



U.D. Electronic Corp.

Handbook for the 2021 Annual  
Meeting of Shareholders

Meeting Time: June 18, 2021

Meeting Place: No.108, Sec. 1, Nankan Rd., Luzhu  
Dist., Taoyuan City  
(Monarch Skyline Hotel)

# Table of Contents

I.	Meeting Agenda .....	1
II.	Reporting Matters .....	2
III.	Adoption Matters .....	3
IV.	Discussion Matters .....	4
V.	Motions.....	4
VI.	Appendixes	
	1. 2020 Business Report .....	5
	2. 2020 Audit Committee Audit Report.....	8
	3. 2020 Independent Auditor’s Report.....	9
	4. 2020 Profit Distribution Sheet.....	19
	5. Comparison List before and after Amendment of the “Rules of Procedure for Shareholders Meetings”.....	20
	6. Comparison List before and after Amendment of the “Articles of Incorporation”.....	22
	7. Current shareholding of Directors .....	24

U.D. Electronic Corp.

Agenda for the 2021 Shareholders' Meeting

Meeting Time: 9:00 AM on Thursday, June 18, 2021

Meeting Place: No.108, Sec. 1, Nankan Rd., Luzhu Dist., Taoyuan City (Monarch Skyline Hotel)

1. Call the meeting to order (report the number of shares in attendance)
2. Chairperson remarks
3. Reporting Matters
  - (1) 2020 Business Report.
  - (2) 2020 Audit Committee Audit Report.
  - (3) 2020 profit distribution of employees' bonus and compensation of directors and supervisors.
  - (4) Report on the distribution of 2020 profits.
  - (5) Domestic Issuance of Secured Convertible Bond.
4. Adoption Matters
  - (1) Adoption of the 2020 Business Report and Financial Statements
  - (2) Adoption of the Proposal for Distribution of 2020 Profits
5. Discussion Matters
  - (1) Partial Amendment of the Company's "Rules of Procedure for Shareholders Meetings".
  - (2) Partial Amendment of the Company's "Articles of Incorporation".
6. Motions
7. Adjournment

## Reporting Matters

1. 2020 Business Report. Please review.

Description: 2020 Business Report, please refer to Page 5 (Appendix 1) for details.

2. 2020 Audit Committee audit report. Please review.

Description: 2020 Audit Committee audit report, please refer to Page 8(Appendix 2) for details.

3. 2020 distribution of employees' bonus and compensation of directors and supervisors.

Please review.

Description:

- (1) Based on Article 20 of the Articles of Incorporation of the Company, when the Company has profits during the current year (earnings defined as the profits before tax prior to subtracting the distribution of employees' bonus and compensation of directors and supervisors), the Company shall appropriate 3% to 15% of the profit as the bonus for employees and no more than 3% of such profit as the compensation for directors and supervisors.
- (2) The Company's earnings in 2020, i.e. the profit before tax prior to subtracting the distribution of employees' bonus and compensation of directors and supervisors, are \$115,871,394. We propose to appropriate 6.9% or \$8,000,000 to the employees' bonus, and 1.98% or \$2,300,000 to the compensation of directors and supervisors. Both appropriations are in cash.

4. Report on the distribution of 2020 profits. Please Review.

Description:

- (1) The Article 21 of the Articles of Incorporation of the Company authorizes the Board of Directors to distribute all or partial dividends by cash, and report to the shareholders.
- (2) Upon approval by the Board of Directors, the 2020 profit distribution is proposed to be \$90,578,549 NTD or \$1.3 per share. The Chairperson is authorized to set the ex-dividend date, ex-rights date and other relevant issues.
- (3) If the Company's change of capital has an impact on the outstanding shares, causing an amendment to the shareholders' dividend ratio, the Chairperson has full authority to handle such issues as proposed at the shareholder's meeting.

5. Domestic Issuance of Secured Convertible Bond. Please review.

Corporate Bond	Second Domestic Issuance of Secured Convertible Bond	Third Domestic Issuance of Secured Convertible Bond
Issue date	February 5 <sup>th</sup> , 2018	December 11 <sup>th</sup> , 2020
Denomination	NT\$ 100,000	NT\$ 100,000
Issuance and trading	Taipei Exchange (Gre Tai Securities Market)	Taipei Exchange (Gre Tai Securities Market)
Issuing price	Full denomination issuance	Full denomination issuance
Total amount	NT\$ 300,000,000	NT\$ 300,000,000
Interest rate	0%	0%
Tenure	3 years, due date February 5 <sup>th</sup> , 2021	3 years, due date December 11 <sup>th</sup> , 2023
Reason of offering	Payback of the loan to the bank	Payback of Second Domestic Issuance of Secured Convertible Bond and the loan to the bank
Outstanding Balance	NT\$ 0	NT\$ 300,000,000

