

U.D. Electronic Corp. and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
U.D. Electronic Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of U.D. Electronic Corp. and its subsidiaries (collectively, the "Group") as of September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standard No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2021 and 2020, its consolidated financial performance for the three months ended September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Cheng-Chuan Yu and Chung-Chen Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 4, 2021

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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 342,179	6	\$ 705,028	12	\$ 838,845	14
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 7 and 20)	2,412	-	6,686	-	3,065	-
Financial assets at amortized cost - current (Notes 9, 10 and 31)	49,524	1	115,079	2	62,319	1
Notes receivable (Notes 11 and 23)	66,463	1	83,957	1	31,283	1
Trade receivables (Notes 11 and 23)	1,813,209	31	1,274,332	23	1,434,210	25
Other receivables (Note 11)	61,327	1	48,914	1	45,668	1
Inventories (Note 12)	1,405,981	24	1,165,489	21	1,124,704	19
Other current assets (Note 18)	146,736	2	110,168	2	132,901	2
Total current assets	<u>3,887,831</u>	<u>66</u>	<u>3,509,653</u>	<u>62</u>	<u>3,672,995</u>	<u>63</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Note 8)	75,873	1	117,855	2	89,231	2
Property, plant and equipment (Notes 14 and 31)	1,452,222	25	1,524,963	27	1,533,252	26
Right-of-use assets (Note 15)	126,982	2	149,220	3	152,988	3
Other intangible assets (Note 17)	34,874	1	37,782	1	35,943	1
Goodwill (Note 16)	12,144	-	12,233	-	12,114	-
Deferred tax assets	94,176	2	93,196	2	97,524	2
Other non-current assets (Note 18)	181,884	3	200,342	3	204,211	3
Total non-current assets	<u>1,978,155</u>	<u>34</u>	<u>2,135,591</u>	<u>38</u>	<u>2,125,263</u>	<u>37</u>
TOTAL	<u>\$ 5,865,986</u>	<u>100</u>	<u>\$ 5,645,244</u>	<u>100</u>	<u>\$ 5,798,258</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 19)	\$ 1,014,350	17	\$ 683,000	12	\$ 1,162,500	20
Financial liabilities at fair value through profit or loss (FVTPL) - current (Note 7)	602	-	310	-	299	-
Contract liabilities - current (Note 23)	27,731	1	25,188	-	34,782	1
Trade payables	677,660	12	550,047	10	523,631	9
Lease liabilities - current (Note 15)	25,726	-	25,749	-	24,837	1
Other payables (Notes 21 and 28)	719,097	12	653,943	12	659,897	11
Current tax liabilities	12,423	-	4,590	-	15,689	-
Current portion of long-term borrowings and bonds payable (Notes 19, 20 and 31)	62,400	1	654,795	12	653,285	11
Other current liabilities	6,065	-	6,625	-	5,748	-
Total current liabilities	<u>2,546,054</u>	<u>43</u>	<u>2,604,247</u>	<u>46</u>	<u>3,080,668</u>	<u>53</u>
NON-CURRENT LIABILITIES						
Bond payables (Notes 20 and 31)	141,488	3	284,778	5	-	-
Long-term borrowings (Notes 19 and 31)	249,600	4	-	-	-	-
Lease liabilities - non-current (Note 15)	53,622	1	73,764	2	78,807	2
Deferred tax liabilities	5,594	-	10,344	-	4,691	-
Guarantee deposit received	980	-	825	-	768	-
Total non-current liabilities	<u>451,284</u>	<u>8</u>	<u>369,711</u>	<u>7</u>	<u>84,266</u>	<u>2</u>
Total liabilities	<u>2,997,338</u>	<u>51</u>	<u>2,973,958</u>	<u>53</u>	<u>3,164,934</u>	<u>55</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)						
Share capital						
Ordinary shares	696,758	12	696,758	12	696,758	12
Capital collected in advance	45,660	1	-	-	-	-
Total share capital	<u>742,418</u>	<u>13</u>	<u>696,758</u>	<u>12</u>	<u>696,758</u>	<u>12</u>
Capital surplus	850,931	14	749,592	13	737,385	13
Retained earnings						
Legal reserve	328,946	6	319,411	5	319,411	5
Special reserve	200,418	3	220,594	4	220,594	4
Unappropriated earnings	943,576	16	836,918	15	866,763	15
Total retained earnings	<u>1,472,940</u>	<u>25</u>	<u>1,376,923</u>	<u>24</u>	<u>1,406,768</u>	<u>24</u>
Other equity	(252,126)	(4)	(200,418)	(3)	(245,419)	(4)
Total equity attributable to owners of the Company	<u>2,814,163</u>	<u>48</u>	<u>2,622,855</u>	<u>46</u>	<u>2,595,492</u>	<u>45</u>
NON-CONTROLLING INTERESTS (Notes 22 and 27)	<u>54,485</u>	<u>1</u>	<u>48,431</u>	<u>1</u>	<u>37,832</u>	<u>-</u>
Total equity	<u>2,868,648</u>	<u>49</u>	<u>2,671,286</u>	<u>47</u>	<u>2,633,324</u>	<u>45</u>
TOTAL	<u>\$ 5,865,986</u>	<u>100</u>	<u>\$ 5,645,244</u>	<u>100</u>	<u>\$ 5,798,258</u>	<u>100</u>

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sales (Note 23)	\$ 1,729,354	100	\$ 1,341,820	100	\$ 4,665,986	100	\$ 3,732,375	100
OPERATING COSTS								
Cost of goods sold (Notes 12 and 24)	<u>(1,390,423)</u>	<u>(81)</u>	<u>(1,092,454)</u>	<u>(82)</u>	<u>(3,759,595)</u>	<u>(80)</u>	<u>(3,022,742)</u>	<u>(81)</u>
GROSS PROFIT	<u>338,931</u>	<u>19</u>	<u>249,366</u>	<u>18</u>	<u>906,391</u>	<u>20</u>	<u>709,633</u>	<u>19</u>
OPERATING EXPENSES (Note 24)								
Selling and marketing expenses	(67,998)	(4)	(59,760)	(4)	(185,015)	(4)	(153,682)	(4)
General and administrative expenses	(103,122)	(6)	(95,436)	(7)	(329,308)	(7)	(272,373)	(7)
Research and development expenses	(59,165)	(3)	(62,096)	(5)	(188,876)	(4)	(178,920)	(5)
Expected credit (loss) gain (Note 11)	<u>(28)</u>	<u>-</u>	<u>(2,268)</u>	<u>-</u>	<u>13,244</u>	<u>-</u>	<u>(3,721)</u>	<u>-</u>
Total operating expenses	<u>(230,313)</u>	<u>(13)</u>	<u>(219,560)</u>	<u>(16)</u>	<u>(689,955)</u>	<u>(15)</u>	<u>(608,696)</u>	<u>(16)</u>
PROFIT FROM OPERATIONS	<u>108,618</u>	<u>6</u>	<u>29,806</u>	<u>2</u>	<u>216,436</u>	<u>5</u>	<u>100,937</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Note 24)								
Interest income	1,119	-	2,432	-	4,638	-	5,544	-
Other income	12,151	1	16,389	1	35,100	1	37,928	1
Other gains and losses	9,641	-	2,442	-	11,270	-	12,440	-
Finance costs (Note 20)	<u>(5,444)</u>	<u>-</u>	<u>(6,719)</u>	<u>-</u>	<u>(17,300)</u>	<u>-</u>	<u>(21,718)</u>	<u>-</u>
Total non-operating income and expenses	<u>17,467</u>	<u>1</u>	<u>14,544</u>	<u>1</u>	<u>33,708</u>	<u>1</u>	<u>34,194</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	126,085	7	44,350	3	250,144	6	135,131	4
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(20,310)</u>	<u>(1)</u>	<u>(8,675)</u>	<u>-</u>	<u>(30,927)</u>	<u>(1)</u>	<u>(25,848)</u>	<u>(1)</u>
NET PROFIT FOR THE PERIOD	<u>105,775</u>	<u>6</u>	<u>35,675</u>	<u>3</u>	<u>219,217</u>	<u>5</u>	<u>109,283</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (Notes 22 and 25)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized (loss) gain on investments in equity instrument at FVTOCI	(4,790)	-	1,876	-	(24,558)	-	(4,413)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>878</u>	<u>-</u>	<u>(214)</u>	<u>-</u>	<u>4,750</u>	<u>-</u>	<u>1,731</u>	<u>-</u>
	<u>(3,912)</u>	<u>-</u>	<u>1,662</u>	<u>-</u>	<u>(19,808)</u>	<u>-</u>	<u>(2,682)</u>	<u>-</u>

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U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	\$ (9,064)	(1)	\$ 30,672	2	\$ (43,250)	(1)	\$ (28,241)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>1,813</u>	-	<u>(6,245)</u>	-	<u>8,648</u>	-	<u>5,530</u>	-
	<u>(7,251)</u>	<u>(1)</u>	<u>24,427</u>	<u>2</u>	<u>(34,602)</u>	<u>(1)</u>	<u>(22,711)</u>	<u>(1)</u>
Other comprehensive income for the period, net of income tax	<u>(11,163)</u>	<u>(1)</u>	<u>26,089</u>	<u>2</u>	<u>(54,410)</u>	<u>(1)</u>	<u>(25,393)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 94,612</u>	<u>5</u>	<u>\$ 61,764</u>	<u>5</u>	<u>\$ 164,807</u>	<u>4</u>	<u>\$ 83,890</u>	<u>2</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 100,005	6	\$ 34,377	3	\$ 208,232	5	\$ 125,203	3
Non-controlling interests	<u>5,770</u>	-	<u>1,298</u>	-	<u>10,985</u>	-	<u>(15,920)</u>	-
	<u>\$ 105,775</u>	<u>6</u>	<u>\$ 35,675</u>	<u>3</u>	<u>\$ 219,217</u>	<u>5</u>	<u>\$ 109,283</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$ 88,764	5	\$ 61,362	5	\$ 153,947	4	\$ 100,378	3
Non-controlling interests	<u>5,848</u>	-	<u>402</u>	-	<u>10,860</u>	-	<u>(16,488)</u>	(1)
	<u>\$ 94,612</u>	<u>5</u>	<u>\$ 61,764</u>	<u>5</u>	<u>\$ 164,807</u>	<u>4</u>	<u>\$ 83,890</u>	<u>2</u>
EARNINGS PER SHARE (Note 26)								
Basic	<u>\$ 1.44</u>		<u>\$ 0.49</u>		<u>\$ 2.99</u>		<u>\$ 1.80</u>	
Diluted	<u>\$ 1.27</u>		<u>\$ 0.47</u>		<u>\$ 2.72</u>		<u>\$ 1.67</u>	

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

(Concluded)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company							Other Equity		Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Asset at Fair Value Through Other Comprehensive Income	Total		
	Commercial Stock	Capital Received in Advance		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2020	\$ 696,758	\$ -	\$ 737,456	\$ 314,074	\$ 154,427	\$ 847,902	\$ (237,986)	\$ 17,392	\$ 2,530,023	\$ 27,805	\$ 2,557,828
Appropriation of 2019 earnings (Note 22)											
Legal reserve	-	-	-	5,337	-	(5,337)	-	-	-	-	-
Special reserve	-	-	-	-	66,167	(66,167)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(34,838)	-	-	(34,838)	-	(34,838)
Other changes in capital surplus											
Equity component of convertible bonds issued by the Company (Note 20)	-	-	(71)	-	-	-	-	-	(71)	-	(71)
Non-controlling interests (Note 22)	-	-	-	-	-	-	-	-	-	26,515	26,515
Net profit (loss) for the nine months ended September 30, 2020	-	-	-	-	-	125,203	-	-	125,203	(15,920)	109,283
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of income tax (Note 22)	-	-	-	-	-	-	(22,143)	(2,682)	(24,825)	(568)	(25,393)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	125,203	(22,143)	(2,682)	100,378	(16,488)	83,890
BALANCE AT SEPTEMBER 30, 2020	<u>\$ 696,758</u>	<u>\$ -</u>	<u>\$ 737,385</u>	<u>\$ 319,411</u>	<u>\$ 220,594</u>	<u>\$ 866,763</u>	<u>\$ (260,129)</u>	<u>\$ 14,710</u>	<u>\$ 2,595,492</u>	<u>\$ 37,832</u>	<u>\$ 2,633,324</u>
BALANCE AT JANUARY 1, 2021	\$ 696,758	\$ -	\$ 749,592	\$ 319,411	\$ 220,594	\$ 836,918	\$ (238,001)	\$ 37,583	\$ 2,622,855	\$ 48,431	\$ 2,671,286
Appropriation of 2020 earnings (Note 22)											
Legal reserve	-	-	-	9,535	-	(9,535)	-	-	-	-	-
Special reserve	-	-	-	-	(20,176)	20,176	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(90,579)	-	-	(90,579)	-	(90,579)
Convertible bonds converted to ordinary shares (Note 20)	-	45,660	101,339	-	-	-	-	-	146,999	-	146,999
Net profit for the nine months ended September 30, 2021	-	-	-	-	-	208,232	-	-	208,232	10,985	219,217
Other comprehensive loss for the nine months ended September 30, 2021, net of income tax (Note 22)	-	-	-	-	-	-	(34,477)	(19,808)	(54,285)	(125)	(54,410)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	208,232	(34,477)	(19,808)	153,947	10,860	164,807
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 22)	-	-	-	-	-	(2,577)	-	2,577	-	-	-
Changes in percentage of ownership interests in subsidiaries (Note 27)	-	-	-	-	-	(19,059)	-	-	(19,059)	(5,581)	(24,640)
Non-controlling interests (Note 22)	-	-	-	-	-	-	-	-	-	775	775
BALANCE AT SEPTEMBER 30, 2021	<u>\$ 696,758</u>	<u>\$ 45,660</u>	<u>\$ 850,931</u>	<u>\$ 328,946</u>	<u>\$ 200,418</u>	<u>\$ 943,576</u>	<u>\$ (272,478)</u>	<u>\$ 20,352</u>	<u>\$ 2,814,163</u>	<u>\$ 54,485</u>	<u>\$ 2,868,648</u>

