,329	27,329	31,447	7,434	1,175	19,377	-	100,091
Disposal in current period	-	(214,189)	(206,566)	(30,068)	(19,965)	(10,136)	(92,847)	-	(573,771)
Reclassification in current period (Note 1)	-	5,969	-	-	-	-	-	-	5,969
Effect of exchange rate changes	-	(1,464)	(2,090)	(1,489)	(285)	(116)	(1,019)	-	(6,463)
Balance as at December 31, 2021	-	223,290	356,524	352,209	86,139	18,403	187,387	-	1,223,952
Provision in current period	-	10,883	40,113	29,071	8,627	1,811	17,862	-	108,367
Disposal in current period	-	-	(1,930)	-	(1,158)	(2,858)	(4,076)	-	(10,022)
Effect of exchange rate changes	-	2,691	6,196	6,425	1,027	327	3,029	-	19,695
Balance as at December 31, 2022	$ -	$ 236,864	$ 400,903	$ 387,705	$ 94,635	$ 17,683	$ 204,202	$ -	$ 1,341,992
Cumulative impairment									
Balance as at January 1, 2021	$ -	$ -	$ 9,313	$ 2,507	$ 1,382	$ -	$ 8,712	$ -	$ 21,914
Reversal in current period	-	-	(8,617)	(406)	-	-	(8,616)	-	(17,639)
Effect of exchange rate changes	-	-	(30)	(2)	-	-	(36)	-	(68)
Balance as at December 31, 2021	-	-	666	2,099	1,382	-	60	-	4,207
Change in current period	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2022	$ -	$ -	$ 666	$ 2,099	$ 1,382	$ -	$ 60	$ -	$ 4,207
Carrying amounts									
2021.12.31	$ 161,765	$ 191,301	$ 201,397	$ 39,326	$ 22,093	$ 7,769	$ 40,937	$ 740,489	$ 1,405,077
2022.12.31	$ 161,256	$ 182,380	$ 269,976	$ 38,517	$ 28,254	$ 7,879	$ 62,355	$ 898,602	$ 1,649,219

Note 1: The net reclassification amount for the current period is NT$57,054 thousand, NT$6,032 thousand transferred from prepayments for business facilities and NT$51,022 thousand transferred from investment properties.

Note 2: The reclassification amount for the current period is NT$73,985 thousand, which is transferred from prepayments for business facilities.

1. The significant part of the Consolidated Company's buildings includes main plants and others, and the related depreciation is calculated using the estimated useful lives of 9 to 52 years.
2. For information concerning the property, plant and equipment pledged to others, please refer to Note 8.
3. The Consolidated Company recognized impairment loss related to property, plant and equipment since the carrying amount of some equipment was expected to be unrecoverable.
4. The Consolidated Company, by resolution of the Board of Directors on October 16, 2020, agreed to accept RMB698 million from Chengyang Street Housing Buyback Office in Xiangcheng District, Suzhou as compensation for the acquisition of land and factory buildings in order to meet the development and construction needs of Xiangcheng District, Suzhou, and has completed the acquisition procedures in the 1st quarter of 2021. The compensation for acquisition includes property, plant and equipment, right-of-use assets and intangible assets. The gains after deducting necessary expenses is NT$2,495,629 thousand, which is recorded under the gains on disposals of property, plant and equipment.

(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:

	Land	Buildings and Structures	Transportation equipment	Other equipment	Total Cost
Cost					
Balance as at January 1, 2021	$ 77,250	$ 2,728	$ 6,259	$ 223	$ 86,460
Increase in current period	-	-	4,197	-	4,197
Disposal in current period	(36,343)	-	(3,227)	-	(39,570)
Effect of exchange rate changes	(292)	(10)	-	-	(302)
Balance as at December 31, 2021	40,615	2,718	7,229	223	50,785
Disposal in current period	-	-	(3,032)	-	(3,032)
Effect of exchange rate changes	633	43	-	-	676
Balance as at December 31, 2022	$ 41,248	$ 2,761	$ 4,197	$ 223	$ 48,429
Accumulated depreciation					
Balance as at January 1, 2021	$ 32,390	$ 151	$ 4,322	$ 78	$ 36,941
Provision in current period	933	551	2,410	44	3,938

Disposal in current period	(13,386)	-	(3,227)	-	(16,613)
Effect of exchange rate changes	(121)	-	-	-	(121)
Balance as at December 31, 2021	19,816	702	3,505	122	24,145
Provision in current period	826	561	1,904	45	3,336
Disposal in current period	-	-	(2,611)	-	(2,611)
Effect of exchange rate changes	308	11	-	-	319
Balance as at December 31, 2022	$ 20,950	$ 1,274	$ 2,798	$ 167	$ 25,189
Carrying amounts					
2021.12.31	$ 20,799	$ 2,016	$ 3,724	$ 101	$ 26,640
2022.12.31	$ 20,298	$ 1,487	$ 1,399	$ 56	$ 23,240

2.Lease Liabilities

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

	Future Minimum Rent Payments	Interest	Present Value of Minimum Rent Payments
Within 1 year	$ 1,077	$ 12	$ 1,065
1-2 years	1,213	-	1,213
More than 2 years	-	-	-
Total	$ 2,290	$ 12	$ 2,278
Information expressed in balance sheet			
Current lease liabilities			$ 1,065
Non-current lease liabilities			$ 1,213

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

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

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

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

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

	2022	2021
Total cash outflows from leases	$ 1,377	$ 1,677

5.Important leasing activities and terms

(1) In 1992, 1997 and 2003, the Consolidated Company entered into contracts with the People's Republic of China to acquire the land use right for the construction of the plant, with a lease term of 50 years, and the acquisition price has been paid in full upon the signing of the lease. Among them, the land use rights acquired in 2003 were transferred for disposal in 2021 due to the acceptance of compensation from the government for acquisition. Please refer to Note 6.8 for the related gains on disposal.

