

LINE Pay Taiwan Limited and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies that are required to be included in the consolidated financial statements of affiliates of LINE Pay Taiwan Limited as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Thus, LINE Pay Taiwan Limited and subsidiaries did not prepare a separate set of consolidated financial statements of affiliated enterprises.

Very truly yours,

LINE Pay Taiwan Limited

WoongJu Jeong
Chairman

March 28, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
LINE Pay Taiwan Limited

Opinion

We have audited the accompanying consolidated financial statements of LINE Pay Taiwan Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2023 is stated as follows:

Service Fee Revenue Recognition for the Third-party Payment Transaction

As the service fee revenue derived from the third-party payment services rendered by the Group mainly consists of small and widespread customer service fees, the transaction cash flows involve a large volume of transaction data. Transaction processing relies on an automated information system with manual verification of internal and external transaction information before recognition of service fee revenue.

Due to the reliance on an automated information system for transaction processing, revenue recognition requires system processing with manual verification of internal and external information and involves a large volume of transaction data and frequent processing of transaction reconciliation, which has a significant impact on the financial statements as a whole. Therefore, service fee revenue recognition for third-party payment transaction is identified as a key audit matter for the year ended December 31, 2023.

Our key audit procedures performed with respect to the above-mentioned service fee revenue included the following:

1. We commissioned IT specialists to identify critical systems pertaining to processing third-party payment transactions and service fee revenue recognition and to test the general information technology controls of those systems, including access controls and change controls.
2. We obtained an understanding and assessed the design and implementation of internal controls over service fee revenue, including controls over verification and reconciliation of internal and external information and revenue recognition, through interviews and examination of relevant documentation. We also tested the effectiveness of the relevant controls.
3. We performed tests of details by selecting samples from the service fee revenue ledger and vouching for and tracing third-party payment records.

Other Matter

We have also audited the parent company only financial statements of LINE Pay Taiwan Limited as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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, IFRIC, and 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 the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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 the 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 the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
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 entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chiang Hsun Chen and Cheng Chuan Yu.

Ching-hsun Chen Cheng-Chuan Yu

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 24, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022 (Restated)	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,390,540	27	\$ 5,062,516	45
Financial assets at amortized cost - current (Notes 4, 8 and 30)	250,000	2	20,000	-
Trade receivables, net (Notes 4, 9 and 20)	234,511	2	177,366	2
Trade receivables from related parties (Notes 4, 20 and 29)	20,259	-	51,936	1
Other receivables (Notes 4 and 9)	2,512,299	20	1,173,369	10
Other receivables from related parties (Notes 4 and 29)	647,047	5	1,039,092	9
Current tax assets (Notes 4 and 22)	10,524	-	26,424	-
Prepayments (Notes 15 and 29)	14,180	-	13,503	-
Other financial assets - current (Notes 4, 10, 28 and 30)	5,041,759	40	3,294,444	29
Other current assets	8,719	-	-	-
Total current assets	<u>12,129,838</u>	<u>96</u>	<u>10,858,650</u>	<u>96</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	214	-	218	-
Financial assets at amortized cost - non-current (Notes 4, 8 and 30)	27,000	-	7,000	-
Property, plant and equipment (Notes 4, 12 and 29)	178,753	1	202,482	2
Right-of-use assets (Notes 4, 13 and 29)	214,370	2	72,180	1
Intangible assets (Notes 4, 14 and 29)	60,727	1	695	-
Deferred tax assets (Notes 4 and 22)	38,968	-	94,979	1
Other non-current assets (Notes 15 and 29)	31,524	-	21,809	-
Total non-current assets	<u>551,556</u>	<u>4</u>	<u>399,363</u>	<u>4</u>
TOTAL	<u>\$ 12,681,394</u>	<u>100</u>	<u>\$ 11,258,013</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Notes 4 and 20)	\$ 210,829	2	\$ 106,579	1
Trade payables	3,390	-	3,637	-
Trade payables to related parties (Note 29)	47,152	-	99,081	1
Other payables (Notes 16 and 24)	258,463	2	227,735	2
Other payables to related parties (Note 29)	21,577	-	36,487	-
Current tax liabilities (Note 22)	55,737	1	-	-
Provisions - current (Notes 4 and 17)	18,002	-	13,139	-
Lease liabilities - current (Notes 4, 13 and 29)	69,555	1	45,036	1
Other current liabilities (Notes 16 and 29)	6,098,630	48	5,536,681	49
Total current liabilities	<u>6,783,335</u>	<u>54</u>	<u>6,068,375</u>	<u>54</u>
NON-CURRENT LIABILITIES				
Provisions - non-current (Notes 4 and 17)	10,628	-	9,594	-
Deferred tax liabilities (Notes 4 and 22)	2,645	-	-	-
Lease liabilities - non-current (Notes 4, 13 and 29)	140,006	1	29,085	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	343,247	3	246,238	2
Other non-current liabilities (Notes 16 and 24)	13,740	-	3,522	-
Total non-current liabilities	<u>510,266</u>	<u>4</u>	<u>288,439</u>	<u>2</u>
Total liabilities	<u>7,293,601</u>	<u>58</u>	<u>6,356,814</u>	<u>56</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 19)				
Share capital				
Ordinary shares	600,000	4	547,065	5
Capital surplus	4,305,972	34	4,593,411	41
Retained earnings (accumulated deficit)				
Unappropriated earnings (accumulated deficit)	481,608	4	(256,427)	(2)
Other equity	213	-	-	-
Equity attributable to owners of the Company	<u>5,387,793</u>	<u>42</u>	<u>4,884,049</u>	<u>44</u>
INTERESTS ATTRIBUTABLE TO THE PREDECESSOR UNDER COMMON CONTROL				
Total equity	<u>5,387,793</u>	<u>42</u>	<u>4,901,199</u>	<u>44</u>
TOTAL	<u>\$ 12,681,394</u>	<u>100</u>	<u>\$ 11,258,013</u>	<u>100</u>

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

LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 29)	\$ 4,928,238	100	\$ 3,862,841	100
OPERATING COSTS (Notes 21 and 29)	<u>(3,404,504)</u>	<u>(69)</u>	<u>(2,552,823)</u>	<u>(66)</u>
GROSS PROFIT	<u>1,523,734</u>	<u>31</u>	<u>1,310,018</u>	<u>34</u>
OPERATING EXPENSES (Notes 21 and 29)				
Selling and marketing expenses	(337,040)	(7)	(252,459)	(7)
General and administrative expenses	(476,549)	(10)	(401,107)	(10)
Research and development expenses	(155,484)	(3)	(137,957)	(4)
Expected credit loss	<u>(3,333)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>(972,406)</u>	<u>(20)</u>	<u>(791,523)</u>	<u>(21)</u>
PROFIT FROM OPERATIONS	<u>551,328</u>	<u>11</u>	<u>518,495</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 21 and 29)				
Interest income	57,110	1	12,174	1
Other income	767	-	682	-
Other gains and losses	8,141	-	10,866	-
Finance costs	<u>(4,257)</u>	<u>-</u>	<u>(1,482)</u>	<u>-</u>
Total non-operating income and expenses	<u>61,761</u>	<u>1</u>	<u>22,240</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	613,089	12	540,735	14
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(120,100)</u>	<u>(2)</u>	<u>(94,753)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>492,989</u>	<u>10</u>	<u>445,982</u>	<u>12</u>
OTHER COMPREHENSIVE (LOSS)/INCOME (Notes 4, 19 and 22)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(51)	-	70	-
Income tax related to items that may be reclassified subsequently to profit or loss	<u>(53)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive (loss)/income for the year, net of income tax	<u>(104)</u>	<u>-</u>	<u>70</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 492,885</u>	<u>10</u>	<u>\$ 446,052</u>	<u>12</u>

(Continued)

LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022 (Restated)	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 481,608	10	\$ 439,946	12
Interests attributable to the predecessor under common control	<u>11,381</u>	<u>-</u>	<u>6,036</u>	<u>-</u>
	<u>\$ 492,989</u>	<u>10</u>	<u>\$ 445,982</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 481,821	10	\$ 439,946	12
Interests attributable to the predecessor under common control	<u>11,064</u>	<u>-</u>	<u>6,106</u>	<u>-</u>
	<u>\$ 492,885</u>	<u>10</u>	<u>\$ 446,052</u>	<u>12</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 8.09</u>		<u>\$ 7.51</u>	
Diluted	<u>\$ 7.94</u>		<u>\$ 7.51</u>	

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

(Concluded)

LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company					Total Equity
	Ordinary Share Capital	Capital Surplus	Accumulated Deficits	Other Equity Exchange Differences on Translation of the Financial Statements of Foreign Operations	Interests Attributable to the Predecessor under Common Control	
BALANCE AT JANUARY 1, 2022	\$ 547,065	\$ 4,585,573	\$ (696,373)	\$ -	\$ -	\$ 4,436,265
Retrospective restatement of business combinations under common control	-	-	-	-	(6,126)	(6,126)
BALANCE AT JANUARY 1, 2022 AS RESTATED	547,065	4,585,573	(696,373)	-	(6,126)	4,430,139
Net profit for the year ended December 31, 2022	-	-	439,946	-	6,036	445,982
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	70	70
Total comprehensive income for the year ended December 31, 2022 (Note 19)	-	-	439,946	-	6,106	446,052
Issuance of employee share options by the Company (Notes 19 and 24)	-	7,838	-	-	17,170	25,008
BALANCE AT DECEMBER 31, 2022	547,065	4,593,411	(256,427)	-	17,150	4,901,199
Other changes in capital surplus (Note 19)						
Capital surplus used to offset accumulated deficits	-	(256,427)	256,427	-	-	-
Issuance of share dividends from capital surplus	39,618	(39,618)	-	-	-	-
Issuance of employee share options by the Company (Notes 19 and 24)	-	42,304	-	-	10,182	52,486
Other	-	-	-	-	(141)	(141)
Net profit for the year ended December 31, 2023	-	-	481,608	-	11,381	492,989
Other comprehensive income (loss) for the year ended December 31, 2023 (Note 19)	-	-	-	213	(317)	(104)
Total comprehensive income for the year ended December 31, 2023	-	-	481,608	213	11,064	492,885
Reorganization (Notes 11 and 25)	-	(169,537)	-	-	(38,255)	(207,792)
Issuance of ordinary shares under employee share options (Notes 19 and 24)	13,317	135,839	-	-	-	149,156
BALANCE AT DECEMBER 31, 2023	\$ 600,000	\$ 4,305,972	\$ 481,608	\$ 213	\$ -	\$ 5,387,793