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 250,144	\$ 135,131
Adjustments for:		
Expected credit (gain) loss recognized on trade receivables	(13,244)	3,721
Depreciation expenses	315,578	288,803
Amortization expenses	6,961	5,587
Net gain on fair value changes of financial assets and liabilities at FVTPL	(1,610)	(18,086)
Finance costs	17,300	21,718
Interest income	(4,638)	(5,544)
Dividend income	(1,725)	-
Write-downs of inventories	776	-
Reversal of write-downs of inventories	-	(70)
Loss on disposal of property, plant and equipment	406	180
Net (gain) loss on foreign currency exchange	(1,389)	15,531
Net loss on redeemed bond payable	-	93
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	13,407	21,206
Notes receivable	16,449	(25,633)
Trade receivables	(524,798)	(108,055)
Other receivables	(12,016)	(1,586)
Inventories	(258,376)	(65,119)
Other current assets	(38,391)	18,272
Financial liabilities held for trade	(7,231)	(7,178)
Contract liabilities	2,886	17,840
Trade payables	136,572	84,171
Other payables	59,414	69,672
Other current liabilities	(485)	(731)
Cash generated from operations	(44,010)	449,923
Interest received	4,727	5,402
Interest paid	(12,984)	(17,339)
Income tax paid	(14,858)	(23,928)
Net cash (used in) generated from operating activities	(67,125)	414,058
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through profit or loss	24	-
Return of funds from financial assets at fair value through other comprehensive income	17,400	8,206
Purchase of financial assets at amortized cost	(3,024)	(357)

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U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
Proceeds from sale of financial assets at amortized cost	\$ 68,579	\$ -
Payments for property, plant and equipment	(129,814)	(200,652)
Payments for intangible assets	(4,085)	(960)
Proceeds from disposal of property, plant and equipment	5,712	5,069
Decrease in other non-current assets	5,382	9,158
Decrease in refundable deposits	174	7,506
Increase in prepayments for equipment	(87,525)	(100,940)
Other dividends received	<u>1,725</u>	<u>-</u>
Net cash used in investing activities	<u>(125,452)</u>	<u>(272,970)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of convertible bonds	(291,300)	(8,700)
Proceeds from short-term borrowings	477,967	360,010
Repayments of short-term borrowings	(145,000)	(93,543)
Proceeds from long-term borrowings	312,000	-
Repayments of long-term borrowings	(364,000)	(104,000)
Repayment of the principal portion of lease liabilities	(18,914)	(16,620)
Proceeds from guarantee deposits received	166	-
Refunds of guarantee deposits received	-	(39)
Dividends paid to the owners of the company	(90,579)	(34,838)
Acquisition of additional interests in subsidiary (Note 27)	(24,640)	-
Change in non-controlling interests	775	26,515
Payment for the issuance of convertible bonds	<u>(1,607)</u>	<u>-</u>
Net cash (used in) generated from financing activities	<u>(145,132)</u>	<u>128,785</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(25,140)</u>	<u>(24,399)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(362,849)	245,474
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>705,028</u>	<u>593,371</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 342,179</u>	<u>\$ 838,845</u>

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

(Concluded)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

U.D. Electronic Corp. (the “Company”) was incorporated in the Republic of China (R.O.C.) on March 18, 2005 with a share capital \$10,000 thousand, and the accumulated share capital was \$696,758 thousand as of September 30, 2021. The Company is a trading enterprise and mainly engages in selling electronic connectors for telecommunications, data communications and computers.

The Company’s shares have been listed on the Taipei Exchange since October 2012. The shares are widely distributed; therefore, there is no ultimate parent company or ownership interest. The consolidated financial statements of the Company and its subsidiaries (referred to collectively as “the Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 4, 2021.

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 “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
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 IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basic of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired during the period are appropriately included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions appropriately. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by 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 13, Table 7 and Table 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, refer to the consolidated financial statements for the year ended December 31, 2020.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL 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 about 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.

The Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 2,656	\$ 3,819	\$ 2,255
Demand deposits	326,469	550,796	399,453
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits	<u>13,054</u>	<u>150,413</u>	<u>437,137</u>
	<u>\$ 342,179</u>	<u>\$ 705,028</u>	<u>\$ 838,845</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets at fair value through <u>profit or loss (FVTPL) - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Options of convertible bonds	\$ 588	\$ -	\$ -
Forward exchange contracts	<u>1,824</u>	<u>6,686</u>	<u>3,065</u>
	<u>\$ 2,412</u>	<u>\$ 6,686</u>	<u>\$ 3,065</u>

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Options of convertible bonds	\$ -	\$ 30	\$ -
Forward exchange contracts	<u>602</u>	<u>280</u>	<u>299</u>
	<u>\$ 602</u>	<u>\$ 310</u>	<u>\$ 299</u> (Concluded)

At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>September 30, 2021</u>			
Sell	USD/RMB	2021.10.21-2021.12.22	USD2,000/RMB13,042
Sell	USD/RMB	2021.10.21-2021.12.22	USD9,000/RMB58,505
Sell	USD/RMB	2021.10.21-2021.12.22	USD12,000/RMB 77,921
Sell	USD/NTD	2021.10.04-2021.10.14	USD2,000/NTD55,460
<u>December 31, 2020</u>			
Sell	USD/RMB	2021.01.21-2021.02.23	USD7,000/RMB46,537
Sell	USD/RMB	2021.01.13-2021.03.23	USD12,000/RMB78,934
Sell	USD/NTD	2021.01.04-2021.01.14	USD1,000/NTD28,200
<u>September 30, 2020</u>			
Sell	USD/RMB	2020.10.21-2020.12.23	USD13,500/RMB92,498
Sell	USD/RMB	2020.10.21	USD1,000/RMB6,923

The Group entered into foreign exchange forward contracts to manage exposures to exchanges rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Non-current</u>			
Domestic investment			
Unlisted shares			
Fortune Rich Investment Corporation	\$ 4,719	\$ 5,520	\$ 6,528
Emerging Fortune Capital Inc.	-	17,430	16,550
Emerging Creation Capital Inc.	67,097	92,186	62,194
Dy-Precision Industrial Co., Ltd.	<u>4,057</u>	<u>2,719</u>	<u>3,959</u>
	<u>\$ 75,873</u>	<u>\$ 117,855</u>	<u>\$ 89,231</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In February 2021, the Group received the repayment of \$17,400 thousand from Emerging Fortune Capital Inc for its capital reduction. In May 2021, the Group divested equity investments designated at FVTOCI for \$24 thousand following the same proportional ownership. The related other equity-unrealized gain/loss on financial assets at FVTOCI of \$2,577 thousand were transferred to retained earnings.

In July 2020, the Group received the repayment \$8,206 thousand from Fortune Rich Investment Corporation for its capital reduction.

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Restricted assets - pledged deposit (a)	<u>\$ 49,524</u>	<u>\$ 115,079</u>	<u>\$ 62,319</u>

- a. The collateral assets are for bank loans and convertible bonds. Refer to Note 31.
- b. Refer to Note 10 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at amortized cost were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Gross carrying amount	\$ 49,524	\$ 115,079	\$ 62,319
Less: Allowance for impairment loss	<u> -</u>	<u> -</u>	<u> -</u>
	<u>\$ 49,524</u>	<u>\$ 115,079</u>	<u>\$ 62,319</u>

The Group invests only in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other publicly available information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In determining the expected credit losses for debt instrument investments, the Group considers the historical default situation of debtors, the current financial condition of debtors, and the future prospects of the industries. As of September 30, 2021, December 31, 2020, and September 30, 2020 the expected credit loss for debt instrument investments held by the Group was 0%.

11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount - operating	\$ 66,463	\$ 83,957	\$ 31,283
Less: Allowance for impairment loss	<u> -</u>	<u> -</u>	<u> -</u>
	<u>\$ 66,463</u>	<u>\$ 83,957</u>	<u>\$ 31,283</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 1,689,295	\$ 1,177,428	\$ 1,292,469
Less: Allowance for impairment loss	<u>(2,240)</u>	<u>(15,631)</u>	<u>(4,558)</u>
	1,687,055	1,161,797	1,287,911
At FVTOCI	<u>126,154</u>	<u>112,535</u>	<u>146,299</u>
	<u>\$ 1,813,209</u>	<u>\$ 1,274,332</u>	<u>\$ 1,434,210</u>
<u>Other receivables</u>			
Tax refund receivable	\$ 49,130	\$ 34,420	\$ 38,534
Reserved fund for factored trade receivables	6,821	7,989	5,588
Others	<u>5,376</u>	<u>6,505</u>	<u>1,546</u>
	<u>\$ 61,327</u>	<u>\$ 48,914</u>	<u>\$ 45,668</u>

a. Notes receivable and trade receivables

1) At amortized cost

The average credit period of sales of goods was 60 to 180 days.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

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 approach considering the past default experience of the debtors and an analysis of the debtors' current financial positions and general economic conditions of the industry, along with considering the forecasted GDP and the industry prospect.

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

The following table details the loss allowance of notes receivable based on the Group's provision matrix.

September 30, 2021

	Not Past Due
Expected credit loss rate	0.00%
Gross carrying amount	\$ 66,463
Loss allowance (Lifetime ECLs)	<u>-</u>
Amortized cost	<u>\$ 66,463</u>

December 31, 2020

	Not Past Due
Expected credit loss rate	0.00%
Gross carrying amount	\$ 83,957
Loss allowance (Lifetime ECLs)	<u>-</u>
Amortized cost	<u>\$ 83,957</u>

September 30, 2020

	Not Past Due
Expected credit loss rate	0.00%
Gross carrying amount	\$ 31,283
Loss allowance (Lifetime ECLs)	<u> -</u>
Amortized cost	<u>\$ 31,283</u>

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

September 30, 2021

	Not Past Due	Past Due Within 60 Days	61 to 120 Days Past Due	121 to 180 Days Past Due	Past Due Over 181 Days	Total
Expected credit loss rate	0.0040%	0.0210%	0.1687%	-	100%	
Gross carrying amount	\$ 1,502,666	\$ 161,996	\$ 22,525	\$ -	\$ 2,108	\$ 1,689,295
Loss allowance (Lifetime ECLs)	<u> (60)</u>	<u> (34)</u>	<u> (38)</u>	<u> -</u>	<u> (2,108)</u>	<u> (2,240)</u>
Amortized cost	<u>\$ 1,502,606</u>	<u>\$ 161,962</u>	<u>\$ 22,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,687,055</u>

December 31, 2020

	Not Past Due	Past Due Within 60 Days	61 to 120 Days Past Due	121 to 180 Days Past Due	Past Due Over 181 Days	Total
Expected credit loss rate	0.0052%	0.0477%	0.4114%	99.8375%	100%	
Gross carrying amount	\$ 1,060,873	\$ 98,596	\$ 2,431	\$ 5,537	\$ 9,991	\$ 1,177,428
Loss allowance (Lifetime ECLs)	<u> (55)</u>	<u> (47)</u>	<u> (10)</u>	<u> (5,528)</u>	<u> (9,991)</u>	<u> (15,631)</u>
Amortized cost	<u>\$ 1,060,818</u>	<u>\$ 98,549</u>	<u>\$ 2,421</u>	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 1,161,797</u>

September 30, 2020

	Not Past Due	Past Due Within 60 Days	61 to 120 Days Past Due	121 to 180 Days Past Due	Past Due Over 181 Days	Total
Expected credit loss rate	0.0039%	0.0431%	3.4879%	28.9990%	100%	
Gross carrying amount	\$ 1,145,548	\$ 134,681	\$ 2,437	\$ 7,652	\$ 2,151	\$ 1,292,469
Loss allowance (Lifetime ECLs)	<u> (45)</u>	<u> (58)</u>	<u> (85)</u>	<u> (2,219)</u>	<u> (2,151)</u>	<u> (4,558)</u>
Amortized cost	<u>\$ 1,145,503</u>	<u>\$ 134,623</u>	<u>\$ 2,352</u>	<u>\$ 5,433</u>	<u>\$ -</u>	<u>\$ 1,287,911</u>

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

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	\$ 15,631	\$ 973
Add: Net remeasurement of loss allowance	-	3,721
Less: Net remeasurement of loss allowance	(13,244)	-
Less: Amounts written off	-	(139)
Foreign exchange gains and losses	<u>(147)</u>	<u>3</u>
Balance at September 30	<u>\$ 2,240</u>	<u>\$ 4,558</u>

2) At FVTOCI

For trade receivables from a specific customer, the Group will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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

September 30, 2021

	Not Past Due	Past Due Within 60 Days	61 to 120 Days Past Due	Past Due Over 120 Days	Total
Expected credit loss rate	-	-	-	-	
Gross carrying amount	\$ 126,154	\$ -	\$ -	\$ -	\$ 126,154
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 126,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,154</u>

December 31, 2020

	Not Past Due	Past Due Within 60 Days	61 to 120 Days Past Due	Past Due Over 120 Days	Total
Expected credit loss rate	-	-	-	-	
Gross carrying amount	\$ 112,535	\$ -	\$ -	\$ -	\$ 112,535
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 112,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,535</u>

September 30, 2020

	Not Past Due	Past Due Within 60 Days	61 to 120 Days Past Due	Past Due Over 120 Days	Total
Expected credit loss rate	-	-	-	-	
Gross carrying amount	\$ 146,299	\$ -	\$ -	\$ -	\$ 146,299
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 146,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,299</u>

b. Other receivables

Other receivables mainly contain tax refunds receivable and factored trade receivables. The policy that the Group adopted is to carry out a transaction only with company with good credit. The Group continuously tracks the overdue record of the past and analyzes its financial situation to evaluate if there is a significant increase in the credit risk and measure the expected credit loss. As of September 30, 2021, December 31, 2020 and September 30, 2020, the expected credit risk was considered 0% by the assessment of the Group.

