# U.D. Electronic Corp. and Subsidiaries

**Consolidated Financial Statements for the**
**Three Months Ended March 31, 2022 and 2021 and**
**Independent Auditors' Review Report**

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
110016 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 110016, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

# 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 March 31, 2022 and 2021 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended March 31, 2022 and 2021 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 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 present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022 and 2021 and its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2022 and 2021 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 Chiang-Shiun Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 5, 2022

*<u>Notice to Readers</u>*

*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)**

| | March 31, 2022 (Reviewed) | | December 31, 2021 (Audited) | | March 31, 2021 (Reviewed) | |
|---|---|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | $ 522,454 | 9 | $ 356,284 | 6 | $ 744,678 | 13 |
| Financial assets at fair value through profit or loss (FVTPL) - current (Notes 7 and 20) | 2,962 | - | 4,221 | - | 54 | - |
| Financial assets at amortized cost - current (Notes 9, 10 and 31) | 12,207 | - | 21,326 | - | 55,079 | 1 |
| Notes receivable (Notes 11 and 23) | 26,280 | - | 52,333 | 1 | 58,463 | 1 |
| Trade receivables (Notes 11 and 23) | 1,934,367 | 31 | 1,717,307 | 30 | 1,482,477 | 25 |
| Other receivables (Note 11) | 45,865 | 1 | 84,376 | 2 | 53,572 | 1 |
| Current tax assets | 8,985 | - | 8,662 | - | 1,963 | - |
| Inventories (Note 12) | 1,616,803 | 26 | 1,481,224 | 26 | 1,314,445 | 22 |
| Other current assets (Note 18) | 154,463 | 3 | 124,929 | 2 | 113,424 | 2 |
| Total current assets | 4,324,386 | 70 | 3,850,662 | 67 | 3,824,155 | 65 |
| NON-CURRENT ASSETS | | | | | | |
| Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Note 8) | 73,027 | 1 | 74,558 | 1 | 89,982 | 2 |
| Property, plant and equipment (Notes 14 and 31) | 1,476,842 | 24 | 1,486,861 | 26 | 1,496,663 | 25 |
| Right-of-use assets (Note 15) | 71,345 | 1 | 121,772 | 2 | 141,773 | 2 |
| Other intangible assets (Note 17) | 35,333 | 1 | 37,600 | 1 | 35,556 | 1 |
| Goodwill (Note 16) | 12,446 | - | 12,219 | - | 12,205 | - |
| Deferred tax assets | 68,753 | 1 | 88,837 | 2 | 93,822 | 2 |
| Other non-current assets (Note 18) | 83,141 | 2 | 87,596 | 1 | 191,998 | 3 |
| Total non-current assets | 1,820,887 | 30 | 1,909,443 | 33 | 2,061,999 | 35 |
| TOTAL | $ 6,145,273 | 100 | $ 5,760,105 | 100 | $ 5,886,154 | 100 |
| **LIABILITIES AND EQUITY** | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings (Note 19) | $ 1,118,169 | 18 | $ 964,320 | 17 | $ 1,167,491 | 20 |
| Financial liabilities at fair value through profit or loss (FVTPL) - current (Note 7) | 534 | - | - | - | 2,723 | - |
| Contract liabilities - current (Note 23) | 38,579 | 1 | 40,757 | 1 | 29,426 | 1 |
| Trade payables | 746,848 | 12 | 636,372 | 11 | 642,245 | 11 |
| Lease liabilities - current (Note 15) | 12,967 | - | 23,333 | - | 26,052 | - |
| Other payables (Notes 21 and 28) | 875,132 | 14 | 682,745 | 12 | 736,805 | 13 |
| Current tax liabilities | 39,871 | 1 | 23,533 | 1 | 10,309 | - |
| Current portion of long-term borrowings and bonds payable (Notes 19, 20 and 31) | 111,564 | 2 | 125,754 | 2 | 312,000 | 5 |
| Other current liabilities | 4,808 | - | 6,573 | - | 3,590 | - |
| Total current liabilities | 2,948,472 | 48 | 2,503,387 | 44 | 2,930,641 | 50 |
| NON-CURRENT LIABILITIES | | | | | | |
| Bond payables (Notes 20 and 31) | - | - | - | - | 285,946 | 5 |
| Long-term borrowings (Notes 19 and 31) | 218,400 | 4 | 234,000 | 4 | - | - |
| Lease liabilities - non-current (Note 15) | 4,586 | - | 50,257 | 1 | 66,827 | 1 |
| Deferred tax liabilities | 10,747 | - | 9,093 | - | 8,287 | - |
| Guarantee deposit received | 1,610 | - | 1,561 | - | 822 | - |
| Total non-current liabilities | 235,343 | 4 | 294,911 | 5 | 361,882 | 6 |
| Total liabilities | 3,183,815 | 52 | 2,798,298 | 49 | 3,292,523 | 56 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 22 and 27) | | | | | | |
| Share capital | | | | | | |
| Ordinary shares | 766,665 | 13 | 742,418 | 13 | 696,758 | 12 |
| Capital collected in advance | 4,443 | - | 24,247 | - | - | - |
| Total share capital | 771,108 | 13 | 766,665 | 13 | 696,758 | 12 |
| Capital surplus | 914,954 | 15 | 905,040 | 15 | 749,592 | 13 |
| Retained earnings | | | | | | |
| Legal reserve | 328,946 | 6 | 328,946 | 6 | 319,411 | 5 |
| Special reserve | 200,418 | 3 | 200,418 | 3 | 220,594 | 4 |
| Unappropriated earnings | 870,922 | 14 | 953,021 | 17 | 773,632 | 13 |
| Total retained earnings | 1,400,286 | 23 | 1,482,385 | 26 | 1,313,637 | 22 |
| Other equity | (157,907) | (3) | (235,640) | (4) | (215,578) | (4) |
| Total equity attributable to owners of the Company | 2,928,441 | 48 | 2,918,450 | 50 | 2,544,409 | 43 |
| NON-CONTROLLING INTERESTS (Notes 22 and 27) | 33,017 | - | 43,357 | 1 | 49,222 | 1 |
| Total equity | 2,961,458 | 48 | 2,961,807 | 51 | 2,593,631 | 44 |
| TOTAL | $ 6,145,273 | 100 | $ 5,760,105 | 100 | $ 5,886,154 | 100 |

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 March 31 | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Amount | % | Amount | % |
| OPERATING REVENUE | | | | |
| Sales (Note 23) | $ 1,653,223 | 100 | $ 1,357,622 | 100 |
| OPERATING COSTS | | | | |
| Cost of goods sold (Notes 12 and 24) | (1,331,873) | (80) | (1,100,222) | (81) |
| GROSS PROFIT | 321,350 | 20 | 257,400 | 19 |
| OPERATING EXPENSES (Note 24) | | | | |
| Selling and marketing expenses | (62,975) | (4) | (56,633) | (4) |
| General and administrative expenses | (99,483) | (6) | (106,104) | (8) |
| Research and development expenses | (63,446) | (4) | (65,008) | (5) |
| Expected credit (loss) gain (Note 11) | (173) | - | 1,309 | - |
| Total operating expenses | (226,077) | (14) | (226,436) | (17) |
| PROFIT FROM OPERATIONS | 95,273 | 6 | 30,964 | 2 |
| NON-OPERATING INCOME AND EXPENSES (Note 24) | | | | |
| Interest income | 1,220 | - | 1,510 | - |
| Other income | 6,388 | - | 7,395 | 1 |
| Other gains and losses | 25,367 | 2 | 34 | - |
| Finance costs (Note 20) | (3,317) | - | (6,684) | (1) |
| Total non-operating income and expenses | 29,658 | 2 | 2,255 | - |
| PROFIT BEFORE INCOME TAX | 124,931 | 8 | 33,219 | 2 |
| INCOME TAX EXPENSE (Notes 4 and 25) | (24,251) | (2) | (5,294) | - |
| NET PROFIT FOR THE PERIOD | 100,680 | 6 | 27,925 | 2 |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22 and 25) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Unrealized loss on investments in equity instrument at fair value through other comprehensive income | (1,531) | - | (10,473) | (1) |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | 179 | - | 2,077 | - |
| | (1,352) | - | (8,396) | (1) |

(Continued)

## 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 March 31 | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | **Amount** | **%** | **Amount** | **%** |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | $ 98,429 | 6 | $ (8,255) | - |
| Income tax relating to items that may be reclassified subsequently to profit or loss | (19,668) | (1) | 1,650 | - |
| | 78,761 | 5 | (6,605) | - |
| Other comprehensive income (loss) for the period, net of income tax | 77,409 | 5 | (15,001) | (1) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | $ 178,089 | 11 | $ 12,924 | 1 |
| NET PROFIT (LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 104,226 | 6 | $ 27,293 | 2 |
| Non-controlling interests | (3,546) | - | 632 | - |
| | $ 100,680 | 6 | $ 27,925 | 2 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 181,959 | 11 | $ 12,133 | 1 |
| Non-controlling interests | (3,870) | - | 791 | - |
| | $ 178,089 | 11 | $ 12,924 | 1 |
| EARNINGS PER SHARE (Note 26) | | | | |
| From continuing operations | | | | |
| Basic | $ 1.36 | | $ 0.39 | |
| Diluted | $ 1.32 | | $ 0.38 | |