Note	Expired on February 5 <sup>th</sup> 2021.	No amount converted until April 19 <sup>th</sup> 2021.
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## Adoption Matters

### Item 1. Proposed by the Board of Directors

#### **Proposal: Adoption of the 2020 Business Report and Financial Statements. Please adopt.**

##### Description:

- (1)The Company's consolidated financial statements and its subsidiaries in 2020 were audited by independent auditors, Yu Cheng-Chuan, CPA, and Chen Jung-Cheng, CPAs, of Deloitte and Touche. In addition, the Audit committee have reviewed the Business Report and an the Audit committee audit report has been issued.
- (2)The Business Report, independent auditors' audit report, and the aforementioned financial statements are attached in the meeting handbook, Page 5 (Appendix 1) and Page 9 (Appendix 3).
- (3)Please adopt.

##### Resolution:

### Item 2. Proposed by the Board of Directors.

#### **Proposal: Proposal for the Distribution of 2020 Profits. Please adopt.**

##### Description:

- (1) Please refer to Page 19 (Appendix 4) for the Distribution of 2020 Earnings which was approved by the Board of Directors and reviewed by the Audit committee.
- (2)Please adopt.

##### Resolution:

## **Discussion Matters**

### **Item 1. Proposed by the Board of Directors**

**Proposal: Partial Amendment of the Company’s “Rules of Procedure for Shareholders Meetings”.**

**Please discuss.**

Description:

- (1) For the effectiveness of corporate governance, the Company’s “Rules of Procedure for Shareholders Meetings” are partially amended.
- (2) Please refer to Page 20 (Appendix 5) for the comparison list before and after amendment of the company’s “Rules of Procedure for Shareholders Meetings”
- (3) Please discuss.

Resolution:

### **Item 2. Proposed by the Board of Directors**

**Proposal: Partial Amendment of the Company’s “Articles of Incorporation”**

**Please discuss.**

Description:

- (1) Due to the plan to issue Stock Options, the Company’s “Articles of Incorporation” are partially amended to increase the shares of Stock options.
- (2) Please refer to Page 24 (Appendix 7) for the comparison list before and after amendment of the company’s “Articles of Incorporation”.
- (3) Please discuss.

Resolution:

## **Motions**

## **Adjournment**

## 2020 Business Report

## 1. 2020 Operating Results

## (1) Operating results

The Company's operating revenue was \$4,358,993 thousands in 2020, a decrease of 1% of the revenue of \$ 4,394,174 thousands in 2019. The net income was \$95,358 thousands, an increase of 79% of the income in 2019. The increase was mainly due to benefits from automation and the decreased net loss of the subsidiaries.

(2) Budget achievement: No budget achievement is deemed necessary, as our 2020 financial projection was not offered to the public.

## (3) Financial Income and Profitability Analysis

Unit: %; Dollars

Item		2019	2020	
Financial Structure	Liability to Asset ratio (%)	52.07	52.59	
Solvency	Current ratio (%)	72.24	74.47	
Profitability	To paid-in capital ratio (%)	Operating Profit	4.06	5.07
		Profit before tax	8.07	15.15
	Net Profit Margin (%)		1.21	1.19
	Earnings per share (Dollar)		0.77	1.37

The Company's financial structure and debt paying ability in 2020 are worse than in 2019. The main reason was that the CB3 of NT\$300 million issued in 2020 and the CB2 has not expired. Because of the benefits from automation and the decreased net loss of the subsidiaries, the profitability indicators are better than in 2019.

## (4) R&amp;D

The Company continues deepening the related techniques of high-frequency high-speed magnetic materials to increase the transmitting speed of our products to meet the market demands. We are also in the process of simplifying our product design to effectively reduce the production process. With the excellence in our efficiency and capability in customization, we can provide better services and solutions and build reliable and long-term customer relationships.

## 2. 2020 Operating Plan Summary

### (1) Business Policy

Looking forward in 2021, due to the status of COVID-19 pandemic is still severe. The global demand is vague. Therefore, the Company will keep speeding up the process of moving the assembly line further inland to diversify workers to address the shortage of labor force in the coastal cities. We also have restructured the products and introduced smart automatic production process to reduce labor cost, quicken the delivery, and shorten inventory turnover.