12. INVENTORIES

	September 30, 2021	December 31, 2020	September 30, 2020
Finished goods	\$ 468,392	\$ 440,194	\$ 374,513
Work in progress	524,630	482,175	506,308
Raw materials and supplies	<u>412,959</u>	<u>243,120</u>	<u>243,883</u>
	<u>\$ 1,405,981</u>	<u>\$ 1,165,489</u>	<u>\$ 1,124,704</u>

The nature of the cost of goods sold is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Cost of inventories sold	\$ 1,390,978	\$ 1,091,428	\$ 3,758,819	\$ 3,022,812
Add: Inventory write-downs	-	1,026	776	-
Less: Inventory write-downs reversed	<u>(555)</u>	<u>-</u>	<u>-</u>	<u>(70)</u>
	<u>\$ 1,390,423</u>	<u>\$ 1,092,454</u>	<u>\$ 3,759,595</u>	<u>\$ 3,022,742</u>

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Investee's Company Type/Main Business	% of Ownership			Remark
			September 30, 2021	December 31, 2020	September 30, 2020	
U.D. Electronic Corp.	Global Connection (Samoa) Holding Inc.	Holding company	100	100	100	Foreign exchange risk is the major operational risk
U.D. Electronic Corp.	CDE Corp.	Manufacturing and selling of electronic materials	66 (Note)	50	50	Market risk is the major operational risk
U.D. Electronic Corp.	DYP Corp.	Selling of electronic components	51	51	51	Market risk is the major operational risk
Global Connection (Samoa) Holding Inc.	Sunderland Inc.	Holding company	100	100	100	Foreign exchange risk is the major operational risk
Global Connection (Samoa) Holding Inc.	San Francisco Inc.	Holding company	100	100	100	Foreign exchange risk is the major operational risk
Global Connection (Samoa) Holding Inc.	All First International Co., Ltd.	International trading	100	100	100	Foreign exchange and market risks are major operational risks
DYP Corp.	Ta Yang UDE Limited	Holding company	100	100	100	Foreign exchange risk is the major operational risk
Sunderland Inc.	Dongguan Jian Guan P.E. Co., Ltd.	Manufacturing and selling of electronic components	100	100	100	Political, foreign exchange, and market risks are major operational risks
Sunderland Inc.	Dongguan U.D.E. Electronics Corp.	Researching and selling of electronic components	100	100	100	Political, foreign exchange, and market risks are major operational risks
San Francisco Inc.	Zhong Jiang U.D.E. Electronics Corp.	Manufacturing and selling of electronic components	100	100	100	Political, foreign exchange, and market risks are major operational risks
Zhong Jiang U.D.E. Electronics Corp.	Zhong Jiang U.D.E. Networking Electronics Corp.	Selling of electronic components	100	100	100	Political, foreign exchange, and market risks are major operational risks
Ta Yang UDE Limited	Dongguan De Yang Precision Rubber Plastic Co., Ltd.	Manufacturing and selling of electronic components	100	100	100	Political, foreign exchange, and market risks are major operational risks
Ta Yang UDE Limited	Morning Paragon Limited	International trading	100	100	100	Foreign exchange and market risks are major operational risks
Dongguan Jian Guan P.E. Co., Ltd.	Dongguan Ai Te Chieh Intellectual Technology Co., Ltd.	Machinery and automatic equipment development	60	60	60	Political, foreign exchange, and market risks are major operational risks
Dongguan Jian Guan P.E. Co., Ltd.	Dongguan Han Lian Technology Co., Ltd.	Manufacturing and selling of electronic connectors and electronic products	70	70	70	Political, foreign exchange, and market risks are major operational risks

Note: On June, 2021, the Group resolved to acquire additional 16% ownerships of CDE Corp. After the completion of the shares transfer, the Group's shareholding percentage in CDE Corp increased from 50% to 66%. For equity transactions with non-controlling interests, refer to Note 27.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Mold Equipment	Leasehold Improvements	Other Equipment	Property under Construction	Total
Cost										
Balance at January 1, 2021	\$ 159,538	\$ 319,996	\$ 1,756,408	\$ 22,685	\$ 16,979	\$ 358,318	\$ 93,919	\$ 327,183	\$ -	\$ 3,055,026
Additions	-	268	55,093	-	-	36,772	605	30,713	-	143,451
Disposals	-	(5,009)	(44,121)	-	(10)	(16,325)	-	(14,801)	-	(80,266)
Transfer from prepayments	-	-	25,172	-	-	29,273	-	42,594	-	97,039
Effect of foreign currency exchange differences	-	(2,824)	(17,045)	(328)	(149)	(7,105)	(1,209)	(5,201)	-	(33,861)
Balance at September 30, 2021	<u>\$ 159,538</u>	<u>\$ 312,431</u>	<u>\$ 1,775,501</u>	<u>\$ 22,357</u>	<u>\$ 16,820</u>	<u>\$ 400,933</u>	<u>\$ 93,315</u>	<u>\$ 400,488</u>	<u>\$ -</u>	<u>\$ 3,181,389</u>
Accumulated depreciation										
Balance at January 1, 2021	\$ -	\$ 102,070	\$ 835,145	\$ 19,636	\$ 14,430	\$ 243,895	\$ 82,334	\$ 232,553	\$ -	\$ 1,530,063
Disposals	-	(5,009)	(42,991)	-	(10)	(11,337)	-	(14,801)	-	(74,148)
Depreciation	-	21,466	139,679	775	1,010	58,078	8,568	65,723	-	295,299
Effect of foreign currency exchange differences	-	(1,205)	(10,317)	(292)	(142)	(5,418)	(1,122)	(3,551)	-	(22,047)
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 117,322</u>	<u>\$ 921,516</u>	<u>\$ 20,119</u>	<u>\$ 15,288</u>	<u>\$ 285,218</u>	<u>\$ 89,780</u>	<u>\$ 279,924</u>	<u>\$ -</u>	<u>\$ 1,729,167</u>
Carrying amounts at December 31, 2020 and January 1, 2021	<u>\$ 159,538</u>	<u>\$ 217,926</u>	<u>\$ 921,263</u>	<u>\$ 3,049</u>	<u>\$ 2,549</u>	<u>\$ 114,423</u>	<u>\$ 11,585</u>	<u>\$ 94,630</u>	<u>\$ -</u>	<u>\$ 1,524,963</u>
Carrying amounts at September 30, 2021	<u>\$ 159,538</u>	<u>\$ 195,109</u>	<u>\$ 853,991</u>	<u>\$ 2,238</u>	<u>\$ 1,532</u>	<u>\$ 115,715</u>	<u>\$ 3,535</u>	<u>\$ 120,564</u>	<u>\$ -</u>	<u>\$ 1,452,222</u>
Cost										
Balance at January 1, 2020	\$ 159,538	\$ 318,617	\$ 1,705,550	\$ 20,659	\$ 24,531	\$ 333,309	\$ 81,427	\$ 294,343	\$ 6,520	\$ 2,944,494
Additions	-	3,029	83,838	1,277	1,849	45,496	11,115	41,658	-	188,262
Disposals	-	(9,482)	(82,362)	-	(9,693)	(47,329)	-	(45,381)	-	(194,247)
Transfer from prepayments	-	-	43,637	-	-	11,079	-	15,873	-	70,589
Reclassification	-	6,520	-	-	-	-	-	-	(6,520)	-
Effect of foreign currency exchange differences	-	(1,120)	(5,931)	(117)	(82)	(1,867)	(439)	(1,647)	-	(11,203)
Balance at September 30, 2020	<u>\$ 159,538</u>	<u>\$ 317,564</u>	<u>\$ 1,744,732</u>	<u>\$ 21,819</u>	<u>\$ 16,605</u>	<u>\$ 340,688</u>	<u>\$ 92,103</u>	<u>\$ 304,846</u>	<u>\$ -</u>	<u>\$ 2,997,895</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Mold Equipment	Leasehold Improvements	Other Equipment	Property under Construction	Total
<u>Accumulated depreciation</u>										
Balance at January 1, 2020	\$ -	\$ 83,352	\$ 766,360	\$ 18,343	\$ 20,916	\$ 226,813	\$ 64,338	\$ 211,697	\$ -	\$ 1,391,819
Disposals	-	(9,482)	(82,026)	-	(9,693)	(42,564)	-	(45,233)	-	(188,998)
Depreciation	-	22,040	132,340	721	2,640	47,708	13,057	50,364	-	268,870
Effect of foreign currency exchange differences	-	(356)	(3,697)	(105)	(64)	(1,280)	(339)	(1,207)	-	(7,048)
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 95,554</u>	<u>\$ 812,977</u>	<u>\$ 18,959</u>	<u>\$ 13,799</u>	<u>\$ 230,677</u>	<u>\$ 77,056</u>	<u>\$ 215,621</u>	<u>\$ -</u>	<u>\$ 1,464,643</u>
Carrying amounts at September 30, 2020	<u>\$ 159,538</u>	<u>\$ 222,010</u>	<u>\$ 931,755</u>	<u>\$ 2,860</u>	<u>\$ 2,806</u>	<u>\$ 110,011</u>	<u>\$ 15,047</u>	<u>\$ 89,225</u>	<u>\$ -</u>	<u>\$ 1,533,252</u>

(Concluded)

There was no impairment loss after performing impaired assessment for the nine months ended September 30, 2021 and 2020.

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

Buildings	
Main buildings	10-50 years
Others	2-8 years
Machinery and equipment	2-10 years
Transportation equipment	3-6 years
Office equipment	3-5 years
Mold equipment	2-4 years
Leasehold improvements	2-3 years
Other equipment	3-8 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 31.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020	
<u>Carrying amounts</u>				
Land	\$ 52,791	\$ 54,585	\$ 53,861	
Buildings	<u>74,191</u>	<u>94,635</u>	<u>99,127</u>	
	<u>\$ 126,982</u>	<u>\$ 149,220</u>	<u>\$ 152,988</u>	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,073</u>
Depreciation charge for right-of-use assets				
Land	\$ 335	\$ 332	\$ 1,013	\$ 996
Buildings	<u>6,374</u>	<u>6,301</u>	<u>19,266</u>	<u>18,937</u>
	<u>\$ 6,709</u>	<u>\$ 6,633</u>	<u>\$ 20,279</u>	<u>\$ 19,933</u>

There was no impairment loss after performing impairment assessment for the nine months ended September 30, 2021 and 2020.

b. Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amounts</u>			
Current	<u>\$ 25,726</u>	<u>\$ 25,749</u>	<u>\$ 24,837</u>
Non-current	<u>\$ 53,622</u>	<u>\$ 73,764</u>	<u>\$ 78,807</u>

Discount rate for lease liabilities was as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Buildings	1.38%-1.7895%	1.38%-1.7895%	1.38%-1.7895%

c. Material lease-in activities and terms

The Group leases certain land and buildings for the use as plants and offices with lease terms of 5 to 10 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Expenses relating to short-term leases	<u>\$ 635</u>	<u>\$ 602</u>	<u>\$ 1,874</u>	<u>\$ 1,757</u>
Expenses relating to low-value asset leases	<u>\$ 56</u>	<u>\$ 59</u>	<u>\$ 170</u>	<u>\$ 166</u>
Total cash outflow for leases	<u>\$ (7,417)</u>	<u>\$ (7,048)</u>	<u>\$ (22,129)</u>	<u>\$ (19,965)</u>

16. GOODWILL

	<u>For the Nine Months Ended September 30</u>	
	2021	2020
<u>Cost</u>		
Balance at January 1	\$ 12,233	\$ 12,150
Effect of foreign currency exchange differences	<u>(89)</u>	<u>(36)</u>
Balance at September 30	<u>\$ 12,144</u>	<u>\$ 12,114</u>

In February 2013, November 2018 and March 2019, the Company acquired a 50% interest in CDE Corp, a 60% interest in Dongguan Ai Te Chieh Intellectual Technology Co., Ltd., and a 70% interest in Dongguan Han Lian Technology Co., Ltd., respectively. The value of goodwill was recognized when the cost of acquisition is higher than the net fair value of the identifiable assets and liabilities recognized at the date of acquisition. As of September 30, 2021 and 2020, based on estimated fair value through the calculation of discounted cash flows of CDE Corp., Dongguan Ai Te Chieh Intellectual Technology Co., Ltd. and Dongguan Han Lian Technology Co., Ltd., no impairment loss was recognized.

17. OTHER INTANGIBLE ASSETS

	Computer Software	Trademarks	Patents	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 34,816	\$ 29,286	\$ 7,000	\$ 71,102
Additions	4,085	-	-	4,085
Disposals	(1,737)	-	-	(1,737)
Effect of foreign currency exchange differences	<u>(421)</u>	<u>-</u>	<u>-</u>	<u>(421)</u>
Balance at September 30, 2021	<u>\$ 36,743</u>	<u>\$ 29,286</u>	<u>\$ 7,000</u>	<u>\$ 73,029</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2021	\$ (27,856)	\$ (4,881)	\$ (583)	\$ (33,320)
Amortization expenses	(4,526)	(1,910)	(525)	(6,961)
Disposals	1,737	-	-	1,737
Effect of foreign currency exchange differences	<u>389</u>	<u>-</u>	<u>-</u>	<u>389</u>
Balance at September 30, 2021	<u>\$ (30,256)</u>	<u>\$ (6,791)</u>	<u>\$ (1,108)</u>	<u>\$ (38,155)</u>
Carrying amounts at December 31, 2020 and January 1, 2021	<u>\$ 6,960</u>	<u>\$ 24,405</u>	<u>\$ 6,417</u>	<u>\$ 37,782</u>
Carrying amounts at September 30, 2021	<u>\$ 6,487</u>	<u>\$ 22,495</u>	<u>\$ 5,892</u>	<u>\$ 34,874</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 38,296	\$ 29,286	\$ -	\$ 67,582
Transfer from other non-current assets	-	-	7,000	7,000
Additions	960	-	-	960
Disposals	(7,365)	-	-	(7,365)
Effect of foreign currency exchange differences	<u>(177)</u>	<u>-</u>	<u>-</u>	<u>(177)</u>
Balance at September 30, 2020	<u>\$ 31,714</u>	<u>\$ 29,286</u>	<u>\$ 7,000</u>	<u>\$ 68,000</u>

(Continued)

	Computer Software	Trademarks	Patents	Total
<u>Accumulated amortization</u>				
Balance at January 1, 2020	\$ (31,665)	\$ (2,334)	\$ -	\$ (33,999)
Amortization expenses	(3,269)	(1,910)	(408)	(5,587)
Disposals	7,365	-	-	7,365
Effect of foreign currency exchange differences	<u>164</u>	<u>-</u>	<u>-</u>	<u>164</u>
Balance at September 30, 2020	<u>\$ (27,405)</u>	<u>\$ (4,244)</u>	<u>\$ (408)</u>	<u>\$ (32,057)</u>
Carrying amounts at September 30, 2020	<u>\$ 4,309</u>	<u>\$ 25,042</u>	<u>\$ 6,592</u>	<u>\$ 35,943</u> (Concluded)

There was no impairment loss after performing impairment assessment for the nine months ended September 30, 2021 and 2020.