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 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | | | Retained Earnings | | | Other Equity | | | | |
| | Commercial Stock | Capital Received in Advance | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating the Financial Statements of Foreign Operations | Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Total | Non-controlling Interests | Total Equity |
| 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) | | | | | | | | | | | |
| Cash dividends distributed by the Company | - | - | - | - | - | (90,579) | - | - | (90,579) | - | (90,579) |
| Net income for the three months ended March 31, 2021 | - | - | - | - | - | 27,293 | - | - | 27,293 | 632 | 27,925 |
| Other comprehensive (loss) income for the three months ended March 31, 2021, net of income tax (Note 22) | - | - | - | - | - | - | (6,764) | (8,396) | (15,160) | 159 | (15,001) |
| Total comprehensive income (loss) for the three months ended March 31, 2021 | - | - | - | - | - | 27,293 | (6,764) | (8,396) | 12,133 | 791 | 12,924 |
| BALANCE AT MARCH 31, 2021 | $ 696,758 | $ - | $ 749,592 | $ 319,411 | $ 220,594 | $ 773,632 | $ (244,765) | $ 29,187 | $ 2,544,409 | $ 49,222 | $ 2,593,631 |
| BALANCE AT JANUARY 1, 2022 | $ 742,418 | $ 24,247 | $ 905,040 | $ 328,946 | $ 200,418 | $ 953,021 | $ (254,854) | $ 19,214 | $ 2,918,450 | $ 43,357 | $ 2,961,807 |
| Appropriation of 2021 earnings (Note 22) | | | | | | | | | | | |
| Cash dividends distributed by the Company | - | - | - | - | - | (176,985) | - | - | (176,985) | - | (176,985) |
| Convertible bonds converted to ordinary shares (Note 20) | 24,247 | (19,804) | 9,914 | - | - | - | - | - | 14,357 | - | 14,357 |
| Changes in percentage of ownership interest in subsidiaries (Note 27) | - | - | - | - | - | (9,340) | - | - | (9,340) | (6,470) | (15,810) |
| Net income (loss) for the three months ended March 31, 2022 | - | - | - | - | - | 104,226 | - | - | 104,226 | (3,546) | 100,680 |
| Other comprehensive (loss) income for the three months ended March 31, 2022, net of income tax (Note 22) | - | - | - | - | - | - | 79,085 | (1,352) | 77,733 | (324) | 77,409 |
| Total comprehensive income (loss) for the three months ended March 31, 2022 | - | - | - | - | - | 104,226 | 79,085 | (1,352) | 181,959 | (3,870) | 178,089 |
| BALANCE AT MARCH 31, 2022 | $ 766,665 | $ 4,443 | $ 914,954 | $ 328,946 | $ 200,418 | $ 870,922 | $ (175,769) | $ 17,862 | $ 2,928,441 | $ 33,017 | $ 2,961,458 |

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 Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 124,931 | $ 33,219 |
| Adjustments for: | | |
| Expected credit loss (gain) recognized on trade receivables | 173 | (1,309) |
| Depreciation expense | 108,304 | 105,305 |
| Amortization expense | 2,439 | 2,215 |
| Net (gain) loss on fair value changes of financial assets and liabilities at FVTPL | (4,033) | 2,871 |
| Finance costs | 3,317 | 6,684 |
| Interest income | (1,220) | (1,510) |
| Loss on disposal of property, plant and equipment | 42 | 45 |
| Write-down of inventories | 684 | 357 |
| Net gain on foreign currency exchange | (43,419) | (5,508) |
| Lease modification benefits | (3,771) | - |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at FVTPL | 6,996 | 8,315 |
| Notes receivable | 27,350 | 25,293 |
| Trade receivables | (171,124) | (200,168) |
| Other receivables | 40,280 | (3,844) |
| Inventories | (86,740) | (155,208) |
| Other current assets | (24,766) | (3,731) |
| Financial liabilities held for trade | (1,255) | (2,141) |
| Contract liabilities | (2,755) | 4,374 |
| Trade payables | 86,156 | 94,999 |
| Other payables | 5,515 | (8,146) |
| Other current liabilities | (1,927) | (3,029) |
| Cash generated from operations | 65,177 | (100,917) |
| Interest received | 1,199 | 1,495 |
| Interest paid | (2,947) | (4,572) |
| Income tax paid | (5,756) | (473) |
| Net cash generated from (used in) operating activities | 57,673 | (104,467) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Return of funds from financial assets at fair value through other comprehensive income | - | 17,400 |
| Proceeds from sale of financial assets at amortized cost | 9,119 | 60,000 |
| Payments for property, plant and equipment | (21,241) | (17,784) |
| Proceeds from disposal of property, plant and equipment | 1,193 | 3,143 |
| Decrease in other non-current assets | 1,116 | 2,409 |

(Continued)

## U.D. ELECTRONIC CORP. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| Decrease in refundable deposits | $ 19 | $ - |
| Increase in prepayments for equipment | (42,346) | (52,164) |
| Net cash (used in) generated from investing activities | (52,140) | 13,004 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 468,463 | 486,734 |
| Repayments of short-term borrowings | (325,250) | (6,000) |
| Repayment of convertible bonds | - | (291,300) |
| Repayment of long-term borrowings | (15,600) | (52,000) |
| Repayment of the principal portion of lease liabilities | (4,900) | (6,220) |
| Acquisition of additional interests in subsidiaries (Note 27) | (15,810) | - |
| Repayment for the issuance of convertible bonds | (100) | (536) |
| Net cash generated from financing activities | 106,803 | 130,678 |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | 53,834 | 435 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 166,170 | 39,650 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 356,284 | 705,028 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | $ 522,454 | $ 744,678 |

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

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

## 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 $766,665 thousand as of March 31, 2022. 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 (collectively referred to as "the Group") are presented in the Company's functional currency, the New Taiwan dollars.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on May 5, 2022.

## 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 material impact on the Group's accounting policies.

b. 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 IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information" | 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 that deferred taxes 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 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

2) 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 judgments or assumptions in applying an accounting policy, and the Group discloses those judgments 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.

3) 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 consolidated 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 (i.e., 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, Tables 7 and 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, 2021.

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 on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on 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

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Cash on hand | $ 2,279 | $ 2,699 | $ 2,612 |
| Demand deposits | 365,547 | 303,650 | 538,287 |
| Cash equivalents (investments with original maturities of 3 months or less) | | | |
| Time deposits | 154,628 | 49,935 | 203,779 |
| | $ 522,454 | $ 356,284 | $ 744,678 |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Financial assets at FVTPL - current | | | |
| Financial assets mandatorily classified as at FVTPL | | | |
| Derivative financial assets (not under hedge accounting) | | | |
| Options of convertible bonds | $ 279 | $ 374 | $ - |
| Foreign exchange forward contracts | 2,683 | 3,847 | 54 |
| | $ 2,962 | $ 4,221 | $ 54 |
| Financial liabilities at FVTPL - current | | | |
| Financial liabilities held for trading | | | |
| Derivative financial liabilities (not under hedge accounting) | | | |
| Options of convertible bonds | $ - | $ - | $ - |
| Foreign exchange forward contracts | 534 | - | 2,723 |
| | $ 534 | $ - | $ 2,723 |

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

| | Currency | Maturity Period | Notional Amount (In Thousands) |
|---|---|---|---|
| March 31, 2022 | | | |
| Sell | USD/RMB | 2022.04.21-2022.05.23 | USD4,000/RMB25,503 |
| Sell | USD/RMB | 2022.04.21-2022.06.13 | USD8,000/RMB51,113 |
| Sell | USD/RMB | 2022.04.21-2022.06.22 | USD4,000/RMB25,527 |
| Sell | USD/RMB | 2022.04.28 | USD1,100/RMB7,018 |
| Sell | USD/NTD | 2022.04.14 | USD1,000/NTD28,091 |
| Sell | NTD/USD | 2022.04.30 | NTD31,460/USD1,100 |
| December 31, 2021 | | | |
| Sell | USD/RMB | 2022.02.11-2022.03.11 | USD3,000/RMB19,239 |
| Sell | USD/RMB | 2022.01.12-2022.02.23 | USD9,000/RMB57,794 |
| Sell | USD/RMB | 2022.01.12-2022.03.11 | USD5,500/RMB35,278 |
| Sell | USD/RMB | 2022.01.28 | USD900/RMB5,736 |
| Sell | USD/NTD | 2022.01.04-2022.01.14 | USD2,000/NTD55,518 |
| Sell | USD/NTD | 2022.01.12-2022.02.11 | USD900/NTD24,912 |
| March 31, 2021 | | | |
| Sell | USD/RMB | 2021.04.21-2021.05.20 | USD4,500/RMB29,322 |
| Sell | USD/RMB | 2021.04.21-2021.05.20 | USD4,000/RMB26,118 |
| Sell | USD/RMB | 2021.04.21-2021.05.20 | USD2,500/RMB16,281 |
| Sell | USD/NTD | 2021.04.14 | USD500/NTD13,996 |

The Group entered into foreign exchange forward contracts to manage exposures to exchange 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

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Non-current | | | |
| Domestic investment | | | |
| Unlisted shares | | | |
| Fortune Rich Investment Corporation | $ 3,654 | $ 4,290 | $ 5,439 |
| Emerging Fortune Capital Inc. | - | - | 24 |
| Emerging Creation Capital Inc. | 65,235 | 65,884 | 79,971 |
| Dy-Precision Industrial Co., Ltd. | 4,138 | 4,384 | 4,548 |
| | $ 73,027 | $ 74,558 | $ 89,982 |

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.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Current | | | |
| Restricted assets - pledged deposit (a) and (b) | $ 8,583 | $ 17,702 | $ 55,079 |
| Restricted assets - time deposits with original maturity of more than 3 months (a) and (b) | 3,624 | 3,624 | - |
| | $ 12,207 | $ 21,326 | $ 55,079 |

a. The collateral assets are for import tariffs 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:

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Gross carrying amount | $ 12,207 | $ 21,326 | $ 55,079 |
| Less: Allowance for impairment loss | - | - | - |
| | $ 12,207 | $ 21,326 | $ 55,079 |

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 March 31, 2022, December 31, 2021 and March 31, 2021 the expected credit loss for debt instrument investments held by the Group was 0%.

