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UNIVERSAL MICROELECTRONICS CO., LTD.

2023 ANNUAL REPORT



Printed on: May 8, 2024

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2. Addresses and contact numbers of head office, branches and factories

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Addresses and contact numbers of branches: Not applicable.

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5. The name of the marketplace where the overseas securities are listed for trading and information on overseas securities: Not applicable.

6. Company website: <http://www.umec.com.tw/>

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I. Letter to shareholders

Dear shareholders,

Thank you for attending this year's annual general meeting. The following is the report on the business performance in 2023 and the business plans for 2024.

i. 2023 business report

(i) Implementation results of business plan

The increase in supply shortages of electronic materials for electromagnetic and power products has led to an increase in inventory and contributed to operational challenges in 2023. The Group's consolidated revenue decreased by 4.77% in the 2023 compared to the same period last year. As a result, the Group's consolidated net profit after tax was NT\$106,046 thousand in 2023, with a net profit attributable to the owners of the parent company of NT\$106,486 thousand.

(ii) Budget execution status in 2023: The Company did not issue a financial forecast; therefore, it is not applicable.

(iii) Financial income and expense analysis

Unit: NT\$ thousand

Item \ Year	Parent only financial information in the last two years			
	2023	2022	Increase (Decrease) Amount	Increase (Decrease) %
Operating revenue	5,147,932	5,627,188	-479,256	-8.52%
Operating cost	4,641,034	5,070,377	-429,343	-8.47%
Gross profit	506,862	556,812	-49,950	-8.97%
Net income (loss) before tax	121,493	323,300	-201,807	-62.42%
Net profit (loss) for the period	106,486	262,577	-156,091	-59.45%

Unit: NT\$ thousand

Item \ Year	Consolidated financial information in the last two years			
	2023	2022	Increase (Decrease) Amount	Increase (Decrease) %
Operating revenue	4,603,781	4,834,189	-230,408	-4.77%
Operating cost	3,918,917	3,995,500	-76,583	-1.92%
Gross profit	684,864	838,689	-153,825	-18.34%
Net income (loss) before tax	130,372	328,857	-198,485	-60.36%
Net profit (loss) for the period	106,046	262,060	-156,014	-59.53%
Net profit attributable to the owner of the parent company	106,486	262,577	-156,091	-59.45%

(iv) Profitability analysis

Parent only financial analysis item		2023	2022
Return on assets (%)		2.76	5.91
Return on equity (%)		5.25	13.49
Capital adequacy ratio %	Net operating income (loss)	5.53	10.02
	Net income(loss) before tax	9.54	25.38
Net profit margin (%)		2.07	4.67
Earnings per share (NT\$)		0.84	2.07

Consolidated financial analysis item		2023	2022
Return on assets (%)		2.58	5.52
Return on equity (%)		5.23	13.46
Capital adequacy ratio %	Net operating income (loss)	6.71	20.20
	Net income (loss) before tax	10.23	25.82
Net profit margin (%)		2.30	5.42
Earnings per share (NT\$)		0.84	2.07

(v) Research and development status

1. In 2023, the Company and its subsidiaries collectively invested NT\$191,241 thousand in research and development , accounting for 4.15% of the consolidated operating revenue.
2. Newly developed successful technologies and products in 2023 are as follows:

(1) Technologies and R&D outcomes related to magnetic component product (TR)

- ① Developed the Common Mode Line Filter 13-34D series, packaged with K20S, for applications in DC power lines, buck-boost converter filter, and low-bit-rate data lines.
- ② Completed the development of the High-Current (35A) Power Inductor 22-30D series, designed on the ER25 platform, suitable for noise suppression in Automotive, DC/DC converters and inverters.
- ③ Successfully developed the High-Voltage Isolated Flyback Transformer 06-38D series, utilizing the ER11/5 design low-profile platform in SMD packaging. These transformers find applications in industrial automation systems, medical electronics and equipment, solar inverters, hybrid electric vehicles (HEV), and household appliance motor control.
- ④ Developed the Common Mode and Differential Mode Choke 14-34D series, packaged in EE10 platform, SMD/DIP format, compliant with UL1993 standards. These chokes are used for LED and CCFL lighting, power line input and output filters, power electronics, ballast, and Electronic Tools, effectively suppressing common mode and differential mode noise.
- ⑤ Developed the High-Power (71W) PoE Flyback Transformer 05-38D series, based on the EFD20 design platform. These transformers are ideal for applications in high-power PoE, smart buildings, and Internet of Things (IoT).

(2) Technologies and R&D outcomes related to switching power supply (SPS)

- ① Completed the development of 200W 1/4 brick and 400W 1/2 brick high efficiency power modules, which are suitable for power requirements in applications, such as networking equipment/industrial control.
- ② Completed the development of 150W 1/4 brick and 12-fold voltage input range power modules, which features built-in Vbus pin meeting the requirements of EN50155 Class C2.S2 to cater to power demands in railway, industrial and networking applications.
- ③ Completed the development of 220W triple-output power supply for office machine, adopted the design of Flyback circuit architecture and enhanced extremely light-load efficiency to meet the increasingly stringent demands for standby power consumption in the market of office machine.
- ④ Completed the development of a half-digital (PFC+LLC) 250W 2"x4" AC/DC Open-Frame high-efficiency products, which is compliant with standards, such as IEC60335-1, IEC6238-1, and medical safety standard IEC60601-1, etc.
- ⑤ Completed the development of 400W~800W smart chargers, which is compliant with the UL1236 charging standards, IP68 waterproof, remote, Bluetooth and suitable for the demand of advanced applications, such as marine environments, vessels, and recreational vehicles.
- ⑥ Completed the development of SSI 400W products and adopted digital programmable design, to provide more power control functions for system integration and increase the added value for networking customer systems.

(3) Technologies and R&D outcomes related to information and communication product (ICP)

- ① The development of 60GHz low-power and low-cost radar has been completed and successfully integrated into radar detection in original equipment manufacturer DVRs in Asian automotive factories, and successful verification will lead to small-scale production starting in 2024.
- ② UN R151 BSIS radar and bicycle rear warning radar began small-scale shipments in 2023 and will be shipped gradually starting in the first quarter of 2024.
- ③ The preliminary development of 77GHz low-power and low-cost radar has been successful, and it will be integrated in UN R151 BSIS radar and bicycle rear warning radar in 2024.

(4) Optical communication product-related technologies and product research and development results

- ① Completion of product development for high-speed optical cables in data centers, including 100G and 40G QSFP, 25G and 10G SFP+.
- ② Completion of product development for high-speed connectivity solutions in the consumer market, including USB 3.1 Type-C, type-C ALT mode transceiver for image transmission, HDMI 2.1, DisplayPort (DP), KVM, and others.

ii. 2024 business plan

(i) Business objectives

The Company focuses on developing competitive products that meet the market demands by emphasizing technological prowess, quality, service, and marketing capabilities in order to develop competitive products that meet the market demands by focusing on technological prowess, quality, service, and marketing capabilities. The Company's fundamental objectives are to create and distribute profits to shareholders, while also sharing profits with employees to enhance their job performance and loyalty. Which leads to improved customer satisfaction, driving sustainable profit growth and forming a positive profit cycle.

(ii) Sales forecast

Unit: 1,000 pcs

Main product	Sales volume forecast
Magnetic components	58,824
Power supply unit	16,967
Information and communication technology product	16,159
Optical communication products	159

The Company continuously develops new products based on industry trends and market demand, while maintaining high-quality standards to enhance customer satisfaction.