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

Computer software	2-5 years
Trademarks	10-12 years
Patents	10 years

18. OTHER ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Prepaid sales tax	\$ 68,847	\$ 60,946	\$ 61,980
Prepayments	63,796	33,924	48,636
Overpaid sales tax	10,523	12,670	17,630
Others	<u>3,570</u>	<u>2,628</u>	<u>4,655</u>
	<u>\$ 146,736</u>	<u>\$ 110,168</u>	<u>\$ 132,901</u>
<u>Non-current</u>			
Prepayments for equipment	\$ 164,343	\$ 176,967	\$ 178,998
Prepayments - non-current	11,157	16,727	18,902
Refundable deposits	<u>6,384</u>	<u>6,648</u>	<u>6,311</u>
	<u>\$ 181,884</u>	<u>\$ 200,342</u>	<u>\$ 204,211</u>

19. BORROWINGS

a. Short-term borrowings

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 1,014,350</u>	<u>\$ 683,000</u>	<u>\$ 1,162,500</u>

The range of interest rates for bank loans was 0.63%-1.60%, 0.95%-1.60% and 0.60%-1.53%, per annum as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

b. Long-term borrowings

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Secured borrowings (Note 31)</u>			
Bank loans	\$ 312,000	\$ 364,000	\$ 364,000
Less: Current portions	<u>(62,400)</u>	<u>(364,000)</u>	<u>(364,000)</u>
Long-term borrowings	<u>\$ 249,600</u>	<u>\$ -</u>	<u>\$ -</u>

	Repayment Method	September 30, 2021	December 31, 2020	September 30, 2020
<u>Secured borrowings</u>				
Taipei Fubon Bank	The loan is repaid on a monthly basis from September 30, 2011. The interest is paid every month.	\$ 312,000	\$ -	\$ -
Syndicated bank loans	For the period of 2018.9.30-2021.9.30. Principal repaid every six months starting 2019.9.30 for 5 periods, of which 10% of total borrowings repaid for the first four repayments and the fifth repayment would include the outstanding principal and interests. Interest paid monthly.	-	<u>364,000</u>	<u>364,000</u>
Less: Current portions		312,000 <u>(62,400)</u>	364,000 <u>(364,000)</u>	364,000 <u>(364,000)</u>
		<u>\$ 249,600</u>	<u>\$ -</u>	<u>\$ -</u>

The range of interest rates for bank loans was 0.8246%-1.0361%, 1.7895% and 1.7895%, per annum as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

Under the loan agreements with Taipei Fubon Bank, the Group should maintain certain financial ratios during the loan term, which are based on the annual and semi-annual consolidated financial statements. The financial ratios are as follows:

Since the loan to be activated, the financial statements should be reviewed quarterly in April, June and October including:

- 1) Current ratio (Current asset ÷ Current liabilities) shall be above 100%.
- 2) Liability ratio [(Total liabilities ÷ (Net value - Intangible assets)] shall not be higher than 150%.

- 3) Times interest earned [(Net profit before tax + Depreciation + Amortization + Interest expense)/Interest expense] shall be maintained at 3 times (inclusive) or more.
- 4) Tangible net value (Net value - Intangible assets) shall be maintained at NT\$20 billion (inclusive) or more.

Should either above mentioned ratios not met for the first time, the interest rate would be increased by 0.25%; and credit facilities would be reconsidered should the covenants breached again. As of the date of financial statements, no breach of the covenants.

The Group signed the long-term loan arrangement with syndicated banks, and according to the arrangement, the Group should maintain following financial ratios before the loan be fully repaid:

- 1) Current ratio (Current asset ÷ Current liabilities) shall be above 100%.
- 2) Liability ratio [(Total liabilities ÷ (Net value - Intangible assets))] shall not be higher than 150%.
- 3) Times interest earned [(Net profit before tax + Depreciation + Amortization + Interest expense)/Interest expense] shall be maintained at 3 times (inclusive) or more.
- 4) Tangible net value (Net value - Intangible assets) shall be maintained at NT\$18 billion (inclusive) or more.

20. BONDS PAYABLE

	September 30, 2021	December 31, 2020	September 30, 2020
Second secured domestic convertible bonds	\$ -	\$ 290,795	\$ 289,285
Third secured domestic convertible bonds	141,488	284,778	-
Less: Current portion	<u>-</u>	<u>(290,795)</u>	<u>(289,285)</u>
	<u>\$ 141,488</u>	<u>\$ 284,778</u>	<u>\$ -</u>

Second Secured Domestic Convertible Bonds

On February 5, 2018, the Company issued the second three-year secured, zero-coupon domestic convertible bonds with a \$100 thousand par value, in an aggregate principal amounting \$300,000 thousand.

The following items are the primary clauses in the prospectus:

a. Term

From February 5, 2018 to February 5, 2021.

b. Redemption

From 3 months after the issue date to 40 days before maturity date, if the closing price in 30 consecutive trading days is greater than 130% of the conversion price, then the Group may redeem the whole bonds in cash at the principal amount.

From 3 months after the issue date to 40 days before maturity date, if more than 90% of the bonds' principal amount has already been converted, redeemed or repurchased and cancelled, then the Group may redeem the whole bonds in cash at the principal amount.

c. Conversion

Conversion period

Bondholders may request the Group to convert the bonds into the Group's ordinary shares between May 6, 2018 and February 5, 2021, barring the year in which the registration of share transfer is suspended.

Conversion price and adjustments

The price used by the Group in determining the number of ordinary shares to be issued upon conversion is initially NT\$51.45 per share. The conversion price will be subject to adjustment, according to a formula stated in the prospectus, due to any change in the issuance of the ordinary shares. The conversion price has been adjusted to NT\$45.75 per share since July 30, 2019 due to the distribution of cash dividends.

d. Security provided for the bonds (see Note 31)

e. Bondholders' put rights

On February 5, 2020 (2 years after the issue date), each bondholder will have the right, at such holder's option, to require the Group to redeem in whole or in part the principal amount of such holder's bonds in cash by filing an application with the original brokerage before 40 days prior to the base date. For the relevant changes please refer to Note 29.

f. Bond components

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 2.0838% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$12,110 thousand)	\$ 287,890
Equity component	(8,999)
Financial assets at FVTPL	522
Deferred tax assets	<u>2,422</u>
Liability component at the date of issuance	281,835
Interest charged at an effective interest rate of 2.0838% - for the year ended 2018	5,430
Interest charged at an effective interest rate of 2.0838% - for the year ended 2019	6,044
Redeemed convertible bonds	(8,536)
Interest charged at an effective interest rate of 2.0838% - for the nine months ended September 30, 2020	<u>4,512</u>
Liability component at September 30, 2020	<u>\$ 289,285</u>
Liability component at January 1, 2021	\$ 290,795
Interest charged at an effective interest rate of 2.0838% - for January 1 to February 5, 2021	505
Redeemed convertible bonds	<u>(291,300)</u>
Liability component at September 30, 2021	<u>\$ -</u>

The Company redeemed convertible bonds at the amount of \$8,700 thousands for the nine months ended September 30, 2020. Consequently, the bonds payable decreased \$8,700 thousands, the discount of bonds payable decreased \$164 thousands, capital surplus - options decreased \$261 thousands, capital surplus - treasury shares increased \$190 thousands and recognized loss of the redemption of convertible bonds \$93 thousands.

Third Secured Domestic Convertible Bonds

On December 11, 2020, the Group issued the third three-year secured, zero-coupon domestic convertible bonds with a \$100 thousand par value, in an aggregate principal amount of \$306,000 thousand.

The following items are the primary clauses in the prospectus:

a. Term

From December 11, 2020 to December 11, 2023.

b. Redemption

From 3 months after the issue date to 40 days before maturity date, if the closing price in 30 consecutive trading days is greater than 130% of the conversion price, then the Group may redeem the whole bonds in cash at the principal amount.

From 3 months after the issue date to 40 days before maturity date, if more than 90% of the bonds' principal amount has already been converted, redeemed or repurchased and cancelled, then the Group may redeem the whole bonds in cash at the principal amount.

c. Conversion

Conversion period

Bondholders may request the Group to convert the bonds into the Group's ordinary shares between March 12, 2021 and December 11, 2023, barring the year in which the registration of share transfer is suspended.

Conversion price and adjustments

The price used by the Group in determining the number of ordinary shares to be issued upon conversion is NT\$35 per share. Since the Company applied for ex-dividend on August 3, 2021, the conversion price of bonds was adjusted to \$33.53 per share

d. Security provided for the bonds (see Note 31).

e. Bondholders' put right

On December 11, 2022 (2 years after the issue date), each bondholder will have the right, at such holder's option, to require the Group to redeem in whole or in part the principal amount of such holder's bonds in cash by filling an application with the original brokerage before 40 days prior to the base date. For the relevant changes, refer to Note 29.

f. Bond components

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 1.7808% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$11,916 thousand)	\$ 294,084
Equity component	(12,207)
Financial assets at FVTPL	145
Deferred tax assets	<u>2,383</u>
Liability component at the date of issuance	284,405
Interest charged at an effective interest rate of 1.7808% - for December 11 to 31, 2020	<u>373</u>
Liability component at December 31, 2020	284,778
Interest charged at an effective interest rate of 1.7808% - for the nine months ended September 30, 2021	3,724
Conversion of corporate bond payable into common shares	<u>(147,014)</u>
Liability component at September 30, 2021	<u>\$ 141,488</u>

From January 1, 2021 to September 30, 2020, the convertible bonds were converted for the par value of \$153,100 thousand, of which the Group reclassified to advance receipts for capital stock for amount of \$45,660 thousand. With conversion occurrence, originally recorded capital surplus-options decreased \$6,229 thousand, bonds payable reduced 6,086 thousand, financial assets at FVPL reduced 15 thousand, and capital surplus increased \$107,568 thousand derived from the difference between the consideration received and the par value of bonds payable.

21. OTHER LIABILITIES

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Other payables			
Processing fees	\$ 219,486	\$ 187,104	\$ 201,250
Payable for purchases of equipment (Note 28)	124,280	110,643	113,783
Salaries and bonuses	155,224	136,643	134,539
Consumable supplies expenses	21,172	36,393	31,559
Payable for labor and health insurance, social security and pension	40,491	38,005	39,614
Professional service fees	16,430	24,085	27,304
Human dispatch payable	12,875	10,942	10,499
Commission	19,260	13,565	17,182
Import/export (customs) expense	8,981	7,729	8,445
Interest payable	482	395	608
Others	<u>100,416</u>	<u>88,439</u>	<u>75,114</u>
	<u>\$ 719,097</u>	<u>\$ 653,943</u>	<u>\$ 659,897</u>

22. EQUITY

a. Share capital

Ordinary shares

	September 30, 2021	December 31, 2020	September 30, 2020
Number of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Share capital authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>69,676</u>	<u>69,676</u>	<u>69,676</u>
Share capital issued	<u>\$ 696,758</u>	<u>\$ 696,758</u>	<u>\$ 696,758</u>

Fully paid ordinary shares, which have par value of NT\$10, carry one vote per share and the right to dividends.

The authorized shares include 1,000 thousand shares allocated for the exercise of employee share options.

From January 1, 2021 to September 30, 2020, convertible bonds were converted to ordinary shares for the amount of \$45,660 thousand under advance receipts for capital stock since as of the date of financial statements, registration was not completed. On November 4, 2021, the board of the directors resolved to set capital increase base date as November 5, 2021.

b. Capital surplus

	September 30, 2021	December 31, 2020	September 30, 2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Premium on issuance of ordinary shares	\$ 568,037	\$ 568,037	\$ 568,037
Premium on conversion of bonds	260,530	152,962	152,962
<u>May be used to offset a deficit only</u>			
Redemption or repayment of convertible bonds (2)	5,742	5,742	5,742
Changes in percentage of ownership interests in subsidiaries (3)	1,906	1,906	1,906
<u>May not be used for any purpose</u>			
Share warrants	<u>14,716</u>	<u>20,945</u>	<u>8,738</u>
	<u>\$ 850,931</u>	<u>\$ 749,592</u>	<u>\$ 737,385</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company 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).

2) Redemption or repayment of convertible bonds may only be utilized to offset deficits.

- 3) Such capital surplus arises from the effects of changes in ownership interests in a subsidiary resulting from equity transactions other than an actual disposal or acquisition or from changes in capital surplus of subsidiaries accounted for by using the equity method.
 - 4) Please refer to note 20 for significant changes of capital surplus due to the conversion of the third secured domestic convertible bonds in 2021.
 - 5) Capital surplus has significant change due to the redemption of the second secured domestic convertible bonds and the issuance of the third secured domestic convertible bonds, refer to Note 20.
- c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, where the Company made 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 special reserve in accordance with the laws and regulations, 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 distribution of dividends and bonus to shareholders by issuing new shares. In addition, the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors, refer to Note 24(g).

The Company's board of directors shall, considering the current investment environment, capital needs for future expansions, long term financial plans, and stockholders' needs for cash basis dividends, distribute no less than 10% of unappropriated earnings to stockholders as dividends and bonuses, by way of cash dividend or stock dividend, while cash dividend should not be lower than 10% of total bonuses to shareholders.

Legal reserve may be used to offset deficit. 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.

Under Rule No. 1010012865 issued by the FSC and the directive entitled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," the Company should appropriate or reverse a special reserve.