## 11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Notes receivable | | | |
| At amortized cost | | | |
| Gross carrying amount - operating | $ 26,280 | $ 52,333 | $ 58,463 |
| Less: Allowance for impairment loss | - | - | - |
| | $ 26,280 | $ 52,333 | $ 58,463 |
| Trade receivables | | | |
| At amortized cost | | | |
| Gross carrying amount | $ 1,772,868 | $ 1,619,008 | $ 1,356,474 |
| Less: Allowance for impairment loss | (2,955) | (2,680) | (14,295) |
| | 1,769,913 | 1,616,328 | 1,342,179 |
| At FVTOCI | 164,454 | 100,979 | 140,298 |
| | $ 1,934,367 | $ 1,717,307 | $ 1,482,477 |
| Other receivables | | | |
| Tax refund receivable | $ 40,323 | $ 71,261 | $ 40,967 |
| Reserved fund for factored trade receivables | 2,141 | 8,614 | 7,201 |
| Others | 3,401 | 4,501 | 5,404 |
| | $ 45,865 | $ 84,376 | $ 53,572 |

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 Group 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 allowances 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.

March 31, 2022

| | Not Past Due |
|---|---|
| Expected credit loss rate | 0.00% |
| Gross carrying amount | $ 26,280 |
| Loss allowance (Lifetime ECLs) | - |
| Amortized cost | $ 26,280 |

December 31, 2021

| | Not Past Due |
|---|---|
| Expected credit loss rate | 0.00% |
| Gross carrying amount | $ 52,333 |
| Loss allowance (Lifetime ECLs) | - |
| Amortized cost | $ 52,333 |

March 31, 2021

| | Not Past Due |
|---|---|
| Expected credit loss rate | 0.00% |
| Gross carrying amount | $ 58,463 |
| Loss allowance (Lifetime ECLs) | - |
| Amortized cost | $ 58,463 |

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

March 31, 2022

| | Not Past Due | Past Due Within 60 Days | 61 to 120 Days Past Due | 121 to 180 Days Past Due | Past Due Over 180 Days | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0.0228% | 0.0410% | 0.5231% | 0.5339% | 100% | |
| Gross carrying amount | $ 1,626,463 | $ 139,174 | $ 2,294 | $ 2,435 | $ 2,502 | $ 1,772,868 |
| Loss allowance (Lifetime ECLs) | (371) | (57) | (12) | (13) | (2,502) | (2,955) |
| Amortized cost | $ 1,626,092 | $ 139,117 | $ 2,282 | $ 2,422 | $ - | $ 1,769,913 |

December 31, 2021

| | Not Past Due | Past Due Within 60 Days | 61 to 120 Days Past Due | 121 to 180 Days Past Due | Past Due Over 180 Days | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0.0005% | 0.1841% | 0.1497% | 5.0000% | 100% | |
| Gross carrying amount | $ 1,475,773 | $ 135,768 | $ 3,339 | $ 1,800 | $ 2,328 | $ 1,619,008 |
| Loss allowance (Lifetime ECLs) | (7) | (250) | (5) | (90) | (2,328) | (2,680) |
| Amortized cost | $ 1,475,766 | $ 135,518 | $ 3,334 | $ 1,710 | $ - | $ 1,616,328 |

March 31, 2021

| | Not Past Due | Past Due Within 60 Days | 61 to 120 Days Past Due | 121 to 180 Days Past Due | Past Due Over 180 Days | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0.0149% | 0.1000% | 0.6292% | 1.7510% | 96.9210% | |
| Gross carrying amount | $ 1,244,652 | $ 87,029 | $ 9,377 | $ 1,028 | $ 14,388 | $ 1,356,474 |
| Loss allowance (Lifetime ECLs) | (186) | (87) | (59) | (18) | (13,945) | (14,295) |
| Amortized cost | $ 1,244,466 | $ 86,942 | $ 9,318 | $ 1,010 | $ 443 | $ 1,342,179 |

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Balance at January 1 | $ 2,680 | $ 15,631 |
| Add: Net remeasurement of loss allowance | 173 | - |
| Less: Net remeasurement of loss allowance | - | (1,309) |
| Foreign exchange gains and losses | 102 | (27) |
| Balance at March 31 | $ 2,955 | $ 14,295 |

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 the collecting of 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.

March 31, 2022

| | 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 | $ 164,454 | $ - | $ - | $ - | $ 164,454 |
| Loss allowance (Lifetime ECLs) | - | - | - | - | - |
| Amortized cost | $ 164,454 | $ - | $ - | $ - | $ 164,454 |

December 31, 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 | $ 100,979 | $ - | $ - | $ - | $ 100,979 |
| Loss allowance (Lifetime ECLs) | - | - | - | - | - |
| Amortized cost | $ 100,979 | $ - | $ - | $ - | $ 100,979 |

March 31, 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 | $ 140,298 | $ - | $ - | $ - | $ 140,298 |
| Loss allowance (Lifetime ECLs) | - | - | - | - | - |
| Amortized cost | $ 140,298 | $ - | $ - | $ - | $ 140,298 |

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 March 31, 2022, December 31, 2021 and March 31, 2021, the expected credit risk is considered 0% by the assessment of the Group.

## 12. INVENTORIES

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Finished goods | $ 614,721 | $ 609,837 | $ 474,248 |
| Work in progress | 511,143 | 454,236 | 512,785 |
| Raw materials and supplies | 490,939 | 417,151 | 327,412 |
| | $ 1,616,803 | $ 1,481,224 | $ 1,314,445 |

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Cost of inventories sold | $ 1,331,189 | $ 1,099,865 |
| Inventory write-downs | 684 | 357 |
| | $ 1,331,873 | $ 1,100,222 |

## 13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

| Investor | Investee | Investee's Company Type/Main Business | Proportion of Ownership (%) | | | Remark |
|---|---|---|---|---|---|---|
| | | | March 31, 2022 | December 31, 2021 | March 31, 2021 | |
| 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 | 99 (Note 1) | 89 (Note 2) | 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 1: During March 2022, the Group resolved to acquire additional 10% ownerships of CDE Corp. After the completion of the shares transfer, the Group's shareholding percentage in CDE Corp increased from 89% to 99%. For equity transactions with non-controlling interests, refer to Note 27.

Note 2: During 2021, the Group resolved to acquire additional 39% ownerships of CDE Corp. After the completion of the shares transfer, the Group's shareholding percentage in CDE Corp. increased from 50% to 89%.

## 14. PROPERTY, PLANT AND EQUIPMENT - USED BY THE GROUP

| | Freehold Land | Buildings | Machinery and Equipment | Transportation Equipment | Office Equipment | Mold Equipment | Leasehold Improvements | Other Equipment | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| Balance at January 1, 2022 | $ 159,538 | $ 296,681 | $ 1,836,355 | $ 22,632 | $ 16,600 | $ 415,384 | $ 94,464 | $ 439,324 | $ 3,280,978 |
| Additions | - | 2,080 | 4,033 | - | - | 3,157 | 2,775 | 2,395 | 14,440 |
| Disposals | - | (6,206 ) | (13,259 ) | - | (16 ) | (4,318 ) | - | (5,776 ) | (29,575 ) |
| Transfer from prepayments | - | - | 35,550 | - | - | 8,854 | 1,543 | 2,680 | 48,627 |
| Effects of foreign currency exchange differences | - | 6,410 | 46,984 | 843 | 528 | 15,657 | 3,613 | 16,348 | 90,383 |
| Balance at March 31, 2022 | $ 159,538 | $ 298,965 | $ 1,909,663 | $ 23,475 | $ 17,112 | $ 438,734 | $ 102,395 | $ 454,971 | $ 3,404,853 |
| Accumulated depreciation | | | | | | | | | |
| Balance at January 1, 2022 | $ - | $ 106,466 | $ 962,753 | $ 20,623 | $ 15,301 | $ 301,818 | $ 92,490 | $ 294,666 | $ 1,794,117 |
| Disposals | - | (6,206 ) | (12,304 ) | - | (16 ) | (4,041 ) | - | (5,773 ) | (28,340 ) |
| Depreciation | - | 6,020 | 48,176 | 255 | 229 | 20,445 | 1,425 | 26,812 | 103,362 |
| Effects of foreign currency exchange differences | - | 2,639 | 28,374 | 774 | 521 | 11,625 | 3,480 | 11,459 | 58,872 |
| Balance at March 31, 2022 | $ - | $ 108,919 | $ 1,026,999 | $ 21,652 | $ 16,035 | $ 329,847 | $ 97,395 | $ 327,164 | $ 1,928,011 |
| Carrying amount at December 31, 2021 and January 1, 2022 | $ 159,538 | $ 190,215 | $ 873,602 | $ 2,009 | $ 1,299 | $ 113,566 | $ 1,974 | $ 144,658 | $ 1,486,861 |
| Carrying amount at March 31, 2022 | $ 159,538 | $ 190,046 | $ 882,664 | $ 1,823 | $ 1,077 | $ 108,887 | $ 5,000 | $ 127,807 | $ 1,476,842 |
| 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 | - | - | 2,375 | - | - | 7,365 | - | 10,172 | 19,912 |
| Disposals | - | (3,854 ) | (1,857 ) | - | (10 ) | (9,293 ) | - | (4,809 ) | (19,823 ) |
| Transfer from prepayments | - | - | 23,127 | - | - | 18,794 | - | 15,286 | 57,207 |
| Effects of foreign currency exchange differences | - | (887 ) | (5,406 ) | (104 ) | (4 ) | (3,198 ) | (104 ) | (1,320 ) | (11,023 ) |
| Balance at March 31, 2021 | $ 159,538 | $ 315,255 | $ 1,774,647 | $ 22,581 | $ 16,965 | $ 371,986 | $ 93,815 | $ 346,512 | $ 3,101,299 |
| 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 | - | (3,854 ) | (1,857 ) | - | (10 ) | (6,105 ) | - | (4,809 ) | (16,635 ) |
| Depreciation | - | 7,469 | 47,105 | 260 | 372 | 18,855 | 3,264 | 21,173 | 98,498 |
| Effects of foreign currency exchange differences | - | (361 ) | (3,267 ) | (92 ) | (2 ) | (2,641 ) | (74 ) | (853 ) | (7,290 ) |
| Balance at March 31, 2021 | $ - | $ 105,324 | $ 877,126 | $ 19,804 | $ 14,790 | $ 254,004 | $ 85,524 | $ 248,064 | $ 1,604,636 |
| Carrying amount at March 31, 2021 | $ 159,538 | $ 209,931 | $ 897,521 | $ 2,777 | $ 2,175 | $ 117,982 | $ 8,291 | $ 98,448 | $ 1,496,663 |

There was no impairment loss after performing impaired assessment for the three months ended March 31, 2022 and 2021.