(iii) Important production and sales policies:

1. Develop energy integration to enhance the added value of the Company's product line:

Each product line will undergo R&D upgrade tasks. In addition to the existing product range, each product line will allocate a certain proportion of R&D manpower to develop higher-level specifications. By collaborating with cross-product line development units, we aim to provide customers with quasi-system product services. This efficient approach effectively enhances the added value of our products.

2. Diversified production plants and supply chain optimization:

In response to rapidly changing international political and economic conditions, the Company is undertaking diversified production plants and supply chain optimization initiatives with the aim of strengthening supply chain resilience and risk management.

- Allochthonization of alternative materials: The alternative materials should be sourced from production regions different from the primary materials.

- Strengthen the standardization of product processes and unify equipment training across all production factories to enhance the ability for continuous production of mass-produced products under risky conditions.

3. Deepening the cultivation of core customers:

Forming project teams to serve core customers with the objective of accelerating the volume production schedule for core customer projects to expand sales revenue and profitability.

iii. The Company's future development strategy, and the effect of external competition, the legal environment, and the overall business environment

Utilizing the Company's expertise in passive components, power supplies, automotive electronics, and marine electronics integration design, the Company is strategically planning the development of products that align with market trends such as electrification of vehicles, artificial intelligence computing, and next-generation communication architectures. The Company's objective is to maximize efficiency and further expand revenue and profitability.

In response to rapid changes in global politics, economics, and fluctuations in the availability of human resources in production bases, the Company must strengthen innovation, research and development, and automate the entire product process. It is to ensure the Company's ability to adapt to changing circumstances and enhance capabilities in material procurement and inventory management. By this means, the Company aims to improve price competitiveness and profitability.

The Company is committed to manufacturing world-class products and actively expanding into global markets while practicing sustainable business practices for the benefit of society. In addition to complying with the International Financial Reporting Standards (IFRS) and fulfilling corporate social responsibilities, the Company continuously monitors and assesses the impact of important domestic and international policies and laws on the Company. The Company takes appropriate measures to adapt accordingly. Our ultimate goal is to create maximum well-being for all employees, shareholders, society, and stakeholders.

Wishing all shareholders good health and good luck

Chairman: OU, CHENG-MING

II. Company Profile

i. Date of Incorporation: Established on 18 February 1984

ii. Company History :

Year	History
1984	●Finished establishment registration and the paid-in capital was NT\$15,000,000. Developed delay line and the proceeds from issuing shares was NT\$2,000,000.
1986	●Developed pulse transformer. The new plant in Taichung Industrial Park was completed and finished the relocation of the new plant.
1987	●Developed DC-DC CONVETER.
1989	●Raising capital of NT\$4,550,000 by cash, and the capitalization of earnings for NT\$14,550,000. The paid-in capital was changed to NT\$36,000,000.
1990	●The capitalization of earnings for NT\$9,000,000. Raising capital of NT\$31,000,000 in cash. The amount of capital has changed into NT\$76,000,000.
1991	●The capitalization of earnings for NT\$30,400,000. The amount of capital has changed to NT\$106,400,000. ●Developed switching adapter for notebook and PC.
1992	●Developed ISDN Network Transformer.
1993	●Raising capital of NT\$25,600,000 by cash. The amount of capital has changed to 132,000,000. ●Developed PCMCIA MEMORY CARDS.
1994	●Passed the England DNV ISO 9002 approved quality system ●Developed PCMCIA FAX/MODEM/LAN CARDS.
1995	●Passed the England DNV ISO 9001 certification. ● Obtained the development plan of the leading new product “distributed high power density DC/DC converter” by the Industrial Bureau, Ministry of Economic Affairs.
1996	● The capitalization of earnings for NT\$26,400,000. The paid-in capital has changed to NT\$199,800,000.
1997	● The capitalization of earnings for NT\$39,960,000. Raising capital of NT\$40,240,000 in cash. The paid-in capital has changed to NT\$280,000,000. ● Completed the development plan of the leading new product “distributed high power density DC/DC converter” by the Industrial Bureau, Ministry of Economic Affairs. ●Developed SET-TOP BOX VIDEOPHONE.
1998	● The capitalization of earnings for NT\$84,000,000. The paid-in capital has changed to 364,000,000. ●Developed INTERNET SCREEN PHONE and STANDALONE VIDEOPHONE. ●The TPEx and the Financial Supervisory Commission approved the OTC listing of the company's stocks.
1999	●Passed the Swiss SGS ISO 14001 certification. ●The capitalization of earnings for NT\$138,320,000. Raising capital of NT\$100,000,000 in cash. ●The capitalization of employee bonus for NT\$3,380,000. The paid-in

Year	History
	capital has changed to NT\$605,700,000.
2000	<ul style="list-style-type: none"> ● Developed ADSL MODEM CARD. ● Raising capital of NT\$60,000,000 by cash. The amount of capital has changed into NT\$665,700,000. ● The capitalization of earnings for NT\$232,995,000. The capitalization of additional paid In capital for NT\$33,285,000. The capitalization of employee bonuses for NT\$5,000,000. The paid-in capital has changed to NT\$936,980,000. ● TPEx and the Financial Supervisory Commission approved the transfer of the listing of the Company's shares. ● Established the optical communication business department, stepping into the field of optical communication products.
2001	<ul style="list-style-type: none"> ● Passed the England DNV QS9000 certification. ● Developed Industrial Power Supply 200W~400W series, Redundant Power Supply 300 W, and N+1 Redundant products.
2002	<ul style="list-style-type: none"> ● The 1st plant of UMEC was officially completed and put into use. ● Developed Compact size Coupler/WDM, Ultra Low PDL Coupler, Ultra wide band with Coupler, DWDM.
2003	<ul style="list-style-type: none"> ● Conducted the TL9000 tutoring. ● The capitalization of earnings for NT\$40,200,000. The capitalization of employee bonuses for NT\$2,500,000. The paid-in capital has changed to NT\$1,430,270,000.
2005	<ul style="list-style-type: none"> ● The treasury stocks were reduced by NT\$ 50,000,000. ● Stepped into the field of photoelectric products.
2006	<ul style="list-style-type: none"> ● The annual revenue was NT\$2,813,000,000, which had reached a record high.
2008	<ul style="list-style-type: none"> ● The Video Phone that was developed and designed by the Company was officially mass-produced and shipped in July. ● Set up a second production base in Vietnam.
2009	<ul style="list-style-type: none"> ● Developed 5-inch PND, the product quality and function were favored by Japanese customers. It created a sensation in Japanese 3C stores, TV shopping and other channels, and was rated as the top-selling product by @BCN, the best-selling 3C magazine in Japan (with a 23.3% market share). Its function, price, quality, market share and other evaluations are ahead of the second and third Japanese major manufacturers such as Sanyo and Sony. ● In terms of optical communication products, the active optical cable R&D team of UMEC uses semiconductor process and packaging technology to successfully developed AOC (active optical cable) of high-definition multimedia interface HDMI (high-definition multimedia interface), which is small in size and light in weight (the connector is about the size and weight of a USB flash drive) and whose performance exceeds that of HDMI made by ordinary copper wires. The Active optical fiber transmission bandwidth is 20Gbp, the distance is more than 100 M, and the wire diameter is only 5 mm. Provide the highest quality presentation of long-distance audio and video transmission, while solving the trouble of audio and video wiring.
2010	<ul style="list-style-type: none"> ● Fulong plant (Fujian) of China was officially put into use. ● Applied for the Ministry of Economic Affairs' Industry Development Plan, "high-speed multi-protocol miniature optical connection module