The appropriations of earnings for 2020 and 2019 were approved in the shareholders' meetings on August 27, 2021 and June 18, 2020, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2020	2019
Legal reserve	<u>\$ 9,535</u>	<u>\$ 5,337</u>
Special reserve	<u>\$ (20,176)</u>	<u>\$ 66,167</u>
Cash dividends	<u>\$ 90,579</u>	<u>\$ 34,838</u>
Cash dividends per share (NT\$)	\$ 1.3	\$ 0.5

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	\$ (238,001)	\$ (237,986)
Recognized during the period		
Exchange differences on translating the financial statements of foreign operations	(43,096)	(27,532)
Related income tax	<u>8,619</u>	<u>5,389</u>
Other comprehensive income recognized for the period	<u>(34,477)</u>	<u>(22,143)</u>
Balance at September 30	<u>\$ (272,478)</u>	<u>\$ (260,129)</u>

2) Unrealized valuation loss on financial assets at FVTOCI

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	\$ 37,583	\$ 17,392
Recognized for the period		
Unrealized loss - equity instruments	(24,558)	(4,413)
Related income tax	<u>4,750</u>	<u>1,731</u>
Other comprehensive income recognized for the period	<u>(19,808)</u>	<u>(2,682)</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>2,577</u>	<u>-</u>
Balance at September 30	<u>\$ 20,352</u>	<u>\$ 14,710</u>

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	\$ 48,431	\$ 27,805
Share in profit (loss) for the period	10,985	(15,920)
Other comprehensive loss during the period		
Exchange differences on translating the financial statements of foreign entities	(154)	(709)
Related income tax	<u>29</u>	<u>141</u>
	<u>(125)</u>	<u>(568)</u>
Acquisition of non-controlling interest in DYP Corp. through issuing ordinary shares for cash	-	24,500
Acquisition of non-controlling interest in Dongguan Han Lian Technology Co., Ltd through issuing ordinary shares for cash	775	2,015
Transaction with non-controlling interests (Note 27)	<u>(5,581)</u>	<u>-</u>
Balance at September 30	<u>\$ 54,485</u>	<u>\$ 37,832</u>

23. REVENUE

a. Description of customer contract

Revenue from sales of goods

Main operating revenue of the Company was from manufacturing and sales electronic connectors for telecommunications, data communications and computers, by fixed contract price.

b. Contract balance

	September 30, 2021	December 31, 2020	September 30, 2020	January 1, 2020
Notes and trade receivables (Note 11)	<u>\$ 1,879,672</u>	<u>\$ 1,358,289</u>	<u>\$ 1,465,493</u>	<u>\$ 1,352,638</u>
Contract liabilities Sale of goods	<u>\$ 27,731</u>	<u>\$ 25,188</u>	<u>\$ 34,782</u>	<u>\$ 13,800</u>

c. Disaggregation of revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Type of goods</u>				
Integrated signal connector	<u>\$ 1,729,354</u>	<u>\$ 1,341,820</u>	<u>\$ 4,665,986</u>	<u>\$ 3,732,375</u>

24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Bank deposits	<u>\$ 1,119</u>	<u>\$ 2,432</u>	<u>\$ 4,638</u>	<u>\$ 5,544</u>

b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Dividend income	\$ 288	\$ -	\$ 1,725	\$ -
Government grants	7,378	7,880	18,524	16,937
Others	<u>4,485</u>	<u>8,509</u>	<u>14,851</u>	<u>20,991</u>
	<u>\$ 12,151</u>	<u>\$ 16,389</u>	<u>\$ 35,100</u>	<u>\$ 37,928</u>

c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Gain (loss) on disposal of property, plant and equipment	\$ 3	\$ (96)	\$ (406)	\$ (180)
Fair value changes of financial assets/liabilities				
Financial assets mandatorily classified as at FVTPL	3,487	9,677	9,133	23,718
Financial liabilities held for trading	<u>(1,241)</u>	<u>(3,392)</u>	<u>(7,523)</u>	<u>(5,632)</u>
	2,246	6,285	1,610	18,086
Loss on redemption of convertible bonds (Note 20)	-	-	-	(93)
Net foreign exchange gain (losses)	7,449	(3,700)	10,221	(5,388)
Others	<u>(57)</u>	<u>(47)</u>	<u>(155)</u>	<u>15</u>
	<u>\$ 9,641</u>	<u>\$ 2,442</u>	<u>\$ 11,270</u>	<u>\$ 12,440</u>

d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Interest on bank loans	\$ 3,803	\$ 4,757	\$ 11,900	\$ 15,784
Interest on convertible bonds (Note 20)	1,281	1,502	4,229	4,512
Interest on lease liabilities	<u>360</u>	<u>460</u>	<u>1,171</u>	<u>1,422</u>
	<u>\$ 5,444</u>	<u>\$ 6,719</u>	<u>\$ 17,300</u>	<u>\$ 21,718</u>

e. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
An analysis of deprecation by function				
Operating costs	\$ 80,537	\$ 73,427	\$ 237,559	\$ 204,439
Operating expenses	<u>23,924</u>	<u>28,020</u>	<u>78,019</u>	<u>84,364</u>
	<u>\$ 104,461</u>	<u>\$ 101,447</u>	<u>\$ 315,578</u>	<u>\$ 288,803</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
An analysis of amortization by function				
Operating costs	\$ 175	\$ 175	\$ 525	\$ 408
Selling and marketing expense	848	881	2,401	2,563
General and administrative expense	963	739	2,783	2,233
Research and development expenses	<u>509</u>	<u>128</u>	<u>1,252</u>	<u>383</u>
	<u>\$ 2,495</u>	<u>\$ 1,923</u>	<u>\$ 6,961</u>	<u>\$ 5,587</u>

(Concluded)

f. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Post-employment benefits				
Defined contribution plans	\$ 17,755	\$ 7,666	\$ 52,409	\$ 26,094
Other employee benefits	<u>290,190</u>	<u>264,990</u>	<u>857,062</u>	<u>790,016</u>
Total employee benefits expense	<u>\$ 307,945</u>	<u>\$ 272,656</u>	<u>\$ 909,471</u>	<u>\$ 816,110</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 195,365	\$ 174,493	\$ 578,725	\$ 518,333
Operating expenses	<u>112,580</u>	<u>98,163</u>	<u>330,746</u>	<u>297,777</u>
	<u>\$ 307,945</u>	<u>\$ 272,656</u>	<u>\$ 909,471</u>	<u>\$ 816,110</u>

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration to directors and supervisors at the rates in between 3%-15% and not higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration to directors and supervisors.

The accrual compensation rate of employees and the remuneration of directors and supervisors for the three months ended September 30, 2021 and 2020, and the nine months ended September 30, 2021 and 2020 are as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2021	2020
Compensation of employees	7.10%	5.66%
Remuneration of directors and supervisors	2.13%	1.70%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Compensation of employees	<u>\$ 9,293</u>	<u>\$ 1,972</u>	<u>\$ 17,631</u>	<u>\$ 8,362</u>
Remuneration of directors and supervisors	<u>\$ 2,788</u>	<u>\$ 592</u>	<u>\$ 5,289</u>	<u>\$ 2,509</u>

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

The appropriations of compensation of employees and remuneration of directors and supervisors for 2020 and 2019 have been resolved by the board of directors on March 4, 2021 and March 5, 2020, respectively, are as shown below:

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Compensation of employees	<u>\$ 8,000</u>	<u>\$ 4,500</u>
Remuneration of directors and supervisors	<u>\$ 2,300</u>	<u>1,300</u>

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 consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Foreign exchange gains	\$ 17,436	\$ 35,997	\$ 79,638	\$ 66,570
Foreign exchange losses	<u>(9,987)</u>	<u>(39,697)</u>	<u>(69,417)</u>	<u>(71,958)</u>
	<u>\$ 7,449</u>	<u>\$ (3,700)</u>	<u>\$ 10,221</u>	<u>\$ (5,388)</u>

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 14,916	\$ 11,153	\$ 30,979	\$ 30,960
Adjustment for prior periods	-	-	(1,277)	(2,959)
Loss carryforward deduction	<u>-</u>	<u>(3,002)</u>	<u>(6,442)</u>	<u>(3,002)</u>
	14,916	8,151	23,260	24,999
Deferred tax				
In respect of the current period	<u>5,394</u>	<u>524</u>	<u>7,667</u>	<u>849</u>
Income tax expense recognized in profit or loss	<u>\$ 20,310</u>	<u>\$ 8,675</u>	<u>\$ 30,927</u>	<u>\$ 25,848</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Deferred tax</u>				
In respect of the current period				
Translation of foreign operations	\$ (1,813)	\$ 6,245	\$ (8,648)	\$ (5,530)
Fair value changes of financial assets at FVTOCI	<u>(878)</u>	<u>214</u>	<u>(4,750)</u>	<u>(1,731)</u>
Total income tax recognized in other comprehensive income	<u>\$ (2,691)</u>	<u>\$ 6,459</u>	<u>\$ (13,398)</u>	<u>\$ (7,261)</u>

c. Income tax assessments

The income tax returns through 2018 of UDE Corp. and through 2019 of its subsidiaries - CDE Corp. and DYP Corp., have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Basic earnings per share				
From continuing operations	\$ <u>1.44</u>	\$ <u>0.49</u>	\$ <u>2.99</u>	\$ <u>1.80</u>
Diluted earnings per share				
From continuing operations	\$ <u>1.27</u>	\$ <u>0.47</u>	\$ <u>2.72</u>	\$ <u>1.67</u>

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

Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Profit for the period attributable to owners of the Company	\$ <u>100,005</u>	\$ <u>34,377</u>	\$ <u>208,232</u>	\$ <u>125,203</u>
Earnings used in the computation of basic earnings per share	\$ 100,005	\$ 34,377	\$ 208,232	\$ 125,203
Effects of potentially dilutive ordinary shares:				
Interest and valuation loss on convertible bonds after tax	<u>452</u>	<u>1,201</u>	<u>2,750</u>	<u>2,073</u>
Earnings used in the computation of diluted earnings per share	\$ <u>100,457</u>	\$ <u>35,578</u>	\$ <u>210,982</u>	\$ <u>127,276</u>

Shares

Unit: Thousand Shares

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Weighted average number of ordinary shares in computation of basic earnings per share	69,676	69,676	69,676	69,676
Effect of potentially dilutive ordinary shares:				
Convertible bonds	8,800	6,367	7,314	6,396
Compensation of employee	<u>398</u>	<u>65</u>	<u>455</u>	<u>319</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>78,874</u>	<u>76,108</u>	<u>77,445</u>	<u>76,391</u>

The Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares are 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.

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 2021, the Group resolved to acquire 16% ownership of CDE Corp. After the completion of the shares transfer, the Group's shareholding percentage of CDE Corp increased from 50% to 66%.

The above transaction was accounted for as equity transaction since the Group did not change the control over the subsidiary.

	CDE Corp.
Cash consideration paid	\$ (24,640)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>5,581</u>
Differences recognized from equity transaction	<u>\$ (19,059)</u>
<u>Line items adjusted for equity transaction</u>	
Retained earnings	<u>\$ (19,059)</u>

28. CASH INFORMATIONS

a. Non-cash transaction

For the nine months ended September 30, 2021 and 2020, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows:

- 1) As of September 30, 2021, December 31, 2020 and September 30, 2020, the amounts unpaid for acquiring property, plant and equipment were \$124,280 thousand, \$110,643 thousand and \$113,783 thousand, respectively, which were included in other payables.
- 2) In December 2020, the Group's issuance cost of the third secured convertible bonds was \$11,916 thousand. As of September 30, 2021 and December 31, 2020, the amounts of unpaid prepayments for issuance of convertible bonds were \$4,324 thousand and \$5,931 thousand, which were included in other payables.

b. Changes in liabilities from financing activities

For the nine months ended September 30, 2021

	Balance at January 1, 2021	Cash Flows	Non-cash Changes				Balance at September 30, 2021
			Additions	Interest Expenses	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Others (Note)	
Short-term borrowings	\$ 683,000	\$ 332,967	\$ -	\$ -	\$ (1,617)	\$ -	\$ 1,014,350
Lease liabilities	99,513	(18,914)	-	-	(1,251)	-	79,348
Bonds payable (including current portion of bonds payable)	575,573	(291,300)	-	4,229	-	(147,014)	141,488
Long-term borrowings (including current portion of Long-term borrowings)	364,000	(52,000)	-	-	-	-	312,000
Deposits received	<u>825</u>	<u>166</u>	<u>-</u>	<u>-</u>	<u>(11)</u>	<u>-</u>	<u>980</u>
	<u>\$ 1,722,911</u>	<u>\$ (29,081)</u>	<u>\$ -</u>	<u>\$ 4,229</u>	<u>\$ (2,879)</u>	<u>\$ (147,014)</u>	<u>\$ 1,548,166</u>

Note: It is the conversion of the third secured domestic convertible bonds from January 1, 2021 to September 30, 2021. Please refer to Note 20.