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

| | |
|---|---|
| Buildings | |
| Main buildings | 10-50 years |
| Others | 2-10 years |
| Machinery 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

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Carrying amounts | | | |
| Land | $ 54,731 | $ 53,103 | $ 53,996 |
| Buildings | 16,614 | 68,669 | 87,777 |
| | $ 71,345 | $ 121,772 | $ 141,773 |

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Additions to right-of-use assets | $ - | $ - |
| Depreciation charge for right-of-use assets | | |
| Land | $ 343 | $ 340 |
| Buildings | 4,599 | 6,467 |
| | $ 4,942 | $ 6,807 |

There was no impairment loss after performing impairment assessment for the three months ended March 31, 2022 and 2021.

b. Lease liabilities

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Carrying amount | | | |
| Current | $ 12,967 | $ 23,333 | $ 26,052 |
| Non-current | $ 4,586 | $ 50,257 | $ 66,827 |

Discount rate for lease liabilities was as follows:

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| 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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Expenses relating to short-term leases | $ 622 | $ 627 |
| Expenses relating to low-value asset leases | $ 62 | $ 60 |
| Total cash outflow for leases | $ (5,664) | $ (7,327) |

## 16. GOODWILL

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Cost | | |
| Balance, at January 1 | $ 12,219 | $ 12,233 |
| Effects of foreign currency exchange differences | 227 | (28) |
| Balance, at March 31 | $ 12,446 | $ 12,205 |

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 March 31, 2022 and 2021, 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 |
|---|---|---|---|---|
| Cost | | | | |
| Balance at January 1, 2022 | $ 41,866 | $ 29,286 | $ 7,000 | $ 78,152 |
| Effects of foreign currency exchange differences | 1,242 | - | - | 1,242 |
| Balance at March 31, 2022 | $ 43,108 | $ 29,286 | $ 7,000 | $ 79,394 |

(Continued)

| | Computer Software | Trademarks | Patents | Total |
|---|---|---|---|---|
| Accumulated amortization | | | | |
| Balance at January 1, 2022 | $ (31,841) | $ (7,428) | $ (1,283) | $ (40,552) |
| Amortization expenses | (1,627) | (637) | (175) | (2,439) |
| Effects of foreign currency exchange differences | (1,070) | - | - | (1,070) |
| Balance at March 31, 2022 | $ (34,538) | $ (8,065) | $ (1,458) | $ (44,061) |
| Carrying amount at December 31, 2021 and January 1, 2022 | $ 10,025 | $ 21,858 | $ 5,717 | $ 37,600 |
| Carrying amount at March 31, 2022 | $ 8,570 | $ 21,221 | $ 5,542 | $ 35,333 |
| Cost | | | | |
| Balance at January 1, 2021 | $ 34,816 | $ 29,286 | $ 7,000 | $ 71,102 |
| Disposals | (1,000) | - | - | (1,000) |
| Effects of foreign currency exchange differences | (133) | - | - | (133) |
| Balance at March 31, 2021 | $ 33,683 | $ 29,286 | $ 7,000 | $ 69,969 |
| Accumulated amortization | | | | |
| Balance at January 1, 2021 | $ (27,856) | $ (4,881) | $ (583) | $ (33,320) |
| Amortization expenses | (1,403) | (637) | (175) | (2,215) |
| Disposals | 1,000 | - | - | 1,000 |
| Effects of foreign currency exchange differences | 122 | - | - | 122 |
| Balance at March 31, 2021 | $ (28,137) | $ (5,518) | $ (758) | $ (34,413) |
| Carrying amount at March 31, 2021 | $ 5,546 | $ 23,768 | $ 6,242 | $ 35,556 |

(Concluded)

There was no impairment loss after performing impairment assessment for the three months ended March 31, 2022 and 2021.

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

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Current | | | |
| Prepaid sales tax | $ 78,834 | $ 66,699 | $ 60,571 |
| Prepayments | 60,873 | 42,865 | 37,405 |
| Overpaid sales tax | 11,681 | 12,329 | 12,456 |
| Others | 3,075 | 3,036 | 2,992 |
| | $ 154,463 | $ 124,929 | $ 113,424 |
| Non-current | | | |
| Prepayments for equipment | $ 67,197 | $ 71,096 | $ 170,694 |
| Prepayments - non-current | 9,500 | 10,259 | 14,686 |
| Refundable deposits | 6,444 | 6,241 | 6,618 |
| | $ 83,141 | $ 87,596 | $ 191,998 |

## 19. BORROWINGS

a. Short-term borrowings

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Unsecured borrowings | | | |
| Line of credit borrowings | $ 1,118,169 | $ 964,320 | $ 1,167,491 |

The range of interest rates for bank loans was 0.89%-1.08%, 0.63%-0.93% and 0.68%-1.60% per annum as of March 31, 2021, December 31, 2021 and March 31, 2022, respectively.

b. Long-term borrowings

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Secured borrowings | | | |
| Bank loans | $ 280,800 | $ 296,400 | $ 312,000 |
| Less: Current portions | (62,400) | (62,400) | (312,000) |
| Long-term borrowings | $ 218,400 | $ 234,000 | $ - |

| | Repayment Method | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|---|
| Secured borrowings | | | | |
| Taipei Fubon Commercial Bank | The loan is repaid on a monthly basis from September 30, 2011 to September 30, 2026. The interest is paid every month. | $ 280,800 | $ 296,400 | $ - |
| 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. Interested paid monthly. | - | - | 312,000 |
| | | 280,800 | 296,400 | 312,000 |
| Less: Current portions | | (62,400) | (62,400) | (312,000) |
| | | $ 218,400 | $ 234,000 | $ - |

The range of interest rates for bank loans was 0.8246%-1.0361%, 0.8252%-1.0366% and 1.7895% per annum as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively

Under the loan agreements with Taipei Fubon Commercial 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 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$2 billion (inclusive) or more.

Should either above mentioned rations 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) Net value of tangible assets (Net value - Intangible assets) shall be maintained at NT$1.8 billion (inclusive) or more.

As of maturity date, the Group has not breached any of the loan agreements.

## 20. BONDS PAYABLE

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Second secured domestic convertible bonds | $ - | $ - | $ - |
| Third secured domestic convertible bonds | 49,164 | 63,354 | 285,946 |
| Less: Current portion | (49,164) | (63,354) | - |
| | $ - | $ - | $ 285,946 |

**Second Secured Domestic Convertible Bonds**

On February 5, 2018, the Group issued the second three-year secured, zero-coupon domestic convertible bonds with a $100 thousand par value, in an aggregate principal amount of $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. Bondholders' put right.

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 filling an application with the original brokerage before 40 days prior to the base date.

e. 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 | 2,422 |
| 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 year ended 2020 | 6,022 |
| Liability component at December 31, 2020 | $ 290,795 |
| 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 | (291,300) |
| Liability component at March 31, 2021 | $ - |

**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 | 2,383 |
| Liability component at the date of issuance | 284,405 |
| Interest charged at an effective interest rate of 1.7808% - for December 11 to December 31, 2020 | 373 |
| Liability component at December 31, 2020 | 284,778 |
| Interest charged at an effective interest rate of 1.7808% - for the three months ended March 31, 2021 | 1,168 |
| Liability component at March 31, 2021 | $ 285,946 |

| | |
|---|---|
| Liability component at January 1, 2022 | $ 63,354 |
| Interest charged at an effective interest rate of 1.7808% - for the three months ended March 31, 2021 | 252 |
| Conversion of corporate bond payable into common shares | (14,442) |
| Liability component at March 31, 2022 | $ 49,164 |

For the three months ended in March 31, 2022, the convertible bonds were converted for the par value of $14,900 thousand, of which the Group reclassified to advance receipts for capital stock for amount of $4,443. With conversion occurrence, originally recorded capital surplus-options decreased $606 thousand, bonds payable reduced $458 thousand, financial assets at FVPL reduced 85 thousand, and capital surplus increased $10,520 thousand derived from the difference between the consideration received and the par value of bonds payable.

## 21. OTHER LIABILITIES

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Current | | | |
| Other payables | | | |
| Processing fees | $ 235,039 | $ 225,908 | $ 192,917 |
| Payables for dividends (Notes 22 and 28) | 176,985 | - | 90,579 |
| Salaries and bonuses | 157,486 | 166,213 | 120,526 |
| Payable for purchases of equipment (Note 28) | 103,879 | 110,680 | 112,771 |
| Payable for labor and health insurance, social security and pension | 41,410 | 38,094 | 39,694 |
| Professional service fees | 25,095 | 13,824 | 17,167 |
| Consumable supplies expenses | 20,424 | 22,255 | 32,180 |
| Commission | 18,361 | 17,858 | 14,169 |
| Human dispatch payable | 16,737 | 16,565 | 11,556 |
| Import/export (customs) expense | 4,767 | 8,263 | 7,642 |
| Interest payable | 456 | 338 | 834 |
| Others | 74,493 | 62,747 | 96,770 |
| | $ 875,132 | $ 682,745 | $ 736,805 |

## 22. EQUITY

a. Share capital

Ordinary shares

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Number of shares authorized (in thousands) | 100,000 | 100,000 | 100,000 |
| Share capital authorized | $ 1,000,000 | $ 1,000,000 | $ 1,000,000 |
| Number of shares issued and fully paid (in thousands) | 76,667 | 74,242 | 69,676 |
| Share capital issued | $ 766,665 | $ 742,418 | $ 696,758 |

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 5,000 thousand shares allocated for the exercise of employee stock options.