In addition, a breakthrough in the expansion of the high-end network connection products is expected. We expect that our leading techniques can help the Company in building a solid foundation in production management and marketplace and experiencing a steady growth along with the expansion of new clients in the high-end network market.

### (2) Sales expectation and basis

We expect 2021 sales to be stable based on actual 2020 sales, recent orders, and industry information.

### (3) Important Production and Sales Policy

#### A. Production Policy

All of the Company's factories are 100% indirect investment companies. The production policies expectations are as follows:

- (a) Introduce smart factory operations through robot production to achieve the goals of reducing labor cost and shortening delivery time.
- (b) Effectively reduce inventory through changes of product design and the introduction of automation.

#### B. Marketing Strategies

Adapt the growing trend in new applications expansion and adding high-end product customers to the client base; solidify business relationships with major domestic and international clients.

## 3. The Company's Future Development Strategy.

To better respond to future developments, the Company will continue deepening the technology in high-frequency high-speed, magnetic materials, and developing related products. We also plan to build an automated factory for filter element production in Taiwan, introduce a smart automated factory in 100% indirect investment factories to increase automation capabilities, reduce labor costs, inventory management costs and shorten delivery time. We are also actively expanding international markets to maximize profits.



#### 4. The Impacts of Outside Competitions, Regulatory and Macroeconomic Operating Environments

Due to the rise in labor force costs in China, along with the extreme scarcity of labor forces in coastal cities, the Company, despite its attempts to increase the employees' salary in the Company's 100% indirect investment in factories, is under tremendous pressure from deteriorating issues such as rising labor costs and labor force shortages. The Company expects to reduce the labor force demand and lower the impacts of outside competition as well as regulatory, and macroeconomic operating environments by introducing a smart automated factory and expanding the production capability scale in the Sichuan production base.

Chairman: Gary Chen

General Manger: Chris Chen

Accounting Manager: Elton Wu

**U.D. Electronic Corp.**  
**AUDIT COMMITTEE AUDIT REPORT**

The Board of Directors has prepared the Consolidated Financial Statements of U.D. Electronic Corp. (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) for the year ended 2020 (from January 1, 2020 to December 31, 2020). Yu Cheng-Chuan, CPA, and Chen Jung-Cheng, CPAs, of Deloitte & Touche audited and certified the Group's Financial Statements and an audit report, the above-mentioned financial statement together with the business report and distribution proposal of the remaining surplus have been issued. The Financial Statements have been reviewed and considered to comply with relevant rules by the undersigned, the Audit Committee of the Company. According to Article 219 of the Company Law, we hereby submit this report.

To  
2020 Shareholders’ Meeting

U.D. Electronic Corp.

Audit Committee Chairman: Hsuehyu Liu

March 04, 2021

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of U.D. Electronic Corp. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2020 is stated as follows:

The Group transacts with a large number of customers. The total revenue of the export trade customers accounted for over 50% of the consolidated revenue. Due to the revenue growth of some significant export trade customers exceeded the average growth of all export trade customers, there are a significant impact on the financial performance of the Group. Therefore, the occurrence of sales transactions attribute to the revenue growth which exceeded the average growth among all the export trade customers is considered a key audit matter. Refer to Note 4 to the consolidated financial statements for detailed information on revenue recognition. For our overall opinion to the consolidated financial statements, refer to the opinion section.

The audit procedures are the followings:

1. We understood and tested the design and operating effectiveness of the key control over revenue recognition in order to confirm and evaluate the effectiveness of the inter control while conducting a sale transaction.
2. We sampled appropriately from the sales details the above mentioned customer, reviewed invoice, custom declarations and other relevant proof of delivery with signature, and examined the remittance senders and collection process or other alternative audit procedures, to verify the occurrence of sales transactions.
3. We compared the differences of the change in revenue and analyzed the differences of account receivables turnover and the credit condition of the above mentioned customers between the current and previous year, and verified its rationality.

#### **Other Matter**

We have also audited the parent company only financial statements of U.D. Electronic Corp. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 24, 2021