(2) The Consolidated Company leases office space for official use for a period of three years, and the purchase price has been paid in full upon the signing of the lease.

(3) The Consolidated 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 Consolidated 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 Consolidated 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).

(4) The Consolidated 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.

(5) The Consolidated Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. But the Consolidated Company has bargain purchase options to acquire the transportation equipment and other equipment. In addition, without the lessors' consent, the Consolidated 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 properties

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

	Land	Buildings and Structures	Total Cost	Accumulated depreciation	Net
Balance as at January 1, 2021	$ 813,002	$ 16,604	$ 829,606	$ 10,214	$ 819,392
Increase in current period	-	85,397	85,397	-	85,397
Disposal in current period	(255,681)	-	(255,681)	-	(255,681)
Reclassification in current period (Note 1)	(51,022)	(5,969)	(56,991)	(5,969)	(51,022)
Depreciation provision	-	-	-	3,258	(3,258)
Effect of exchange rate changes	(20,702)	59	(20,643)	3	(20,646)
Balance as at December 31, 2021	485,597	96,091	581,688	7,506	574,182
Increase in current period	678	6,899	7,577	-	7,577
Reclassification in current period (Note 2)	13,887	86,891	100,778	-	100,778
Depreciation provision	-	-	-	10,351	(10,351)
Effect of exchange rate changes	20,701	1,223	21,924	35	21,889
Balance as at December 31, 2022	$ 520,863	$ 191,104	$ 711,967	$ 17,892	$ 694,075

Note 1: The decrease in reclassification of NT$51,022 thousand is due to the transfer of property, plant and equipment.

Note 2: The increase in reclassification of NT$100,778 thousand is transferred from prepayments for business facilities.

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, except for the newly acquired properties, which were fair valued based on their purchase price, were determined based on the valuation report given by an independent professional valuer on January 29, March 17, April 28, 2022, using comparative unit method and land development analysis, as well as based on valuation reports issued on February 18, February 26, March 3, 2021 using comparative unit method and land development analysis. Significant assumptions and assessments in respect of the fair values are as follows. The relevant significant assumptions and fair values evaluated are as follows:

	2022.12.31	2021.12.31
Fair value	$ 3,937,523	$ 2,810,626
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 income recognized for the above investment properties in 2022 and 2021 was NT$8,470 thousand and NT$5,514 thousand, respectively, and the direct operating expenses of the investment properties generating lease income was NT$11,095 thousand and NT$4,060 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) Intangible assets

	Trademarks	Patents	Computer Software	Goodwill	Others	Total
Cost						
Balance as at January 1, 2021	$ 16	$ 5,286	$ 74,300	$ 7,027	$ 3,067	$ 89,696
Acquired separately in current period	-	-	2,610	-	-	2,610
Disposal in current period	-	-	(12,363)	-	-	(12,363)
Effect of exchange rate changes	-	-	(67)	-	(86)	(153)
Balance as at December 31, 2021	16	5,286	64,480	7,027	2,981	79,790
Acquired separately in current period	-	-	6,877	-	-	6,877
Disposal in current period	-	-	(46)	-	(3,192)	(3,238)
Transferred from prepayments for business facilities	-	-	9,084	-	-	9,084
Effect of exchange rate changes	-	-	103	-	211	314
Balance as at December 31, 2022	$ 16	$ 5,286	$ 80,498	$ 7,027	$ -	$ 92,827
Accumulated amortization and impairment						

Balance as at January 1, 2021	$ 16	$ 5,286	$ 63,585	$ -	$ 3,067	$ 71,954
Amortization in current period	-	-	5,091	-	-	5,091
Disposal in current period	-	-	(11,964)	-	-	(11,964)
Effect of exchange rate changes	-	-	(63)	-	(86)	(149)
Balance as at December 31, 2021	16	5,286	56,649	-	2,981	64,932
Amortization in current period	-	-	8,448	-	-	8,448
Disposal in current period	-	-	(46)	-	(3,192)	(3,238)
Effect of exchange rate changes	-	-	93	-	211	304
Balance as at December 31, 2022	$ 16	$ 5,286	$ 65,144	$ -	$ -	$ 70,446
Carrying amounts						
2021.12.31	$ -	$ -	$ 7,831	$ 7,027	$ -	$ 14,858
2022.12.31	$ -	$ -	$ 15,354	$ 7,027	$ -	$ 22,381

Impairment loss is provided for some of the Consolidated Company's intangible assets which have been assessed as having no recoverable value.

(XII)Prepayments for business facilities

	2022.12.31	2021.12.31
Prepayments for land purchase	$ 29,014	$ 28,900
Prepayments for house purchase	-	94,001
Other prepayments for business facilities	57,576	107,599
Total	$ 86,590	$ 230,500

(XIII)Current prepayments for investments

	2022.12.31	2021.12.31
Nanjing Vivian's Wonderland Education Information Consulting Co., Ltd.	$ 73,657	$ 78,912

The Consolidated Company has prepaid for the investment shares in March 2017 and is expected to acquire 38% of the equity interest. However, due to delays in the registration of the change in the acquisition of the equity interest, the Consolidated Company intends to renegotiate to reduce the investment percentage and recover part of the investment funds in 2022 and 2021. In addition, to protect the ownership of the aforementioned prepayments for investments, the Consolidated Company has taken out a mortgage on the property held by Nanjing Vivian's Wonderland Education Information Consulting Co., Ltd. in 2021, with a shortfall of NT$75,581 thousand recognized as impairment loss.