Year	History
	<p>and application technology development plan”, which was approved on 12 October 2010. Mainly develop optical IO interface technology and products, which will replace copper wire IO interface as the next-generation high-speed transmission interface and can be used in a wide range, including a variety of information, consumer electronics and network equipment. With the government’s support, accelerating the development of our company in the optoelectronic semiconductor business.</p> <ul style="list-style-type: none"> ●The Multi-functional Desktop Video VOIP phone won the "Product Innovation Award" from the Technology Division of the Ministry of Economic Affairs. ●The external adapter of the power supply product has won the third type of environmental declaration certification, received the Carbon Footprint Declaration certification from the Environmental and Development Foundation, and was rewarded the Carbon Footprint Logo of the TEEMA.
2011	<ul style="list-style-type: none"> ●The Vietnam Plant officially started. ●Established the UMEC Wuhan Company Limited.
2012	<ul style="list-style-type: none"> ●"Remote Sign Language Interpretation and Life Care Service Special Project" led by our company has passed an granted the subsidy for the "Innovative Technology Application and Service Program" of the Technology Department of the Ministry of Economic Affairs. ●Established UMEC Renlong Electronics Co., Ltd. (Meizhou) Plant.
2014	<ul style="list-style-type: none"> ●The subsidiary UMEC Wuhan Company Limited was relocated to Dangtu County, Ma'anshan City, Anhui Province, China, and changed its name into UMEC Anhui Company Limited.
2016	<ul style="list-style-type: none"> ●Add a functional organization - set up the first audit committee and cancel the position of supervisor.
2017	<ul style="list-style-type: none"> ●Completed the development and mass production of the multi-mode vehicle blind spot detection radar collision avoidance system, and the system has been successfully installed in many models and launched in succession. ●Established PT UMEC Green Tech Indonesia
2018	<ul style="list-style-type: none"> ●The subsidiary UMEC Fulong Electronics Co., Ltd. completed its relocation to Qingyunshan Industrial Park, Longyan City, Fujian Province, China. ●The Company has passed Japan's OMRON PRIMP B supplier upgrade certification.
2019	<ul style="list-style-type: none"> ●Started the expansion of the second phase of the Vietnam Plant.
2020	<ul style="list-style-type: none"> ●Completed the expansion of the second phase of the Vietnam Plant.
2022	<ul style="list-style-type: none"> ●Expansion of the sixth floor in Manufacturing Plant 1.
2023	<ul style="list-style-type: none"> ●Adjustment of investment structure in subsidiaries “Global Development Company Ltd.” and “UMEC Vietnam Co., Ltd.” ●Power development has pioneered a new industry standard for network switches, adopting various wattage combinations to enhance cost optimization and scalability, and has successfully introduced to the market. ●60GHz low-power and low-cost radar has been developed and successfully integrated into original equipment DVR radar detection validation in Asian automotive factories.

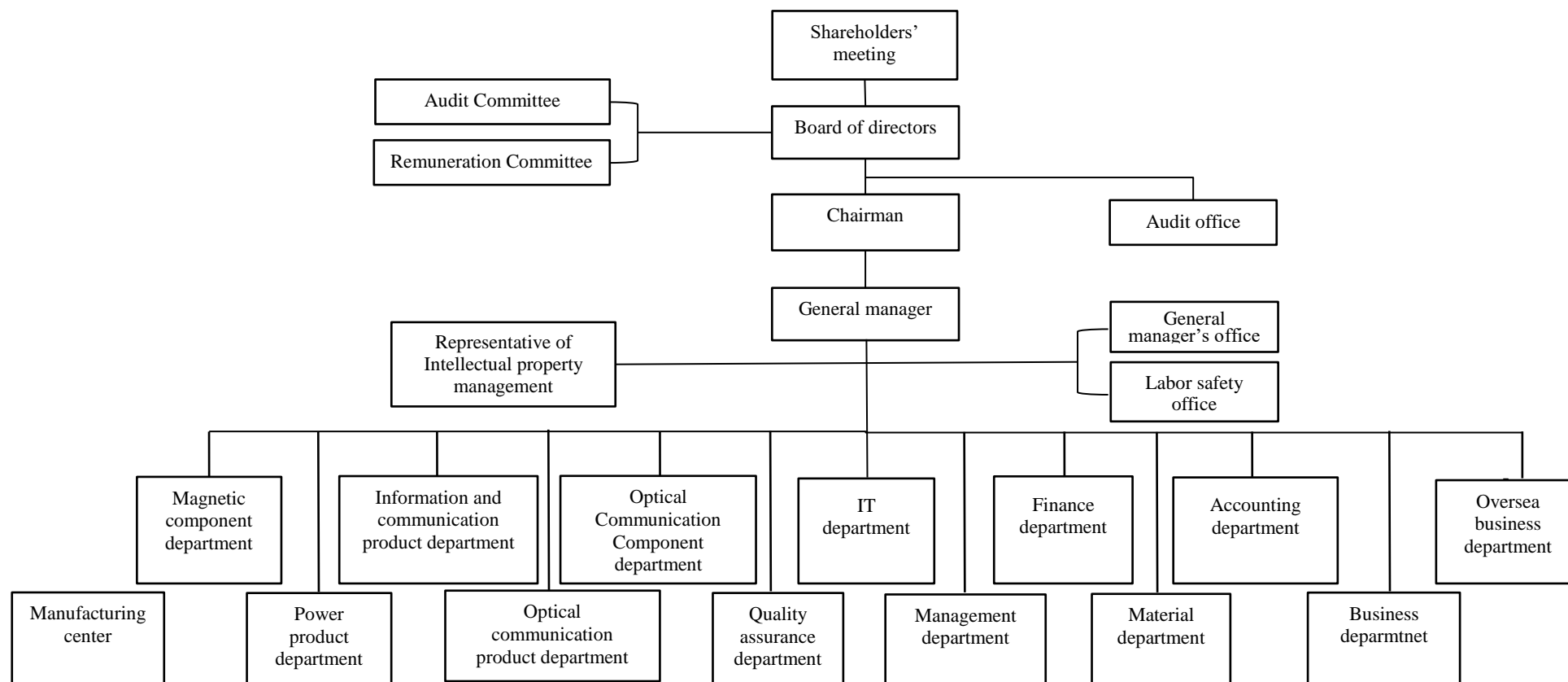
III. Corporate Governance Report

i. Organization system

(i) Organizational chart



UNIVERSAL
MICROELECTRONICS CO.,
LTD.
Organizational chart



(ii) Responsibilities and functions of major departments :

Department	Functions
General Manager's Office	Approval and supervision of strategic planning and various operational plans.
Audit Office	Review and audit the company system and operating procedures of each department.
Labor Safety Office	Revise occupational hazard prevention plans and emergency response plans, and supervise the implementation, planning, and auditing of occupational safety and health in relevant departments.
Intellectual Property Management Representative	Ensure that the processes required for the IPMS are established implemented and maintained.
IT Department	Maintain the continuous and normal operation of information systems and facilities.
Management Department	Responsible for the formulation and implementation of company personnel, general affairs and various management regulations, security maintenance of company access control management and public relations.
Finance Department	Manage the planning and management of the Company's finance, stock affairs, and investment.
Accounting Department	Manage the Company's accounting and budget preparation and management.
Business Department	In charge of the planning, marketing and market development of electronic components produced by the Company.
Quality Assurance Office	Implement the company's quality policy and plan the quality management system.
Magnetic Component Office	<p>The design and development of electromagnetic parts, the office consists of Engineering Department and Development Department.</p> <ul style="list-style-type: none"> · Engineering department: Solving the engineering problems of the magnetic component product mass production. · Development department: Development and research of the magnetic component product technology.
Power product department	<p>The design and development of switch mode power supply. The office consists of Engineering Department and Development Department.</p> <ul style="list-style-type: none"> · Engineering Department: Solving the engineering problems of power supply products mass production. · Development Department: Research and development of power supply product technology.
Information and communication product department	<p>The design and development of finished and assembled product of surface mount device The office consists of Engineering Department, Development Department, and Marketing Department.</p> <ul style="list-style-type: none"> · Engineering department:

	<p>Solutions to the mass production engineering problems of information and communication product.</p> <ul style="list-style-type: none"> • Development Department: Research and development of software and hardware for information and communication technology products research. • Development Department: Advanced technology research and innovation. • Marketing Department : The planning, marketing and market development of information and communication products produced by the Company.
Optical Communication Product Office	<p>The design and development of optical communication products. The office consists of Marketing Department, Engineering Department and Development Department.</p> <ul style="list-style-type: none"> • Marketing Department : The planning, marketing and market development of optical communication products produced by our company. • Engineering Department : Solutions to mass production engineering problems of optical communication products. • Development Department : The development and research of optical communication product technology.
Optical communication components section	<p>The design and development of optical communication Components.</p> <ul style="list-style-type: none"> • Development Department : Development and research of optical communication components technology.
Intelligent Automation Technology department	<p>Responsible for planning, designing, and executing intelligent manufacturing processes for each product line.</p>
Manufacturing center	<p>Responsible for the manufacturing management, production planning and production environment hardware maintenance of each product line.</p>
Materials Department	<p>Responsible for production management, purchasing, warehouse management and cost optimization teams.</p>

ii. Information on the directors, general managers, deputy general managers, senior managers of departments or division:

(i) Information of the directors

28 April 2024

Title	Nationality	Name	Gender Age	Date of office	Tenure	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Chairman	R.,O.C.	OU, CHENG- MING	M 71-80 years old	20 June 2022	3 years	16 February 1984	34,870,964	27.38	34,870,964	27.38	5,002,778	3.93	—	—	Department of Electronic Engineering, National Cheng Kung University Deputy General Manager, Universal Scientific Industrial Co., Ltd.	Universal Microelectronics Co., Ltd.: General manager Other company: Chairman of Tian Long Investment Co., Ltd., Advanced Radar Technology Co., Ltd. (ARadTek), OUMEIYA INVESTMENT CO., LTD., etc.; Lightel Corporation Director, UMEC Investment(B.V.I) Co., Ltd., UMEC(H.K.) Company Ltd., UMEC USA Inc., Global Development Co., Ltd., ASIA PACIFIC MICROSYSTEMS, INC., Bao Qian Co., Ltd., Phoenix 3 Venture Capital Co., Ltd., Futron Corporation, Yuan Rong Investment Co., Ltd., Zhao Zan Investment Co., Ltd, etc. Supervisor, Wanan Investment Co., Ltd.; Independent director, Lelon Electronics Corp., Liton Technology Corp., Sweeten Real Estate Development, etc.	Director Director	OU, JEN- CHIEH OU, TZU- HUEI	Father and son Father and daughter	Note2

Title	Nationality	Name	Gender Age	Date of office	Tenure	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Director	R.,O.C.	HSU, KUAN- CHUN	M 71-80 years old	20 June 2022	3 years	16 February 1984	1,748,177	1.37	1,748,177	1.37	137,828	0.11	—	—	EMBA, National Cheng Kung University Chairman, Nine Fine Co., Ltd.	Universal Microelectronics Co., Ltd.: None. Other company: Chairman, Nine Fine Co., Ltd., Kai Yang Investment Co., Ltd., etc.; Director, Tian Long Investment Co., Ltd., A-ZPRO CORPORATION), Cutes Corporation, etc.	—	—	—	None
Director	R.,O.C.	Zhao Zan Investme nt Co., Ltd,	—	20 June 2022	3 years	20 June 2022	687,000	0.54	687,000	0.54	—	—	—	—	—	—	—	—	—	None
	R.,O.C.	Represent ative: OU, JEN- CHIEH	M 41-50 years old				—	—	—	—	—	—	—	—	Ph.d., Department of Electrical Engineering, Case Western Reserve University. Deputy General Manager, Universal Microelectronics Co., LTD.	Universal Microelectronics Co., LTD.: Deputy general manager of business department Other company : Chairman, Zhao Zan Investment Co., Ltd.: Director, OUMEIYA INVESTMENT CO.,LTD., Advanced Radar Technology Co., Ltd.(ARadTek), AMIT system service Ltd., Photonicore Technologies Co., Ltd., Yuan Rong Investment Co., Ltd., Wanan Investment Co., Ltd., Taiwan Full Long Industrial Co., Ltd., etc.: Supervisor, Tian Long Investment Co., Ltd.	Chairman Director	OU, CHENG- MING OU, TZU-HUEI	Father and son Sister and brother	None

Title	Nationality	Name	Gender Age	Date of office	Tenure	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Director	R.,O.C.	Yuan Rong Investme nt Co., Ltd.	—	20 June 2022	3 years	20 June 2022	659,000	0.52	659,000	0.52	—	—	—	—	—	—	—	—	—	None
	R.,O.C.	Represent ative: OU, TZU- HUEI	F 41-50 years old				—	—	—	—	—	—	—	—	Master, Electrical Engineering, Arizona State University Ph.d., Institute of Communications Engineering, National Yang Ming Chiao Tung University Engineer. International Intellectual Property Promotion Department, Industrial Technology Research Institute. General Manager, Planning and Promotion Operations Center, Institute of Biomedical Sciences Industrial Technology Research Institute.	Universal Microelectronics Co., Ltd.: None. Other company: Chairman, Yuan Rong Investment Co., Ltd. Deputy general manager, Advanced Radar Technology Co., Ltd.(ARadTek) ; Director, OUMEIYA INVESTMENT CO.,LTD., Zhao Zan Investment Co., Ltd., etc.: Supervisor, Taiwan Full Long Industrial Co., Ltd.	Chairman Director	OU, CHENG- MING OU, JEN-CHIEH	Father and daughter Sister and brother	None

Title	Nationality	Name	Gender Age	Date of office	Tenure	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Director	R.,O.C.	LIEN, TSUNG- FU	M 61-70 years old	20 June 2022	3 years	8 August 8 August 1992	798,146	0.63	798,146	0.63	—	—	—	—	Department of Telecommunication, National Yang Ming Chiao Tung University Universal Scientific Industrial Co., Ltd. Deputy general manager, Quality assurance department, Universal Microelectronics Co., Ltd.	Universal Microelectronics Co., Ltd.: None Other company: None.	—	—	—	None
Director	R.,O.C.	TSAI, KUO- CHI Note1	M 61-70 years old	20 June 2022	3 years	14 October 1995	700,929	0.55	700,929	0.55	109,780	0.09	—	—	Department of Industrial and Engineering, Chung Yuan Christian University Senior specialist Ability Enterprise Co., Ltd. deputy general manager of material department, Universal Microelectronics Co., Ltd.	Universal Microelectronics Co., Ltd.: None Other company: None.	—	—	—	Note1