*Notice to Readers*

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

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

## U.D. ELECTRONIC CORP. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 705,028	12	\$ 593,371	11
Financial assets at amortized cost - current (Notes 4, 9, 10 and 33)	115,079	2	61,962	1
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	6,686	-	553	-
Notes receivable (Notes 4, 11 and 24)	83,957	1	5,626	-
Trade receivables (Notes 4, 11 and 24)	1,274,332	23	1,347,012	25
Other receivables (Notes 4 and 11)	48,914	1	44,136	1
Current tax assets (Notes 4 and 26)	-	-	3,752	-
Inventories (Notes 4 and 12)	1,165,489	21	1,064,782	19
Other current assets (Notes 4 and 18)	<u>110,168</u>	<u>2</u>	<u>151,980</u>	<u>3</u>
Total current assets	<u>3,509,653</u>	<u>62</u>	<u>3,273,174</u>	<u>60</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4 and 8)	117,855	2	101,850	2
Property, plant and equipment (Notes 4, 14 and 33)	1,524,963	27	1,552,675	28
Right-of-use assets (Notes 4 and 15)	149,220	3	163,877	3
Other intangible assets (Notes 4 and 17)	37,782	1	33,583	1
Goodwill (Notes 4, 16 and 28)	12,233	-	12,150	-
Deferred tax assets (Notes 4 and 26)	93,196	2	93,127	2
Other non-current assets (Notes 4 and 18)	<u>200,342</u>	<u>3</u>	<u>199,032</u>	<u>4</u>
Total non-current assets	<u>2,135,591</u>	<u>38</u>	<u>2,156,294</u>	<u>40</u>
<b>TOTAL</b>	<u>\$ 5,645,244</u>	<u>100</u>	<u>\$ 5,429,468</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 19)	\$ 683,000	12	\$ 904,780	17
Financial liabilities at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	310	-	3,765	-
Contract liabilities - current (Notes 4 and 24)	25,188	-	13,800	-
Trade payables	550,047	10	442,276	8
Lease liabilities - current (Notes 4 and 15)	25,749	-	20,352	1
Other payables (Notes 21 and 29)	653,943	12	602,199	11
Current tax liabilities (Notes 4 and 26)	4,590	-	18,306	-
Current portion of long-term borrowings and bonds payable (Notes 4, 19, 20 and 33)	654,795	12	397,309	7
Other current liabilities	<u>6,625</u>	<u>-</u>	<u>6,506</u>	<u>-</u>
Total current liabilities	<u>2,604,247</u>	<u>46</u>	<u>2,409,293</u>	<u>44</u>
<b>NON-CURRENT LIABILITIES</b>				
Bond payables (Notes 4, 20 and 33)	284,778	5	-	-
Long-term borrowings (Notes 19 and 33)	-	-	364,000	7
Lease liabilities - non-current (Notes 4 and 15)	73,764	2	90,682	2
Deferred tax liabilities (Notes 4 and 26)	10,344	-	6,852	-
Guarantee deposits received	<u>825</u>	<u>-</u>	<u>813</u>	<u>-</u>
Total non-current liabilities	<u>369,711</u>	<u>7</u>	<u>462,347</u>	<u>9</u>
Total liabilities	<u>2,973,958</u>	<u>53</u>	<u>2,871,640</u>	<u>53</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 23)</b>				
Share capital				
Ordinary shares	<u>696,758</u>	<u>12</u>	<u>696,758</u>	<u>13</u>
Capital surplus	<u>749,592</u>	<u>13</u>	<u>737,456</u>	<u>14</u>
Retained earnings				
Legal reserve	319,411	5	314,074	6
Special reserve	220,594	4	154,427	3
Unappropriated earnings	<u>836,918</u>	<u>15</u>	<u>847,902</u>	<u>15</u>
Total retained earnings	<u>1,376,923</u>	<u>24</u>	<u>1,316,403</u>	<u>24</u>
Other equity	<u>(200,418)</u>	<u>(3)</u>	<u>(220,594)</u>	<u>(4)</u>
Total equity attributable to owners of the Company	2,622,855	46	2,530,023	47
<b>NON-CONTROLLING INTERESTS (Note 4, 23 and 28)</b>	<u>48,431</u>	<u>1</u>	<u>27,805</u>	<u>-</u>
Total equity	<u>2,671,286</u>	<u>47</u>	<u>2,557,828</u>	<u>47</u>
<b>TOTAL</b>	<u>\$ 5,645,244</u>	<u>100</u>	<u>\$ 5,429,468</u>	<u>100</u>