(XIV)Short-term borrowings

The breakdown is as follows:

Borrowing	Borrowing	Closing Interest	Last Due Date	Collateral

Nature	Amount	Rate		
2022.12.31				
Credit borrowings	$ 490,000	1.675%-1.940%	2023.2.20	-
Guaranteed borrowings	212,800	1.675%	2023.2.20	Land and buildings
Total	$ 702,800			
2021.12.31				
Credit borrowings	$ 789,000	0.69%-0.80%	2022.5.4	-
Guaranteed borrowings	212,000	0.75%	2022.1.5	Land and buildings
Total	$ 1,001,000			

(XV)Other payables

	2022.12.31	2021.12.31
Salaries and bonuses payable	$ 82,962	$ 106,145
Employee compensation payable	35,529	40,673
Remuneration payable to directors and supervisors	5,387	8,814
Interest payable	31,226	26,068
Commission payable	66,480	54,878
Import and export expenses payable	3,074	18,277
Freight payable	5,954	11,641
Other expenses payable	113,318	121,199
Total	$ 343,930	$ 387,695

Separately recognized as follows:

	2022.12.31	2021.12.31
Current liabilities	$ 142,408	$ 213,232
Long-term payables	201,522	174,463
Total	$ 343,930	$ 387,695

(XVI)Long-term borrowings

Financing Institutions	Borrowing Period	Description	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	1,230,578	1,152,600
		Less: Government grants discount	(17,306)	(24,507)
		Net	$ 1,213,272	$ 1,128,093
		Current	$ 389,265	$ 117,022
		Non-current	824,007	1,011,071
		Total	$ 1,213,272	$ 1,128,093

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 6.24.

(XVII) 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.

In addition, the subsidiaries and sub-subsidiaries in Chinese have, in accordance with the local government regulations, contributed a certain proportion of their employees' salaries to the relevant government departments for pension insurance, which is managed and arranged by the government.

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

(1) Expenses recognized for defined benefit plans

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

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

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

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

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

(3) Changes in present value of defined benefit obligation

	2022	2021
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	(3,306)	-
Defined benefit obligation at the end	$ 65,537	$ 70,227

(4)Changes in the fair value of plan assets

	2022	2021
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	(3,306)	-
Fair value of plan assets at end	$ 51,360	$ 46,547

(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.

	2022.12.31	2021.12.31
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 or 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 interest rate on government bonds 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:

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

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.

(XVIII)Income Tax

For the years 2022 and 2021, the Company, Fin-Core Corporation, Loonchenfa Investment Co., Ltd., and Prosperity Development Co., Ltd. had the profit-seeking enterprise income tax rate of 20% and the income basic tax rates were all 12%. In addition, the rates of the corporate surtax applicable to 2021 and 2020 unappropriated earnings were 5%; Dongguan Meiloon Acoustic

Equipments Co., Ltd., MeiXin Audio Equipment (Dongguan) Co., Ltd., Meida Technology (Suzhou) Co., Ltd., Suzhou Yuetai Trading Co., Ltd., and Mei Fong (Suzhou) Co., Ltd. had the income tax rate of 25%; PT. TAIFA JAYA DEVELOPMENT and PT. MEILOON TECHNOLOGY INDONESIA had the profit-seeking enterprise income tax rate of 22% and the separate taxation rate on interest income of 20%. Information of the deferred income tax assets and liabilities, as well as a reconciliation of income tax expense and income tax payable were 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	Effect of exchange rate changes	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
Unrealized exchange losses	1,699	2,125	-	-	3,824
Excess of doubtful 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	47,069	17,164	-	-	64,233
Difference between acquisition cost of long-term investments and net equity value	1,918	-	-	-	1,918
Exchange loss on translation of foreign financial statements	79,659	-	(82,077)	-	(2,418)
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	21,249	(21,394)	-	145	-
Deferred income tax benefit (expense)		$ 145,500	$ (83,179)	$ 145	
Deferred income tax liabilities, net	$ (487,791)				$ (425,325)
Information expressed in balance sheet:					
Deferred income tax assets	$ 177,085				$ 102,381
Deferred income tax liabilities	$ 664,876				$ 527,706

	2021				
	Balance at the beginning	Recognized in profit or loss	Recognized in other comprehensive income	Effect of exchange rate changes	Balance at the end
Temporary differences:					
Unrealized inventory valuation losses	$ 9,226	$ 14	$ -	$ -	$ 9,240
Impairment losses on financial assets	10,746	-	-	-	10,746
Unrealized exchange losses	659	1,040	-	-	1,699
Excess of doubtful 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	32,736	14,333	-	-	47,069
Difference between acquisition cost of long-term investments and net equity value	1,918	-	-	-	1,918
Exchange loss on translation of foreign financial statements	61,150	-	18,509	-	79,659
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	16,015	-	6	21,249
Deferred income tax benefit (expense)		$ (295,694)	$ 18,187	$ 6	
Deferred income tax liabilities, net	$ (210,290)				$ (487,791)
Information expressed in balance sheet:					
Deferred income tax assets	$ 129,511				$ 177,085
Deferred income tax liabilities	$ 339,801				$ 664,876

Information about the Consolidated Company’s unused loss carryforwards (some of which are yet to be approved):

Taiwan

Year in which loss incurred	2022.12.31	2021.12.31	Validity Period
2012	$ -	$ 19,700	2022
2017	96,232	113,336	2027
2019	-	12,095	2029
2020	-	50,691	2030
Total	$ 96,232	$ 195,822	

China

Year in which loss incurred	2022.12.31	2021.12.31	Validity Period
2020	$ -	$ 45,760	2025
2021	918	904	2026
2022	6,513	-	2027
Total	$ 7,431	$ 46,664	

2. Items not recognized as deferred income tax assets:

	2022.12.31	2021.12.31
Unused tax losses	$ 21,104	$ 29,581
Temporary differences (affecting items in profit or loss for current period)	76,566	64,171
Temporary differences (affecting items in other comprehensive income)	23,286	26,609
Total	$ 120,956	$ 120,361

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:

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

4. Income tax recognized in profit or loss:

(1) The composition of income tax expense recognized in profit or loss for the current period is as follows:

	2022	2021
Current income tax expense:	$ 164,397	$ 656,031
Adjustments to current income tax of prior periods	(22,681)	23,761
Separate taxation (Note)	175,654	1,713
Deferred income tax expense (benefit)	(145,500)	295,694
Income tax expense recognized in profit or loss	$ 171,870	$ 977,199

Note: Including taxes paid on the distribution of earnings of foreign subsidiaries and separate taxation on interest income of foreign subsidiaries.