Title	Nationality	Name	Gender Age	Date of office	Tenure	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Director	R.,O.C.	YANG, SHANG- JU	M 41-50 years old	20 June 2022	3 years	20 June 2022	—	—	—	—	—	—	—	—	Department of Mechanical Engineering, Hsiupng University 、 EMBA at National Chung Hsing University Manager Director, Awea Mechantronic CO., LTD	Universal Microelectronics Co., Ltd.: None. Other company: General manager, Awea Mechantronic CO., LTD; Representative of Zong Han Investment Ltd. Director, FITTECH CO., LTD., Zhiyuan Investment Ltd., Jiajin Investment Ltd.,etc.; Corporate director Jawo mechantronic Co., Ltd., YIH CHUAN MACHINERY INDUSTRY CO., LTD. Zhuwei mechantronic Co., Ltd., Dawei mechantronic (Suzhou) Co., Ltd., Awea Mechantronic (Suzhou) Ltd.; Supervisor, Honggli Investment Ltd., HUNG JIU MACHINE CO., LTD.	—	—	—	None
Independent director	R.,O.C.	TSOU, YEN- CHUNG	M 61-70 years old	20 June 2022	3 years	21 June 2016	—	—	—	—	—	—	—	—	Department of Accountancy, National Cheng Kung University Person in charge, Sun Young CPAs Firm CPA, EY Taiwan	Universal Microelectronics Co., Ltd.: None. Othe company: Person in charge, Sun Young CPAs Firm Independent director, Liton Technology Corp., Sunko Ink Co., Ltd., etc.	—	—	—	None

Title	Nationality	Name	Gender Age	Date of office	Tenure	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Independent director	R.,O.C.	WU, TEH- CHUAN	M 81-90 years old	20 June 2022	3 years	21 June 2016	—	—	—	—	—	—	—	—	Department of Electrical Engineering National Cheng Kung University Chairman, Lelon Electronics Corp,	Universal Microelectronics Co., LTD.: None. Other company: Chairman, Lelon Electronics Corp, LIRO ELECTRONICS CO., LTD (also served as general manager), LITON (BVI) CO., LTD, V-TECH CO., LTD, FORVER CO., LTD, EVERTECH CAPA CO., LTD., Lelon International Industrial Ltd., Liton Technology Corp., Lifu Machinery Industrial Co., Ltd., Li-Yang Estate Development Co., Ltd., Bao Qian Co., Ltd., etc.; Director, Lelon Electronics Corp.(Huizhou), Lelon Electronics Corp.(Suzhou)	—	—	—	None
Independent director	R.,O.C.	WU, HUEL- HUANG	M 71-80 years old	20 June 2022	3 years	21 June 2016	—	—	—	—	—	—	—	—	National Yang Ming Chiao Tung University Department of Electronic Engineering Director/ General manager, Universal Scientific Industrial Co., Ltd.,	Universal Microelectronics Co., Ltd.: None. Othe company: Kinsus Interconnect Technology Corp. Independent director, Merry Electronics Co., Ltd., etc.	—	—	—	None

Title	Nationality	Name	Gender Age	Date of office	Tenure	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Independent director	R.O.C.	KO, HSIN- SUI	M 71-80 years old	20 June 2022	3 years	20 June 2022	—	—	—	—	—	—	—	—	Department of Business Administration, National Chung Hsing University Master, College of Management, National Chung Hsing University Chairman, Sweeten Real Estate Development Co., Ltd.	Universal Microelectronics Co., Ltd.: None. Othe company: Chairman, Sweeten Real Estate Development Co., Ltd., JINGLE CONSTRUCTION CO., LTD., Shun Ding Construction Co., Ltd., Sweeten Huan Enterprise Co., Ltd., Tai Da Xing Co., Ltd., Tian Qi Investment Co., Ltd.; Chairman, Corporate Sweeten Culture and Education Foundation; Director, Lelon Electronics Corp., China Electric Mfg. Corp., Tien Hsing Investment Co., Ltd., Tien Sheng Investment Co., Ltd., etc.	—	—	—	None

Note1: Director TSAI, KUO-CHI, former deputy general manager of material department, at Universal Microelectronics Co., Ltd., retired on 28 March 2024.

Note2: Where the chairman and general manager or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed:

The chairman of the Company also serves as the general manager, in order to improve operational efficiency and decision-making capability. However, to strengthen the independence of the board of directors, the Company has actively trained suitable candidates. At the same time, the chairman and the directors have been in close contact and have fully communicated the Company's operating policy, and the Company's Articles of Incorporation have been revised to increase the number of independent directors. Currently, the Company has the following specific measures :

1. The Company has a total of eleven directors, including four independent directors, each specializing in the fields of finance, accounting, and electronic components. With their expertise, they will be able to effectively fulfill their supervisory roles.
2. Every year, all directors are arranged to participate in professional courses for directors of external organizations to improve the operational efficiency of the board of directors.
3. Independent directors can fully discuss and make suggestions in each functional committee for the board's reference to implement corporate governance.
4. More than half of the board members are not also serving as employees or managers.

Major shareholders of institutional shareholders

28 April 2024

Name of Institutional Shareholders	Major Shareholders
Zhao Zan Investment Co., Ltd.	Shareholding of OU, JEN-CHIEH: 34.4% Shareholding of LIN, HSUEH-HWA:32.6% Shareholding of OU, TZU-HUEI:32.6% Shareholding of OU, CHENG-MING: 0.4%
Yuan Rong Investment Co., Ltd.	Shareholding of OU, TZU-HUEI:34.4% Shareholding of LIN, HSUEH-HWA:32.6% Shareholding of OU, JEN-CHIEH:32.6% Shareholding of OU, CHENG-MING:0.4%

1. Disclosure of the information on the professional designation and independence of the directors:

Condition Name	Professional designation and work experience	Status of independence	Number of public companies where the independent director also holds positions as Independent Director
OU, CHENG-MING Chairman	Currently serves as the director and general manager of the Company; independent director of Lelon Electronics Corp., and Sweeten Real Estate Development Co., Ltd. He possesses more than five years of work experience in business, finance and corporate business and committed to the field of electronic components for more than 40 years. Also, he possesses professional leadership, marketing, operations management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	2
HSU, KUAN-CHUN Director	Currently serves as the chairman of Nine Fine Co., Ltd.; director of Tian Long Investment Co., Ltd., Cutes Corporation, etc. He possesses more than five years of work experience in business, finance and corporate business and committed to electronics-related fields for more than 40 years. Also, he possesses professional leadership, marketing, operations management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	0
Representative of Zhao Zan Investment Co., Ltd.: OU, JEN- CHIEH	Currently serves as the deputy general manager; chairman of Zhao Zan Investment Co., Ltd.; director of Advanced Radar Technology Co., Ltd.(ARadTek). He possessed more than five years of work experience in business, finance and corporate business, and deeply cultivated in the related fields of electronic components. Also, he possesses professional leadership, marketing, operation management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	0
Representative of Yuan Rong Investment Co., Ltd.: OU, TZU-HUEI	Currently serves as the chairman of Yuan Rong Investment Co., Ltd.; Deputy general manager of Advanced Radar Technology Co., Ltd.(ARadTek). She possesses more than five years of work experience in business, finance and corporate business and has been deeply cultivating in the related fields of electronic components. Also, she possesses professional leadership, marketing, operation management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	0

<div>Condition</div> <div>Name</div>	Professional designation and work experience	Status of independence	Number of public companies where the independent director also holds positions as Independent Director
LIEN, TSUNG-FU Director	Formerly served as the deputy general manager of the Company and the quality assurance department of Universal Scientific Industrial Co., Ltd. He possesses more than five years of work experience in business, finance and corporate business. Also, he possesses professional leadership, marketing, operations management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	0
TSAI, KUO-CHI Director	Formerly served as the material department deputy general manager of the Company. He possesses more than five years of work experience in business, finance and corporate business and has been deeply cultivating in the related fields of electronic components. Also, he possesses professional leadership, marketing, operation management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	0
YANG, SHANG-JU Director	Currently serves as the general manager of Awea Mechantronic CO., LTD and the representative of Zong Han Investment Ltd.; director of FITTECH CO., LTD. He possesses more than five years of work experience in business, finance and corporate business. Also, he possesses professional leadership, marketing, operations management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	0
WU, TEH-CHUAN Independent director	Formerly serves as the chairman of Lelon Electronics Corp., Liton Technology Corp., etc. He possesses more than five years of work experience in business, finance and corporate business and has been deeply cultivating in the related fields of electronic components, with professional leadership, marketing, operation management and strategic planning capabilities.	Prior to the appointment and throughout the tenure, all independence assessment criteria have been met. (Note)	0
WU, HUEI-HUANG Independent director	Currently serves as the independent director of Kinsus Interconnect Technology Corp. and Merry Electronics Co., Ltd., etc., He possesses more than five years of work experience in business, finance and corporate business and has been deeply cultivating in the related fields of electronic components. Also, he possesses professional leadership, marketing, operation management and strategic planning capabilities.		2
TSOU, YEN-CHUNG Independent director	Currently serves as the person in charge of Sun Young CPAs Firm; independent director of Liton Technology Corp., Sunko Ink Co., Ltd., etc. He possesses more than five years of work experience in business, legal affairs, finance, accounting and corporate business. And is a professional and technical personnel who has passed the national examinations and obtained certificates for judges, prosecutors, lawyers, accountants, or others required for the company's business.		2