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

## U.D. ELECTRONIC CORP. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4, 24 and 38)	\$ 4,980,912	100	\$ 4,657,720	100
OPERATING COSTS				
Cost of goods sold (Notes 12 and 25)	<u>(4,078,462)</u>	<u>(82)</u>	<u>(3,818,338)</u>	<u>(82)</u>
GROSS PROFIT	<u>902,450</u>	<u>18</u>	<u>839,382</u>	<u>18</u>
OPERATING EXPENSES (Note 25)				
Selling and marketing expenses	(209,712)	(4)	(201,265)	(4)
General and administrative expenses	(369,615)	(8)	(369,097)	(8)
Research and development expenses	(239,691)	(5)	(270,321)	(6)
Expected credit loss (Notes 4 and 11)	<u>(14,776)</u>	<u>-</u>	<u>(1,321)</u>	<u>-</u>
Total operating expenses	<u>(833,794)</u>	<u>(17)</u>	<u>(842,004)</u>	<u>(18)</u>
PROFIT (LOSS) FROM OPERATIONS	<u>68,656</u>	<u>1</u>	<u>(2,622)</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 25)				
Interest income	7,643	-	12,378	-
Other income	47,416	1	38,865	1
Other gains	18,000	-	20,056	1
Finance costs (Note 20)	<u>(28,130)</u>	<u>-</u>	<u>(41,645)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>44,929</u>	<u>1</u>	<u>29,654</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	113,585	2	27,032	1
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(22,645)</u>	<u>-</u>	<u>(26,982)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>90,940</u>	<u>2</u>	<u>50</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	24,211	-	14,597	-
Income tax related to items that would not be reclassified subsequently to profit or loss	<u>(4,020)</u>	<u>-</u>	<u>(3,348)</u>	<u>-</u>
	<u>20,191</u>	<u>-</u>	<u>11,249</u>	<u>-</u>

(Continued)



## U.D. ELECTRONIC CORP. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (1,863)	-	\$ (96,905)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>377</u>	<u>-</u>	<u>19,332</u>	<u>1</u>
	<u>(1,486)</u>	<u>-</u>	<u>(77,573)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>18,705</u>	<u>-</u>	<u>(66,324)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 109,645</u>	<u>2</u>	<u>\$ (66,274)</u>	<u>(1)</u>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 95,358	2	\$ 53,368	1
Non-controlling interests	<u>(4,418)</u>	<u>-</u>	<u>(53,318)</u>	<u>(1)</u>
	<u>\$ 90,940</u>	<u>2</u>	<u>\$ 50</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 115,534	2	\$ (12,799)	-
Non-controlling interests	<u>(5,889)</u>	<u>-</u>	<u>(53,475)</u>	<u>(1)</u>
	<u>\$ 109,645</u>	<u>2</u>	<u>\$ (66,274)</u>	<u>(1)</u>
<b>EARNINGS PER SHARE (Note 27)</b>				
From continuing operations				
Basic	<u>\$ 1.37</u>		<u>\$ 0.77</u>	
Diluted	<u>\$ 1.29</u>		<u>\$ 0.76</u>	

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

(Concluded)

**U.D. ELECTRONIC CORP. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company					Other Equity			Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating the Financial Statement of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Non-controlling Interests	
			Legal Reserve	Special Reserve					
BALANCE AT JANUARY 1, 2019	\$ 696,758	\$ 737,456	\$ 302,055	\$ 147,131	\$ 897,460	\$ (160,570)	\$ 6,143	\$ 78,568	\$ 2,705,001
Appropriation of 2018 earnings (Note 23)									
Legal reserve	-	-	12,019	-	(12,019)	-	-	-	-
Special reserve	-	-	-	7,296	(7,296)	-	-	-	-
Cash dividends	-	-	-	-	(83,611)	-	-	-	(83,611)
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	53,368	-	-	(53,318)	50
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax (Note 23)	-	-	-	-	-	(77,416)	11,249	(157)	(66,324)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	53,368	(77,416)	11,249	(53,475)	(66,274)
Non-controlling interests (Notes 23 and 28)	-	-	-	-	-	-	-	2,712	2,712
BALANCE AT DECEMBER 31, 2019	696,758	737,456	314,074	154,427	847,902	(237,986)	17,392	27,805	2,557,828
Appropriation of 2019 earnings (Note 23)									
Legal reserve	-	-	5,337	-	(5,337)	-	-	-	-
Special reserve	-	-	-	66,167	(66,167)	-	-	-	-
Cash dividends	-	-	-	-	(34,838)	-	-	-	(34,838)
Other changes in capital surplus									
Equity component of convertible bonds issued by the Company (Note 20)	-	12,136	-	-	-	-	-	-	12,136
Non-controlling interests (Note 23)	-	-	-	-	-	-	-	26,515	26,515
Net profit for the year ended December 31, 2020	-	-	-	-	95,358	-	-	(4,418)	90,940
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax (Note 23)	-	-	-	-	-	(15)	20,191	(1,471)	18,705
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	95,358	(15)	20,191	(5,889)	109,645
BALANCE AT DECEMBER 31, 2020	\$ 696,758	\$ 749,592	\$ 319,411	\$ 220,594	\$ 836,918	\$ (238,001)	\$ 37,583	\$ 48,431	\$ 2,671,286