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

	2022	2021
Net income before tax	$ 255,803	$ 2,603,851
Tax on net income before tax at the statutory rate	$ 51,161	$ 520,770
Permanent differences	(2,708)	(23,711)
Temporary differences		
- Unrealized exchange losses	966	1,040
- Gain from inventory valuation losses and obsolescence recovery	24,562	(14,981)
- Recognition of reversal on excess allowance for bad debts	(51)	(1,706)
- Recognition of reversal on excess pension	(798)	(315)
- Cash dividends distributed by subsidiaries	117,938	-
- Other impairment losses	-	18,895
- Others	(12)	(2,781)
Loss carryforwards	(11,601)	(4,484)

Others	4,428	25,620
Effect of different tax rates on subsidiaries operating in other jurisdictions	1,271	123,789
Income tax paid in Chinese mainland and third regions on income from Chinese mainland 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	$ 164,397	$ 656,031

	2022	2021
Accrued income tax (current income tax)	$ 164,397	$ 656,031
Adjustments to current income tax of prior periods	(22,681)	23,761
Add: Income tax payable at the beginning	33,210	2,419
Tax refund received in the current period	9,849	14,761
Separate taxation	175,654	1,713
Less: Provisional and withholding taxes	(7,756)	(632,438)
Income tax payable paid	(177,733)	(18,017)
Income tax refundable at the beginning	(2,215)	(17,289)
Effect of exchange rate changes	161	54
Income tax payable at the end	$ 172,886	$ 30,995

Separately recognized as follows:

	2022.12.31	2021.12.31
Current tax liabilities	$ 173,748	$ 33,210
Current tax assets	(862)	(2,215)
Net	$ 172,886	$ 30,995

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	$ (83,179)	$ 18,187

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	$ 1,285,784	$ 1,723,401

(XIX)EQUITY

1.Share capital

	2022.12.31	2021.12.31
Authorized shares (in thousands)	300,000	300,000
Issued shares – common shares (in thousands)	158,573	198,217
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)	158,573	198,217

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.

8.Non-controlling interests

Changes in non-controlling interests are as follows:

	2022	2021
Amount at the beginning	$ 306,601	$ 295,326
Increase in non-controlling interests	17,011	37,982
Share attributable to non-controlling interests:		
Net loss in current period	(9,359)	(11,646)
Exchange differences on translation of foreign financial statements	16,538	(15,061)
Balance at the end	$ 330,791	$ 306,601

9.Subsidiaries with significant non-controlling interests

Subsidiaries whose non-controlling interests are significant to the Consolidated Company are detailed as follows:

Name of Subsidiary	Principal place of business/country of incorporation	Proportion of ownership interest and voting rights of non-controlling interests 2022.12.31	2021.12.31

Loonchenfa Investment Co., Ltd.	Taoyuan City	30.00%	30.00%
PT. TAIFA JAYA DEVELOPMENT	Indonesia	26.09%	26.09%

The following summarized financial information of the above subsidiaries is prepared in accordance with IFRSs endorsed by the FSC and reflects the fair value adjustments made by the Consolidated Company at the date of acquisition and the adjustments for differences in accounting policies. Such financial information represents the amounts of transactions between the consolidated companies that has not yet been written off:

(1)Summarized financial information of Loonchenfa Investment Co., Ltd.:

	2022.12.31	2021.12.31
Current assets	$ 92,530	$ 86,836
Non-current assets	491,331	474,182
Current liabilities	(125)	(235)
Non-current liabilities	(67,602)	(71,176)
Net assets	$ 516,134	$ 489,607

	2022	2021
Operating revenue	$ -	$ -
Net profit (loss) in current period	9,914	(7,044)
Other comprehensive income (loss)	16,612	(16,612)
Total comprehensive income	$ 26,526	$ (23,656)
Net loss in current period attributable to non-controlling interests	$ 2,974	$ (2,113)
Total comprehensive income attributable to non-controlling interests	$ 7,958	$ (7,097)

	2022	2021
Cash flows from operating activities	$ 5,798	$ (1,362)
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Increase (decrease) in cash and cash equivalents	$ 5,798	$ (1,362)

(2)Summarized financial information of PT. TAIFA JAYA DEVELOPMENT:

	2022.12.31	2021.12.31
Current assets	$ 21,953	$ 38,853
Non-current assets	684,642	614,293
Current liabilities	(154,787)	(125,514)
Non-current liabilities	(119,932)	(100,592)
Net assets	$ 431,876	$ 427,040

	2022	2021
Operating revenue	$ -	$ -

Net loss in current period	(17,640)	(20,033)
Other comprehensive income (loss)	-	-
Total comprehensive income	$ (17,640)	$ (20,033)
Net loss in current period attributable to non-controlling interests	$ (4,602)	$ (5,227)
Total comprehensive income attributable to non-controlling interests	$ 1,262	$ (11,091)

	2022	2021
Cash flows from operating activities	$ 19,439	$ 53,068
Cash flows from investing activities	(38,022)	(57,522)
Cash flows from financing activities	-	-
Effect of exchange rate changes on cash and cash equivalents	1,175	4,617
Increase (decrease) in cash and cash equivalents	$ (17,408)	$ 163