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

LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 613,089	\$ 540,735
Adjustments for:		
Depreciation expenses	95,562	86,360
Amortization expenses	6,079	306
Expected credit loss recognized on receivables	3,333	-
Finance costs	4,257	1,482
Interest income	(57,110)	(12,174)
Compensation cost arising from employee share options	52,486	25,008
Gain on disposal of property, plant and equipment	(351)	-
Loss on disposal of intangible assets	86	-
Gain on lease modification	(5,893)	-
Gain on foreign currency exchange	(5,516)	(15,761)
Changes in operating assets and liabilities		
Trade receivables	(57,145)	(40,720)
Trade receivables from related parties	27,971	(19,495)
Other receivables	(1,341,936)	(272,347)
Other receivables from related parties	391,225	(9,915)
Prepayments	(820)	3,799
Other current assets	(8,719)	-
Other financial assets	(1,747,315)	(149,377)
Other non-current assets	(905)	(1)
Contract liabilities	104,250	80,632
Trade payables	(247)	(2,653)
Trade payables to related parties	(48,796)	29,593
Other payables	31,828	102,435
Other payables to related parties	(13,712)	17,776
Provisions	4,474	2,356
Other current liabilities	562,023	1,463,675
Net defined benefit liabilities	101,315	17,028
Other non-current liabilities	<u>10,259</u>	<u>3,422</u>
Cash (used in)/generated from operations	(1,280,228)	1,852,164
Interest received	56,718	12,174
Interest paid	(3,978)	(1,343)
Income tax refunded/(paid)	<u>9,750</u>	<u>(3,776)</u>
Net cash (used in)/generated from operating activities	<u>(1,217,738)</u>	<u>1,859,219</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(250,000)	-
Acquisition of subsidiaries	(207,792)	-
Payments for property, plant and equipment	(17,514)	(46,761)

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LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022 (Restated)
Proceeds from disposal of property, plant and equipment	\$ 669	\$ -
Increase in refundable deposits	(9,001)	(550)
Payments for intangible assets	<u>(66,200)</u>	<u>(425)</u>
Net cash used in investing activities	<u>(549,838)</u>	<u>(47,736)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(53,536)	(54,840)
Proceeds from employee share options	<u>149,156</u>	<u>-</u>
Net cash generated from/(used in) financing activities	<u>95,620</u>	<u>(54,840)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(20)</u>	<u>24,503</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,671,976)	1,781,146
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>5,062,516</u>	<u>3,281,370</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,390,540</u>	<u>\$ 5,062,516</u>

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

(Concluded)

LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

LINE Pay Taiwan Limited (the “Company”; the Company and the entities controlled by the Company are referred to as the “Group”) was incorporated in Taipei as a company limited by shares in March 2015. The Company is primarily engaged in data processing services, electronic information supply services and the third-party payment services.

In July 2023, the Company acquired 100% interest in LINE Pay Plus Corporation with a payment amount of ~~NT~~8,800,000 thousand as consideration. The transaction is a business combination under common control; therefore, comparative information of the prior period in the consolidated financial statements is restated as if the combination had already occurred.

On November 17, 2023, the Company’s shares were approved for public offering by the Financial Supervisory Commission Securities and Futures Bureau, and the Company’s shares have been listed on the Taipei Exchange (TPEX) Emerging Stock Board (ESB) since January 26, 2024.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 28, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuer and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11 and Table 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations under common control

Business combinations under common control are accounted for applying the book-value method. Comparative information of the prior period in the consolidated financial statements is restated as if the combination had already occurred.

f. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting consolidated financial statements, the financial statements of the Company's foreign operations (including subsidiaries in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (after deducting amortization and depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28: Financial Instruments.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade and other receivables at amortized cost, time deposits with maturities of more than three months, restricted time deposit and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including trade and other receivables).

The Group recognizes lifetime expected credit losses (ECLs) for trade and other receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers the following situation as indication that a financial asset is in default (without taking into account any collateral held by the Group): Internal or external information shows that the debtor is unlikely to pay its creditors.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Decommissioning and restoration obligation

Pursuant to the lease agreement, the Group has an obligation, at the end of the respective lease terms, to restore the leased plant assets to their original condition at the time of the lease. Provisions are recognized based on the present value of the best estimate of future outflows of economic benefits that will be required for fulfillment of the restoration obligation stated on the lease contract.

l. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Service fee revenue

The Group provides third-party payment services. The service fee is directly related to the individual distinguishable payment processing services rendered and thus is recognized when the transaction is processed.

2) Financial marketing cooperation

The Group provides financial marketing services. Financial marketing cooperation is recognized when services are provided.

3) Revenue from the rendering of services

The Group provides platform development and maintenance related to third-party payment services. Revenue from the rendering of services is recognized upon satisfaction of the service conditions.

m. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprise the initial measurement of lease liabilities plus an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liabilities (assets)) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

o. Share-based payment arrangements

1) Employee share options granted to employees

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

2) Cash-settled share-based payment arrangements

For cash-settled share-based payments, a liability is recognized for the services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Group considers the possible impact of volatility in financial markets on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Based on the assessment of the Group's management, the accounting policies, estimates, and assumptions adopted by the Group have not been subject to material accounting judgments, estimates and assumptions uncertainty.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2023	2022
Checking accounts and demand deposits	<u>\$ 3,390,540</u>	<u>\$ 5,062,516</u>

The market rate intervals of cash in the bank at the end of the year were as follows:

	<u>December 31</u>	
	2023	2022
Bank balance	0.01%-5.12%	0.01%-0.535%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2023	2022
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Oversea unlisted shares	<u>\$ 214</u>	<u>\$ 218</u>

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2023	2022
<u>Current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 250,000	\$ -
Restricted time deposits (b)	<u>-</u>	<u>20,000</u>
	<u>\$ 250,000</u>	<u>\$ 20,000</u>

(Continued)

	<u>December 31</u>	
	2023	2022
<u>Non-current</u>		
Restricted time deposits (b)	\$ 27,000	\$ 7,000 (Concluded)

- a. The interest rates of time deposits with original maturities of more than 3 months was 1.35% per annum as of December 31, 2023.
- b. According to the cooperation agreement with merchants, the Group is required to pledge a certificate of deposits as a performance guarantee and collateral for present and future obligations. The interest rates of restricted time deposits were both 0.15% per annum as of December 31, 2023 and 2022, respectively. Refer to Note 30 for information on assets pledged as collateral or for security.
- c. The Group has tasked its credit management committee to develop and maintain a credit risk grading framework to assess whether there has been a significant increase in credit risk since the last period to the reporting date and measure the expected credit losses. The credit rating information may be obtained from independent rating agencies where available, and if such information is not available, the credit management committee uses other publicly available financial information to rate. In determining the expected credit losses on financial assets measured at amortized cost, the Group considers the current financial condition of counterparties and the future prospects of the industries. The Group assesses that the expected credit loss rates of financial assets measured at amortized cost were both 0% per annum as of December 31, 2023 and 2022, respectively.

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	2023	2022
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 234,511	\$ 177,366
Less: Allowance for impairment loss	-	-
	<u>\$ 234,511</u>	<u>\$ 177,366</u>
<u>Other receivables</u>		
Other receivables - third-party payment (unappropriated)	\$ 2,304,671	\$ 930,720
Other receivables - points issued	190,551	242,649
Tax refund receivables	16,375	-
Interest receivables	350	-
Others	352	-
Less: Allowance for impairment loss	-	-
	<u>\$ 2,512,299</u>	<u>\$ 1,173,369</u>

a. Trade receivables

The Group's trade receivables mainly come from financial promotion services and marketing products. The average credit period is 30 to 90 days, and no interest is charged on overdue trade receivables.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, as well as forward-looking information. As the Group's historical credit loss experience shows different loss patterns for different customer segments, the Group uses different provision matrixes based on customer segments by industry region.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix:

December 31, 2023

	Not Past Due	1 to 90 Days Past Due	91 to 180 Days Past Due	Over 181 Days Past Due	Total
Expected credit loss rate	0%	0%	-	-	
Gross carrying amount	\$ 221,908	\$ 12,603	\$ -	\$ -	\$ 234,511
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 221,908</u>	<u>\$ 12,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,511</u>

December 31, 2022

	Not Past Due	1 to 90 Days Past Due	91 to 180 Days Past Due	Over 181 Days Past Due	Total
Expected credit loss rate	0%	0%	-	-	
Gross carrying amount	\$ 165,627	\$ 11,739	\$ -	\$ -	\$ 177,366
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 165,627</u>	<u>\$ 11,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,366</u>

b. Other receivables

Other receivables are payments of credit card transactions collected on behalf of the Group but that have not yet been disbursed by the acquiring banks to the Group's account, and receivables of points issued by the Group for banks and contracted merchants. Other receivables are usually received within 1 to 30 days.

The Group measures the loss allowance for other receivables at an amount equal to lifetime ECLs. The expected credit losses on other receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, as well as forward-looking information. As the Group's historical credit loss experience shows different loss patterns for different customer segments, the Group uses different provision matrixes based on customer segments by industry region.

The Group writes off other receivables when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For other receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of other receivables based on the Group's provision matrix:

December 31, 2023

	Not Past Due	1 to 90 Days Past Due	91 to 180 Days Past Due	Over 181 Days Past Due	Total
Expected credit loss rate	0%	0%	-	0%	
Gross carrying amount	\$ 2,493,277	\$ 18,809	\$ -	\$ 213	\$ 2,512,299
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 2,493,277</u>	<u>\$ 18,809</u>	<u>\$ -</u>	<u>\$ 213</u>	<u>\$ 2,512,299</u>

December 31, 2022

	Not Past Due	1 to 90 Days Past Due	91 to 180 Days Past Due	Over 181 Days Past Due	Total
Expected credit loss rate	0%	0%	-	0%	
Gross carrying amount	\$ 1,168,756	\$ 4,487	\$ -	\$ 126	\$ 1,173,369
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 1,168,756</u>	<u>\$ 4,487</u>	<u>\$ -</u>	<u>\$ 126</u>	<u>\$ 1,173,369</u>

The movements of the loss allowance of other receivables were as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Balance at January 1	\$ -	\$ -
Add: Net remeasurement of loss allowance	3,333	-
Less: Amounts written off	<u>(3,333)</u>	<u>-</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

10. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Escrow account deposit	<u>\$ 5,041,759</u>	<u>\$ 3,294,444</u>

The Group provides third-party payment services where the transaction amounts are deposited in the Group's escrow account as performance guarantee, ensuring the disbursement to merchant. The customers' transaction amounts with contracted merchants via the Group's platform will be directly remitted to the Group's escrow account in the escrow bank, which will disburse the transaction amounts to contracted merchants based on the Group's instructions.

The interest rates of escrow account deposit were 0.51% and 0.385% per annum as of December 31, 2023 and 2022, respectively. Refer to Note 30 for information on assets pledged as collateral or for security.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Nature of Activities	<u>Proportion of Ownership (%)</u>		Remark
			<u>December 31</u>		
			<u>2023</u>	<u>2022</u>	
The Company	LINE Pay Plus Corporation	System platform development and maintenance	100	100	Foreign exchange risk is the major operational risk

In July 2023, the Company acquired 100% interest in LINE Pay Plus Corporation with a payment amount of ₩8,800,000 thousand (equivalent to NT\$207,792 thousand) as consideration in order to strengthen the system platform development and maintenance related to third-party payment services. The transaction is a business combination under common control. Refer to Note 25 for information on business combination under common control.