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

## U.D. ELECTRONIC CORP. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 113,585	\$ 27,032
Adjustments for:		
Expected credit loss recognized on trade receivables	14,776	1,321
Depreciation expenses	389,551	347,452
Amortization expenses	7,775	7,803
Net (gain) loss on fair value changes of financial assets and liabilities at fair value through profit or loss	(32,442)	2,371
Finance costs	28,130	41,645
Interest income	(7,643)	(12,378)
Dividend income	-	(1,866)
Write-downs of inventories	2,652	12,072
Loss on disposal of property, plant and equipment	565	63
Net loss on foreign currency exchange	30,805	34,199
Net loss on redeemed bond payables	93	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	34,267	-
Notes receivable	(76,409)	(2,684)
Trade receivables	45,328	(21,569)
Other receivables	(5,146)	6,488
Inventories	(88,930)	(22,693)
Other current assets	42,716	1,784
Financial liabilities held for trade	(9,523)	-
Contract liabilities	11,256	(682)
Trade payables	100,962	(8,052)
Other payables	53,736	(38,625)
Other current liabilities	<u>37</u>	<u>(959)</u>
Cash generated from operations	656,141	372,722
Interest received	7,651	12,598
Dividend received	-	1,866
Interest paid	(22,081)	(35,844)
Income tax paid	<u>(30,477)</u>	<u>(42,731)</u>
Net cash generated from operating activities	<u>611,234</u>	<u>308,611</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Return of funds to financial assets at fair value through other comprehensive income	8,206	2,092
Purchase of financial assets at amortized cost	(53,117)	-
Proceeds from sale of financial assets at amortized cost	-	3,776
Payments for property, plant and equipment	(273,179)	(304,924)
Payments for intangible assets	(4,893)	(13,428)
Proceeds from disposal of property, plant and equipment	12,179	4,049
Decrease in other non-current assets	11,626	8,235

(Continued)

## U.D. ELECTRONIC CORP. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Increase in refundable deposits	\$ -	\$ (9,544)
Decrease in refundable deposits	7,277	-
Net cash inflow on acquisition of subsidiaries (Note 28)	-	1,640
Increase in prepayments for equipment	<u>(99,980)</u>	<u>(278,363)</u>
Net cash used in investing activities	<u>(391,881)</u>	<u>(586,467)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of convertible bonds	(8,700)	-
Proceeds from issue of convertible bonds	306,000	-
Proceeds from short-term borrowings	65,960	-
Repayments of short-term borrowings	(284,941)	(135,654)
Proceeds from long-term borrowings	-	225,500
Repayments of long-term borrowings	(104,000)	(52,000)
Repayment of the principal portion of lease liabilities	(22,761)	(18,654)
Change in non-controlling interests	26,515	-
Repayment of cost of issuance of convertible bonds	(5,985)	-
Proceeds from guarantee deposits received	4	108
Dividends paid to owners of the Company	<u>(34,838)</u>	<u>(83,611)</u>
Net cash (used in) generated from financing activities	<u>(62,746)</u>	<u>(64,311)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(44,950)</u>	<u>(40,933)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	111,657	(383,100)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>593,371</u>	<u>976,471</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 705,028</u>	<u>\$ 593,371</u>

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

(Concluded)

U.D. Electronic Corp.  
2020 Profit Distribution Table

Item	Unit: NTD Amount
Unappropriated earnings – beginning of the year	741,569,904
Add: 2020 net income after tax	95,357,867
Subtract: Legal reserve	(9,535,787)
Add: Special reserve	20,176,333
Accumulated unappropriated earnings	847,568,317
Cash dividends (NT\$1.3/share)	(90,578,549)
Unappropriated earnings – end of the year	756,989,768

Chairman & CEO:      General Manager:      Accounting manager:

**U.D. Electronic Corp.**  
**Comparison List before and after Amendment of the “Rules of Procedure for Shareholders Meetings”**