From January 2022 to March 2022, convertible bonds were converted to ordinary shares for the amount of $4,443 thousand under advance receipts for capital stock since as of the date of financial statements, registration was not completed. On May 5, 2022, the board of the directors will resolve to set capital increase base date as May 6, 2022.

From October 2021 to December 2021, convertible bonds were converted to ordinary shares for the amount of $24,247 thousand. On March 3, 2022, the board of the directors resolved to set capital increase base date as March 4, 2022. Registration was completed on March 15, 2022.

b. Capital surplus

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| 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 | 328,468 | 317,948 | 152,962 |
| May be used to offset a deficit only | | | |
| 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 |
| May not be used for any purpose | | | |
| Share warrants | 10,801 | 11,407 | 20,945 |
| | $ 914,954 | $ 905,040 | $ 749,592 |

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 2011 and 2022.

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 shareholders' needs for cash basis dividends, distribute no less than 10% of unappropriated earnings to shareholders as dividends and bonuses, by way of cash dividend or share 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. 1090150022 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 2021 and 2020 were as follows:

| | **Appropriation of Earnings** | |
|---|---|---|
| | **For the Year Ended December 31** | |
| | **2021** | **2020** |
| Legal reserve | $ 24,019 | $ 9,536 |
| Special reserve | $ 35,224 | $ (20,176) |
| Cash dividends | $ 176,985 | $ 90,579 |
| Cash dividends per share (NT$) | $ 2.3 | $ 1.3 |

The 2021 and 2020 appropriations for cash dividends had been resolved by the Company's board of directors on March 3, 2022 and March 4, 2021. The appropriation of earnings for 2020 was approved in shareholder's meetings on August 27, 2021. The appropriation of earnings for 2021 will be resolved by the Company's annual general meeting on June 16, 2022.

d. Other equity items

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

| | **For the Three Months Ended March 31** | |
|---|---|---|
| | **2022** | **2021** |
| Balance at January 1 | $ (254,854) | $ (238,001) |
| Recognized for the period | | |
| Exchange differences on translating the financial statements of foreign operations | | |
| Related income tax | 98,856 | (8,455) |
| Other comprehensive income recognized for the period | (19,771) | 1,691 |
| | 79,085 | (6,764) |
| Balance at March 31 | $ (175,769) | $ (244,765) |

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| Balance at January 1 | $ 19,214 | $ 37,583 |
| Recognized for the period | | |
| Unrealized loss - equity instruments | (1,531) | (10,473) |
| Related income tax | 179 | 2,077 |
| Other comprehensive income recognized for the period | (1,352) | (8,396) |
| Balance at March 31 | $ 17,862 | $ 29,187 |

e. Non-controlling interests

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| Balance at January 1 | $ 43,357 | $ 48,431 |
| Share in (loss) profit for the period | (3,546) | 632 |
| Other comprehensive (loss) income during the period | | |
| Exchange differences on translating the financial statements of foreign operations | (427) | 200 |
| Related income tax | 103 | (41) |
| | (324) | 159 |
| Transaction with non-controlling interests (Note 27) | (6,470) | - |
| Balance at March 31 | $ 33,017 | $ 49,222 |

## 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

| | **March 31, 2022** | **December 31, 2021** | **March 31, 2021** | **January 1, 2021** |
|---|---|---|---|---|
| Notes and trade receivables (Note 11) | $ 1,960,647 | $ 1,769,640 | $ 1,540,940 | $ 1,358,289 |
| Contract liabilities | | | | |
| Sale of goods | $ 38,579 | $ 40,757 | $ 29,426 | $ 25,188 |

c. Disaggregation of revenue

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Type of goods | | |
| Integrated signal connector | $ 1,653,223 | $1,357,622 |

## 24. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Bank deposits | $ 1,220 | $ 1,510 |

b. Other income

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Government grants | $ 2,577 | $ 2,322 |
| Others | 3,811 | 5,073 |
| | $ 6,388 | $ 7,395 |

c. Other gains and losses

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Loss on disposal of property, plant and equipment | $ (42) | $ (45) |
| Fair value changes of financial assets/liabilities | | |
| Financial assets mandatorily classified as at FVTPL | 5,822 | 1,683 |
| Financial liabilities held for trading | (1,789) | (4,554) |
| | 4,033 | (2,871) |
| Lease modification profit and loss | 3,771 | - |
| Net foreign exchange gains | 17,610 | 2,999 |
| Others | (5) | (49) |
| | $ 25,367 | $ 34 |

d. Finance costs

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Interest on bank loans | $ 2,985 | $ 4,591 |
| Interest on convertible bonds (Note 20) | 252 | 1,673 |
| Interest on lease liabilities | 80 | 420 |
| | $ 3,317 | $ 6,684 |

e. Depreciation and amortization

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| An analysis of deprecation by function | | |
| Operating costs | $ 84,552 | $ 78,255 |
| Operating expenses | 23,752 | 27,050 |
| | $ 108,304 | $ 105,305 |
| An analysis of amortization by function | | |
| Operating costs | $ 175 | $ 175 |
| Selling and marketing expense | 874 | 776 |
| General and administrative expense | 866 | 1,190 |
| Research and development expense | 524 | 74 |
| | $ 2,439 | $ 2,215 |

f. Employee benefits expense

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Post-employment benefits | | |
| Defined contribution plans | $ 21,835 | $ 17,438 |
| Other employee benefits | 306,986 | 279,360 |
| Total employee benefits expense | $ 328,821 | $ 296,798 |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 207,323 | $ 188,370 |
| Operating expenses | 121,498 | 108,428 |
| | $ 328,821 | $ 296,798 |

g. Employees' Compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of 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 of directors and supervisors.

The compensation of employees and the remuneration of directors for the three months ended March 31, 2022 and 2021 are as follows:

Accrual rate

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| Employees' Compensation | 8.93% | 7.17% |
| Remuneration of directors | 2.68% | 2.15% |

Amount

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| Employees' Compensation | $ 12,763 | $ 2,302 |
| Remuneration of directors | $ 3,829 | $ 691 |

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 2021 and 2020 having been resolved by the board of directors on March 3, 2022 and March 4, 2021, respectively, are as shown below:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| | **Cash** | **Cash** |
| Compensation of employees | $ 22,500 | $ 8,000 |
| Remuneration of directors and supervisors | $ 6,500 | $ 2,300 |

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, 2021 and 2020.

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 March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Foreign exchange gains | $ 66,200 | $ 26,255 |
| Foreign exchange losses | (48,590) | (23,256) |
| | $ 17,610 | $ 2,999 |

## 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 March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current period | $ 22,001 | $ 4,250 |
| Deferred tax | | |
| In respect of the current period | 2,250 | 1,044 |
| Income tax expense recognized in profit or loss | $ 24,251 | $ 5,294 |

b. Income tax recognized in other comprehensive income

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Deferred tax | | |
| In respect of the current period | | |
| Translation of foreign operations | $ 19,668 | $ (1,650) |
| Fair value changes of financial assets at FVTOCI | (179) | (2,077) |
| Total income tax recognized in other comprehensive income | $ 19,489 | $ (3,727) |

c. Income tax assessments

The income tax returns through 2019 of UDE Corp. and its subsidiaries - CDE Corp. and DYP Corp., have been assessed by the tax authorities and there is no litigation in dispute of the subsidiaries.

## 26. EARNINGS PER SHARE

**Unit: NT$ Per Share**

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| Basic earnings per share | | |
| From continuing operations | $ 1.36 | $ 0.39 |
| Diluted earnings per share | | |
| From continuing operations | $ 1.32 | $ 0.38 |

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 Year**

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| Profit for the period attributable to owners of the Company | $ 104,226 | $ 27,293 |
| Earnings used in the computation of basic earnings per share | $ 104,226 | $ 27,293 |
| Effects of potentially dilutive ordinary shares: | | |
| Interest and valuation loss on convertible bonds after tax | 212 | 599 |
| Earnings used in the computation of diluted earnings per share | $ 104,438 | $ 27,892 |

**Shares**

**Unit: Thousand Shares**

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| Weighted average number of ordinary shares in computation of basic earnings per share | 76,821 | 69,676 |
| Effect of potentially dilutive ordinary shares: | | |
| Convertible bonds | 1,802 | 4,381 |
| Employees' compensation | 579 | 243 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 79,202 | 74,300 |

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 March 2022, the Group resolved to acquire 10% ownership of CDE Corp. After the completion of the shares transfer, the Group's shareholding percentage of CDE Corp increased from 89% to 99%.

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

| | CDE Corp. |
|---|---|
| Consideration paid | $ (15,810) |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests | 6,470 |
| Differences recognized from equity transaction | $ (9,340) |
| Line items adjusted for equity transaction | |
| Retained earnings | $ (9,340) |

## 28. CASH INFORMATION

a. Non-cash transaction

For the three months ended March 31, 2022 and 2021, 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 March 31, 2022, December 31, 2021 and March 31, 2021, the amounts unpaid for acquiring the property, plant and equipment were $103,879 thousand, $110,680 thousand and $122,771 thousand, respectively, which were included in other payables.