12 PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Assets used by the Group	\$ 169,248	\$ 195,985
Assets leased under operating leases	<u>9,505</u>	<u>6,497</u>
	<u>\$ 178,753</u>	<u>\$ 202,482</u>

a. Assets used by the Group

	Machinery and Equipment	Office Equipment	Leasehold Improvement	Equipment Pending Acceptance	Total
<u>Cost</u>					
Balance at January 1, 2023	\$ 14,415	\$ 56,904	\$ 100,251	\$ 122,500	\$ 294,070
Additions (Note 29)	-	10,260	7,658	-	17,918
Transfers from assets leased under operating leases	10,789	-	-	-	10,789
Transfers to assets leased under operating leases	-	-	-	(12,920)	(12,920)
Disposals	-	(9,535)	(7,567)	(229)	(17,331)
Effect of foreign currency exchange differences	-	(260)	(130)	-	(390)
Balance at December 31, 2023	<u>\$ 25,204</u>	<u>\$ 57,369</u>	<u>\$ 100,212</u>	<u>\$ 109,351</u>	<u>\$ 292,136</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	\$ 12,322	\$ 31,040	\$ 54,723	\$ -	\$ 98,085
Depreciation expenses	1,653	14,712	20,027	-	36,392
Transfers from assets leased under operating leases	5,780	-	-	-	5,780
Disposals	-	(9,442)	(7,567)	-	(17,009)
Effect of foreign currency exchange differences	-	(162)	(198)	-	(360)
Balance at December 31, 2023	<u>\$ 19,755</u>	<u>\$ 36,148</u>	<u>\$ 66,985</u>	<u>\$ -</u>	<u>\$ 122,888</u>
Carrying amount at December 31, 2023	<u>\$ 5,449</u>	<u>\$ 21,221</u>	<u>\$ 33,227</u>	<u>\$ 109,351</u>	<u>\$ 169,248</u>
<u>Cost</u>					
Balance at January 1, 2022	\$ 9,209	\$ 42,182	\$ 71,102	\$ 127,421	\$ 249,914
Additions	-	17,867	28,870	-	46,737
Transfers from assets leased under operating leases	5,206	-	-	-	5,206
Transfers to assets leased under operating leases	-	-	-	(4,921)	(4,921)
Disposals	-	(3,689)	-	-	(3,689)
Effect of foreign currency exchange differences	-	544	279	-	823
Balance at December 31, 2022	<u>\$ 14,415</u>	<u>\$ 56,904</u>	<u>\$ 100,251</u>	<u>\$ 122,500</u>	<u>\$ 294,070</u>

(Continued)

	Machinery and Equipment	Office Equipment	Leasehold Improvement	Equipment Pending Acceptance	Total
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	\$ 6,986	\$ 22,289	\$ 36,382	\$ -	\$ 65,657
Depreciation expenses	2,072	12,207	18,054	-	32,333
Transfers from assets leased under operating leases	3,264	-	-	-	3,264
Disposals	-	(3,689)	-	-	(3,689)
Effect of foreign currency exchange differences	<u>-</u>	<u>233</u>	<u>287</u>	<u>-</u>	<u>520</u>
Balance at December 31, 2022	<u>\$ 12,322</u>	<u>\$ 31,040</u>	<u>\$ 54,723</u>	<u>\$ -</u>	<u>\$ 98,085</u>
Carrying amount at December 31, 2022	<u>\$ 2,093</u>	<u>\$ 25,864</u>	<u>\$ 45,528</u>	<u>\$ 122,500</u>	<u>\$ 195,985</u> (Concluded)

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Machinery and equipment	3 years
Office equipment	3-5 years
Leasehold improvement	3-5 years

b. Assets leased under operating leases

	Machinery and Equipment	
	For the Year Ended December 31	
	2023	2022
<u>Cost</u>		
Balance at January 1	\$ 8,826	\$ 9,111
Transfers from equipment pending acceptance used by the Group	12,920	4,921
Transfers to machinery and equipment used by the Group	<u>(10,789)</u>	<u>(5,206)</u>
Balance at December 31	<u>\$ 10,957</u>	<u>\$ 8,826</u>
<u>Accumulated depreciation</u>		
Balance at January 1	\$ 2,329	\$ 1,773
Depreciation expenses	4,903	3,820
Transfers to machinery and equipment used by the Group	<u>(5,780)</u>	<u>(3,264)</u>
Balance at December 31	<u>\$ 1,452</u>	<u>\$ 2,329</u>
Carrying amount at December 31	<u>\$ 9,505</u>	<u>\$ 6,497</u>

Operating leases relate to lease of machinery and equipment. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The above items of property, plant and equipment leased under operating lease are depreciated on a straight-line basis over their estimated useful lives as follows:

Machinery and equipment 3 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2023	2022
<u>Carrying amount</u>		
Buildings	<u>\$ 214,370</u>	<u>\$ 72,180</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets (Note 29)	<u>\$ 186,845</u>	<u>\$ 2,674</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 54,267	\$ 50,091
Transportation equipment	<u>-</u>	<u>116</u>
	<u>\$ 54,267</u>	<u>\$ 50,207</u>

b. Lease liabilities

	<u>December 31</u>	
	2023	2022
<u>Carrying amount</u>		
Current	<u>\$ 69,555</u>	<u>\$ 45,036</u>
Non-current	<u>\$ 140,006</u>	<u>\$ 29,085</u>

Range of discount rates for lease liabilities were as follows:

	<u>December 31</u>	
	2023	2022
Buildings	0.72%-4.46%	0.72%-3.72%

c. Material lease activities and terms

The Group leases buildings for the use of offices with lease terms of 3 to 5 years. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Group is prohibited from lending, subleasing, or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases	\$ 8,090	\$ 6,025
Expenses relating to low-value asset leases	\$ 680	\$ 608
Total cash outflow for leases	<u>\$ (66,321)</u>	<u>\$ (62,815)</u>

The Group's leases of certain office equipment and buildings qualify as short-term or low-value asset leases. The Group has elected to apply the recognition exemption, and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. INTANGIBLE ASSETS

	Computer Software	Patents	Copyright	Total
<u>Cost</u>				
Balance at January 1, 2023	\$ 1,987	\$ -	\$ -	\$ 1,987
Additions (Note 29)	847	57,100	8,248	66,195
Disposals	(602)	-	-	(602)
Effect of foreign currency exchange differences	<u>(11)</u>	<u>-</u>	<u>-</u>	<u>(11)</u>
Balance at December 31, 2023	<u>\$ 2,221</u>	<u>\$ 57,100</u>	<u>\$ 8,248</u>	<u>\$ 67,569</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2023	\$ 1,292	\$ -	\$ -	\$ 1,292
Amortization expenses	404	4,758	917	6,079
Disposals	(516)	-	-	(516)
Effect of foreign currency exchange differences	<u>(13)</u>	<u>-</u>	<u>-</u>	<u>(13)</u>
Balance at December 31, 2023	<u>\$ 1,167</u>	<u>\$ 4,758</u>	<u>\$ 917</u>	<u>\$ 6,842</u>
Carrying amount at December 31, 2023	<u>\$ 1,054</u>	<u>\$ 52,342</u>	<u>\$ 7,331</u>	<u>\$ 60,727</u>
<u>Cost</u>				
Balance at January 1, 2022	\$ 1,550	\$ -	\$ -	\$ 1,550
Additions	425	-	-	425
Disposals	(11)	-	-	(11)
Effect of foreign currency exchange differences	<u>23</u>	<u>-</u>	<u>-</u>	<u>23</u>
Balance at December 31, 2022	<u>\$ 1,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,987</u>

(Continued)

	Computer Software	Patents	Copyright	Total
<u>Accumulated amortization</u>				
Balance at January 1, 2022	\$ 977	\$ -	\$ -	\$ 977
Amortization expenses	306	-	-	306
Disposals	(11)	-	-	(11)
Effect of foreign currency exchange differences	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>
Balance at December 31, 2022	<u>\$ 1,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,292</u>
Carrying amount at December 31, 2022	<u>\$ 695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 695</u> (Concluded)

In August and September 2023, the Group purchased the patents and copyright of the payment system from the related parties, LINE Pay Corporation and LINE Corporation (it was renamed LY Corporation from October 2023 on), respectively, with payments of \$57,100 thousand and \$8,248 thousand, respectively.

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	2-5 years
Patents	5 years
Copyright	3 years

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
An analysis of amortization by function		
Operating costs	\$ 5,675	\$ -
General and administrative expenses	<u>404</u>	<u>306</u>
	<u>\$ 6,079</u>	<u>\$ 306</u>

15. OTHER ASSETS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Prepayments		
Prepayments for insurance	\$ 9,120	\$ 779
Prepayments for software usage fee	1,655	1,800
Prepayments for royalty (Note 29)	1,520	-
Prepayments for design (Note 29)	-	1,967
Prepayments for printing	-	1,093
Others (Note 29)	<u>1,885</u>	<u>7,864</u>
	<u>\$ 14,180</u>	<u>\$ 13,503</u> (Continued)

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Non-current</u>		
Refundable deposits (Note 29)	\$ 30,617	\$ 21,807
Others	<u>907</u>	<u>2</u>
	<u>\$ 31,524</u>	<u>\$ 21,809</u>
		(Concluded)

16. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses (including compensation of employees and remuneration of directors and supervisors)	\$ 119,059	\$ 103,775
Payables for VAT	63,316	77,971
Payables for marketing expenses	18,106	13,529
Payables for professional fees	15,622	18,337
Payables for cash-settled share-based payment transactions (Note 24)	15,416	-
Payables for purchase of equipment	785	276
Others	<u>26,159</u>	<u>13,847</u>
	<u>\$ 258,463</u>	<u>\$ 227,735</u>
Other liabilities		
Points issuance	\$ 2,402,160	\$ 2,449,654
Payables for receipts on behalf of others - third-party payment (settled) (Note 29)	1,746,379	1,765,751
Payables for receipts on behalf of others - third-party payment (not settled)	1,919,441	1,299,660
Advanced receipts	11,674	10,859
Refund liabilities	11,581	-
Receipts under custody	<u>7,395</u>	<u>10,757</u>
	<u>\$ 6,098,630</u>	<u>\$ 5,536,681</u>
<u>Non-current</u>		
Payables for cash-settled share-based payment transactions (Note 24)	<u>\$ 13,740</u>	<u>\$ 3,522</u>

17. PROVISIONS

	<u>December 31</u>		
	<u>2023</u>	<u>2022</u>	
<u>Current</u>			
Restoration obligation (a)	\$ 8,322	\$ 6,704	
Employee benefits (b)	<u>9,680</u>	<u>6,435</u>	
	<u>\$ 18,002</u>	<u>\$ 13,139</u>	
<u>Non-current</u>			
Restoration obligation (a)	\$ 8,174	\$ 8,231	
Employee benefits (b)	<u>2,454</u>	<u>1,363</u>	
	<u>\$ 10,628</u>	<u>\$ 9,594</u>	
	Restoration Obligation	Employee Benefits	Total
Balance at January 1, 2023	\$ 14,935	\$ 7,798	\$ 22,733
Additional provisions recognized	8,125	4,408	12,533
Lease modification	(6,533)	-	(6,533)
Interest expenses	242	-	242
Effect of foreign currency exchange differences	<u>(273)</u>	<u>(72)</u>	<u>(345)</u>
Balance at December 31, 2023	<u>\$ 16,496</u>	<u>\$ 12,134</u>	<u>\$ 28,630</u>
Balance at January 1, 2023	\$ 11,875	\$ 5,129	\$ 17,004
Additional provisions recognized	2,674	2,356	5,030
Interest expenses	140	-	140
Effect of foreign currency exchange differences	<u>246</u>	<u>313</u>	<u>559</u>
Balance at December 31, 2023	<u>\$ 14,935</u>	<u>\$ 7,798</u>	<u>\$ 22,733</u>

- a. Pursuant to the lease agreement, the Group shall, at the end of the respective lease terms, restore the leased plant assets to their original condition at the time of the lease. Provisions are recognized based on the present value of the best estimate of future outflow of economic benefits that will be required by the fulfillment of the restoration obligation stated on the lease contract. The estimate will be reviewed regularly and adjusted according to the use of the plant.
- b. The provision for employee benefits represents accrual of annual leave and vested long service leave entitlements.