<div>Condition</div> <div>Name</div>	Professional designation and work experience	Status of independence	Number of public companies where the independent director also holds positions as Independent Director
KO, HSIN-SUI Independent director	Currently serves as the chairman of Sweeten Real Estate Development Co., Ltd., JINGLE CONSTRUCTION CO., LTD., Shun Ding Construction Co., Ltd., etc.; director of Lelon Electronics Corp., China Electric Mfg. Corp., etc. He possesses more than five years of work experience in business, legal affairs, finance, accounting and corporate business. Also, he possesses professional leadership, marketing, operations management and strategic planning capabilities.		0

Note: (1) Not an employee of the Company or any of its affiliates.

- (2) Not a director or supervisor of the Company or any of its affiliates
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act.
- (6) Not a director, supervisor, or employee of another company in which a majority of the company's director seats or voting shares and those of any other companies are controlled by the same person.
- (7) Not a director (or governor), supervisor, or employee of another company or institution in which the chairperson, general manager, or person holding an equivalent position in the company and a person in any of those positions at another company or institution are the same person or are spouses.
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) No spousal or close family relationship within the second degree exists with other directors.
- (11) None of the circumstances listed in Article 30 of the Company Act.
- (12) No election has been made under Article 27 of the Company Act for government, corporation, or representative.

2. Diversity and independence of the board :

(1) Diversity of the board

According to Article 20 of the “Corporate Governance Best Practice Principle”, the composition of board members shall consider diversity and formulates an appropriate diversification policy based on its own operation, operation type and development needs. The board members should generally possess the knowledge, skills and qualities necessary to perform their duties. In order to achieve the ideal goals of corporate governance, the overall capabilities of the board of directors are as follows:

- (1) Judgment in operation
- (2) Accounting and financial analysis
- (3) Corporate management
- (4) Crisis management
- (5) Industry knowledge
- (6) International view of the market
- (7) Leadership
- (8) Decision-making

(2) Independence of the board

The Company currently has a total of 11 seats on the board of directors, of which four are independent directors. The proportion of directors with employee status is 2:11, and the independent directors account for 4:11. The Company also pays attention to gender equality in the composition of the board of directors, with female directors accounting for 1:11. For the length of tenure of independent directors, the three independent directors have 6 years of experience and one independent director with a tenure of less than three years. Moreover, their qualifications are in compliance with the independent director regulations stipulated by laws and regulations, and they are familiar with the Company's financial and operating conditions. The implementation status is as follows:

Name	Title	Gender	Age				Tenure of independent director		If one also serves as an employee	Diversity Core Item (The most important five capabilities)								
			41-50	61-70	71-80	81-90	Less than 3 years	7-9 years		Finance	Electronic	Manufacture	Business	Accounting	Law	Information Technology	Marketing Management	Risk Management
OU, CHENG-MING	Chairman	M			√		N/A		√		√	√	√				√	√
HSU, KUAN-CHUN	Director	M			√		N/A				√	√	√				√	√
OU, JEN-CHIEH	Corporate director representative	M	√				N/A		√		√	√	√				√	√
OU, TZU-HUEI	Corporate director representative	F	√				N/A				√	√	√			√		√
LIEN, TSUNG-FU	Director	M		√			N/A				√	√	√			√		√
TSAI KUO CHI (Note1)	Director	M		√			N/A				√	√	√				√	√
YANG, SHANG-JU	Director	M	√				N/A					√	√			√	√	√
WU, TEH-CHUAN	Independent director	M				√		√			√	√	√		√		√	√
WU, HUEI-HUANG	Independent director	M			√			√			√	√	√		√			√

Name	Title	Gender	Age				Tenure of independent director		If one also serves as an employee	Diversity Core Item (The most important five capabilities)								
			41-50	61-70	71-80	81-90	Less than 3 years	7-9 years		Finance	Electronic	Manufacture	Business	Accounting	Law	Information Technology	Marketing Management	Risk Management
TSOU, YEN-CHUNG	Independent director	M		√				√		√			√	√	√			√
KO, HSIN-SUI	Independent director	M			√		√			√		√	√			√	√	√

Note 1: Director TSAI, KUO-CHI, former deputy general manager of material department, at Universal Microelectronics Co., Ltd., retired on 28 March 2024.

(3) Specific management goals and achievement status of the board diversity policy:

Management goals	Achievement status
Directors who also serve as managers of the company should not exceed one-third of the seats on the board of directors	Achieved
Include at least one female member in the board of directors	Achieved
Independent directors shall serve no more than three consecutive terms	Achieved

(ii) Information on the Company general manager, deputy general manager, senior manager of departments or division