(XX)Earnings per share

	2022		
	Amount after tax	Weighted average shares outstanding (in thousands)	Earnings per share (New Taiwan dollars)
Basic earnings per share			
Net profit for current period attributable to owners of the parent	$ 93,292	185,400	$ 0.50
Diluted earnings per share			
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		
	Amount after tax	Weighted average shares outstanding (in thousands)	Earnings per share (New Taiwan dollars)
Basic earnings per share			
Net profit for current period attributable to owners of the parent	$ 1,638,298	198,217	$ 8.27
Diluted earnings per share			
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	

	2021		
	Amount after tax	Weighted average shares outstanding (in thousands)	Earnings per share (New Taiwan dollars)
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

(XXI)Summary statement 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	579,520	253,000	832,520	804,264	311,117	1,115,381
Salary expense	524,472	215,396	739,868	747,410	262,917	1,010,327
Labor and health insurance expense	36,658	19,036	55,694	34,191	20,004	54,195
Pension expense	2,814	5,631	8,445	2,049	5,889	7,938
Directors' remuneration	-	1,488	1,488	-	7,938	7,938
Other employee benefits expense	15,576	11,449	27,025	20,614	14,369	34,983
Depreciation expense (note)	90,271	21,443	111,714	77,294	26,704	103,998
Amortization expense	2,554	6,128	8,682	270	5,046	5,316

Note: Depreciation of leased assets was recorded as NT$10,340 thousand and NT$3,289 thousand in 2022 and 2021, respectively, as a deduction from lease income.

1. As of December 31, 2022 and 2021, the Consolidated Company had 1,875 and 2,275 employees on average, respectively, and the number of directors who have not served as employees were both 3.

2. Employees' compensation and directors' remuneration

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.

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.

The above-mentioned information on employees' compensation and directors' remuneration can be inquired from the "Market Observation Post System" of the Taiwan Stock Exchange.

(XXII)Operating revenue

The analysis on operating revenue of the Consolidated Company is as follows:

	2022	2021
Revenue from the sale of goods	$ 3,493,148	$ 3,774,024
Less: Sales returns and allowances	(2,311)	(10,028)
Net sales revenue	$ 3,490,837	$ 3,763,996

1.The breakdown by operating segment is as follows:

Loudspeaker Segment	2022	2021
Speakers	$ 3,356,284	$ 3,640,278
Materials	98,432	94,941
Other goods	36,121	28,777
Total	$ 3,490,837	$ 3,763,996

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

	2022	2021
Europe	$ 1,165,159	$ 1,283,585
Americas	1,448,957	1,663,660
Asia	871,006	767,297
Taiwan	2,418	15,948
Other regions	3,297	33,506
Total	$ 3,490,837	$ 3,763,996

(XXIII)Interest income

The analysis on interest income of the Consolidated Company is as follows:

	2022	2021
Interest income from bank deposits	$ 50,365	$ 12,587
Interest on financial assets measured at fair value through profit or loss	7,092	5,306
Interest income from financial assets measured at amortized cost	29,667	81,360
Other interest income	15	20
Total	$ 87,139	$ 99,273

(XXIV)Other income

The analysis on other income of the Consolidated Company is as follows:

	2022	2021
Lease income (Note 7)	$ 2,027	$ 1,550
Dividend income	6,105	1,769
Other income – government grant income	55,496	16,402
Other income – sample income	14,131	13,003
Other income – income transferred from accrued expenses	26,105	56,530
Other income – transfer of lease rights	558	-

Other income – others (Note 7)	51,977	34,736
Total	$ 156,399	$ 123,990

The Consolidated Company's government grant income and incentive payments for 2022 and 2021 are as follows:

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.

4. The subsidiary Meida Technology (Suzhou) Co., Ltd. Received a government incentive payment of NT$48,295 thousand for early tax payment in 2022.

(XXV)Other gains and losses

Th analysis on other gains and losses of the Consolidated Company is as follows:

	2022	2021
Gains on disposals of property, plant and equipment	$ 5	$ 2,496,507
Gain on disposal of investment property	-	108,077
Gain on disposal of investments	148	2
Net loss on financial assets measured at fair value through profit or loss	(51,309)	(984)
Gain on reversal of impairment of property, plant and equipment	-	17,639
Profit from lease modification	1,306	1,280
Other impairment losses	-	(75,581)
Net foreign currency exchange gain (loss)	118,739	(32,424)
loss on disposal of property, plant and equipment	(397)	(1,729)
Miscellaneous expenses – equipment transfer export	-	(57,763)

	2022	2021
Miscellaneous expenses – others	(16,021)	(26,086)
Total	$ 52,471	$ 2,428,938

(XXVI)Finance costs

The analysis on financial costs of the Consolidated Company is as follows:

	2022	2021
Interest on bank loans	$ 14,621	$ 8,221
Discount on long-term borrowings (Notes 6.16 and 6.24)	7,201	7,201
Interest on lease liabilities	38	75
Imputed interest on advance receipts for ordinary share	4,019	3,863
Imputed interest on deposit	4	4
Total	$ 25,883	$ 19,364

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

(XXVII) Other information on net income/loss

The following items were deducted from net income/loss:

	2022	2021
Impairment losses on financial assets		
Expected credit impairment losses	$ -	$ 7,491
Depreciation and amortization expenses		
Depreciation of property, plant and equipment	$ 108,367	$ 100,091
Depreciation of investment properties	10,351	3,258
Depreciation of right-of-use assets	3,336	3,938
Amortization of intangible assets	8,448	5,091
Other non-current assets – other amortization	234	225
Total	$ 130,736	$ 112,603
R&D expenditures recognized as expenses when incurred	$ 119,251	$ 135,045
Employee benefits expense		
Post-employment benefits		
Defined contribution plan	$ 8,212	$ 7,752
Defined benefit plan	233	186
Subtotal	8,445	7,938
Salaries, bonuses and dividends, etc.	739,868	1,010,327
Total	$ 748,313	$ 1,018,265