18. RETIREMENT BENEFIT PLANS

- a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in South Korea are participants in a retirement benefit plan operated by the South Korean government. The subsidiary is required to allocate a specific proportion of its payroll costs to the retirement benefit plan to provide funding for the plan. The obligation of the Group regarding this government-operated retirement benefit plan is limited to making the specified contributions.

b. Defined benefit plans

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 343,247	\$ 246,238
Fair value of plan assets	<u>-</u>	<u>-</u>
Net defined benefit liabilities	<u>\$ 343,247</u>	<u>\$ 246,238</u>

Movements in net defined benefit liabilities were as follows:

	Net Defined Benefit Liabilities
Balance at January 1, 2023	<u>\$ 246,238</u>
Service cost	
Current service cost	101,596
Net interest expense	<u>8,696</u>
Recognized in profit or loss	<u>110,292</u>
Benefit paid	(9,073)
Exchange differences on foreign plans	<u>(4,210)</u>
Balance at December 31, 2023	<u>\$ 343,247</u>
Balance at January 1, 2022	<u>\$ 219,985</u>
Service cost	
Current service cost	43,463
Net interest expense	<u>6,369</u>
Recognized in profit or loss	<u>49,832</u>
Benefit paid	(32,804)
Exchange differences on foreign plans	<u>9,225</u>
Balance at December 31, 2022	<u>\$ 246,238</u>

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2023	2022
Discount rate(s)	5.26%	6.07%
Expected rate(s) of salary increase	10.68%	10.68%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2023	2022
Discount rate(s)		
1% increase	<u>\$ (37,444)</u>	<u>\$ (28,430)</u>
1% decrease	<u>\$ 44,355</u>	<u>\$ 34,661</u>
Expected rate(s) of salary increase		
1% increase	<u>\$ 41,665</u>	<u>\$ 32,787</u>
1% decrease	<u>\$ (36,107)</u>	<u>\$ (27,608)</u>

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
Expected contributions to the plans for the next year	<u>\$ _____</u>	<u>\$ _____</u>
Average duration of the defined benefit obligation	12 years	13 years

19. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2023	2022
Shares authorized (in thousands of shares)	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>60,000</u>	<u>54,706</u>
Shares issued and fully paid	<u>\$ 600,000</u>	<u>\$ 547,065</u>

Ordinary shares issued, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

On March 28, 2023, the Company's board of directors resolved to enact the first employee option plan of 2023, with the subscription price set at \$112 per share and the subscription base date set on April 27, 2023. As of the subscription base date, 1,331,750 units of employee share options were exercised. Upon completion of the change registration on May 17, 2023, the share capital was increased to \$560,382 thousand.

The Company's shareholders resolved in the shareholders' meeting on June 28, 2023 to issue 3,962 thousand ordinary shares with a par value of \$10 from capital surplus. On July 17, 2023, the subscription base date was determined by the board of directors to be August 14, 2023, increasing the share capital to \$600,000 thousand.

b. Capital surplus

	December 31	
	2023	2022
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Issuance of ordinary shares premium	\$ 4,244,545	\$ 4,574,288
Conversion of employee share options	2,317	-
Forfeited employee share options	689	-
<u>May only be used to offset a deficit</u>		
Share of changes in capital surplus of subsidiaries	26,329	-
<u>May not be used for any purpose</u>		
Employee share options	<u>32,092</u>	<u>19,123</u>
	<u>\$ 4,305,972</u>	<u>\$ 4,593,411</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

A reconciliation of the balance of each class of capital surplus in 2023 and 2022 was as follows:

	Issuance of Ordinary Shares	Conversion of Employee Share Options	Forfeited Employee Share Options	Employee Share Options	Share of Changes in Capital Surplus of Subsidiaries	Total
Balance at January 1, 2023	\$ 4,574,288	\$ -	\$ -	\$ 19,123	\$ -	\$ 4,593,411
Capital surplus used to offset accumulated deficits	(256,427)	-	-	-	-	(256,427)
Difference between consideration and carrying amount of subsidiaries acquired	(169,537)	-	-	-	-	(169,537)
Share-based payments	-	-	-	15,975	26,329	42,304
Exercised employee share options	135,839	2,317	-	(2,317)	-	135,839
Capital surplus transferred to share capital	(39,618)	-	-	-	-	(39,618)
Forfeited employee share options	-	-	689	(689)	-	-
Balance at December 31, 2023	<u>\$ 4,244,545</u>	<u>\$ 2,317</u>	<u>\$ 689</u>	<u>\$ 32,092</u>	<u>\$ 26,329</u>	<u>\$ 4,305,972</u>
Balance at January 1, 2022	\$ 4,574,288	\$ -	\$ -	\$ 11,285	\$ -	\$ 4,585,573
Share-based payments	-	-	-	7,838	-	7,838
Balance at December 31, 2022	<u>\$ 4,574,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,123</u>	<u>\$ -</u>	<u>\$ 4,593,411</u>

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors, refer to compensation of employees and remuneration of directors and supervisors in Note 21(g).

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The deficit compensation for 2021 was approved in the shareholders' regular meetings on August 16, 2022. Due to the accumulated deficits in 2021, there was no distribution of retained earnings or appropriation of earnings to the legal reserve.

The deficit compensation for 2022, which had been resolved by the shareholders in their meeting on June 28, 2023, was as follows:

	For the Year Ended December 31, 2022
Capital surplus used to offset accumulated deficits	<u>\$ 256,427</u>

The appropriation of earnings for 2023, which was proposed by the Company's board of directors on March 28, 2024, was as follows:

	For the Year Ended December 31, 2023
Legal reserve	<u>\$ 48,161</u>

The appropriation of earnings for 2023 will be resolved by the shareholders in their meeting to be held in June, 2024.

d. Other equity items

Exchange differences on the translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ _____ -	\$ _____ -
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	266	-
Income tax related to exchange differences on the translation of the financial statements of foreign operations	<u>(53)</u>	<u>-</u>
Other comprehensive income recognized for the year	<u>213</u>	<u>-</u>
Balance at December 31	<u>\$ 213</u>	<u>\$ -</u>

- e. Interests attributable to the predecessor under common control

Exchange differences on the net assets of foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 70	\$ -
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	(317)	70
Income tax related to exchange differences on the translation of the financial statements of foreign operations	-	-
Reorganization	<u>247</u>	<u>-</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 70</u>

20. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Service fee revenue - third-party payment	\$ 3,974,474	\$ 2,952,057
Financial marketing cooperation	569,116	468,157
System management services revenue	181,786	243,088
Others	<u>202,862</u>	<u>199,539</u>
	<u>\$ 4,928,238</u>	<u>\$ 3,862,841</u>

Refer to Note 4 for the information of performance obligations related to customer contracts.

Contract Balances

	December 31, 2023	December 31, 2022	January 1, 2022
Trade receivables (Note 9)	<u>\$ 234,511</u>	<u>\$ 177,366</u>	<u>\$ 136,645</u>
Trade receivables from related parties	<u>\$ 20,259</u>	<u>\$ 51,936</u>	<u>\$ 30,414</u>
Contract liabilities - current	<u>\$ 210,829</u>	<u>\$ 106,579</u>	<u>\$ 25,947</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

Revenue in the current year that was recognized from the contract liability balance at the beginning of the year for the years ended December 31, 2023 and 2022 was \$20,406 thousand and \$15,218 thousand, respectively.

21. NET PROFIT

a. Interest income

	For the Year Ended December 31	
	2023	2022
Bank deposits	\$ 57,109	\$ 12,174
Others	<u>1</u>	<u>-</u>
	<u>\$ 57,110</u>	<u>\$ 12,174</u>

b. Other income

	For the Year Ended December 31	
	2023	2022
Rental income	\$ 548	\$ 487
Others	<u>219</u>	<u>195</u>
	<u>\$ 767</u>	<u>\$ 682</u>

c. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Net foreign exchange gains	\$ 1,955	\$ 11,908
Profit from lease modification (Note 29)	5,893	-
Gain on disposal of property, plant and equipment	351	-
Loss on disposal of intangible assets	(86)	-
Others	<u>28</u>	<u>(1,042)</u>
	<u>\$ 8,141</u>	<u>\$ 10,866</u>

Net foreign exchange gains:

	For the Year Ended December 31	
	2023	2022
Foreign exchange gains	\$ 32,332	\$ 36,577
Foreign exchange losses	<u>(30,377)</u>	<u>(24,669)</u>
	<u>\$ 1,955</u>	<u>\$ 11,908</u>

d. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on lease liabilities	\$ 4,015	\$ 1,342
Other finance costs	<u>242</u>	<u>140</u>
	<u>\$ 4,257</u>	<u>\$ 1,482</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Depreciation expenses	\$ 95,562	\$ 86,360
Less: Expense allocation (Note 29)	<u>(13,895)</u>	<u>(13,067)</u>
	<u>\$ 81,667</u>	<u>\$ 73,293</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 81,667</u>	<u>\$ 73,293</u>
Amortization expenses	\$ 6,079	\$ 306
Less: Expense allocation (Note 29)	<u>(69)</u>	<u>(72)</u>
	<u>\$ 6,010</u>	<u>\$ 234</u>
An analysis of amortization by function		
Operating costs	\$ 5,675	\$ -
Operating expenses	<u>335</u>	<u>234</u>
	<u>\$ 6,010</u>	<u>\$ 234</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 770,653	\$ 652,007
Post-employment benefits		
Defined contribution plans	20,587	14,911
Defined benefit plans	110,292	49,832
Share-based payments (Note 24)		
Equity-settled	52,486	25,008
Cash-settled	30,135	3,422
Other employee benefits	<u>30,566</u>	<u>23,328</u>
Total employee benefits expenses	1,014,719	768,508
Less: Expense allocation (Note 29)	<u>(355,629)</u>	<u>(324,852)</u>
	<u>\$ 659,090</u>	<u>\$ 443,656</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 270,321	\$ 156,000
Operating expenses	<u>388,769</u>	<u>287,656</u>
	<u>\$ 659,090</u>	<u>\$ 443,656</u>

g. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. But if the Company still has accumulated deficits, it shall first set aside an amount to offset of the deficits.

The Company did not accrue compensation of employees and remuneration of directors and supervisors for the year ended December 31, 2022 due to the accumulated deficits.

The compensation of employees and the remuneration of directors and supervisors for the year ended December 31, 2023, which was approved by the Company's board of directors on March 28, 2024 is as follows:

Accrual rate

	For the Year Ended December 31, 2023
Compensation of employees	1.01%
Remuneration of directors and supervisors	-

Amount

	For the Year Ended December 31, 2023
	<u>Cash</u>
Compensation of employees	\$ <u>6,142</u>
Remuneration of directors and supervisors	\$ <u>-</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recognized as a change in the accounting estimate and recorded in the following year.