For the nine months ended September 30, 2020

	Balance at January 1, 2020	Cash Flows	Non-cash Changes				Balance at September 30, 2020
			Additions	Interest Expenses	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Others	
Short-term borrowings	\$ 904,780	\$ 266,467	\$ -	\$ -	\$ (8,747)	\$ -	\$ 1,162,500
Lease liabilities	111,034	(16,620)	10,073	-	(843)	-	103,644
Bonds payable (including current portion of bonds payable)	293,309	(8,700)	-	4,512	-	164	289,285
Long-term borrowings (including current portion of Long-term borrowings)	468,000	(104,000)	-	-	-	-	364,000
Deposits received	<u>813</u>	<u>(39)</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>768</u>
	<u>\$ 1,777,936</u>	<u>\$ 137,108</u>	<u>\$ 10,073</u>	<u>\$ 4,512</u>	<u>\$ (9,596)</u>	<u>\$ 164</u>	<u>\$ 1,920,197</u>

29. FINANCIAL INSTRUMENTS

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

September 30, 2021

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Convertible bonds	<u>\$ 141,488</u>	<u>\$ 195,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,715</u>

December 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Convertible bonds	<u>\$ 575,573</u>	<u>\$ 636,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 636,300</u>

September 30, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Convertible bonds	<u>\$ 289,285</u>	<u>\$ 300,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,942</u>

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

1) Fair value hierarchy

September 30, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities at FVTPL</u>				
Derivatives				
Convertible bond options	\$ -	\$ -	\$ 588	\$ 588
Foreign exchange forward contracts	<u>-</u>	<u>1,824</u>	<u>-</u>	<u>1,824</u>
	<u>\$ -</u>	<u>\$ 1,824</u>	<u>\$ 588</u>	<u>\$ 2,412</u>

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,873</u>	<u>\$ 75,873</u>
Investments in debt instruments at FVTOCI				
Factored trade receivables to banks without recourse	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,154</u>	<u>\$ 126,154</u>

Financial liabilities at FVTPL

Derivatives				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 602</u>	<u>\$ -</u>	<u>\$ 602</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign exchange forward contracts	\$ <u> -</u>	\$ <u> 6,686</u>	\$ <u> -</u>	\$ <u> 6,686</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic unlisted shares	\$ <u> -</u>	\$ <u> -</u>	\$ <u>117,855</u>	\$ <u>117,855</u>
Investments in debt instruments at FVTOCI				
Factored trade receivables to banks without recourse	\$ <u> -</u>	\$ <u> -</u>	\$ <u>112,535</u>	\$ <u>112,535</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives				
Convertible bond options	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 30</u>	\$ <u> 30</u>
Foreign exchange forward contracts	<u> -</u>	<u> 280</u>	<u> -</u>	<u> 280</u>
	\$ <u> -</u>	\$ <u> 280</u>	\$ <u> 30</u>	\$ <u> 310</u>

September 30, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities at FVTPL</u>				
Foreign exchange forward contracts	\$ <u> -</u>	\$ <u> 3,065</u>	\$ <u> -</u>	\$ <u> 3,065</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic unlisted shares	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 89,231</u>	\$ <u> 89,231</u>
Investments in debt instruments at FVTOCI				
Factored trade receivables to banks without recourse	\$ <u> -</u>	\$ <u> -</u>	\$ <u>146,299</u>	\$ <u>146,299</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives				
Foreign exchange forward contracts	\$ <u> -</u>	\$ <u> 299</u>	\$ <u> -</u>	\$ <u> 299</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

For the nine months ended September 30, 2021

Financial Assets	Financial Assets at FVTOCI		Total
	Equity Instrument	Debt Instrument	
Balance at January 1, 2021	\$ 117,855	\$ 112,535	\$ 230,390
Recognized in other comprehensive income	(24,558)	-	(24,558)
Return of funds	(17,400)	-	(17,400)
Disposals	(24)	-	(24)
Additions	-	13,619	13,619
Balance at September 30, 2021	<u>\$ 75,873</u>	<u>\$ 126,154</u>	<u>\$ 202,027</u>

Derivatives

Financial assets at fair value through profit or loss

Balance at January 1, 2021	\$ -
Recognized in profit or loss (included in other gains and losses)	603
Conversion	<u>(15)</u>
Balance at June 30, 2021	<u>\$ 588</u>

Derivatives

Financial liabilities at fair value through profit or loss

Balance at January 1, 2021	\$ (30)
Recognized in profit or loss (included in other gains and losses)	<u>30</u>
Balance at September 30, 2021	<u>\$ -</u>

For the nine months ended September 30, 2020

Financial Assets	Financial Assets at FVTOCI		Total
	Equity Instrument	Debt Instrument	
Balance at January 1, 2020	\$ 101,850	\$ 181,362	\$ 283,212
Recognized in other comprehensive income	(4,413)	-	(4,413)
Capital reduction and refund	(8,206)	-	(8,206)
Settlements	-	(35,063)	(35,063)
Balance at September 30, 2020	<u>\$ 89,231</u>	<u>\$ 146,299</u>	<u>\$ 235,530</u>

DerivativesFinancial liabilities at fair value through profit or loss

Balance at January 1, 2020	\$ (1,920)
Recognized in profit or loss (included in other gains and losses)	<u>1,920</u>
Balance at September 30, 2020	<u>\$ -</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Convertible bond options	The binomial tree evaluation model of convertible bonds: Consideration of the duration, the share price and volatility of the convertible bond object, conversion price, risk-free interest rate, discount rate, liquidity risk of the convertible bonds and other factors.
Unlisted debt securities - ROC	Market approach. In the market approach, the selling price of comparable companies was used to estimate the fair value of the target asset through comparison, analysis and adjustments. Asset approach. In the asset approach, the fair value is estimated by evaluating the total market value of individual assets and individual liabilities covered by the evaluation target and considering risk factors such as liquidity reduction.
Factored trade receivables to banks without recourse	Since the effect of discounting is not significant, the fair value is measured based on the original invoice amount.

c. Categories of financial instruments

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets</u>			
Mandatorily classified as at FVTPL	\$ 2,412	\$ 6,686	\$ 3,065
Financial asset at amortized cost (Note 1)	2,163,802	2,087,003	2,233,803
<u>Financial assets at FVTOCI</u>			
Equity instruments	75,873	117,855	89,231
Factored trade receivables to banks without recourse	126,154	112,535	146,299
<u>Financial liabilities</u>			
FVTPL			
Held for trading	602	310	299
Amortized cost (Note 2)	2,669,860	2,652,740	2,825,928

- 1) The balances included cash and cash equivalents, financial assets at amortized cost - current, notes receivable, trade receivables (excluding debt instruments), other receivables (excluding tax refund receivable) and refundable deposits that are measured at amortized cost.
- 2) The balances included short-term loans, trade payables, other payables (excluding salaries, bonuses, labor and health insurance, social security and pension), bonds payable (including current portion of bonds payable), long-term loans (including current portion of long-term loans payable) and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include financial assets and liabilities at FVTPL, notes receivable, trade receivables, trade payables, lease liabilities, borrowings and convertible bonds.

Risks on the financial instruments include market risk (such as currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Group was mainly exposed to the exchange movements in USD, RMB, and JPY.

The following table details the Group's sensitivity to a 1% increase and decrease in the each functional currency against the relevant foreign currencies. The 1% sensitivity rate is used in reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. Sensitivity analysis includes trade receivables and payables to entities outside of the Group, and trade receivables and payables to its foreign operations. A positive number below indicates an increase in pretax profit and other equity associated with a 1% weakening of the each functional currency against the relevant currency. For a 1% strengthening of the each functional currency against the relevant currency, there would be an equal and opposite impact on pretax profit and other equity, and the balances below would be negative.

	U.S. Dollar Impact		RMB Impact		JPY Impact	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020	2021	2020
Profit or loss*	\$ (34)	\$ (1,216)	\$ 918	\$ 1,234	\$ (737)	\$ (817)

* This was mainly attributable to the exposure on outstanding accounts receivable and payable in USD, RMB and JPY, which were not hedged at the end of the reporting period.

The Group's sensitivity to the USD increased during the current period mainly due to the increased of USD denominated net assets.

The Group's sensitivity to the RMB decreased during the current period mainly due to the increased of RMB denominated accounts payable.

The Group's sensitivity to the JPY is no major change during the current period.

b) Interest rate risk

The Group was exposed to interest rate related to its deposits, financial assets at amortized cost - current, bank loans, convertible bonds and lease liabilities at both fixed and floating interest rates.

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

	September 30, 2021	December 31, 2020	September 30, 2020
Fair value interest rate risk			
Financial assets	\$ 62,578	\$ 265,492	\$ 499,456
Financial liabilities	1,235,186	1,358,086	1,555,429
Cash flow interest rate risk			
Financial assets	326,469	550,796	399,453
Financial liabilities	312,000	364,000	364,000

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was 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 been higher 1% and all other variables held constant, the Group's pretax profits for the nine months ended September 30, 2021 and 2020 would have increased by \$109 thousand and decreased by \$266 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings and bank deposits.

The Group's sensitivity to interest rates decreased during the current year mainly due to the decreased of net assets with floating rate.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for medium- to long-term strategic purposes rather than for trading.

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the nine months ended September 30, 2021 and 2020 would have increased/decreased by \$759 thousand and \$892 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

The Group's sensitivity to equity prices decreased due to the decrease of fair value in debt instrument investment.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to the failure of counterparties to discharge an obligation could arise from the carrying amounts of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group continues to monitor its credit exposure and the credit ratings of its counterparties. Credit exposure is controlled by setting a counterparty credit limit, which is approved and periodically reviewed by the risk management committee.

To minimize credit risk, management of the Group has delegated a team to be responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. Thus, management believes the Group's credit risk was significantly reduced.

The Group transact with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

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 negative fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

For the Group, bank loans are an important resource of liquidity. Refer to section (C) below for more information about unused amounts of financing facilities at September 30, 2021, December 31, 2020 and September 30, 2020.

a) Liquidity tables for non-derivative financial liabilities

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

September 30, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Short-term borrowings	\$ 864,619	\$ 150,169	\$ -	\$ -	\$ -
Long-term borrowings	5,432	10,867	48,664	254,210	-
Lease liabilities	2,279	4,557	20,053	55,990	-
Trade payables	60,651	475,931	141,078	-	-
Other payables	44,741	304,772	173,869	-	-
Bonds payables	-	-	-	146,900	-
Guarantee deposits received	-	-	-	980	-
	<u>\$ 977,722</u>	<u>\$ 946,296</u>	<u>\$ 383,664</u>	<u>\$ 458,080</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 26,889</u>	<u>\$ 55,990</u>	<u>\$ -</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Short-term borrowings	\$ 683,334	\$ -	\$ -	\$ -	\$ -
Long-term borrowings	543	53,086	314,792	-	-
Lease liabilities	2,212	4,423	20,675	55,704	21,591
Trade payables	8,873	442,693	98,481	-	-
Other payables	32,699	333,241	113,355	-	-
Bonds payables	-	291,300	-	300,000	-
Guarantee deposits received	-	-	-	825	-
	<u>\$ 727,661</u>	<u>\$ 1,124,743</u>	<u>\$ 547,303</u>	<u>\$ 356,529</u>	<u>\$ 21,591</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 27,310</u>	<u>\$ 55,704</u>	<u>\$ 21,591</u>

September 30, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Short-term borrowings	\$ 753,429	\$ 409,859	\$ -	\$ -	\$ -
Long-term borrowings	543	1,086	368,420	-	-
Lease liabilities	2,165	4,330	19,932	59,160	23,309
Trade payables	9,872	430,033	83,726	-	-
Other payables	35,250	340,865	27,568	82,061	-
Bonds payables	-	-	291,300	-	-
Guarantee deposits received	-	-	-	768	-
	<u>\$ 801,259</u>	<u>\$ 1,186,173</u>	<u>\$ 790,946</u>	<u>\$ 141,989</u>	<u>\$ 23,309</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 26,427</u>	<u>\$ 59,160</u>	<u>\$ 23,309</u>

b) Liquidity risk table for derivative financial liabilities

The table is based on the undiscounted contractual gross cash inflows and outflows on derivative instruments that require gross settlement.

September 30, 2021

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 83,158	\$ 139,040	\$ -	\$ -
Outflows	<u>83,550</u>	<u>(139,250)</u>	<u>-</u>	<u>-</u>
	<u>\$ (392)</u>	<u>\$ (210)</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 28,200	\$ -	\$ -	\$ -
Outflows	<u>(28,480)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (280)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

September 30, 2020

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ -	\$ 116,101	\$ -	\$ -
Outflows	<u>-</u>	<u>(116,400)</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ (299)</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured bank loan facilities (reviewed annually)			
Amount used	\$ 1,014,350	\$ 683,000	\$ 1,162,500
Amount unused	<u>790,900</u>	<u>1,146,160</u>	<u>312,650</u>
	<u>\$ 1,805,250</u>	<u>\$ 1,829,160</u>	<u>\$ 1,475,150</u>
Secured bank loan facilities which may be extend by mutual agreement			
Amount used	\$ 312,000	\$ 364,000	\$ 364,000
Amount unused	<u>16,000</u>	<u>175,000</u>	<u>200,000</u>
	<u>\$ 328,000</u>	<u>\$ 539,000</u>	<u>\$ 564,000</u>

On February 5, 2018 and December 11, 2020, the Group issued second and third convertible bonds, in an aggregate principal amount of \$300,000 thousand and \$306,000 thousand, which are secured by the bank.

e. Transfers of financial assets

Factored trade receivables that are not yet overdue at the end of the period were as follows:

September 30, 2021

Counterparty	Receivables Factoring Proceeds	Amount Reclassified to Other Receivables	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Taipei Fubon Commercial Bank	<u>\$ 68,208</u>	<u>\$ 6,821</u>	<u>\$ -</u>	<u>\$ 61,387</u>	0.4863-0.9408

December 31, 2020

Counterparty	Receivables Factoring Proceeds	Amount Reclassified to Other Receivables	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Taipei Fubon Commercial Bank	<u>\$ 79,893</u>	<u>\$ 7,989</u>	<u>\$ -</u>	<u>\$ 71,904</u>	0.6070-0.9408

September 30, 2020

Counterparty	Receivables Factoring Proceeds	Amount Reclassified to Other Receivables	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Taipei Fubon Commercial Bank	<u>\$ 55,877</u>	<u>\$ 5,588</u>	<u>\$ -</u>	<u>\$ 50,289</u>	0.6070-0.7717

Under the Group's factoring agreements, losses from commercial disputes (such as sales returns or allowances) were borne by the Group, while losses from the credit risks were borne by the banks. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group had issued promissory notes consisting of checks for US\$14,000 thousand as collateral to the banks.

30. TRANSACTIONS WITH RELATED PARTIES

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 as disclosed elsewhere in the other notes, details of transactions between the Group and the other related parties are disclosed below.

Compensation of Key Management Personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 7,198	\$ 7,241	\$ 29,784	\$ 28,764
Post-employment benefits	<u>112</u>	<u>108</u>	<u>330</u>	<u>326</u>
	<u>\$ 7,310</u>	<u>\$ 7,349</u>	<u>\$ 30,114</u>	<u>\$ 29,090</u>

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been provided as collateral for bank borrowings and issuance of bonds payable:

	September 30, 2021	December 31, 2020	September 30, 2020
Freehold land	\$ 159,538	\$ 159,538	\$ 159,538
Building	89,680	95,631	97,302
Machinery and equipment	-	425,860	442,430
Financial assets at amortized cost - current			
Restricted time deposits	<u>49,524</u>	<u>115,079</u>	<u>62,319</u>
	<u>\$ 298,742</u>	<u>\$ 796,108</u>	<u>\$ 761,589</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

a. Significant commitments

Unrecognized commitments were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Acquisition of property, plant and equipment RMB	<u>\$ 14,307</u>	<u>\$ 16,825</u>	<u>\$ 10,448</u>

b. Contingents liabilities

On March 19, 2018, Pulse Electronics, Inc. (plaintiff) filed a lawsuit against the Group for patent infringement through the US District Court at the Southern District of California. After a patent search in the public citation document, the Company identified multiple public patent information and an inter parties review (IPR) was filed through the Patent Trial and Appeal Board, and its assertion of a void patent to the judge of the US District Court of the Southern District of California caused the trial to be suspended. However, based on the recent result of IPR, the plaintiff raised a retrial motion, and the judge ruled to proceed the administrative trial procedure of the case on January 16, 2020.