2) The Company's board of directors issued cash dividends on March 3, 2022 and March 4, 2021, as of March 31, 2022 and 2021 the amounts unpaid were $176,985 thousand and $90,579 thousand, respectively, which were included in other payables (refer to Notes 21 and 22)

3) In December 2020, the Group's issuance cost of the third secured convertible bonds was $11,916 thousand. As of March 31, 2022, December 31, 2021 and March 31, 2021, the amounts of unpaid prepayments for issuance of convertible bonds were $4,018 thousand, $4,118 thousand and $5,395 thousand, which were included in other payables.

b. Changes in liabilities from financing activities

For the three months ended March 31, 2022

| | | | Non-cash Changes | | | | |
|---|---|---|---|---|---|---|---|
| | Balance at January 1, 2022 | Cash Flows | Interest Expense | Lease Modification | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Other (Note) | Balance at March 31, 2022 |
| Short-term borrowings | $ 964,320 | $ 143,213 | $ - | $ - | $ 10,636 | $ - | $ 1,118,169 |
| Lease liabilities | 73,590 | (4,900) | - | (53,767) | 2,630 | - | 17,553 |
| Bonds payable (including current portion of bonds payable) | 63,354 | - | 252 | - | - | (14,442) | 49,164 |
| Long-term borrowings (including current portion of long-term borrowings) | 296,400 | (15,600) | - | - | - | - | 280,800 |
| Deposits received | 1,561 | - | - | - | 49 | - | 1,610 |
| | $ 1,399,225 | $ 122,713 | $ 252 | $ (53,767) | $ 13,315 | $ (14,442) | $ 1,467,296 |

For the three months ended March 31, 2021

| | Balance at January 1, 2021 | Cash Flows | Non-cash Changes: Addition | Non-cash Changes: Interest Expense | Non-cash Changes: Exchange Differences on Translation of the Financial Statements of Foreign Operations | Non-cash Changes: Other | Balance at March 31, 2021 |
|---|---|---|---|---|---|---|---|
| Short-term borrowings | $ 683,000 | $ 480,734 | $ - | $ - | $ 3,757 | $ - | $ 1,167,491 |
| Lease liabilities | 99,513 | (6,220) | - | - | (414) | - | 92,879 |
| Bonds payable (including current portion of bonds payable) | 575,573 | (291,300) | - | 1,673 | - | - | 285,946 |
| Long-term borrowings (including current portion of long-term borrowings) | 364,000 | (52,000) | - | - | - | - | 312,000 |
| Deposits received | 825 | - | - | - | (3) | - | 822 |
| | $ 1,722,911 | $ 131,214 | $ - | $ 1,673 | $ 3,340 | $ - | $ 1,859,138 |

Note: The conversion of convertible bonds in 2022, please refer to Note 20.

## 29. FINANCIAL INSTRUMENTS

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

March 31, 2022

| | Carrying Amount | Fair Value: Level 1 | Fair Value: Level 2 | Fair Value: Level 3 | Fair Value: Total |
|---|---|---|---|---|---|
| Financial liabilities | | | | | |
| Financial liabilities measured at amortized cost | | | | | |
| Convertible bonds | $ 49,164 | $ 68,039 | $ - | $ - | $ 68,039 |

December 31, 2021

| | Carrying Amount | Fair Value: Level 1 | Fair Value: Level 2 | Fair Value: Level 3 | Fair Value: Total |
|---|---|---|---|---|---|
| Financial liabilities | | | | | |
| Financial liabilities measured at amortized cost | | | | | |
| Convertible bonds | $ 63,354 | $ 94,785 | $ - | $ - | $ 94,785 |

March 31, 2021

| | Carrying Amount | Fair Value: Level 1 | Fair Value: Level 2 | Fair Value: Level 3 | Fair Value: Total |
|---|---|---|---|---|---|
| Financial liabilities | | | | | |
| Financial liabilities measured at amortized cost | | | | | |
| Convertible bonds | $ 285,946 | $ 354,060 | $ - | $ - | $ 354,060 |

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

1) Fair value hierarchy

March 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Derivatives | | | | |
| Convertible bond options | $ - | $ - | $ 279 | $ 279 |
| Foreign exchange forward contracts | - | 2,683 | - | 2,683 |
| | $ - | $ 2,683 | $ 279 | $ 2,962 |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Domestic unlisted shares | $ - | $ - | $ 73,027 | $ 73,027 |
| Investments in debt instruments at FVTOCI | | | | |
| Factored trade receivables to banks without recourse | $ - | $ - | $ 164,454 | $ 164,454 |
| Financial liabilities at FVTPL | | | | |
| Derivatives | | | | |
| Foreign exchange forward contracts | $ - | $ 534 | $ - | $ 534 |

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Derivatives | | | | |
| Convertible bond options | $ - | $ - | $ 374 | $ 374 |
| Foreign exchange forward contracts | - | 3,847 | - | 3,847 |
| | $ - | $ 3,847 | $ 374 | $ 4,221 |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Domestic unlisted shares | $ - | $ - | $ 74,558 | $ 74,558 |
| Investments in debt instruments at FVTOCI | | | | |
| Factored trade receivables to banks without recourse | $ - | $ - | $ 100,979 | $ 100,979 |

March 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Foreign exchange forward contracts | $ - | $ 54 | $ - | $ 54 |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Domestic unlisted shares | $ - | $ - | $ 89,982 | $ 89,982 |
| Investments in debt instruments at FVTOCI | | | | |
| Factored trade receivables to banks without recourse | $ - | $ - | $ 140,298 | $ 140,298 |
| Financial liabilities at FVTPL | | | | |
| Derivatives | | | | |
| Foreign exchange forward contracts | $ - | $ 2,723 | $ - | $ 2,723 |

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 three months ended March 31, 2022

| | Financial Assets at FVTOCI | | |
|---|---|---|---|
| Financial Assets | Equity Instrument | Debt Instrument | Total |
| Balance at January 1, 2022 | $ 74,558 | $ 100,979 | $ 175,537 |
| Recognized in other comprehensive income | (1,531) | - | (1,531) |
| Additions | - | 63,475 | 63,475 |
| Balance at March 31, 2022 | $ 73,027 | $ 164,454 | $ 237,481 |

| | Derivatives |
|---|---|
| Financial assets at fair value through profit or loss | |
| Balance at January 1, 2022 | $ 374 |
| Recognized in profit or loss (included in other gains and losses) | (10) |
| Conversion | (85) |
| Balance at March 31, 2022 | $ 279 |

For the three months ended March 31, 2021

| Financial Assets | Financial Assets at FVTOCI Equity Instrument | Financial Assets at FVTOCI Debt Instrument | Total |
|---|---|---|---|
| Balance at January 1, 2021 | $ 117,855 | $ 112,535 | $ 230,390 |
| Recognized in other comprehensive income | (10,473) | - | (10,473) |
| Return of funds | (17,400) | - | (17,400) |
| Additions | - | 27,763 | 27,763 |
| Balance at March 31, 2021 | $ 89,982 | $ 140,298 | $ 230,280 |

| Financial liabilities at fair value through profit or loss | Derivatives |
|---|---|
| Balance at January 1, 2021 | $ (30) |
| Recognized in profit or loss (included in other gains and losses) | 30 |
| Balance at March 31, 2021 | $ - |

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

| Financial Instruments | Valuation Techniques and Inputs |
|---|---|
| Derivatives - foreign exchange forward contracts | Discounted cash flow.<br><br>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

| Financial Instruments | Valuation Techniques and Inputs |
|---|---|
| Convertible bond options | The binomial tree evaluation model of convertible bonds:<br><br>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. |

(Continued)

| Financial Instruments | Valuation Techniques and Inputs |
|---|---|
| Unlisted debt securities - ROC | Market approach.<br><br>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.<br><br>Asset approach.<br><br>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. |

(Concluded)

c. Categories of financial instruments

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Financial assets | | | |
| Mandatorily classified as at FVTPL | $ 2,962 | $ 4,221 | $ 54 |
| Financial asset at amortized cost (1) | 2,342,840 | 2,065,627 | 2,219,622 |
| Financial assets at FVTOCI | | | |
| Equity instruments | 73,027 | 74,558 | 89,982 |
| Factored trade receivables to banks without recourse | 164,454 | 100,979 | 140,298 |
| Financial liabilities | | | |
| FVTPL | | | |
| Held for trading | 534 | - | 2,723 |
| Amortized cost (2) | 2,695,842 | 2,440,445 | 2,894,510 |

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, dividends, 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 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 Three Months Ended March 31** | | **For the Three Months Ended March 31** | | **For the Three Months Ended March 31** | |
| | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| Profit or loss* | $ 245 | $ 2,417 | $ 1,206 | $ 1,885 | $ (696) | $ (764) |

* 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 decreased during the current period mainly due to the increase of USD denominated non-monetary derivative financial instruments .

The Group's sensitivity to the RMB decreased during the current period mainly due to the decrease of RMB denominated net assets.

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:

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Fair value interest rate risk | | | |
| Financial assets | $ 158,252 | $ 53,559 | $ 258,858 |
| Financial liabilities | 1,184,886 | 1,101,264 | 1,546,316 |
| Cash flow interest rate risk | | | |
| Financial assets | 374,130 | 321,352 | 538,287 |
| Financial liabilities | 280,800 | 296,400 | 312,000 |

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 1% higher and all other variables held constant, the Group's pretax profits for the three months ended March 31, 2022 and 2021 would have increased by $233 thousand and $566 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 three months ended March 31, 2022 and 2021 would have increased/decreased by $730 thousand and $900 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 March 31, 2022, December 31, 2021 and March 31, 2021.

a) Liquidity and interest rate risk 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.