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2022 and 2021.

22. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Current income tax		
In respect of the current year	\$ 61,497	\$ -
Deferred income tax		
In respect of the current year	<u>58,603</u>	<u>94,753</u>
Income tax expense recognized in profit or loss	<u>\$ 120,100</u>	<u>\$ 94,753</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Profit before tax	<u>\$ 613,089</u>	<u>\$ 540,735</u>
Income tax expense calculated at the statutory rate (20%)	\$ 122,618	\$ 108,147
Nondeductible expenses in determining taxable income	3,829	1,308
Unrecognized deductible temporary differences	(4,602)	(1,348)
Unrecognized loss carryforwards used	-	(14,601)
Effect of different tax rates of group entities operating in other jurisdictions	(133)	1,247
Others	<u>(1,612)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 120,100</u>	<u>\$ 94,753</u>

The applicable tax rate used by subsidiary LINE Pay Plus Corporation in Korea is 9% and 19% to pay national income tax. Additionally, local income tax was calculated and paid at a rate of 10% based on the applicable tax rate.

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2023	2022
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	<u>\$ 53</u>	<u>\$ -</u>

c. Current tax assets and liabilities

	<u>December 31</u>	
	2023	2022
Current tax assets		
Tax refund receivable	<u>\$ 10,524</u>	<u>\$ 26,424</u>
Current tax liabilities		
Income tax payable	<u>\$ 55,737</u>	<u>\$ -</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized exchange losses	\$ 43	\$ (43)	\$ -	\$ -
Unrealized marketing expense	14,817	16,785	-	31,602
Depreciation of restoration costs	892	381	-	1,273
Cash-settled share-based payment transactions	287	2,094	-	2,381
Refund liabilities	-	2,316	-	2,316
Loss on investment in subsidiaries accounted for using the equity method	-	1,396	-	1,396
Loss carryforwards	<u>78,940</u>	<u>(78,940)</u>	<u>-</u>	<u>-</u>
	<u>\$ 94,979</u>	<u>\$ (56,011)</u>	<u>\$ -</u>	<u>\$ 38,968</u>

Deferred tax liabilities

Temporary differences				
Unrealized exchange gains	\$ -	\$ 848	\$ -	\$ 848
Unrealized refund costs	-	1,744	-	1,744
Exchange differences on translating the financial statements of foreign operations	<u>-</u>	<u>-</u>	<u>53</u>	<u>53</u>
	<u>\$ -</u>	<u>\$ 2,592</u>	<u>\$ 53</u>	<u>\$ 2,645</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized exchange losses	\$ -	\$ 43	\$ -	\$ 43
Unrealized marketing expense	14,817	-	-	14,817
Depreciation of restoration costs	511	381	-	892
Cash-settled share-based payment transactions	-	287	-	287
Loss carryforwards	<u>174,555</u>	<u>(95,615)</u>	<u>-</u>	<u>78,940</u>
	<u>\$ 189,883</u>	<u>\$ (94,904)</u>	<u>\$ -</u>	<u>\$ 94,979</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized exchange gains	\$ <u>151</u>	\$ <u>(151)</u>	\$ <u>-</u>	\$ <u>-</u> (Concluded)

- e. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2023	2022
Deductible temporary differences		
Accrued marketing expense	\$ <u>-</u>	\$ <u>23,010</u>

- f. Income tax assessments

The income tax returns of the Company before March 31, 2022 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2023	2022
Basic earnings per share	\$ <u>8.09</u>	\$ <u>7.51</u>
Diluted earnings per share	\$ <u>7.94</u>	\$ <u>7.51</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 14, 2023. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2022 were as follows:

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	\$ <u>8.04</u>	\$ <u>7.51</u>
Diluted earnings per share	\$ <u>8.04</u>	\$ <u>7.51</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2023	2022
Profit for the year attributable to owners of the Company	\$ 481,608	\$ 439,946
Profit for the year attributable to the predecessor under common control	<u>11,381</u>	<u>6,036</u>
Profit for the year	<u>\$ 492,989</u>	<u>\$ 445,982</u>
Earnings used in the computation of basic earnings per share and diluted earnings per share	<u>\$ 481,608</u>	<u>\$ 439,946</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	59,543	58,574
Effect of potentially dilutive ordinary shares		
Compensation of employees	28	-
Employee share options	<u>1,070</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>60,641</u>	<u>58,574</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the parent company

In order to attract and retain professional personnel for the Group and incentivize employee morale to create profits for both the Company and its shareholders, the intermediate parent company, Z Holdings Corporation (it was renamed LY Corporation from October 2023 on), through resolutions of the board of directors, enacted terms and conditions for the issuance of employee share option plans. The following employee share options were issued to employees of the Group:

Grant Date	Granted Units	Exercise Prices (In JPY)
March 31, 2021	1,259,600	¥ 481
April 28, 2020	1,043,400	298
July 29, 2019	370,125	298

Qualified employees of the parent company and its subsidiaries were granted options in the intermediate parent company, LY Corporation. Each option entitles the holder to subscribe for 1,175 ordinary shares of the parent company. The options granted are valid for 7 years and exercisable at certain percentages after the second to fifth anniversary of the grant date. The performance of the share option is delivered by the parent company by issuing new shares. For any subsequent changes in the parent company's share capital, the exercise price is adjusted accordingly.

Due to organizational restructuring, the intermediate parent company, Z Holdings Corporation, merged with the original parent company, LINE Corporation, and other companies within the group in October 2023, and was renamed LY Corporation.

Information on employee share options was as follows:

Employee Share Options	For the Year Ended December 31, 2023					
	Granted on March 31, 2021		Granted on April 28, 2020		Granted on July 29, 2019	
	Number of Options	Weighted-average Exercise Price (In JPY)	Number of Options	Weighted-average Exercise Price (In JPY)	Number of Options	Weighted-average Exercise Price (In JPY)
Balance at January 1	1,214,950	¥ 481	962,325	¥ 298	351,325	¥ 298
Options granted	-	-	-	-	-	-
Options transferred-in	125,725	481	125,725	298	105,750	298
Options forfeited	(30,550)	481	(14,100)	298	(8,225)	298
Options exercised	-	-	(19,975)	298	(11,750)	298
Balance at December 31	<u>1,310,125</u>	481	<u>1,053,975</u>	298	<u>437,100</u>	298
Options exercisable, end of the year	<u>273,275</u>	481	<u>526,400</u>	298	<u>200,925</u>	298

Employee Share Options	For the Year Ended December 31, 2022					
	Granted on March 31, 2021		Granted on April 28, 2020		Granted on July 29, 2019	
	Number of Options	Weighted-average Exercise Price (In JPY)	Number of Options	Weighted-average Exercise Price (In JPY)	Number of Options	Weighted-average Exercise Price (In JPY)
Balance at January 1	1,233,750	¥ 481	995,225	¥ 298	361,900	¥ 298
Options granted	-	-	-	-	-	-
Options forfeited	(18,800)	481	(7,050)	298	-	-
Options exercised	-	-	(25,850)	298	(10,575)	298
Balance at December 31	<u>1,214,950</u>	481	<u>962,325</u>	298	<u>351,325</u>	298
Options exercisable, end of the year	<u>-</u>	-	<u>42,300</u>	298	<u>11,750</u>	298

Information on outstanding options was as follows:

	December 31	
	2023	2022
Range of exercise price (in JPY)	¥298-¥481	¥298-¥481
Weighted-average remaining contractual life (in years)	6.16 years	7.25 years

Options granted as above are priced using the binomial option pricing model, and the inputs to the model are as follows:

	Grant Date		
	March 31, 2021	April 28, 2020 (Note)	July 29, 2019 (Note)
Grant-date share price (in JPY)	¥550.6	¥550.6	¥550.6
Exercise price (in JPY)	¥481	¥298	¥298
Expected volatility	35.33%	36.48%	36.48%
Expected life (in years)	9.62	8.28	8.28
Expected dividend yield	1.010%	1.010%	1.010%
Risk-free interest rate	0.075%	0.017%	0.017%

Note: Since the original ultimate parent company, NAVER Corporation, was merged with SoftBank Group Corp. in March 2021, the fair value of related employee share options was re-measured on March 31, 2021, and compensation costs were recognized based on the re-measured fair value of employee share options since that date.

Compensation costs recognized were \$26,297 thousand and \$25,008 thousand for the years ended December 31, 2023 and 2022, respectively.

b. Employee share option plan of the Company

On March 28, 2023, the Company's board of directors resolved to approve the first, second and third employee stock option issuance and subscription plan for fiscal year 2023, which approved the issuance of the following employee stock options to the employees of the Company and its subsidiaries who meet certain criteria, respectively:

Terms	Authorized Units	Exercise Prices (NT\$)
First of 2023	1,727,750	\$ 112
Second of 2023	1,827,750	112
Third of 2023	1,914,500	112

The above employee stock options may be issued in one or several installments within one year after the resolutions of the board of directors, with the actual grant dates determined by the chairman. Each option entitles the holder to the right to subscribe for one ordinary share of the Company.

In accordance with the first employee share option plan of 2023, the options were vested immediately on the date of grant. The stock option is exercisable by the stock option holder within one month from the date of grant and is deemed to be forfeited after the expiration of the period.

In accordance with the second employee share option plan of 2023, the stock options are valid for 10 years. The stock option holders may exercise the stock option in accordance with the plan after the third anniversary of the grant date.

In accordance with the third employee share option plan of 2023, the stock options are valid for 10 years. The stock option holders may exercise the stock option in accordance with the plan after the third to fifth anniversary of the grant date at certain percentages.

The performance of the share option is delivered by the Company by issuing new shares. For any subsequent changes in the Company's share capital, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

Employee Share Options	For the Year Ended December 31, 2023							
	First of 2023		Second of 2023		Third of 2023			
	Number of Options	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)		
Balance at January 1	-	\$ -	-	\$ -	-	\$ -		
Options granted	1,727,750	112.00	1,827,750	112.00	1,394,000	108.57		
Options forfeited	-	-	(29,500)	112.00	-	-		
Options exercised	(1,331,750)	112.00	-	-	-	-		
Options expired	<u>(396,000)</u>	112.00	<u>-</u>	-	<u>-</u>	-		
Balance at December 31	<u>-</u>	-	<u>1,798,250</u>	104.60	Note	<u>1,394,000</u>	104.60	Note
Options exercisable, end of the year	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-	-	-
Weighted-average fair value of options granted (\$)	<u>\$ 1.74</u>		<u>\$ 50.67</u>		<u>\$ 51.81</u>			

Note: The exercise prices have been adjusted to account for the issuance of bonus shares.