In August 2020, the Company received the plaintiff's re-submission of the complaint to the United States District Court for the southern District of California. The Plaintiff's filed a lawsuit against us for infringement of U.S Patent No. US6773302 in the United States District Court for the southern District of California. The case has not been decided by the court as of the date of the consolidated financial statement.

As of the date of the consolidated financial statements, the Company has not incurred any related damages due to patent infringement. In addition, patents are territorial rights and the plaintiff cannot provide specific infringement evidence in the court proceedings as of the date of the consolidated financial statements. Based on the Company's advisory lawyer's assessment, the Company should be free from infringement litigation; therefore, there was no significant impact on the Company's financial performance and the business.

c. Significant events after the reporting period

In October 2021, the bonds holders have applied to convert the bonds of par value \$17,600 thousand into 525 thousand ordinary shares at conversion price of \$33.53.

33. 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 functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

September 30, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 61,441	27.8500 (USD:NTD)	\$ 1,711,126
USD	20,814	6.4854 (USD:RMB)	579,672
RMB	16,545	4.2943 (RMB:NTD)	71,047
RMB	19,561	0.1542 (RMB:USD)	84,002
Non-monetary items			
Derivative instruments			
USD	16,000	Note	1,824

Financial liabilities

Monetary items			
USD	52,219	27.8500 (USD:NTD)	1,454,304
USD	5,159	6.4854 (USD:RMB)	143,690
RMB	14,725	0.1542 (RMB:USD)	63,232
JPY	296,073	0.2490 (JPY:NTD)	73,722
Non-monetary items			
Derivative instruments			
USD	9,000	Note	602

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 43,792	28.4800 (USD:NTD)	\$ 1,247,198
USD	19,614	6.5250 (USD:RMB)	558,602
RMB	19,732	4.3650 (RMB:NTD)	86,131
RMB	12,468	0.1530 (RMB:USD)	54,423
Non-monetary items			
Derivative instruments			
USD	19,000	Note	6,686

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 38,612	28.4800 (USD:NTD)	\$ 1,099,673
USD	4,533	6.5250 (USD:RMB)	129,093
RMB	12,804	0.1530 (RMB:USD)	55,890
JPY	296,073	0.2760 (JPY:NTD)	81,716
Non-monetary items			
Derivative instruments			
USD	1,000	Note	280 (Concluded)

September 30, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 47,472	29.1000 (USD:NTD)	\$ 1,381,447
USD	8,114	6.8101 (USD:RMB)	236,132
RMB	22,484	4.2730 (RMB:NTD)	96,073
RMB	6,403	0.1468 (RMB:USD)	27,359
Non-monetary items			
Derivative instruments			
USD	10,500	Note	3,065
<u>Financial liabilities</u>			
Monetary items			
USD	40,280	29.1000 (USD:NTD)	1,172,148
USD	4,987	6.8101 (USD:RMB)	145,125
JPY	296,073	0.2760 (JPY:NTD)	81,716
Non-monetary items			
Derivative instruments			
USD	4,000	Note	299

Note: The fair value of forward foreign exchange contract calculated by discounted cash flow method.

For the three months ended September 30, 2021 and 2020, and the nine months ended September 30, 2021 and 2020, net foreign exchange gains (losses), including realized and unrealized, were \$7,449 thousand, \$(3,700) thousand, \$10,221 thousand and \$(5,388) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

34. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and (b.) investees:
 - 1) Financing provided to others (Table 1)
 - 2) Endorsements/guarantees provided (Table 2)
 - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (none)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (none)
 - 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 (Note 7)
 - 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 period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
 - 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 (Table 8):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - 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 period and the purposes.

- e) The highest balance, the end of period 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.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (none)
- e. When subsidiaries hold shares of the parent, the names of the subsidiaries and the shareholdings, amounts, and reasons shall be separately presented: (None)

35. SEGMENT INFORMATION

The connector manufacturing segment includes a number of direct sales operations in various cities, each of which is considered separate operating segment by the chief operating decision maker. For financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment taking into account the following factors:

- a. The nature of the products and production processes are similar;
- b. The pricing strategy of the products are similar;
- c. The methods used to distribute the products to the customers are similar.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance (Note 3)	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	U.D. Electronic Corp.	CDE Corp.	Other receivables from related party	Yes	\$ 10,000	\$ -	\$ -	3	Demand of short-term financing	\$ -	Operating capital	\$ -	-	-	\$ 281,417 (Note 2)	\$ 562,833 (Note 2)
1	Dongguan Jian Guan P.E. Co, Ltd.	Dongguan De Yang Precision Rubber Plastic Co., Ltd.	Other receivables from related party	Yes	73,217	73,217	73,217	2	Demand of short-term financing	-	Operating capital	-	-	-	82,358 (Note 4)	161,486 (Note 4)
2	Zhong Jiang U.D.E. Electronics Corp.	Dongguan De Yang Precision Rubber Plastic Co., Ltd.	Other receivables from related party	Yes	144,772	98,768	98,768	2	Demand of short-term financing	-	Operating capital	-	-	-	349,200 (Note 4)	684,705 (Note 4)
		Dongguan Han Lian Technology Co., Ltd	Other receivables from related party	Yes	17,548	17,177	17,177	2	Demand of short-term financing	-	Operating capital	-	-	-	479,294 (Note 4)	684,705 (Note 4)
3	Morning Paragon Limited	Dongguan De Yang Precision Rubber Plastic Co., Ltd.	Other receivables from related party	Yes	15,355	15,245	-	2	Demand of short-term financing	-	Operating capital	-	-	-	16,039 (Note 2)	16,039 (Note 2)

Note 1: Intercompany relationships should be notified in the No. Colum, the coding method is as follow:

- a. 0 for parent company.
- b. The rest subsidiaries coding from 1.

Note 2: The lending regulations of U.D. Electronic Corp. and Morning Paragon Limited are as follows:

- a. The total amount available for lending to a company with business transactions, shall not exceed the higher amount of the lending company's most recent year's predictable purchases or sells with such company and shall not exceed 10% of the net worth of the company.
- b. The total or individually amount available for lending are as follow:
 - 1) The total amount available for lending to the subsidiaries whose voting shares are 100% owned directly or indirectly by the lending company, shall not exceed 40% of higher the net worth of the lending company based on their most recent audited or reviewed financial statements. For lending to any individual company, the total amount available for lending shall not exceed 40% of the net worth of the lending company based on its most recent audited or reviewed financial statements.
 - 2) The total amount available for lending to the subsidiaries, whose voting shares are not 100% owned directly or indirectly by the lending company, shall not exceed 20% of higher the net worth of the lending company based on their most recent audited or reviewed financial statements. For lending to any individual company, the total amount available for lending shall not exceed 10% of the net worth of the lending company based on its most recent audited or reviewed financial statements.
- c. The lending between foreign company whose voting shares are 100% owned directly or indirectly by the Company or the between the Company and the foreign company whose voting shares are 100% owned directly or indirectly by the Company still restricted to (b.) only the calculation of net worth is still based on the net worth of lending company.

Note 3: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation, and translated into NTD with the exchange rate on the reporting date.

Note 4: The lending regulations of Dongguan Jian Guan P.E. Co, Ltd. and Zhong Jiang U.D.E. Electronics Corp. are as follows:

- a. The total amount available for lending to a company with business transactions, shall not exceed the higher amount of the lending company's purchases or sells with such company and shall not exceed 10% of the net worth of the Company.
- b. If there is a need for short-term financing, the total amount of capital loans and the limits of individual objects are as follow:
 - 1) The total amount available for lending to the subsidiaries whose voting shares are owned directly or indirectly by the lending company and inter-subsidiaries, shall not exceed 40% of higher the net worth of the lending company based on their most recent audited or reviewed financial statements. For lending to any individual company, the total amount available for lending shall not exceed 40% of higher the net worth of the lending company multiple its shareholding ratio based on its most recent audited or reviewed financial statements.
 - 2) The total amount available for lending to the companies, whose voting shares are not owned directly or indirectly by the lending company, shall not exceed 20% of higher the net worth of the lending company based on their most recent audited or reviewed financial statements. For lending to any individual company, the total amount available for lending shall not exceed 10% of the net worth of the lending company based on its most recent audited or reviewed financial statements.

Note 5: The interest expense due to financing for the nine months ended September 30, 2021 is specified as follows:

Dongguan De Yang Precision Rubber Plastic Co., Ltd.: The sum of interest expense is \$2,499 thousand.
Dongguan Han Lian Technology Co., Ltd.: The sum of interest expense is \$263 thousand.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	U.D. Electronic Corp.	All First International Co., Ltd.	b	Net value 100% \$ 2,814,163	\$ 1,564,996	\$ 1,141,850	\$ 167,100	\$ -	41	Net value 100% \$ 2,814,163	Yes	-	-
		DYP Corp.	b	Net value 20% 562,833	50,000	50,000	-	-	2	Net value 40% 1,125,665	Yes	-	-
		CDE Corp.	b	Net value 20% 562,833	30,000	30,000	-	-	1	Net value 40% 1,125,665	Yes	-	-

Note 1: Intercompany relationships should be notified in the No. Colum, the coding method is as follow:

- a. 0 for parent company.
- b. The rest subsidiaries coding from 1.

Note 2: a. The total amount available for lending to a company with business transactions, shall not exceed the higher amount of the lending company's most recent year's predictable purchases or sells with such company and shall not exceed 10% of the net worth of the company.

b. Subsidiaries whose voting shares are 50% above owned directly or indirectly by U.D.E.

- 1) The total amount of the guarantee provided by U.D.E. to its subsidiaries whose voting shares are 100% owned directly or indirectly by U.D.E. shall not exceed 100% of U.D.E.'s net worth based on its most recent financial statements. The total amount of the guarantee provided by U.D.E. to its individual subsidiary shall not exceed 100% of U.D.E.'s net worth based on its most recent financial statements.
- 2) The total amount of the guarantee provided by U.D.E. to its subsidiaries whose voting shares are 50% above but not 100% owned directly or indirectly by U.D.E. shall not exceed 40% of U.D.E.'s net worth based on its most recent financial statements. The total amount of the guarantee provided by U.D.E. to its individual subsidiary shall not exceed 20% of U.D.E.'s net worth based on its most recent financial statements.
- 3) Between the subsidiaries whose voting shares are owned directly or indirectly by U.D.E.
 - a) The total amount of the guarantee provided by subsidiaries to subsidiaries whose voting shares are 100% owned directly or indirectly by each other shall not exceed 100% of U.D.E.'s net worth based on its most recent financial statements. The total amount of the guarantee provided by U.D.E. to its individual subsidiary shall not exceed 100% of U.D.E.'s net worth based on its most recent financial statements.
 - b) The total amount of the guarantee provided by its subsidiaries to another subsidiaries whose voting shares are 90% above but not 100% owned directly or indirectly by each other shall not exceed 10% of U.D.E.'s net worth based on its most recent financial statements. The total amount of the guarantee provided by U.D.E. to its individual subsidiary shall not exceed 10% of U.D.E.'s net worth based on its most recent financial statements.

c. The total amount of the guarantee provided by U.D.E. to its subsidiaries whose voting shares are 50% above owned directly or indirectly by U.D.E. shall not exceed 40% of U.D.E.'s net worth based on its most recent financial statements. The total amount of the guarantee provided by U.D.E. to its individual subsidiary shall not exceed 20% of U.D.E.'s net worth based on its most recent financial statements.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2021

(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	September 30, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
U.D. Electronic Corp.	Fortune Rich Investment Corporation	The Company's chairman as the investee's legal director representative	Financial assets at FVTOCI - non-current	713	\$ 4,719	10.35	\$ 4,719	Note
	Emerging Creation Capital Inc.	The Company's chairman as the investee's director	"	4,000	67,097	10.13	67,097	"
	Dy-Precision Industrial Co., Ltd.	The investee's supervisor is the Company's legal representative	"	725	4,057	16.22	4,057	"

Note: There is no collateralized pledge.