(XXVIII)Financial instruments

1.Categories of financial instruments

	2022.12.31	2021.12.31
Financial assets		
Measured at amortized cost		
Cash and cash equivalents	$ 2,275,263	$ 2,709,298
Time deposits with maturity of more than three months	397,203	545,009
Restricted bank deposits	927,228	826,612
Notes and accounts receivable, net	477,294	792,778
Other receivables	35,525	13,121
Refundable deposits	6,234	7,215
Subtotal	4,118,747	4,894,033
Measured at fair value		
Current financial assets measured at fair value through profit or loss	272,288	252,242
Non-current financial assets measured at fair value through other comprehensive income	-	8,200
Subtotal	272,288	260,442
Total	$ 4,391,035	$ 5,154,475

	2022.12.31	2021.12.31
Financial liabilities		
Measured at amortized cost		
Short-term borrowings	$ 702,800	$ 1,001,000
Notes and accounts payable	367,215	901,974
Other payables	142,408	213,232
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	201,522	174,463
Deposits received	4,436	5,978
Total	$ 2,633,931	$ 3,429,912

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 Consolidated Company. These risks include foreign currency risk, interest rate risk, credit risk, and liquidity risk. The Consolidated 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 Consolidated Company is always monitoring the effects of exchange rate fluctuations on the Consolidated 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 Consolidated Company did not enter into or trade financial instruments for speculative purposes.

3. Market Risk

The Consolidated Company's operating activities exposed it primarily to the market risks arising from changes in foreign currency exchange rates and interest rates. The Consolidated Company monitors and responds to the risks arising from exchange rate fluctuations on a continuous basis. In addition, the Consolidated 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 Consolidated Company as well as net investments in its foreign operations are denominated in foreign currencies, which exposed the Consolidated 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 Measurement Exchange Rate	Account Amount (In thousands of New Taiwan dollars)	Change Range	Impact on profit or loss before tax
Monetary items						
Financial assets						
Cash and cash equivalents	US Dollar	$ 11,510,021	30.7100	$ 353,473	1%	$ 3,535
Cash and cash equivalents	Chinese Yuan	31,279,143	4.4132	138,041	1%	1,380
Cash and cash equivalents	British Pound	1,109,941	37.0900	41,168	1%	412
Cash and cash equivalents	Euro	347,464	32.7200	11,369	1%	114
Time deposits	US Dollar	5,646,932	30.7100	173,418	1%	1,733
Restricted bank deposits	US Dollar	30,193,040	30.7100	927,228	1%	9,273
Receivables	US Dollar	13,361,214	30.7100	410,323	1%	4,103
Receivables	Chinese Yuan	5,368,323	4.4132	23,691	1%	237
Receivables	British Pound	1,253,391	37.0900	46,488	1%	465
Financial liabilities						
Accounts payable	US Dollar	727,021	30.7100	22,327	1%	223

2021.12.31

Currency	Foreign Currency Amount (NT$)	Period-end Measurement Exchange Rate	Account Amount (In thousands of New Taiwan dollars)	Change Range	Impact on profit or loss before tax

Monetary items						
Financial assets						
Cash and cash equivalents	US Dollar	$ 4,408,736	27.6800	$ 122,034	1%	$ 1,220
Cash and cash equivalents	Chinese Yuan	1,843,151	4.3454	8,009	1%	80
Cash and cash equivalents	Euro	389,788	31.3200	12,208	1%	122
Time deposits	US Dollar	5,560,873	27.6800	153,925	1%	1,539
Restricted bank deposits	US Dollar	29,863,163	27.6800	826,612	1%	8,266
Receivables	US Dollar	25,695,621	27.6800	711,255	1%	7,112
Receivables	Chinese Yuan	12,586,735	4.3454	54,694	1%	547
Receivables	British Pound	941,371	37.300	35,113	1%	351
Financial liabilities						
Accounts payable	US Dollar	2,290,537	27.6800	63,402	1%	634

Due to the wide variety of functional currencies of the Consolidated Company, the information on exchange gains and losses on monetary items is summarized and disclosed. The foreign currency exchange gain and loss (including realized and unrealized) for 2022 and 2021 was NT$118,739 thousand and NT$(32,424) thousand, respectively.

The non-monetary items of the Consolidated 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 refers to the risk of changes in the fair value of financial instruments and changes in future cash flows due to changes in market interest rates. The Consolidated Company's interest rate risk for cash flow arises primarily from floating interest rate demand deposits and short-term and long-term borrowings. The Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company. The Consolidated 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 Consolidated Company's credit exposure and the credit status of the counterparties was also performed in the course of transactions. The Consolidated 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 Consolidated 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 Consolidated Company's operations and to ensure financial flexibility of the Consolidated Company.

The table below summarizes the analysis of the Consolidated 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 Consolidated 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	365,846	-	-	365,846
Other payables	104,036	38,372	201,522	343,930
Lease liabilities	539	538	1,213	2,290
Long-term borrowings	164,095	225,170	841,313	1,230,578
Total	$ 1,338,685	$ 264,080	$ 1,044,048	$ 2,646,813

	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	899,046	-	-	899,046
Other payables	163,745	49,487	174,463	387,695
Lease liabilities	839	2,095	2,290	5,224
Long-term borrowings	40,142	76,880	1,035,578	1,152,600
Total	$ 2,107,700	$ 128,462	$ 1,212,331	$ 3,448,493

6.Fair value of financial instruments

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

Key management of the Consolidated Company believes that the carrying amounts of the Consolidated Company's financial assets and financial liabilities measured at amortized cost in the consolidated financial statements are close to 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 consolidated statement of financial position

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 Consolidated 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
- Bond funds	37,305	-	-	37,305
- Equity funds	14,585	-	-	14,585
- Corporate bonds	155,871	-	-	155,871
Total	$ 272,288	$ -	$ -	$ 272,288

	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
- Bond funds	37,602	-	-	37,602
- Equity funds	18,038	-	-	18,038
- Corporate bonds	145,257	-	-	145,257

Non-current financial assets measured at fair value through other comprehensive income - Non-publicly quoted equity instruments	-	-	8,200	8,200
Total	$ 252,242	$ -	$ 8,200	$ 260,442

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 oat fair value on a recurring basis on Level 3 for 2022 and 2021.