Information on outstanding options was as follows:

	December 31, 2023
Range of exercise price (NT\$)	\$104.60
Weighted-average remaining contractual life (in years)	9.53 years

Options granted as above are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	Employee share option plan of the Company		
	Granted on March 28, 2023		
	First of 2023	Second of 2023	Third of 2023
Grant-date share price (NT\$)	\$104.84	\$104.84	\$104.84
Exercise price (NT\$)	\$112	\$112	\$112
Expected volatility	50.36%	48.45%	47.64%-48.45%
Expected life (in years)	0.04	6.50	6.50-7.50
Expected dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	0.94%	1.15%	1.15%-1.16%
	Employee share option plan of the Company		
	Granted on July 3, 2023		Granted on October 31, 2023
	Second of 2023	Third of 2023	Third of 2023
Grant-date share price (NT\$)	\$107.32	\$107.32	\$106.97
Exercise price (NT\$)	\$112	\$112	\$104.6
Expected volatility	48.63%	47.33%-48.63%	46.39%-47.65%
Expected life (in years)	6.50	6.50-7.50	6.50-7.50
Expected dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	1.11%	1.11%-1.14%	1.26%-1.27%

Compensation cost recognized was \$26,189 thousand for the year ended December 31, 2023.

c. Cash-settled share-based payments of the parent company

In August 2022, LINE Group issued a plan for share-based payments with employee reward points. The cash-settled share-based payments of the plan apply to employees of the Group. This plan aims to reward all employees of the group subsidiaries who have been awarded points based on their achievements. The share-based payments will be settled in cash when the vesting conditions are fulfilled.

The Group recorded compensation costs in respect of cash-settled share-based payments of \$30,135 thousand and 3,422 thousand for the year ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the Group recorded liabilities of \$29,156 thousand and \$3,522 thousand, respectively, under other payables and other non-current liabilities. Refer to Note 16.

25. BUSINESS COMBINATION UNDER COMMON CONTROL

In July 2023, the Company acquired 100% interest in LINE Pay Plus Corporation from LINE Biz Plus Corporation with a payment of ₩8,800,000 thousand as consideration in order to expand the business and enhance operational efficiency. The transaction is a business combination under common control; therefore, the comparative information of the prior period in the consolidated financial statements is restated as if the combination had already occurred.

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)
LINE Pay Plus Corporation	System platform Development and maintenance	July 3, 2023	100

b. Consideration transferred

	LINE Pay Plus Corporation
Cash	<u>\$ 207,792</u>

c. Net assets at the date of acquisition

	LINE Pay Plus Corporation
Current assets	
Cash and cash equivalents	\$ 238,812
Trade and other receivables	133,626
Other current assets	6,473
Non-current assets	
Plant and equipment	16,169
Other non-current assets	10,146

(Continued)

	LINE Pay Plus Corporation
Current liabilities	
Trade and other payables	\$ (60,024)
Other current liabilities	(8,369)
Non-current liabilities	
Net defined benefit liabilities	(281,687)
Other non-current liabilities	<u>(16,891)</u>
	<u>\$ 38,255</u>
	(Concluded)

d. The impact of the business combination under common control

	LINE Pay Plus Corporation
Consideration paid	\$ 207,792
Less: Carrying amount of the acquired net assets	<u>(38,255)</u>
The impact recognized in equity	<u>\$ 169,537</u>

The amount of the consideration paid that exceeds the carrying amount is adjusted to capital surplus from issued ordinary shares.

e. The impact of retrospective restatement for the prior year is summarized below:

Consolidated balance sheet on December 31, 2022

Items	As Originally Stated	Impact	Restated
Current assets	\$ 10,494,808	\$ 363,842	\$ 10,858,650
Non-current assets	<u>369,600</u>	<u>29,763</u>	<u>399,363</u>
Total effect on assets	<u>\$ 10,864,408</u>	<u>\$ 393,605</u>	<u>\$ 11,258,013</u>
Current liabilities	\$ 5,941,605	\$ 126,770	\$ 6,068,375
Non-current liabilities	<u>38,754</u>	<u>249,685</u>	<u>288,439</u>
Total effect on liabilities	<u>\$ 5,980,359</u>	<u>\$ 376,455</u>	<u>\$ 6,356,814</u>
Share capital	\$ 547,065	\$ -	\$ 547,065
Capital surplus	4,593,411	-	4,593,411
Retained earnings	(256,427)	-	(256,427)
Other equity	<u>-</u>	<u>-</u>	<u>-</u>
Owners of the Company	4,884,049	-	4,884,049
Interests attributable to the predecessor under common control	<u>-</u>	<u>17,150</u>	<u>17,150</u>
Total effect on equity	<u>\$ 4,884,049</u>	<u>\$ 17,150</u>	<u>\$ 4,901,199</u>

Consolidated statements of comprehensive income in 2022

Item	As Originally Stated	Impact	Restated
Operating revenue	\$ 3,619,753	\$ 243,088	\$ 3,862,841
Operating costs	(2,389,094)	(163,729)	(2,552,823)
Operating expenses	(719,518)	(72,005)	(791,523)
Non-operating income and expenses	23,558	(1,318)	22,240
Income tax expense	<u>(94,753)</u>	<u>-</u>	<u>(94,753)</u>
Total effect on net profit for the year	439,946	6,036	445,982
Total effect on other comprehensive income for the year, net of income tax	<u>-</u>	<u>70</u>	<u>70</u>
 Total effect on total comprehensive income for the year	 <u>\$ 439,946</u>	 <u>\$ 6,106</u>	 <u>\$ 446,052</u>
 Impact on net profit attributable to:			
Owners of the Company	\$ 439,946	\$ -	\$ 439,946
Interests attributable to the predecessor under common control	<u>-</u>	<u>6,036</u>	<u>6,036</u>
	<u>\$ 439,946</u>	<u>\$ 6,036</u>	<u>\$ 445,982</u>
 Impact on total comprehensive income attributable to:			
Owners of the Company	\$ 439,946	\$ -	\$ 439,946
Interests attributable to the predecessor under common control	<u>-</u>	<u>6,106</u>	<u>6,106</u>
	<u>\$ 439,946</u>	<u>\$ 6,106</u>	<u>\$ 446,052</u>
 Impact on earnings per share (Unit: NT\$ per share)			
Basic earnings per share	<u>\$7.51</u>		<u>\$7.51</u>
Diluted earnings per share	<u>\$7.51</u>		<u>\$7.51</u>

26. CASH FLOW INFORMATION

a. Non-cash transactions

For the years ended December 31, 2023 and 2022, the Group entered into the following non-cash investing activities which were not reflected in the statements of cash flows:

As of December 31, 2023 and 2022, the Group had not yet paid for the acquisition of property, plant and equipment at amounts of \$785 thousand and \$276 thousand, respectively, which were recorded under other payables.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2023

	Opening Balance	Cash Flows	Non-cash Changes			Others	Closing Balance
			New Leases	Interest Expenses	Change in Exchange rates		
Lease liabilities	\$ 74,121	\$ (53,536)	\$ 178,720	\$ 4,015	\$ (2,313)	\$ 8,554	\$ 209,561

For the year ended December 31, 2022

	Opening Balance	Cash Flows	Non-cash Changes			Others	Closing Balance
			New Leases	Interest Expenses	Change in Exchange rates		
Lease liabilities	\$ 128,842	\$ (54,840)	\$ -	\$ 1,342	\$ 119	\$ (1,342)	\$ 74,121

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of equity of the Company (comprising issued capital, reserves, retained earnings/accumulated deficits and other equity).

Key management personnel of the Group review the capital structure on a regular basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders or the number of new shares issued.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements which are not measured at fair value, approximate their fair value, or the fair value of such assets and liabilities cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Oversea unlisted shares	\$ -	\$ -	\$ 214	\$ 214

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Oversea unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>218</u>	\$ <u>218</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2023

Financial Assets	Financial Assets at FVTPL Equity Instruments
Balance at January 1, 2023	\$ 218
Effect of foreign currency exchange differences	<u>(4)</u>
Balance at December 31, 2023	\$ <u>214</u>

For the year ended December 31, 2022

Financial Assets	Financial Assets at FVTPL Equity Instruments
Balance at January 1, 2022	\$ 210
Effect of foreign currency exchange differences	<u>8</u>
Balance at December 31, 2022	\$ <u>218</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement.

In this approach, the value of net asset measured at fair value in the most recent financial statements of the investee and a liquidity discount parameter are considered in order to derive the fair value of the shares.

c. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 214	\$ 218
Financial assets at amortized cost (1)	12,137,657	10,847,530
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	6,200,771	5,700,259

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, trade receivables, trade receivables from related parties, other receivables (excluding tax refund receivables), other receivables from related parties, other financial assets and refundable deposits.
 - 2) The balances include financial liabilities at amortized cost, which comprise trade payables, trade payables to related parties, other payables (excluding payables for salaries or bonuses, payables for VAT and payables for cash-settled share-based payments transactions), other payables to related parties, and other current liabilities (excluding advanced receipts, refund liabilities and receipts under custody).
- d. Financial risk management objectives and policies

The Group's major financial instruments include receivables, other financial assets, payables and other current liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

The corporate treasury function reports regularly to the Group's management, which monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price (see (c) below).

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the year are set out in Note 31.

Sensitivity analysis

The Group is mainly exposed to the USD and JPY.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact		JPY Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2023	2022	2023	2022
Profit or loss	\$ (1,652)	\$ 98	\$ 328	\$ 742

The above result was mainly attributable to the exposure to outstanding bank deposits, receivables and payables in USD and JPY that were not hedged at the end of the year.

The Group's sensitivity to USD and JPY decreased during the current year mainly due to the increase in net assets or decrease in net liabilities in USD and JPY.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 277,000	\$ 27,000
Financial liabilities	226,057	89,056
Cash flow interest rate risk		
Financial assets	8,432,299	8,356,960

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$84,323 thousand and \$83,570 thousand, respectively, which was mainly a result of the Group's exposure to interest rates of demand deposits and other financial assets.

The Group's sensitivity to interest rates increased during the current year mainly due to the increase in floating rate financial assets.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes, the Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2023 and 2022 would have both increased/decreased by \$2 thousand as a result of the changes in fair value of financial assets at FVTPL.