Appendix 5

Article	Before the amendment	After the amendment	Reason for amendment
Article 3	<p>1. (Omitted)                  2. (Omitted)                  3. (Omitted)                  4. Appointment or dismissal of directors, change of articles of association, capital reduction, application for suspension of public offering, directors’ competition license, capital increase from surplus, capital increase from public reserves, company dissolution, merger, division, or the first paragraph of Article 185 of the Company Law Matters, Article 26-1, Article 43-6 of the Securities Exchange Act, the issuer’s handling guidelines for the raising and issuance of marketable securities shall list and explain the main contents of Article 56-1 and Article 60-2 in the reason for the convening, and shall not be proposed as a provisional motion; the main contents shall be listed in the reason for the convening. It may be placed on the website designated by the securities authority or the company, and its website shall be stated in the notice.</p>	<p>1. (Omitted)                  2. (Omitted)                  3. (Omitted)                  .Appointment or dismissal of directors, change of articles of association, capital reduction, application for suspension of public offering, directors’ competition license, capital increase from surplus, capital increase from public reserves, company dissolution, merger, division, or the first paragraph of Article 185 of the Company Law Matters, Article 26-1, Article 43-6 of the Securities Exchange Act, the issuer’s handling guidelines for the raising and issuance of marketable securities shall list and explain the main contents of Article 56-1 and Article 60-2 in the reason for the convening, and shall not be proposed as a provisional motion <del> ; the main contents shall be listed in the reason for the convening . It may be placed on the website designated by the securities authority or the company, and its website shall be stated in the notice .</del></p>	<p>Cooperate with the competent authority to regulate and adjust the announcement method.</p>
Article 9	<p>The first item is omitted.                  When the meeting time has expired, the chairman shall announce the meeting immediately. However, when no shareholder representing more than half of the total issued shares is present, the chairman may announce the postponement of the meeting. The number of postponements is limited to two, and the total postponement time shall not exceed one. hour. When</p>	<p>The first item is omitted.                  When the meeting time has expired, the chairman shall immediately announce the meeting <u>and announce the relevant information such as the number of non-voting rights and the number of shares present.</u> However, when shareholders who do not represent more than half of the total issued shares are present, the chairman may announce the postponement of the meeting. The</p>	<p>In order to improve corporate governance and safeguard the rights and interests of shareholders, the second item is amended.</p>

	<p>there are insufficient shareholders representing more than one-third of the total issued shares after the second delay, the chairman shall announce the meeting. The following is omitted.</p>	<p>number of postponements is limited to two times, and the total postponement time shall not exceed one hour. When there are insufficient shareholders representing more than one-third of the total issued shares after the second delay, the chairman shall announce the meeting. The following is omitted.</p>	
Article 14	<p>When the shareholders' meeting elects directors, it shall proceed in accordance with the relevant election rules set by the company, and shall announce the results of the election on the spot, including the list of elected directors and the number of election rights. The second item is slightly</p>	<p>When the shareholders' meeting elects directors, it shall proceed in accordance with the relevant election rules set by the company, and shall announce the results of the election on the spot, including the list of elected directors and the number of elected directors, and the list of directors who are not elected and the number of <u>election rights obtained</u>. The second item is slightly</p>	<p>In order to improve corporate governance and safeguard the rights and interests of shareholders, the first item is amended.</p>
Article 20	<p>These rules were established on June 30, 1997. This rule was first revised on June 17, 2010. This rule was revised for the second time on November 17, 2010. This rule was revised for the third time on June 21, 2010. This rule was revised for the fourth time on June 20, 2002. The fifth revision of these rules took place on June 17, 2004. This rule was revised for the sixth time on June 18, 2019.</p>	<p>These rules were established on June 30, 1997. This rule was first revised on June 17, 2010. This rule was revised for the second time on November 17, 2010. This rule was revised for the third time on June 21, 2010. This rule was revised for the fourth time on June 20, 2002. The fifth revision of these rules took place on June 17, 2004. This rule was revised for the sixth time on June 18, 2019. <u>The seventh revision of these rules is on June 18, 2021.</u></p>	<p>Add the date and number of revisions.</p>