April 28 2024

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shares held in the name of a third party		Major work experience (education)	Other Position	Manager who is spouse or kindred within the 2nd tier.			Remark
					Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding			Title	Name	Relation	
Chairman and general manager	R.O.C.	OU, CHENG-MING	M	8 July 1989	34,870,964	27.38	5,002,778	3.93	—	—	Electrical Engineering, National Cheng Kung University Deputy general manager, Universal Scientific Industrial Co., Ltd.	Chairman, Tian Long Investment Co., Ltd., Advanced Radar Technology Co., Ltd. (ARadTek), OUMEIYA INVESTMENT CO., LTD, etc. ; director, Lightel Corporation UMEC Investment (B.VI) Co., Ltd. 、 UMEC(H.K.) Company Ltd. 、 UMEC USA Inc. 、 Global Development Co., Ltd., ASIA PACIFIC MICROSYSTEMS, INC., Bao Qian Co., Ltd., Phoenix 3 Venture Capital Co., Ltd. FUTRON Co., Ltd., Yuan Rong Investment Co., Ltd., Zhao Zan Investment Co., Ltd., etc.; supervisor, Wanan Investment Co., Ltd.; independent director, Lelon Electronics Corp., Liton Technology Corp., Sweeten Real Estate Development Co., Ltd., etc.	Deputy General Manager	OU, JEN-CHIEH	Father and son	Note3
Material department, deputy general manager	R.O.C.	TSAL KUO-CHI	M	1 May 1994	700,929	0.55	109,780	0.09	—	—	Industrial Engineering, Zhongyuan University Senior specialist, Ability Enterprise Co., Ltd.	None	—	—	—	Note1
Quality assurance department, deputy general manager	R.O.C.	CHANG, WEN-WING	M	1 February 2013	196,705	0.15	69,070	0.05	—	—	Industrial Engineering, Tunghai University Senior specialist, KENSTONE METAL CO., LTD.	None	—	—	—	None
Overseas business department, deputy general manager	R.O.C.	OU, CHING-CHUAN	M	1 July 2006	157,105	0.12	3,168	—	—	—	Automotive repair department, Taichung Municipal Dongshih Industrial High School JA-LONG TECHNOLOGY CO., LTD.	General Manager. JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	—	—	—	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shares held in the name of a third party		Major work experience (education)	Other Position	Manager who is spouse or kindred within the 2nd tier.			Remark
					Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding			Title	Name	Relation	
Deputy general manager, Business department	R.O.C.	OU, JEN-CHIEH	M	1 January 2011	1,365,582	1.07	—	—	687,000	0.54	Ph.D. Electrical Engineering, Case Western Reserve University FARADAY TECHNOLOGY CORPORATION	Chairman, Zhao Zan Investment Co., Ltd. Director, OUMEIYA INVESTMENT CO., LTD., Advanced Radar Technology Co., Ltd. (ARadTek), AMIT SYSTEM SERVICE LTD., Photonicore Technologies Co., Ltd., Yuan Rong Investment Co., Ltd., Wanan Investment Co., Ltd., Taiwan Full Long Industrial Co., Ltd., etc.; Supervisor, Tian Long Investment Co., Ltd.	Chairman and general manager	OU, CHENG-MING	Father and son	None
Magnetic components, deputy general manager,	R.O.C.	YEN, HWEL-FANG	F	28 August 2006	55,944	0.04	44,056	0.03	—	—	Master's degree, University of Wisconsin System Universal Scientific Industrial Co., Ltd.	None	—	—	—	None
Information and communication product, deputy general manager	R.O.C.	CHAN, CHIA-NAN	M	14 February 2011	—	—	—	—	—	—	Institute of Electrical Engineering, National Cheng Kung University Assistant manager, Pegatron Corporation and Unihan Corporation.; Senior manager, UniMax Electronics Inc., Senior manager of R&D, Universal Scientific Industrial Co., Ltd.	Director, Advanced Radar Technology Co., Ltd. (ARadTek)	—	—	—	None
Power product department, deputy general manager	R.O.C.	TSAL, CHIN-TE	M	1 July 2011	90,159	0.07	—	—	—	—	Electrical Engineering, Feng-Chia University UNIVERSAL MICROELECTRONICS CO., LTD.	None	—	—	—	None
Manufacturing center, deputy general manager,	R.O.C.	WANG, NAN-KUEI	M	2 January 2013	—	—	—	—	—	—	Industrial Engineering, Zhongyuan University Ampere computer corp.	None	—	—	—	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shares held in the name of a third party		Major work experience (education)	Other Position	Manager who is spouse or kindred within the 2nd tier.			Remark
					Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding			Title	Name	Relation	
Material section, senior manager	R.O.C.	HSIEH, CHEN-MING	M	1 April 2024 (Note2)	5,000	—	—	—	—	—	Industrial Engineering, Tunhai University ADI CORPORATION, UNIVERSAL Material section, senior manager of MICROELECTRONICS CO., LTD.	None	—	—	—	Note2
Optical and communication component department, senior manager	R.O.C.	WANG, CHIN-YI	M	1 May 2015	782	—	—	—	—	—	Computer Engineering, National Chin-Yi University of Technology UNIVERSAL MICROELECTRONICS CO., LTD.	None	—	—	—	None
Optical communication components, senior manager,	R.O.C.	LIU, JAW-JUEH	M	13 August 2012	—	—	—	—	—	—	Institute of Communications Engineering, National Yang Ming Chiao Tung University Jjing Wang Industrial Co., Ltd., Multicom System Integrated Ltd.,	None	—	—	—	None
Senior manager and spokesman	R.O.C.	MA, JONG-JYR	M	11 June 2007	1,000	—	—	—	—	—	Institute of Information Management, University of West Florida Section chief, LITE-ON Technology Corporation	None	—	—	—	None
Business section, senior manager,	R.O.C.	WU, CHUN-HSIEN	M	28 August 2006	—	—	—	—	—	—	Industrial management, National Cheng Kung University General manager, Eastern Broadband Telecommunications Co., Ltd.	None	—	—	—	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shares held in the name of a third party		Major work experience (education)	Other Position	Manager who is spouse or kindred within the 2nd tier.			Remark
					Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding			Title	Name	Relation	
Overseas business section, senior manager	R.O.C.	LIAO, CHIEN-HSUN	M	2 January 2013	—	—	—	—	—	—	Electrical Engineering, National Cheng Kung University Assistant manager, Universal Scientific Industrial Co., Ltd., Jiang Chiang Co.,Ltd.; General manager, Jiang Hou Electronics., Co.Ltd.	Deputy general manager of Assurance section of the Company's subsidiary, JA-LONG TECHNOLOGY (Shenzhen) CO., LTD.	—	—	—	None
Magnetic development department 1, senior manager	R.O.C.	TSENG, CHI-HUNG	M	1 April 2014	5,580	—	—	—	—	—	Electronic, National Chin-Yi University of Technology UNIVERSAL MICROELECTRONICS CO., LTD.	None	—	—	—	None
General manager's office, senior manager	R.O.C.	LIN, WN-CHIH	M	15 January 2015	—	—	—	—	—	—	Electronic engineering, National Chin-Yi University of Technology General manager, LITE-ON Technology Corporation	None	—	—	—	None
Oversea business section, senior manager	R.O.C.	SHEN CHING-WEN	M	19 November 2018	—	—	—	—	—	—	Institute of Applied Mathematics, National Tsing Hua University Deputy general manager, First International Computer Group	Deputy general manager of the Company's subsidiary, UMEC VIETNAM Co., Ltd.	—	—	—	None
Finance department and accounting department, Senior manager and Corporate Governance Supervisor	R.O.C.	HSUEH, CHING-YI	F	1 April 2015 16 March 2023	20,000	0.02	—	—	—	—	Accountancy, National Cheng Kung University Deputy general manager, Pou Chen Corporation	Supervisor of the Company's subsidiary, Advanced Radar Technology Co., Ltd. None (ARadTek)	—	—	—	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shares held in the name of a third party		Major work experience (education)	Other Position	Manager who is spouse or kindred within the 2nd tier.			Remark
					Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding			Title	Name	Relation	
General manager's office, senior manager	R.O.C.	LI, CHUN-LIN	M	1 April 2024	92	—	—	—	—	—	Department of Electrical Engineering, National Taiwan University of Science and Technology Manager of SNS department, Lite-On Technology Corporation	None	—	—	—	None
IT department, senior manager	R.O.C.	CHANG, FANG-MING	M	1 April 2024	—	—	—	—	—	—	Department of Industrial Engineering, Tsinghua University Assistant manager of IT department, WINTEK Corporation; Manager of IT department, UNIVERSAL MICROELECTRONICS CO., LTD.	None	—	—	—	None

Note1: Deputy general manager TSAI, KUO-CHI retired on 28 March 2024.

Note2: Deputy general manager HSIEH, CHEN-MING promoted to deputy general manager on 1 April 2024, previously served as assistant manager of Materials Department from 6 July 2017.