The Group's sensitivity to investments in equity securities has not changed significantly from the prior year.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligations, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, the management of the Group is responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual debt at the end of the year to ensure that an adequate allowance is made for possible irrecoverable amounts.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

December 31, 2023

	On Demand or Less than 1 Month	1 Month to 3 Months	3 Months to 1 Year	1-5 Years
Non-interest bearing liabilities	\$ 3,798,611	\$ -	\$ -	\$ -
Lease liabilities	<u>6,336</u>	<u>12,673</u>	<u>51,691</u>	<u>158,885</u>
	<u>\$ 3,804,947</u>	<u>\$ 12,673</u>	<u>\$ 51,691</u>	<u>\$ 158,885</u>

December 31, 2022

	On Demand or Less than 1 Month	1 Month to 3 Months	3 Months to 1 Year	1-5 Years
Non-interest bearing liabilities	\$ 3,243,005	\$ 7,600	\$ -	\$ -
Lease liabilities	<u>2,924</u>	<u>10,348</u>	<u>32,314</u>	<u>29,238</u>
	<u>\$ 3,245,929</u>	<u>\$ 17,948</u>	<u>\$ 32,314</u>	<u>\$ 29,238</u>

29. TRANSACTIONS WITH RELATED PARTIES

On December 31, 2021, the Company's parent company was LINE Pay Corporation, which held 70.01% of the ordinary shares of the Company. Due to the adjustment of the group structure, starting in October 2022, LINE Financial Corporation held 70.01% of the ordinary shares of the Company. As part of the further adjustment of the group structure, LINE Financial Plus Corporation held 70.01% of the ordinary shares of the Company starting in December 2022. The Company's ultimate parent company is SoftBank Group Corp.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows:

a. Related party name and category

Related Party Name	Related Party Category
Taipei Fubon Commercial Bank Co., Ltd.	The Company's shareholder
Union Bank of Taiwan Co., Ltd.	The Company's shareholder
SoftBank Group Corp.	Ultimate parent company
LY Corporation (Note 1)	Parent company
LINE Financial Corporation	Parent company
LINE Pay Corporation (Note 2)	Fellow subsidiary
IPX Corporation	Fellow subsidiary
LINE UP Corporation (Note 3)	Fellow subsidiary
LINE Plus Corporation	Fellow subsidiary
LY Communications Corporation	Fellow subsidiary
LINE NEXT Corporation	Fellow subsidiary
LINE Biz Plus Corporation	Fellow subsidiary
LINE Taiwan Limited	Fellow subsidiary
LINE Friends Taiwan Limited	Fellow subsidiary
NAVER Corporation	The Company' acts as its associate
NAVER Cloud Corporation	Related party in substance
JDW Co., Ltd. (Note 4)	Related party in substance
Choco Media Co., Limited	Related party in substance
LINE Bank Taiwan Limited	Related party in substance
N Tech Service Corporation	Related party in substance
NAVER I&S Corporation	Related party in substance
NAVER Financial Corporation	Related party in substance
NAVER Connect Foundation	Related party in substance
inComms Corporation	Related party in substance
SNOW Corporation	Related party in substance

Note 1: Due to organizational restructuring, the intermediate parent company, Z Holdings Corporation, merged with the original parent company, LINE Corporation, and other companies within the group in October 2023 and was renamed LY Corporation. The rights and obligations of the Group and the original parent company, LINE Corporation, are assumed by LY Corporation.

Note 2: Due to the adjustment of the group structure, the Group's original parent company, LINE Pay Corporation, became a fellow subsidiary in October 2022.

Note 3: Due to the adjustment of the group structure, LINE UP Corporation was merged with LINE Plus Corporation in August 2022.

Note 4: Due to changes in percentage of ownership, the Group's original fellow subsidiary, JDW Co., Ltd., became a related party in substance in September 2023. The related party transactions for the year ended December 31, 2022 are disclosed based on the above new related party category.

b. Operating revenue

Related Party Category/Name	Nature	For the Year Ended December 31	
		2023	2022
Parent company			
LY Corporation	Service fee revenue (1)	\$ 230,703	\$ 233,722
Fellow subsidiaries			
LINE Pay Corporation	System management service revenue (2)	181,786	243,088
Others	Service fee revenue (4)	25,187	21,775
	Others	7,925	12,378
The Company's shareholders	Service fee revenue (4)	11,558	4,708
	Financial marketing cooperation (3)	126,375	120,716
	Others	3,161	2,672
Related parties in substance	Service fee revenue (4)	23,244	22,423
	Others	<u>1,191</u>	<u>3,634</u>
		<u>\$ 611,130</u>	<u>\$ 665,116</u>

- 1) The Group entered into a LINE Points business agreement with LINE Corporation (it was renamed LY Corporation from October 2023 on) on September 4, 2017. The service fee revenue is charged based on the usage ratio of LINE Points, according to the contract.
- 2) The subsidiary, LINE Pay Plus Corporation, provided manpower support services related to software development and maintenance of the payment system for LINE Pay Corporation. The service expense is charged monthly based on the agreed-upon rate per hour worked. In July 2023, the agreement was terminated.
- 3) The Group entered into business collaboration agreements with related parties. Based on the agreements, the Group shall recognize financial marketing cooperation revenue for providing promotion services for co-branded cards issued by banks.
- 4) The Group entered into platform operator service agreements with related parties. Based on the agreements, the Group shall recognize service fee revenue for providing third-party payment services. The service fee revenue is charged based on a fixed rate of the transaction amount of third-party payments.

The transaction prices and credit terms with related parties are in accordance with the agreement.

c. Operating costs

Related Party Category/Name	Nature	For the Year Ended December 31	
		2023	2022
Fellow subsidiaries			
LINE Pay Corporation	System management service costs (1)	\$ 270,104	\$ 314,808
Others	Others	10,918	3,294
The Company's shareholders			
Taipei Fubon Commercial Bank Co., Ltd.	Service fee costs (2)	725,050	658,033
Others	Service fee costs (2)	178,988	104,278
Related party in substance	System management service costs	<u>17,103</u>	<u>7,728</u>
		<u>\$ 1,202,163</u>	<u>\$ 1,088,141</u>

- 1) In 2019, the Group entered into a management service agreement with LINE Pay Corporation. Under the agreement, LINE Pay Corporation will provide services related to the development, maintenance and operation of the payment system, hardware and software. The agreement is in effect from January 1, 2019 until September 21, 2023, and will be extended automatically upon expiration of the contract if there are no objections. The fee is calculated on a cost basis based on the transaction volume of LINE Pay service plus an 8% markup and an additional system usage license fee of 1% of the monthly service fee revenues of the Group. Because the Group acquired patents of the payment system from LINE Pay Corporation, the Group entered into a supplementary agreement with LINE Pay Corporation in August 2023, under which the calculation of fees will be changed to a 5.5% markup on the cost of services rendered by LINE Pay Corporation. The fee is recognized as operating cost or operating expense based on its nature.
- 2) Service fee costs were computed based on transaction amounts and agreed-upon service fee rates.

The transaction prices and credit terms with related parties conform to regular business practice and are not different from those with unrelated parties.

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2023	2022
Trade receivables			
	Fellow subsidiaries		
	LINE Pay Corporation	\$ -	\$ 25,591
	Others	1,301	1,826
	The Company's shareholders		
	Taipei Fubon Commercial Bank Co., Ltd.	15,634	21,095
	Others	<u>3,324</u>	<u>3,424</u>
		<u>\$ 20,259</u>	<u>\$ 51,936</u>

Line Item	Related Party Category/Name	December 31	
		2023	2022
Other receivables - third-party payment (unappropriated)	The Company's shareholders		
	Taipei Fubon Commercial Bank Co., Ltd.	\$ 65,084	\$ 518,768
	Union Bank of Taiwan Co., Ltd.	<u>215,998</u>	<u>84,601</u>
		<u>\$ 281,082</u>	<u>\$ 603,369</u>
Other receivables - points issued	Fellow subsidiary		
	LINE Taiwan Limited	\$ 152,884	\$ 275,275
	The Company's shareholders	<u>117,011</u>	<u>116,314</u>
		<u>\$ 269,895</u>	<u>\$ 391,589</u>
Other receivables - Others	Fellow subsidiary	\$ <u>96,070</u>	\$ <u>44,134</u>

The outstanding trade and other receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment loss was recognized on trade and other receivables from related parties.

e. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category/Name	December 31	
		2023	2022
Trade payables	Fellow subsidiaries		
	LINE Pay Corporation	\$ 23,558	\$ 81,730
	LINE Taiwan Limited	20,613	15,802
	Related party in substance		
	N Tech Service Corporation	<u>2,981</u>	<u>1,549</u>
		<u>\$ 47,152</u>	<u>\$ 99,081</u>
Other payables	Parent company	\$ 124	\$ 405
	Fellow subsidiaries		
	LINE Pay Corporation	17,278	16,874
	LINE Plus Corporation	84	14,940
	Others	276	258
	The Company acts as its associate	1,733	-
	Related party in substance	2,082	3,994
	The Company's shareholders	<u>-</u>	<u>16</u>
		<u>\$ 21,577</u>	<u>\$ 36,487</u>
Payables for receipts on behalf of others - third-party payment (settled) (classified as other current liabilities)	Parent company	\$ 20,848	\$ 73,839
	Fellow subsidiaries	43,434	153,719
	Related party in substance	<u>4,291</u>	<u>7,495</u>
		<u>\$ 68,573</u>	<u>\$ 235,053</u>

The outstanding trade and other payables to related parties are unsecured.

f. Prepayments

Related Party Category/Name	December 31	
	2023	2022
Parent company		
LY Corporation	\$ 878	\$ 688
Fellow subsidiary		
IPX Corporation	1,520	1,967
The Company acts as its associate	-	12
Related party in substance	<u>60</u>	<u>22</u>
	<u>\$ 2,458</u>	<u>\$ 2,689</u>

g. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price	
	For the Year Ended December 31	
	2023	2022
Parent company	\$ 247	\$ -
Fellow subsidiary	<u>9,668</u>	<u>-</u>
	<u>\$ 9,915</u>	<u>\$ -</u>

h. Acquisition of intangible asset

Related Party Category/Name	Purchase Price	
	For the Year Ended December 31	
	2023	2022
Parent company		
LY Corporation	\$ 8,248	\$ -
Fellow subsidiary		
Line Pay Corporation	57,100	-
Others	<u>8</u>	<u>-</u>
	<u>\$ 65,356</u>	<u>\$ -</u>

i. Lease arrangements

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
<u>Acquisition of right-of-use assets</u>		
Parent company		
LINE Financial Corporation	<u>\$ 178,720</u>	<u>\$ -</u>

Line Item	Related Party Category/Name	December 31	
		2023	2022
Lease liabilities	Parent company		
	LINE Financial Corporation	\$ 180,476	\$ -
	Related party in substance		
	SNOW Corporation	<u>-</u>	<u>10,500</u>
		<u>\$ 180,476</u>	<u>\$ 10,500</u>

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
<u>Interest expense</u>		
Parent company		
LINE Financial Corporation	\$ 3,433	\$ -
Related party in substance		
SNOW Corporation	<u>32</u>	<u>400</u>
	<u>\$ 3,465</u>	<u>\$ 400</u>

<u>Lease expense</u>		
Fellow subsidiary	\$ 125	\$ -
Related party in substance	<u>2,614</u>	<u>1,485</u>
	<u>\$ 2,739</u>	<u>\$ 1,485</u>

The Group leased the right-of-use assets of office buildings from its parent company and related party in substance in August 2023 and February 2022, respectively. The lease terms of the two contracts were 5 years and 1.5 years, respectively; the rental is based on similar assets' market rental rates and fixed lease payments are paid monthly. However, in March 2023, the Group terminated its lease agreement with a related party in substance in advance, recognizing a gain on lease modification of \$5,893 thousand, which was recorded under other gains and losses.