A review on the Consolidated Company's polices 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 Consolidated 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

(XXIX)Capital Management

The capital management objective of the Company and its subsidiaries is to provide adequate compensation for shareholders by maintaining an optimal capital structure while continuing to operate and grow. The Company's capital structure management strategy is to plan the required capital expenditures based on the scale of the industries operated by the Company and its subsidiaries, the future growth of the industries, product development blueprints and changes in the external environment, and other factors; and, according to the characteristics of the industries, calculate the required working capital and cash, estimate the possible product profit, operating profit rate and cash flow, and consider risk factors such as industrial cycle fluctuations and product life cycle, so as to determine the most appropriate capital structure.

The debt ratios of the Consolidated Company as of December 31, 2022 and 2021 are as follows:

	2022.12.31	2021.12.31
Total liabilities	$ 3,665,049	$ 4,418,429
Total assets	$ 8,048,449	$ 9,045,391
Debt ratio	45.54%	48.85%

The Consolidated Company's debt ratio as of December 31, 2022 decreased due to the repayment of bank loans.

VII. Transactions with Related Parties

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

Name of related party	Relationship with the Company
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

The amounts and balances of transactions between the Company and its subsidiaries have been eliminated in the preparation of the consolidated financial statements and are not disclosed in the Notes. The details of transactions between the Company and its subsidiaries and other related parties are disclosed as follows:

1.Sales

Transaction Amount	2022	2021
Other related parties	$ 18	$ 383
With a significant impact on the entity	129	-
Total	$ 147	$ 383

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

2.Accounts receivable

Outstanding balance	2022.12.31	2021.12.31
Other related parties	$ -	$ 402
With a significant impact on the entity	60	-
Total	$ 60	$ 402

3.Other receivables

Transaction Amount	2022.12.31	2021.12.31
Other related parties	$ 312	$ 5

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

4.Lease income (recorded as other income)

Transaction Amount	2022	2021
Other related parties	$ 96	$ 96

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

5.Management income (recorded as other income)

Transaction Amount	2022	2021
Other related parties	$ 79	$ 96

(III)Compensation of key management personnel

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

	2022	2021
Short-term benefits	$ 19,999	$ 35,305
Post-employment benefits	383	268
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	$ 20,382	$ 35,573

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:

	2022.12.31	2021.12.31
Land – cost and revaluation increment	$ 152,282	$ 152,791
Building and structures – net	54,771	60,985
Total	$ 207,053	$ 213,776

(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.
10. Business relationships and significant transactions between the parent and subsidiaries and between the subsidiaries and the amounts thereof: Please refer to Schedule VIII for details.

(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 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 IX for details.

XIV. Department Information

(I)General information

The Consolidated Company mainly manufactured and sold loudspeakers, primarily in the loudspeaker segment, in 2022 and 2021.

(II)Information on the basis of measurement of segment profit and loss

The accounting policies of the Company's operating segments are the same as those described in the summary of significant accounting policies in Note 4 to the Consolidated Financial Statements. The profit and loss of the Company's operating segments is measured by net operating income and is used as the basis for evaluating the performance of the operating segment.

(III)Segment information that should be disclosed

The segment information that the Company and its subsidiaries shall disclose is as follows:

2022	Loudspeaker Segment	Other Segments	Adjustments and Write-offs	Consolidated
Revenue from customers other than the parent and consolidated subsidiaries	$ 3,490,837	$ -	$ -	$ 3,490,837
Revenue from the parent and consolidated subsidiaries	5,290,492	-	(5,290,492)	-
Total revenue	$ 8,781,329	$ -	$ (5,290,492)	$ 3,490,837
Segment gain (loss)	$ (26,557)	$ (5,292)	$ 617	$ (31,232)
Depreciation	$ 121,957	$ 97		

2021	Loudspeaker Segment	Other Segments	Adjustments and Write-offs	Consolidated
Revenue from customers other than the parent and consolidated subsidiaries	$ 3,763,996	$ -	$ -	$ 3,763,996
Revenue from the parent and consolidated subsidiaries	6,273,486	-	(6,273,486)	-
Total revenue	$ 10,037,482	$ -	$ (6,273,486)	$ 3,763,996
Segment gain (loss)	$ (25,115)	$ (7,490)	$ 5,174	$ (27,431)
Depreciation	$ 107,192	$ 95		

The net operating profit of the segment reported by the Company and its subsidiaries to the chief operating decision maker is measured in a manner consistent with that of revenue, expenses, etc. reported in the consolidated statement of comprehensive income. The Company does not provide the amount of total assets and total liabilities for the operating decision maker to make business decisions.

(IV)Regional financial information

Please refer to Note 6.22 for region information of the Consolidated Company’s revenue from external customers, where revenue is classified on the basis of the geographical location of the customer, and non-current assets are classified on the basis of the geographical location of the assets as follows:

Region	2022.12.31	2021.12.31
Taiwan	$ 496,963	$ 508,926
People’s Republic of China	462,090	504,249
Indonesia	1,520,789	1,242,119
Total	$ 2,479,842	$ 2,255,294

Non-current assets include property, plant and equipment, investment property, right-of-use assets, intangible assets and other assets, except for financial instruments, deferred income tax assets, assets for post-employment benefits and non-current assets arising from rights under insurance contracts.