TABLE 4

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
U.D. Electronic Corp.	All First International Co., Ltd.	Affiliated company	Purchase	\$ 3,522,979	95	O/A 75 days	Note 2	Note 2	\$ (1,227,319)	(94)	Note 1
	All First International Co., Ltd.	Affiliated company	Sale	(160,220)	(4)	O/A 75 days	"	"	73,773	4	"
	CDE Corp.	Affiliated company	Purchase	174,327	5	O/A 75 days	"	"	(63,227)	(5)	"
All First International Co., Ltd.	U.D. Electronic Corp.	Parent company	Sale	(3,522,979)	(88)	O/A 75 days	"	"	1,227,319	86	"
	U.D. Electronic Corp.	Parent company	Purchase	160,220	4	O/A 75 days	"	"	(73,773)	(11)	"
	Zhong Jiang U.D.E. Electronics Corp.	Affiliated company	Purchase	3,205,368	81	O/A 120 days	"	"	(389,873)	(56)	"
	Zhong Jiang U.D.E. Electronics Corp.	Affiliated company	Sale	(219,111)	(5)	O/A 120 days	"	"	131,784	9	"
	Dongguan Jian Guan P.E. Co., Ltd.	Affiliated company	Purchase	489,970	12	O/A 120 days	"	"	(218,548)	(31)	"
	Zhong Jiang U.D.E. Networking Electronics Corp.	Affiliated company	Sale	(224,878)	(6)	O/A 180 days	"	"	71,310	5	"
Dongguan Jian Guan P.E. Co., Ltd.	All First International Co., Ltd.	Affiliated company	Sale	(489,970)	(74)	O/A 120 days	"	"	218,548	87	"
Zhong Jiang U.D.E. Electronics Corp.	All First International Co., Ltd.	Affiliated company	Sale	(3,205,368)	(97)	O/A 120 days	"	"	389,873	94	"
	All First International Co., Ltd.	Affiliated company	Purchase	219,111	16	O/A 120 days	"	"	(131,784)	(22)	"
CDE Corp.	U.D. Electronic Corp.	Parent company	Sale	(174,327)	(100)	O/A 75 days	"	"	63,227	100	"
Zhong Jiang U.D.E. Networking Electronics Corp.	All First International Co., Ltd.	Affiliated company	Purchase	224,878	98	O/A 180 days	"	"	(71,310)	(95)	"
Morning Paragon Limited	DYP Corp.	Affiliated company	Sale	(153,602)	(80)	O/A 75 days	"	"	44,615	80	"
	Dongguan De Yang Precision Rubber Plastic Co., Ltd.	Affiliated company	Purchase	152,841	79	O/A 120 days	"	"	(20,042)	(60)	"
DYP Corp.	Morning Paragon Limited	Affiliated company	Purchase	153,602	84	O/A 75 days	"	"	(44,615)	(88)	"
Dongguan De Yang Precision Rubber Plastic Co., Ltd.	Morning Paragon Limited	Affiliated company	Sale	(152,841)	(62)	O/A 120 days	"	"	20,042	22	"

Note 1: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 2: The prices and payment terms to related parties were not significantly different from those of sales to third parties.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2021

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

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
All First International Co., Ltd.	U.D. Electronic Corp.	Parent company	Trade receivables \$ 1,227,319	4.14	\$ -	-	\$ 77,034	\$ -
All First International Co., Ltd.	Zhong Jiang U.D.E. Electronics Corp.	Affiliated company	131,784	2.30	-	-	22,569	-
Zhong Jiang U.D.E. Electronics Corp.	All First International Co., Ltd.	Affiliated company	389,873	9.96	-	-	389,873	-
Dongguan Jian Guan P.E. Co., Ltd.	All First International Co., Ltd.	Affiliated company	218,548	3.93	-	-	54,585	-

Note 1: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 2: The amount recovered from October 1, 2021 to November 4, 2021.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(Amounts in Thousands)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% of Total Sales or Assets (Note 4)
0	U.D. Electronic Corp.	All First International Co., Ltd. All First International Co., Ltd.	a. a.	Endorsements/guarantees provided Revenue	\$ 1,141,850 160,220	- Negotiated case by case. O/A 75 days	19 3
1	All First International Co., Ltd.	U.D. Electronic Corp. Zhong Jiang U.D.E. Electronics Corp. Zhong Jiang U.D.E. Networking Electronics Corp.	b. c. c.	Revenue Trade receivables Revenue Trade receivables Revenue	3,522,979 1,227,319 219,111 131,784 224,878	Negotiated case by case. O/A 75 days Negotiated case by case. O/A 120 days Negotiated case by case. O/A 180 days	76 21 5 2 5
2	Dongguan Jian Guan P.E. Co., Ltd.	All First International Co., Ltd.	c.	Revenue Trade receivables	489,970 218,548	Negotiated case by case. O/A 120 days	11 4
3	Zhong Jiang U.D.E. Electronics Corp.	All First International Co., Ltd.	c.	Revenue Trade receivables	3,205,368 389,873	Negotiated case by case. O/A 120 days	69 7
4	Morning Paragon Limited	DYP Corp.	c.	Revenue	153,602	Negotiated case by case. O/A 75 days	3
5	CDE Corp.	U.D. Electronic Corp.	b.	Revenue	174,327	Negotiated case by case. O/A 75 days	4
6	Dongguan TY U.D.E. Precision Co., Ltd.	Morning Paragon Limited	c.	Revenue	152,841	Negotiated case by case. O/A 120 days	3

Intercompany relationships:

U.D. Electronic Corp., DYP Corp. and CDE Corp. mainly engages in electronic material trading and international trading; Dongguan Jian Guan P.E. Co., Ltd., Zhong Jiang U.D.E. Electronics Corp. and Dongguan De Yang Precision Rubber Plastic Co., Ltd. mainly engage in electronic components manufacturing; Zhong Jiang U.D.E. Networking Electronics Corp. mainly engages in electronic components trading, while Global Connection (Samoa) Holding Inc., Sunderland Inc., San Francisco Inc., Morning Paragon Limited and Ta Yang UDE Limited are holding companies; All First International Co., Ltd. is an international trading company; Dongguan Ai Te Chieh Intellectual Technology Co., Ltd. mainly engages in components processing and automatic equipment development; Dongguan U.D.E. Electronics Corp. mainly engages in development and sales of electronic components; and Dongguan Han Lian Technology Co., Ltd. mainly engages in manufacturing and sales of electronic connectors and electronic products.

Note 1: Intercompany relationships should be notified in the No. Colum, the coding method is as follow:

- a. 0 for parent company.
- b. The rest subsidiaries coding from 1.

(Continued)

Note 2: The Intercompany relationships are as follow (If the transaction is the same between the parent company and subsidiaries or between subsidiaries, there is no need to redisclose. For example, transactions between parent company and subsidiaries, if the parent company has disclosed, the subsidiaries will not need to disclose; transactions between subsidiaries, if one of them has disclosed, the other will not need to disclose.

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: This table only reveals one-way transaction information. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 4: The calculation of the percentage of the transaction accounts for total consolidated revenues or total assets. For the assets and liabilities subject, they are calculated by the ending balance divided by the consolidated total assets. For the revenue and expense subjects, they are calculated by the accumulated amount at the end of period divided by the consolidated total revenue.

Note 5: This table disclosed the significant purchase or sales exceeded the amount \$100,000 thousand.

(Concluded)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note 3)		As of September 30, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
U.D. Electronic Corp.	Global Connection (Samoa) Holding Inc.	Samoa	Holding company	\$ 1,422,828 (US\$ 51,089)	\$ 1,455,014 (US\$ 51,089)	51,089	100	\$ 2,696,092	\$ 143,143	\$ 143,143	Notes 1 and 2
	CDE Corp.	Taiwan	Manufacturing and selling of electronic materials	99,640	75,000	9,964	66	37,042	32,192	18,190	Notes 1 and 2
	DYP Corp.	Taiwan	Selling of electronic components	112,200	112,200	11,220	51	39,829	(2,745)	(1,400)	Notes 1 and 2
Global Connection (Samoa) Holding Inc.	Sunderland Inc.	Republic of Mauritius	Holding company	391,682 (US\$ 14,064)	400,543 (US\$ 14,064)	14,064	100	421,267	17,394	17,394	Notes 1 and 2
	San Francisco Inc.	Republic of Mauritius	Holding company	766,878 (US\$ 27,536)	784,225 (US\$ 27,536)	27,536	100	1,705,475	81,754	81,754	Notes 1 and 2
	All First International Co., Ltd.	Samoa	International trading	278,500 (US\$ 10,000)	284,800 (US\$ 10,000)	10,000	100	569,336	43,994	43,994	Notes 1 and 2
DYP Corp.	Ta Yang UDE Limited	Samoa	Holding company	103,351 (US\$ 3,711)	105,689 (US\$ 3,711)	4,438	100	(8,567)	(1,779)	(1,779)	Notes 1 and 2
Ta Yang UDE Limited	Morning Paragon Limited	Samoa	International trading	41,775 (US\$ 1,500)	42,720 (US\$ 1,500)	1,500	100	40,099	893	893	Notes 1 and 2

Note 1: No market price for reference. The book value on the reporting date is used as the fair value instead.

Note 2: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 3: The amount of foreign currency investment was translated with the exchange rate on the reporting date.

Note 4: Information on investments in mainland China. Please refer to Table 8.

TABLE 8

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2021	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Notes 2 b.(2), and 7)	Carrying Amount as of September 30, 2021 (Note 7)	Accumulated Repatriation of Investment Income as of September 30, 2021
					Outward	Inward						
Dongguan Jian Guan P.E. Co., Ltd.	Manufacturing and selling of electronic components	\$ 463,399 (HK\$ 116,432)	b. (1)	\$ 405,981 (HK\$ 12,647) and (US\$ 12,000)	\$ -	\$ -	\$ 405,981 (HK\$ 12,647) and (US\$ 12,000)	100	\$ 17,297	\$ 14,728 (Note 6)	\$ 400,004	\$ -
Zhong Jiang U.D.E. Electronics Corp.	Manufacturing and selling of electronic components	935,975 (US\$ 29,000)	b. (2)	833,835 (US\$ 27,603)	-	-	833,835 (US\$ 27,603)	100	73,500	81,754 (Note 6)	1,705,439	-
Zhong Jiang U.D.E. Networking Electronics Corp.	Selling of electronic components	2,476 (RMB 500)	b. (3)	- (Note 3)	-	-	-	100	5,790	5,790	42,853	-
Dongguan TY U.D.E. Precision Co., Ltd.	Manufacturing and selling of electronic components	76,252 (US\$ 2,500)	b. (4)	70,734 (US\$ 2,342)	-	-	70,734 (US\$ 2,342)	51	(2,842)	(1,449)	(31,577)	-
Dongguan U.D.E. Electronics Corp.	Researching and selling of electronic	16,125 (US\$ 500)	b. (1)	15,871 (US\$ 502)	-	-	15,871 (US\$ 502)	100	2,666	2,666	21,243	-
Dongguan Ai Te Chieh Intellectual Technology Co., Ltd.	Machinery and automatic equipment development	44,753 (RMB 10,000)	b. (5)	- (Note 4)	-	-	-	60	(1,699)	(1,020)	6,903 (Note 5)	-
Dongguan Han Lian Technology Co., Ltd.	Manufacturing and selling of electronic connectors and electronic products	18,454 (RMB 4,200)	b. (5)	- (Note 4)	-	-	-	70	(3,698)	(2,589)	418 (Note 5)	-

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2021	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$1,326,421	\$1,418,521	\$1,721,189

(Continued)

Note 1: Three methods of investing in mainland China are as follows:

- a. Directly invests in mainland China.
- b. Investments in mainland China through an existing company established in a third region
 - 1) Investments in mainland China through an existing company established in a third region (Global Connection (Samoa) Holding Inc. invested in Sunderland Inc.)
 - 2) Investments in mainland China through an existing company established in a third region (Global Connection (Samoa) Holding Inc. invested in San Francisco Inc.)
 - 3) Investments in mainland China through an existing company established in a third region (Global Connection (Samoa) Holding Inc. invested in San Francisco Inc. and re-invested in Zhong Jiang U.D.E. Electronics Corp.)
 - 4) Investments in mainland China through an existing company established in a third region (Ta Yang U.D.E Limited)
 - 5) Investments in mainland China through an existing company established in a third region (Global Connection (Samoa) Holding Inc. invested in Sunderland Inc. and re-invested in Dongguan Jian Guan P.E. Co, Ltd.)
- c. Other methods.

Note 2: In the column of investment gain (loss)

- a. If the investment is still in preparation and there is no investment gain (loss), it will be specified.
- b. The basis for recognizing investment gain (loss) is as follows:
 - 1) The financial statement reviewed by the attesting CPA of international accounting firm in cooperation with an accounting firm in the ROC.
 - 2) The financial statement reviewed by the attesting CPA of parent company in Taiwan.
 - 3) Other.

Note 3: Zhong Jiang U.D.E. Networking Electronics Corp. is invested directly by Zhong Jiang U.D.E. Electronics Corp. No outward remittance for investment from Taiwan.

Note 4: Dongguan Ai Te Chieh Intellectual Technology Co., Ltd. and Dongguan Han Lian Technology Co., Ltd. are invested directly by Dongguan Jian Guan P.E. Co., Ltd. No outward remittance for investment from Taiwan.

Note 5: Includes the differences between the cost of investment and the net value of the equity.

Note 6: Unrealized gross profit of up-stream and side-stream transactions were considered.

Note 7: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

(Continued)

Significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area:

1. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period and
2. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period:

In Thousands of New Taiwan Dollars

Related Party	Type	Purchase (Sale)		Price	Transaction Detail		Notes/Accounts Receivable (Payable)		Unrealized Gain/(Loss)	Note
		Amount	% of Total		Payment Terms	Compare to Normal Transactions	Ending Balance	% of Total		
Dongguan Jian Guan P.E. Co., Ltd.	Purchase	\$ 489,970	12	Negotiated case by case	O/A 120 days	Note 7	\$ (218,548)	(31)	\$ 3,739	Note 1
Zhong Jiang U.D.E. Electronics Corp.	(Sale)	(219,111)	(5)	Negotiated case by case	O/A 120 days	"	131,784	9	-	Note 2
Zhong Jiang U.D.E. Electronics Corp.	Purchase	3,205,368	81	Negotiated case by case	O/A 120 days	"	(389,873)	(56)	6,367	Note 3
Zhong Jiang U.D.E. Networking Electronics Corp.	(Sale)	(224,878)	(6)	Negotiated case by case	O/A 180 days	"	71,310	5	-	Note 4
Dongguan De Yang Precision Rubber Plastic Co., Ltd.	Purchase	152,841	79	Negotiated case by case	O/A 120 days	"	(20,042)	(60)	-	Note 5

Note 1: The transaction of All First International Co., Ltd. purchase from Dongguan Jian Guan P.E. Co., Ltd.

Note 2: The transaction of All First International Co., Ltd. sales to Zhong Jiang U.D.E. Electronics Corp.

Note 3: The transaction of All First International Co., Ltd. purchase from Zhong Jiang U.D.E. Electronics Corp.

Note 4: The transaction of All First International Co., Ltd. sales to Zhong Jiang U.D.E. Networking Electronics Corp.

Note 5: The transaction of Morning Paragon Limited. purchase from Dongguan De Yang Precision Rubber Plastic Co., Ltd.

Note 6: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 7: The payment terms of non-related party are negotiated case by case, and payment is received in advance or from O/A 60 days to O/A 120 days.

3. The amount of property transactions and the amount of the resultant gains or losses: None.
4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
5. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
6. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

(Concluded)