Lease expenses included expenses relating to short-term leases.

j. Others

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Refundable deposits	Parent company		
	LINE Financial Corporation	\$ 19,523	\$ -
	Related party in substance		
	SNOW Corporation	<u>-</u>	<u>10,568</u>
		<u>\$ 19,523</u>	<u>\$ 10,568</u>
Marketing expenses	Fellow subsidiaries	<u>\$ 702</u>	<u>\$ 1,420</u>

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Management service expenses	Parent company (1)	\$ 5,397	\$ 6,186
	Fellow subsidiaries		
	LINE Pay Corporation (c)	63,494	66,562
	Others	1,192	1,189
	Related party in substance	<u>5,122</u>	<u>3,980</u>
		<u>\$ 75,205</u>	<u>\$ 77,917</u>
Other management expenses	Parent company	\$ 4,731	\$ 3,339
	Fellow subsidiaries	307	1,470
	The Company's shareholders	-	16
	The Company act as its associate	2,230	-
	Related party in substance	<u>3,435</u>	<u>3,382</u>
		<u>\$ 10,703</u>	<u>\$ 8,207</u>
Research and development expenses	Fellow subsidiaries		
	LINE UP Corporation (2)	\$ -	\$ 33,012
	LINE Plus Corporation (2)	16,273	25,325
	Related party in substance	<u>5,404</u>	<u>2,215</u>
		<u>\$ 21,677</u>	<u>\$ 60,552</u>

- 1) In 2017, the Group entered into a management service agreement with LINE Corporation (it was renamed LY Corporation from October 2023 on). Under the agreement, LY Corporation shall provide services related to the use and maintenance of LINE POINTS system for a period of one year, which will be automatically extended upon expiration of the agreement if there are no objections. The fee is calculated on the basis of a monthly fee of ¥1,755 thousand. In September 2023, the Group acquired the copyright of LINE POINTS system and the management service agreement was re-signed. The calculation of the fee changed to ¥40 thousand and ₩6,145 thousand per month, and the Group shall pay the US dollar equivalents.
- 2) On January 1, 2021, the Group entered into a service agreement with LINE UP Corporation. Under the agreement, LINE UP Corporation shall provide LINE Pay application development and maintenance services. The service expense is charged monthly based on the actual hours spent. From August 2022 on, LINE Plus Corporation continued to provide the services as LINE UP Corporation was merged with LINE Plus Corporation. Since LINE Pay Plus Corporation was established in April 2023, the service has been provided by since then.
- 3) The Group paid \$46,015 thousand and \$27,167 thousand, respectively, to LY Corporation for the years ended December 31, 2023 and 2022 for transactions conducted by consumers to purchase products from LINE STORE using LINE Points whose costs are borne by the Group.
- 4) The Group shared manpower with its fellow subsidiaries, LINE Biz Plus Corporation, and received \$390,761 thousand and \$369,304 thousand for the years ended December 31, 2023 and 2022, respectively. The expense is recognized as operating cost or operating expense based on its nature.

h. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 44,426	\$ 26,596
Post-employment benefits	1,108	746
Share-based payments		
Equity-settled	9,385	896
Cash-settled	3,701	122
Other employee benefits	<u>3,230</u>	<u>561</u>
	<u>\$ 61,850</u>	<u>\$ 28,921</u>

The remuneration of directors and key executives, as determined by the board of directors, is based on the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

	December 31	
	2023	2022
Financial assets at amortized cost - current		
Restricted time deposits	\$ -	\$ 20,000
Financial assets at amortized cost - non-current		
Restricted time deposits	27,000	7,000
Other financial assets - current		
Trust account deposit	<u>2,195,467</u>	<u>1,738,840</u>
	<u>\$ 2,222,467</u>	<u>\$ 1,765,840</u>

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currency of the Group and the related exchange rates between foreign currencies and the functional currency were as follows:

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 6,211	30.715 (USD:NTD)	\$ 190,780
USD	4,868	1,289.4 (USD:KRW)	149,516
<u>Financial liabilities</u>			
Monetary items			
USD	5,700	30.715 (USD:NTD)	175,085
JPY	150,656	0.217 (JPY:NTD)	32,753

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,772	30.708 (USD:NTD)	\$ 85,124
USD	833	1,267.3 (USD:KRW)	25,591
<u>Financial liabilities</u>			
Monetary items			
USD	3,924	30.708 (USD:NTD)	120,511
JPY	321,456	0.231 (JPY:NTD)	74,244

The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
2023			2022	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	31.155 (USD:NTD)	\$ 7,904	29.805 (USD:NTD)	\$ 12,522
USD	1,294.3 (USD:KRW)	(4,361)	1,279.2 (USD:KRW)	(1,251)
JPY	0.222 (JPY:NTD)	(1,567)	0.228 (JPY:NTD)	598

32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 2)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 3)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)

- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 6)
- b. Information on investees (Table 7)
- c. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (None)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (None):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

33. SEGMENT INFORMATION

a. Segment financial information

The Group determines operating segments based on management reports presented to management (the chief operation decision maker) for the purpose of decision making, assessment of performance and resource allocation. The Group only has a single operating segment, which engages in third-party payment business.

b. Revenue from major products and services

Refer to Note 20.

c. Geographical information

The principal geographical areas of the group are Taiwan and Korea.

Revenue from external customers by geographical location of operations of the Group and non-current assets by geographical location of the assets are presented as follows:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2023	2022	2023	2022
Taiwan	\$ 4,746,452	\$ 3,619,753	\$ 264,813	\$ 267,621
Korea	<u>181,786</u>	<u>243,088</u>	<u>220,561</u>	<u>29,545</u>
	<u>\$ 4,928,238</u>	<u>\$ 3,862,841</u>	<u>\$ 485,374</u>	<u>\$ 297,166</u>

Note: Non-current assets exclude financial instruments and deferred tax assets.

d. Information on major customers

No other single customers contributed 10% or more to the Group's revenue for both 2023 and 2022.

LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
LINE Pay Plus Corporation	<u>Stocks</u> BravoBeaver Daegu Corp.	Non-related parties	Financial assets at FVTPL - non-current	900	\$ 214	1	\$ 214	Note 1

Note 1: There were no restrictions on the use of the asset due to providing collateral, pledging loans, or other contractual obligations for the year ended December 31, 2023.

Note 2: Please refer to Table 7 for information on investees.

Note 3: The highest ownership percentage indicated in the above table was equal to the ownership percentage as of December 31, 2023. In addition, such investment was not collateralized or secured.

LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and Thousands of Shares, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
The Company	LINE Pay Plus Corporation	Investments accounted for using the equity method	LINE Biz Plus Corporation	Fellow subsidiary	-	\$ -	200	\$ 207,792 (Note 1)	-	\$ -	\$ -	\$ -	200	\$ 57,870 (Notes 2 and 3)

Note 1: The transaction price is based on the appraisal result with a CPA's fairness opinion report.

Note 2: The year-end amount includes the profit or loss recognized using the equity method and related equity adjustment items.

Note 3: The transaction has been eliminated through consolidation.

LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Right-of-use asset - office for investment and development project on land use rights at Plot 15, Jingmao Section, Nangang District, Taipei City	Board resolution date: November 21, 2023 Transaction signing date: April 12, 2024	\$ 625,022 (Note 1)	- (Note 2)	Taiwan Life Insurance Co., Ltd.	Non-related parties	-	-	-	\$ -	Real estate appraisal report	For operational use	-

Note 1: The value of the right-of-use asset is estimated based on the monthly rental rate.

Note 2: The lease term begins on May 1, 2025; therefore, the consideration has not yet been paid.

LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			(Purchase)/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	LY Corporation Taipei Fubon Commercial Bank Co., Ltd.	Parent company The Company's shareholder	Service fee revenue	\$ (230,703)	(5)	Note 1	Note 1	Note 1	\$ -	-	-
			Service fee costs	725,050	22	Note 1	Note 1	Note 1	-	-	-
	Union Bank of Taiwan Co., Ltd. LINE Pay Plus Corporation LINE Pay Corporation	The Company's shareholder Subsidiary Fellow subsidiary	Operating revenue	(103,720)	(2)	Notes 1 and 2	Notes 1 and 2	Notes 1 and 2	15,634	6	-
			Service fee costs	178,988	5	Note 1	Note 1	Note 1	-	-	-
			System management service costs	177,833	5	30 days of an invoice issued	In accordance with the agreement	-	(106,917)	(69)	Note 5
	System management service costs	270,104	8	30 days of an invoice issued	In accordance with the agreement	-	(23,558)	(15)	-		
LINE Pay Plus Corporation	The Company LINE Pay Corporation	Parent company Fellow subsidiary	System management service revenue	(243,088) (Note 3)	(57)	30 days of an invoice issued	In accordance with the agreement	-	133,141 (Note 4)	100	Note 5
			System management service revenue	(181,786)	(43)	30 days of an invoice issued	In accordance with the agreement	-	-	-	-

Note 1: Not applicable due to the nature of the third-party payment business.

Note 2: The price of financial marketing cooperation is stipulated in the contract and charged monthly, which is the same as regular business practice.

Note 3: Operating costs of \$177,833 thousand and research and development expenses of \$65,255 thousand were recognized by the Company.

Note 4: Trade payables to related parties of \$106,917 thousand and other payables to related parties of \$26,224 thousand were recognized by the Company.

Note 5: The transaction has been eliminated through consolidation.

LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 1)	Allowance for Impairment Loss	
					Amount	Action Taken			
The Company	Taipei Fubon Commercial Bank Co., Ltd.	The Company's shareholder	Other receivables	\$ 151,512	-	\$ -	-	\$ 151,512	\$ -
			Trade receivables	15,634	5.02	-	-	15,634	-
	Union Bank of Taiwan Co., Ltd.	The Company's shareholder	Other receivables	246,581	-	-	-	246,581	-
			Trade receivables	3,324	11.08	-	-	3,324	-
	LINE Taiwan Limited	Fellow subsidiary	Other receivables	152,884	-	-	-	152,884	-
			Trade receivables	1,301	5.07	-	-	1,301	-
LINE Pay Plus Corporation	The Company	Parent company	Trade receivables	133,141 (Note 2)	3.67	-	-	133,141	-

Note 1: The amount was already recovered in March 2024.

Note 2: The transaction has been eliminated through consolidation.

LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount (Note 5)	Payment Terms	% of Total Sales or Assets (Note 2)
1	LINE Pay Plus Corporation	The Company	The subsidiary to the parent company	System management service revenue	\$ 243,088 (Note 3)	Monthly settlements of an invoice issued, and the payment is based on actual hours worked	5
				Trade receivables	133,141 (Note 4)		1

Note 1: The Company and the subsidiaries listed on the table are coded according to the following rules:

- a. The Company is coded "0".
- b. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: In calculating the ratio of transaction amounts to total consolidated revenue or total assets, if they pertain to balance sheet items, they are calculated as the year-end balance divided by the total consolidated assets. If they pertain to income statement items, they are calculated as the accumulated amount for the period divided by the total consolidated revenue.

Note 3: Operating costs of \$177,833 thousand and research and development expenses of \$65,255 thousand were recognized by the Company.

Note 4: Trade payables to related parties of \$106,917 thousand and other payables to related parties of \$26,224 thousand were recognized by the Company.

Note 5: The transaction has been eliminated through consolidation.

Note 6: The table above includes significant intercompany transactions with amounts exceeding \$10,000 thousand.

LINE PAY TAIWAN LIMITED AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
The Company	LINE Pay Plus Corporation	Korea	System platform development and maintenance	\$ 207,792 (Note 2)	\$ -	200,000	100.00	\$ 57,870 (Note 4)	\$ 1,873 (Note 3)	\$ (6,980) (Note 4)	Subsidiary

Note 1: The highest ownership percentage indicated in the above table is equal to the ownership percentage as of December 31, 2023. In addition, such investments are not collateralized or secured.

Note 2: In July 2023, the Company acquired 100% interest in LINE Pay Plus Corporation with a payment amount of ₩8,800,000 thousand (equivalent to NT\$207,792 thousand) as consideration.

Note 3: The net profit of the subsidiary from April 3, 2023 (the establishment date) to December 31, 2023.

Note 4: The transaction has been eliminated through consolidation.