(V)Important customer information

Customers to which the Consolidated Company sells goods amounting to 10% of sales revenue on the consolidated statement of comprehensive income are as follows:

Customer Name	2022			2021		
	Sales Amount	% of Net Sales	Sales Department	Sales Amount	% of Net Sales	Sales Department
Customer E	$ 503,483	14.42%	Loudspeaker Segment	$ 462,053	12.28%	Loudspeaker Segment
Customer D	363,067	10.40%	Loudspeaker Segment	254,383	6.76%	Loudspeaker Segment
Customer C	349,877	10.02%	Loudspeaker Segment	342,387	9.09%	Loudspeaker Segment
Customer A	326,098	9.34%	Loudspeaker Segment	474,723	12.61%	Loudspeaker Segment
Total	$ 1,542,525	44.18%		$ 1,533,546	40.74%	

Schedule I

Meiloon Industrial Co., Ltd. and its subsidiaries
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 or reviewed 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 or reviewed by an accountant.

Note 5: The Board of Directors has permitted that the aggregate amount of loans of the subsidiary, MAKINGO DEVELOPMENT CORP. shall be 100% of the net value of the most recent audited and certified or reviewed financial statements, and the amount of any individual loan shall not exceed 20% of the net value of the most recent audited and certified or reviewed financial statements or accounts. The Board of Directors has permitted that the aggregate amount of loans of the sub-subsidiary, Meida Technology (Suzhou) Co., Ltd. shall be 100% of the net value of the most recent audited and certified or reviewed financial statements , and the amount of any individual loan shall not exceed 10% of the net value of the most recent audited and certified or reviewed financial statements or accounts.

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

Note 7: The presentation of the consolidated financial statements has been written off on a consolidated basis.

Schedule II-Part I

Meiloon Industrial Co., Ltd. and its subsidiaries
Breakdown of Securities Held at the End of the Period (excluding investments in subsidiaries, associates and joint ventures)
December 31, 2022

Unit: shares; in 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	Book value	Sharehol-ding	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. and its subsidiaries
Breakdown of Securities Held at the End of the Period (excluding investments in subsidiaries, associates and joint ventures)
December 31, 2022

Unit: shares; in thousands of New Taiwan dollars

Securities held by	Type and Name of Marketable Securities	Relationship with the Security Issuer	Account	Period-end				Remarks
				Number of Shares	Book value	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		(38,931)			
			Net		$ -			

Schedule III

Meiloon Industrial Co., Ltd. and its subsidiaries

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.	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.

Note 2: The presentation of the consolidated financial statements has been written off on a consolidated basis.

Schedule IV

Meiloon Industrial Co., Ltd. and its subsidiaries

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.

Note 2: The presentation of the consolidated financial statements has been written off on a consolidated basis.

Schedule V

Meiloon Industrial Co., Ltd. and its subsidiaries
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		End of Last Year			Current Profit and Loss of the Investee	Investment Gains and Losses Recognized in Current Period	Remarks
				Period-end Holding	End of the Period	Number of Shares	Ratio	Book value			
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) (Note 1)	Subsidiary
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.

Note 2: Presentation of consolidated statements: Long-term investments and investment gains and losses have been written off on a consolidated basis.

Schedule VI

Meiloon Industrial Co., Ltd. and its subsidiaries

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	Invest-ment 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	RMB 92,770,000	(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	USD 8,148,000	(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	USD 2,000,000	(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	USD 950,000	(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	RMB 45,000,000	(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: As the investment gains or losses in Suzhou YueTai Trading Co., Ltd. did not result in any significant impact to the fair representation of the fair presentation 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 recognized based on the financial statements which have been audited and certified by the certified accountant of the parent company 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.
Note 8: The presentation of the consolidated financial statements has been written off on a consolidated basis.

Schedule VII

Meiloon Industrial Co., Ltd. and its subsidiaries

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:

Object	Amount	Percentage of the Company's net sales	Unrealized gain or loss at the end of the period	Accounts receivable at the end of the period
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:

Object	Amount	Percentage of the Company's net purchases	Unrealized gain or loss at the end of the period	Accounts payable at the end of the period
Dongguan Meiloon Acoustic Equipments Co., Ltd.	$ 2,489,381	93.71%	$ 5,406	$ 926,814

The sales prices to related parties 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.

Note: During the presentation of the consolidated financial statements, the purchase and sales transactions between the consolidated entities have been written off.

Schedule VIII

Meiloon Industrial Co., Ltd. and its subsidiaries

Business Relationships and Significant Transactions between the Parent and Subsidiaries

January 1 to December 31, 2022

Unit: In Thousands of New Taiwan Dollars

No. (Note 1)	Trader Name	Trading Partner	Relationship with the Trader (Note 2)	Transaction Details			
				Account	Amount	Trading Conditions	Percentage of Consolidated Total Revenue or Total Assets (Note 3)
0	Meiloon Industrial Co., Ltd.	MAKINGO DEVELOPMENT CORP.	(1)	Purchases	2,489,381	Same as the general	71.31%
1	MAKINGO DEVELOPMENT CORP.	Dongguan Meiloon Acoustic Equipments Co., Ltd.	(3)	Purchases	2,558,219	Same as the general	73.28%

Note 1: Information on business transactions between the parent and its subsidiaries should be indicated separately in the number column, and the number should be filled in as follows:

(1) Fill in 0 for the parent.

(2) Subsidiaries are numbered sequentially according to the company, starting with the Arabic numeral 1.

Note 2: There are three types of relationships with the trader as follows:

(1) Parent to subsidiary.

(2) Subsidiary to parent.

(3) Subsidiary to subsidiary.

Note 3: The ratio of transaction amount to consolidated total revenue or total assets is calculated based on the ending balance to consolidated total assets for balance sheet items and on the interim cumulative amount to consolidated total revenue for profit and loss items.

Note 4: The transactions listed above have been written off on a consolidated basis.

Note 5: Significant transactions are those amounting to at least NT$100 million or 20% of the parent company’s paid-in capital.

Schedule IX

Meiloon Industrial Co., Ltd. and its subsidiaries

Information on Major Shareholders

December 31, 2022

Shares / 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.