March 31, 2022

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Short-term borrowings | $ 668,505 | $ 450,795 | $ - | $ - | $ - |
| Long-term borrowings | 5,409 | 10,813 | 48,461 | 221,942 | - |
| Lease liabilities | 1,698 | 3,396 | 8,018 | 4,616 | - |
| Trade payables | 16,209 | 616,946 | 110,965 | 2,728 | - |
| Other payables | 34,330 | 419,149 | 220,592 | 1,063 | 1,102 |
| Bonds payables | - | - | 49,164 | - | - |
| Guarantee deposits received | - | - | - | 1,610 | - |
| | $ 726,151 | $ 1,501,099 | $ 437,220 | $ 231,959 | $ 1,102 |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years |
|---|---|---|---|
| Lease liabilities | $ 13,112 | $ 4,616 | $ - |

December 31, 2021

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Short-term borrowings | $ 884,696 | $ 80,095 | $ - | $ - | $ - |
| Long-term borrowings | 5,428 | 10,822 | 48,572 | 238,053 | - |
| Lease liabilities | 2,307 | 4,613 | 17,483 | 52,576 | - |
| Trade payables | 90,956 | 445,560 | 98,845 | 1,011 | - |
| Other payables | 45,861 | 275,596 | 142,800 | 14,152 | 29 |
| Bonds payables | - | - | - | 65,600 | - |
| Guarantee deposits received | - | - | - | 1,561 | - |
| | $ 1,029,248 | $ 816,686 | $ 307,700 | $ 372,953 | $ 29 |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years |
|---|---|---|---|
| Lease liabilities | $ 24,403 | $ 52,576 | $ - |

March 31, 2021

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Short-term borrowings | $ 1,168,021 | $ - | $ - | $ - | $ - |
| Long-term borrowings | 465 | 931 | 313,396 | - | - |
| Lease liabilities | 2,200 | 4,543 | 20,735 | 50,706 | 19,271 |
| Trade payables | 21,390 | 507,027 | 111,664 | 2,164 | - |
| Other payables | 25,462 | 338,950 | 210,683 | 1,490 | - |
| Bonds payables | - | - | - | 300,000 | - |
| Guarantee deposits received | - | - | - | 822 | - |
| | $ 1,217,538 | $ 851,451 | $ 656,478 | $ 355,182 | $ 19,271 |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years |
|---|---|---|---|
| Lease liabilities | $ 27,478 | $ 50,706 | $ 19,271 |

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.

March 31, 2022

| | On Demand or Less than 1 Month | 1-3 Months | Over 3 Months to 1 Year | Over 1 Year to 5 Years |
|---|---|---|---|---|
| Gross settled | | | | |
| Foreign exchange forward contracts | | | | |
| Inflows | $ 27,557 | $ - | $ - | $ - |
| Outflows | (28,091) | - | - | - |
| | $ (534) | $ - | $ - | $ - |

December 31, 2021

| | On Demand or Less than 1 Month | 1-3 Months | Over 3 Months to 1 Year | Over 1 Year to 5 Years |
|---|---|---|---|---|
| Gross settled | | | | |
| Forward exchange forward contracts | | | | |
| Inflows | $ - | $ - | $ - | $ - |
| Outflows | - | - | - | - |
| | $ - | $ - | $ - | $ - |

March 31, 2021

| | On Demand or Less than 1 Month | 1-3 Months | Over 3 Months to 1 Year | Over 1 Year to 5 Years |
|---|---|---|---|---|
| Gross settled | | | | |
| Foreign exchange forward contracts | | | | |
| Inflows | $ 183,628 | $ 98,999 | $ - | $ - |
| Outflows | (185,478) | (99,872) | - | - |
| | $ (1,850) | $ (873) | $ - | $ - |

c) Financing facilities

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Unsecured bank loan facilities (reviewed annually) | | | |
| Amount used | $ 1,118,169 | $ 964,320 | $ 1,167,491 |
| Amount unused | 969,581 | 1,117,760 | 725,185 |
| | $ 2,087,750 | $ 2,082,080 | $ 1,892,676 |
| Secured bank loan facilities which may be extend by mutual agreement | | | |
| Amount used | $ 280,800 | $ 296,400 | $ 312,000 |
| Amount unused | 16,400 | 16,000 | 150,000 |
| | $ 297,200 | $ 312,400 | $ 462,000 |

On December 11, 2020, the Group issued third convertible bonds, in an aggregate principal amount of $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:

March 31, 2022

| 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 | $ 21,410 | $ 2,141 | $ - | $ 19,269 | 0.539112 |

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 | $ 86,141 | $ 8,614 | $ - | $ 77,527 | 0.4863-0.5391 |

March 31, 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 | $ 72,006 | $ 7,201 | $ - | $ 64,805 | 0.6070-0.9408 |

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 March 31, 2022, December 31, 2021 and March 31, 2021, 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.

a. Related party name and category

| Related Party Name | Related Party Category |
|---|---|
| Lian Syu Cheng Jhang Co., Ltd. | Related party in substance |
| Gary Chen, Shi, Yu-Zhan, Zhang, Jian-Xiang, You, Zhi-Qing, Li, Yong-Ming, Chen, Yu-Zi and Yao, Jun-Jie | Related party in substance |

b. Acquisition of financial assets

For the three months ended March 31, 2022

| Related Party Category | Item | Number of Shares Traded (Thousands of Shares) | Subject of Transaction | Price Acquisition |
|---|---|---|---|---|
| Related party in substance - Lian Syu Cheng Jhang Co., Ltd. | (Note) | 1,000 | CDE Corp. | $ 10,000 |
| Related party in substance - Chen, Yu-Zi | (Note) | 258 | CDE Corp. | 2,585 |
| Related party in substance - others | (Note) | 338 | CDE Corp. | 3,375 |
| | | | | $ 15,960 |

For the three months ended March 31, 2021: None

Note: Items are equity investments toward subsidiaries under equity method which are eliminated through consolidation.

c. Compensation of key management personnel

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Short-term employee benefits | $ 17,617 | $ 15,302 |
| Post-employment benefits | 119 | 109 |
| | $ 17,736 | $ 15,411 |

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:

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Freehold land | $ 159,538 | $ 159,538 | $ 159,538 |
| Building | 85,865 | 87,852 | 93,647 |
| Machinery and equipment | - | - | 409,290 |
| Financial assets at amortized cost - current | | | |
| Restricted time deposits | 8,583 | 17,702 | 55,079 |
| Financial assets at amortized cost - current | | | |
| Time deposits with original maturity of more than 3 months | 3,624 | 3,624 | - |
| | $ 257,610 | $ 268,716 | $ 717,554 |

## 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:

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Acquisition of property, plant and equipment RMB | $ 7,533 | $ 18,527 | $ 18,837 |

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 Group 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 group 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

From January 2022 to March 2022, convertible bonds were converted to common shares for the amount of $4,443 thousand. On May 5, 2022, the board of the directors resolved to set capital increase base date as May 6, 2022.

From April 1, 2022 to April 18, 2022, the bond holders of the third secured convertible bonds applied the conversion of the bonds with the par value of $2,800 thousand at the conversion price of $33.53 which eventually converted 84 thousand common shares in total.

## 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:

March 31, 2022

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 62,444 | 28.6250 (USD:NTD) | $ 1,787,448 |
| USD | 14,846 | 6.3482 (USD:RMB) | 424,971 |
| RMB | 19,254 | 4.5092 (RMB:NTD) | 86,819 |
| RMB | 13,856 | 0.1575 (RMB:USD) | 62,477 |
| Non-monetary items | | | |
| Derivative instruments | | | |
| USD | 17,100 | Note | 2,683 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 54,361 | 28.6250 (USD:NTD) | 1,556,072 |
| USD | 3,973 | 6.3482 (USD:RMB) | 113,720 |
| RMB | 6,356 | 0.1575 (RMB:USD) | 28,660 |
| JPY | 296,073 | 0.235 (JPY:NTD) | 69,577 |
| Non-monetary items | | | |
| Derivative instruments | | | |
| USD | 1,000 | Note | 534 |

December 31, 2021

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 56,496 | 27.6800 (USD:NTD) | $ 1,563,796 |
| USD | 16,538 | 6.3674 (USD:RMB) | 457,777 |
| RMB | 21,723 | 4.3471 (RMB:NTD) | 94,433 |
| RMB | 16,432 | 0.1570 (RMB:USD) | 71,431 |
| Non-monetary items | | | |
| Derivative instruments | | | |
| USD | 21,300 | Note | 3,847 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 47,388 | 27.6800 (USD:NTD) | 1,311,700 |
| USD | 4,676 | 6.3674 (USD:RMB) | 129,435 |
| RMB | 6,028 | 0.1570 (RMB:USD) | 26,206 |
| JPY | 296,073 | 0.241 (JPY:NTD) | 71,354 |

March 31, 2021

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 52,692 | 28.5350 (USD:NTD) | $ 1,503,577 |
| USD | 11,295 | 6.5710 (USD:RMB) | 322,295 |
| RMB | 20,474 | 4.3420 (RMB:NTD) | 88,898 |
| RMB | 27,669 | 0.1520 (RMB:USD) | 120,130 |
| Non-monetary items | | | |
| Derivative instruments | | | |
| USD | 1,500 | Note | 54 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 39,360 | 28.5350 (USD:NTD) | 1,123,143 |
| USD | 4,658 | 6.5710 (USD:RMB) | 132,913 |
| RMB | 4,772 | 0.1520 (RMB:USD) | 20,504 |
| JPY | 296,073 | 0.2580 (JPY:NTD) | 76,387 |
| Non-monetary items | | | |
| Derivative instruments | | | |
| USD | 10,000 | Note | 2,723 |

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

For the three months ended March 31, 2022 and 2021, net foreign exchange gains (losses), including realized and unrealized, were $17,610 thousand and $2,999 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:

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.

TABLE 1

## U.D. ELECTRONIC CORP. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**
**(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 | | |
| 1 | Dongguan Jian Guan P.E. Co, Ltd. | Dongguan De Yang Precision Rubber Plastic Co., Ltd. | Other receivables from related party | Yes | $ 60,874 | $ 60,874 | $ 60,874 | 2 | Demand of short-term financing | $ - | Operating capital | $ - | - | - | $ 87,003 (Note 4) | $ 170,594 (Note 4) |
| 2 | Zhong Jiang U.D.E. Electronics Corp. | Dongguan De Yang Precision Rubber Plastic Co., Ltd. | Other receivables from related party | Yes | 103,710 | 103,710 | 103,710 | 2 | Demand of short-term financing | - | Operating capital | - | - | - | 358,984 (Note 4) | 703,891 (Note 4) |
| | | Dongguan Han Lian Technology Co., Ltd. | Other receivables from related party | Yes | 18,037 | 18,037 | 18,037 | 2 | Demand of short-term financing | - | Operating capital | - | - | - | 492,724 (Note 4) | 703,891 (Note 4) |
| 3 | Morning Paragon Limited | Dongguan De Yang Precision Rubber Plastic Co., Ltd. | Other receivables from related party | Yes | 16,007 | 16,007 | 16,007 | 2 | Demand of short-term financing | - | Operating capital | - | - | - | 17,770 (Note 2) | 17,770 (Note 2) |
| 4 | CDE Corp. | U.D. Electronic Corp. | Other receivables from related party | Yes | 10,000 | 10,000 | 10,000 | 3 | Demand of short-term financing | - | Operating capital | - | - | - | 24,553 (Note 5) | 24,553 (Note 5) |

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 Morning Paragon Limited is 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 is 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 lending regulations of CDE Corp. is 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. 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 100% owned directly or indirectly by the parent company and associates, 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 companies, 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.