**U.D. Electronic Corp.**  
**Comparison List before and after Amendment of the “Articles of Incorporation”**

Appendix 6

Article	Before the amendment	After the amendment	Reason for amendment
Article 5	<p>The total capital of the company is set at one hundred million New Taiwan dollars, divided into one hundred million shares, and the value of each share is one ten dollars. The board of directors is authorized to issue in installments. Within the total capital in the preceding paragraph, which retains NT <u>10</u>million dollars <u>1</u> million shares for issuance of employee stock options, may, based on resolutions of the Board of Directors issued several times.</p> <p>After the public offering of the company’s shares, when the company’s stocks are issued on the counter, unlisted or not sold in the securities firm’s business premises, the subscription price of the employee’s stock warrants shall be lower than the net value per share of the latest financial report verified by an accountant on the date of issuance. After the company’s listing, the subscription price for employee stock options issued after the company’s listing counter is lower than the closing price of the Japanese company’s common stock. However, the aforementioned issuance of employee stock options should be attended by shareholders representing more than half of the total number of issued shares. Two-</p>	<p>The total capital of the company is set at one hundred million New Taiwan dollars, divided into one hundred million shares, and the value of each share is one ten dollars. The board of directors is authorized to issue in installments. Within the total capital in the preceding paragraph, which retains NT <b>50</b> million dollars <b>5</b> million shares for issuance of employee stock options, may, based on resolutions of the Board of Directors issued several times.</p> <p><del>After the public offering of the company’s shares, when the company’s stocks are issued on the counter, unlisted or not sold in the securities firm’s business premises, the subscription price of the employee’s stock warrants shall be lower than the net value per share of the latest financial report verified by an accountant on the date of issuance.</del> After the company’s listing, the subscription price for employee stock options issued after the company’s listing counter is lower than the closing price of the Japanese company’s common stock. However, the aforementioned issuance of employee stock options should be attended by shareholders representing more</p>	<p>Increase the amount of common shares converted from employee stock options.</p>



	thirds or more of the shareholders' voting rights agree to it.	than half of the total number of issued shares. Two-thirds or more of the shareholders' voting rights agree to it.	
Article 24	<p>This charter was established on March 4th, 1994.</p> <p>The first revision was made on February 1, 1996.</p> <p>The second revision was made on August 7th, 1996.</p> <p>The third revision was made on December 24th, 1996.</p> <p>The fourth revision was made on May 28th, 1997.</p> <p>The fifth revision was made on June 30, 1997.</p> <p>The sixth revision was made on June 30, 1998.</p> <p>The seventh revision was made on June 30, 1999.</p> <p>The eighth revision was made on June 17, 2010.</p> <p>The ninth revision was on November 17, 2010.</p> <p>The tenth revision was made on June 21, 2010.</p> <p>The eleventh revision was made on June 17, 2004.</p> <p>The twelfth revision was made on June 16, 2015.</p> <p>The thirteenth revision was made on June 14, 2017.</p> <p>The fourteenth revision was made on June 18, 2018.</p> <p>The fifteenth revision was made on June 18, 2019.</p>	<p>This charter was established on March 4th, 1994.</p> <p>The first revision was made on February 1, 1996.</p> <p>The second revision was made on August 7th, 1996.</p> <p>The third revision was made on December 24th, 1996.</p> <p>The fourth revision was made on May 28th, 1997.</p> <p>The fifth revision was made on June 30, 1997.</p> <p>The sixth revision was made on June 30, 1998.</p> <p>The seventh revision was made on June 30, 1999.</p> <p>The eighth revision was made on June 17, 2010.</p> <p>The ninth revision was on November 17, 2010.</p> <p>The tenth revision was made on June 21, 2010.</p> <p>The eleventh revision was made on June 17, 2004.</p> <p>The twelfth revision was made on June 16, 2015.</p> <p>The thirteenth revision was made on June 14, 2017.</p> <p>The fourteenth revision was made on June 18, 2018.</p> <p>The fifteenth revision was made on June 18, 2019.</p> <p><b>The sixteenth revision is on June 18, 2021.</b></p>	<p>Add the revision date and the number of additions.</p>

**U.D. Electronic Corp.**  
**Current Shareholding of Directors and Supervisors**

1. Total owners' equity as of April 20, 2021, the book closure date of the regular shareholder's meeting, is NTD\$696,758,070. Total Issued shares: 69,675,807 shares.
2. In accordance with Article 26 of the Security Exchange Act, the minimum required combined shareholding of all directors is 5,574,064 shares and the minimum required combined shareholding of all supervisors is 557,406 shares.
3. Total share ownership of all directors and supervisors complies with the regulations is detailed as follows:

Title	Name	Total share ownership	Percentage
Chairman & CEO	Gary Chen	1,886,299	2.71%
Director	Chris Chen	1,887,559	2.71%
Director	Chiling Chen	1,210,489	1.74%
Director	Eric Shih	734,006	1.05%
Director	Chun Feng Capital Inc. -Terchang Yao	1,116,394	1.60%
Director	Changchun Chien	281,000	0.40%
Independent Director	Hsuehyu Liu	0	0
Independent Director	Kuangchao Fan	0	0
Independent Director	Hsulin Wang	0	0
Total supervisors' share ownership		7,115,747	10.21%

Note: In accordance with Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies," if a public company has elected two or more independent directors, the share ownership figures calculated for all directors and supervisors other than the independent directors shall be decreased by 80 percent.