(Continued)

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 (a) and (b.) only the calculation of net worth is still based on the net worth of lending company.

Note 6: The interest expenses due to financing ended March31, 2022 are specified as follows:

Dongguan De Yang Precision Rubber Plastic Co., Ltd.: The sum of interest expenses is $837 thousand.
Dongguan Han Lian Technology Co., Ltd.: The sum of interest expenses is $83 thousand.

(Concluded)

# U.D. ELECTRONIC CORP. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**
**(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 (Note 3) | 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% $ 2,928,441 | $ 987,563 | $ 987,563 | $ 390,732 | $ - | 34 | Net value 100% $ 2,928,441 | Yes | - | - |
| | | DYP Corp. | b | Net value 20% 585,688 | 50,000 | 50,000 | - | - | 2 | Net value 40% 1,171,376 | Yes | - | - |
| | | CDE Corp. | b | Net value 20% 585,688 | 30,000 | 30,000 | - | - | 1 | Net value 40% 1,171,376 | 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.

Note 3: The amount has been eliminated on consolidation, and translated into NTD with the exchange rate on the reporting date.

## U.D. ELECTRONIC CORP. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD**
**MARCH 31, 2022**
**(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 | March 31, 2022 | | | | 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 | $ 3,654 | 10.35 | $ 3,654 | Note |
| | Emerging Creation Capital Inc. | The Company's chairman as the investee's legal director representative | 〃 | 4,000 | 65,235 | 10.13 | 65,235 | Note |
| | Dy-Precision Industrial Co., Ltd. | - | 〃 | 725 | 4,138 | 16.22 | 4,138 | Note |

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 THREE MONTHS ENDED MARCH 31, 2022**
**(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 | $ 1,231,892 | 95 | O/A 75 days | Note 2 | Note 2 | $ (1,287,547) | (95) | Note 1 |
| All First International Co., Ltd. | U.D. Electronic Corp. | Parent company | Sale | (1,231,892) | (90) | O/A 75 days | 〃 | 〃 | 1,287,547 | 88 | 〃 |
| | Zhong Jiang U.D.E. Electronics Corp. | Affiliated company | Purchase | 1,163,575 | 86 | O/A 120 days | 〃 | 〃 | (255,289) | (55) | 〃 |
| | Dongguan Jian Guan P.E. Co, Ltd. | Affiliated company | Purchase | 132,909 | 10 | O/A 120 days | 〃 | 〃 | (140,340) | (30) | 〃 |
| Zhong Jiang U.D.E. Electronics Corp. | All First International Co., Ltd. | Affiliated company | Sale | (1,163,575) | (97) | O/A 120 days | 〃 | 〃 | 255,289 | 82 | 〃 |
| Dongguan Jian Guan P.E. Co, Ltd. | All First International Co., Ltd. | Affiliated company | Sale | (132,909) | (61) | O/A 120 days | 〃 | 〃 | 140,340 | 58 | 〃 |

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**
**MARCH 31, 2022**
**(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 | $ 1,287,547 | 4.38 | $ - | - | $ 446,425 | $ - |
| Zhong Jiang U.D.E. Electronics Corp. | All First International Co., Ltd. | Affiliated company | | 255,289 | 18.48 | - | - | 232,742 | - |
| Dongguan De Yang Precision Rubber Plastic Co., Ltd. | All First International Co., Ltd. | Affiliated company | | 140,340 | 3.15 | - | - | 82,252 | - |
| Zhong Jiang U.D.E. Electronics Corp. | Dongguan De Yang Precision Rubber Plastic Co., Ltd. | Affiliated company | Other receivables (including interest receivables) | 104,972 | - | - | - | - | - |

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 April 1, 2022 to May 5, 2022.

# U.D. ELECTRONIC CORP. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| 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. | a. | Endorsements/guarantees provided | $ 987,563 | - | 16 |
| 1 | All First International Co., Ltd. | U.D. Electronic Corp. | b. | Revenue | 1,231,892 | Negotiated case by case. O/A 75 days | 75 |
| | | | | Trade receivables | 1,287,547 | | 21 |
| 2 | Dongguan Jian Guan P.E. Co, Ltd. | All First International Co., Ltd. | c. | Revenue | 132,909 | Negotiated case by case. O/A 120 days | 8 |
| | | | | Trade receivables | 140,340 | | 2 |
| 3 | Zhong Jiang U.D.E. Electronics Corp. | All First International Co., Ltd. | c. | Revenue | 1,163,575 | Negotiated case by case. O/A 120 days | 70 |
| | | | | Trade receivables | 255,289 | | 4 |
| | | Dongguan De Yang Precision Rubber Plastic Co., Ltd. | c. | Other receivables | 104,972 | Financing (including interest receivables $1,262) | 2 |

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.

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 revenue 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.

## U.D. ELECTRONIC CORP. AND SUBSIDIARIES

**INFORMATION ON INVESTEES**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount (Note 4) | | As of March 31, 2022 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | March 31, 2022 | December 31, 2021 | Number of Shares | % | Carrying Amount | | | |
| U.D. Electronic Corp. | Global Connection (Samoa) Holding Inc. | Samoa | Holding company | $ 1,462,423 (US$ 51,089) | $ 1,414,143 (US$ 51,089) | 51,089 | 100 | $ 2,823,188 | $ 21,198 | $ 21,198 | Notes 1 and 2 |
| | CDE Corp. | Taiwan | Manufacturing and selling of electronic materials | 149,850 | 134,040 | 14,985 | 99 | 67,861 | 5,636 | 5,036 | Notes 1 and 2 |
| | DYP Corp. | Taiwan | Selling of electronic components | 112,200 | 112,200 | 11,220 | 51 | 31,603 | (9,213) | (4,698) | Notes 1, 2 and 3 |
| Global Connection (Samoa) Holding Inc. | Sunderland Inc. | Republic of Mauritius | Holding company | 402,582 (US$ 14,064) | 389,292 (US$ 14,064) | 14,064 | 100 | 449,514 | (1,936) | (1,936) | Notes 1 and 2 |
| | San Francisco Inc. | Republic of Mauritius | Holding company | 788,218 (US$ 27,536) | 762,196 (US$ 27,536) | 27,536 | 100 | 1,751,424 | 6,436 | 6,436 | Notes 1 and 2 |
| | All First International Co., Ltd. | Samoa | International trading | 286,250 (US$ 10,000) | 276,800 (US$ 10,000) | 10,000 | 100 | 622,235 | 16,698 | 16,698 | Notes 1 and 2 |
| DYP Corp. | Ta Yang UDE Limited | Samoa | Holding company | 106,227 (US$ 3,711) | 102,720 (US$ 3,711) | 4,438 | 100 | (29,459) | (12,787) | (10,768) | Notes 1, 2 and 3 |
| Ta Yang UDE Limited | Morning Paragon Limited | Samoa | International trading | 42,938 (US$ 1,500) | 41,520 (US$ 1,500) | 1,500 | 100 | 44,426 | 698 | 698 | 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 investment gain or loss was recognized based on the net income after tax less unrealized up-stream or side-stream gain or loss.

Note 4: The amount of foreign currency investment was translated with the exchange rate on the reporting date.

Note 5: Information on investments in mainland China. Refer to Table 8.

**TABLE 8**

## U.D. ELECTRONIC CORP. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**
**(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, 2022 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2022 | % 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 March 31, 2022 (Note 7) | Accumulated Repatriation of Investment Income as of March 31, 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 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 | $ (6,069) | $ (2,235) (Note 6) | $ 426,485 | $ - |
| 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 | 11,264 | 6,436 (Note 6) | 1,751,387 | - |
| Zhong Jiang U.D.E. Networking Electronics Corp. | Selling of electronic components | 2,476 (RMB 500) | b. (3) | - (Note 3) | - | - | - | 100 | 2,438 | 2,438 | 49,172 | - |
| Dongguan De Yang Precision Rubber Plastic 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 | (13,567) | (6,919) | (44,814) | - |
| Dongguan U.D.E. Electronics Corp. | Researching of electronic components | 16,125 (US$ 500) | b. (1) | 15,871 (US$ 502) | - | - | 15,871 (US$ 502) | 100 | 299 | 299 | 23,008 | - |
| Dongguan Ai Te Chieh Intellectual Technology Co., Ltd. | Machinery and automatic equipment development | 44,753 (RMB 10,000) | b. (5) | - (Note 4) | - | - | - | 60 | 1,729 | 1,037 | 9,354 (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 | (1,079) | (755) | 1,322 (Note 5) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2022 | 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 | $1,776,875 |

(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.

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 | $ 132,909 | 10 | Negotiated case by case | O/A 120 days | Note 4 | $ (140,340) | (30) | $ - | Note 1 |
| Zhong Jiang U.D.E. Electronics Corp. | Purchase | 1,163,575 | 86 | Negotiated case by case | O/A 120 days | 〃 | (255,289) | (55) | 8,147 | Note 2 |

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

(Continued)

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

Note 3: Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

Note 4: The payment terms of non-related party are negotiated case by case, and payment is received in advance or from O/A 30 days to O/A 90 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)