Note3: Where the chairman and general manager or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed :

The chairman of the Company also serves as the general manager, to improve operational efficiency and decision-making execution. However, in order to strengthen the independence of the board of directors, the Company has actively trained suitable candidates. At the same time, the chairman of the board and the directors have been in close contact with each other and have fully communicated the Company's operating policies, etc., and the Company's Articles of Incorporation have been revised to increase the number of independent directors. Currently, the Company has the following specific measure:

1. Establish 4 seats of independent directors, each specializing in the fields of finance, accounting, and electronic components. With their expertise, they will be able to effectively fulfill their supervisory roles.
2. Every year, all directors are arranged to participate in professional courses for directors of external organizations to improve the operational efficiency of the board of directors.
3. To implement corporate governance, independent directors can fully discuss in each functional committee and make suggestions for the board of directors to refer to.
4. More than half of the board members are not also serving as employees or managers.

iii. III. Remuneration to the directors, supervisor, general manager and deputy general manager in the previous period

(i) Remuneration to directors and independent directors (disclosure of the names in relevant bracket of the payment scale)

31 December 2023; Unit: NT\$1,000

Title	Name	Remuneration to directors								The sum of A, B, C and D in proportion to net income				Related payment in performing the duties as employees								The sum of A, B, C, D, E, F and G in proportion to net income				Any payment from direct investee companies other than the subsidiaries or the parent company
		Remuneration (A)		Pension and severance payment (B)		Remuneration to directors (C)		Professional allowances (D)						Salaries, bonus and special expense account (E)		Pension and severance payment (F)		Remuneration to employees (G)								
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements					
																Cash	Stock	Cash	Stock							
Chairman	OU, CHEN G-MING	18	18	-	-	578	578	30	30	626	0.58%	626	0.58%	3,083	3,083	-	-	400	-	400	-	4,109	3.86%	4,109	3.86%	None
Director	HSU, KUANG-CHUN	18	18	-	-	193	193	10	10	221	0.21%	221	0.21%	-	-	-	-	-	-	-	-	221	0.21%	221	0.21%	None
Director	LIEN, TSUNG-FU	18	18	-	-	193	193	30	30	241	0.23%	241	0.23%	-	-	-	-	-	-	-	-	241	0.23%	241	0.23%	None
Director	TSAI, KUO-CHI	18	18	-	-	193	193	30	30	241	0.23%	241	0.23%	1,838	1,838	34	34	-	-	-	-	2,113	1.98%	2,113	1.98%	None
Director	YANG, SHANG-JU	18	18	-	-	193	193	30	30	241	0.23%	241	0.23%	-	-	-	-	-	-	-	-	241	0.23%	241	0.23%	None
Director	OU, JEN-CHIEH	18	18	-	-	193	193	25	25	236	0.22%	236	0.22%	1,761	1,761	80	80	200	-	200	-	2,277	2.14%	2,277	2.14%	None
Director	OU, TZU-HUEI	18	18	-	-	193	193	30	30	241	0.23%	241	0.23%	-	1,287	-	-	-	-	-	-	241	0.23%	1,528	1.43%	None
Independent director	TSOU, YEN-CHUNG	200	200	-	-	193	193	70	70	463	0.43%	463	0.43%	-	-	-	-	-	-	-	-	463	0.43%	463	0.43%	None

Title	Name	Remuneration to directors								The sum of A, B, C and D in proportion to net income				Related payment in performing the duties as employees								The sum of A, B, C, D, E, F and G in proportion to net income				Any payment from direct investee companies other than the subsidiaries or the parent company
		Remuneration (A)		Pension and severance payment (B)		Remuneration to directors (C)		Professional allowances (D)						Salaries, bonus and special expense account (E)		Pension and severance payment (F)		Remuneration to employees (G)								
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements					
																Cash	Stock	Cash	Stock							
Independent director	WU, TEH-CHUAN	200	200	-	-	193	193	65	65	458	0.43%	458	0.43%	-	-	-	-	-	-	-	-	458	0.43%	458	0.43%	None
Independent director	WU, HUEI-HUANG	200	200	-	-	193	193	70	70	463	0.43%	463	0.43%	-	-	-	-	-	-	-	-	463	0.43%	463	0.43%	None
Independent director	KO, HSIN-SUI	200	200	-	-	193	193	65	65	458	0.43%	458	0.43%	-	-	-	-	-	-	-	-	458	0.43%	458	0.43%	None
Total		926	926	-	-	2,508	2,508	455	455	3,889	3.65%	3,889	3.65%	6,682	7,969	114	114	600	-	600	-	11,285	10.60%	12,572	11.81%	-
1. Specify the policy, system, standard and structure of the fees for independent directors, and the association between the duties performed, the risk, the commitment of time and related factors and the amount of payment: The remuneration of the independent directors of the Company is implemented in accordance with the Company's Articles of Incorporation and the remuneration payment measure for functional committees. The remuneration of directors is based on the degree of participation in the Company's operations and the value of their contributions, and recommendations shall be made after considering the domestic industry standards and submitted to the board of directors for resolution.																										
2. Aside from what is disclosed in the above table, the remuneration earned by directors providing services (e. g. consultant as a non-employee) to the Company: None.																										

(ii) Remuneration to supervisors: Not applicable.

(iii) Remuneration to general managers and deputy general managers (summarized in accordance with disclosed scale)

31 December 2023; Unit: NT1,000

Title	Name	Salary(A)		Severance pay (B)		Bonus and allowance (C)		Profit sharing-employee bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)				Remuneration from ventures other than subsidiaries or from the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements			
								Cash	Stock	Cash	Stock					
General manager	OU, CHENG-MING	13,727	14,464	574	574	2,309	2,309	2,020	-	2,020	-	18,630	17.50%	19,367	18.19%	-
Deputy general manager	CHAN, CHIA- NAN															
Deputy general manager	OU, CHING-CHUAN															
Deputy general manager	TSAI, KUO-CHI															
Deputy general manager	TSAI, CHIN-TE															
Deputy general manager	OU, JEN-CHIEH															
Deputy general manager	CHANG, WEN- MING															
Deputy general manager	YEN, HWEI-FANG															
Deputy general manager	WANG, NAN-KUEI															
The Company's policy, standards, combination, procedures and its relationship with operating performance and future risks in paying managers' remuneration: The amount of remuneration distributed to the managers of the Company is based on their duties, contributions, the Company's operating performance in the year and consideration of future risks. It will be reviewed by the Remuneration Committee and sent to the board of directors for resolution.																

Remuneration scale

Remuneration to individual general managers and deputy general managers along the payment scale	Name of general manager and deputy general manager	
	The Company	All companies included in the financial statements
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive)-NT\$2,000,000 (exclusive)	WANG, NAN-KUEI ,CHANG, WEN-MING, TSAI, KUO- CHI 、 TSAI, CHIN-TE 、 OU, CHING- CHUAN,YEN, HWEI-FANG,	WANG, NAN-KUEI ,CHANG, WEN-MING, TSAI, KUO- CHI 、 TSAI, CHIN-TE,YEN, HWEI-FANG,
NT\$2,000,000 (inclusive)-NT\$3,500,000 (exclusive)	OU,CHENG-MING 、 CHAN, CHIA- NAN, OU, JEN-CHIEH	OU,CHENG-MING 、 CHAN, CHIA- NAN, OU, CHING- CHUAN,OU, JEN-CHIEH
NT\$3,500,000 (inclusive)-NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive)-NT\$10,000,000 (exclusive)	-	-
NT\$10,000,000 (inclusive)-NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) -NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) -NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000(inclusive)-NT\$100,000,000 (exclusive)	-	-
More than NT\$100,000,000	-	-
Total	9 persons	9 persons

(iv) Remuneration of the top 5 highest-paid supervisors of the Company (individual disclosure of names and remuneration methods)

(iv) Remuneration of the top 5 highest paid supervisors of the Company (individual disclosure of names and remuneration methods)																
Title	Name	Salary(A)		Severance pay (B)		Bonus and allowance (C)		Profit sharing-employee bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)				Remuneration from ventures other than subsidiaries or from the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company		All companies included in the financial statements		
								Cash	Stock	Cash	Stock					
General manager	OU, CHENG-MING	2,796	2,796	-	-	287	287	400	-	400	-	3,483	3.27%	3,483	3.27%	None
Senior manager	LIN, WAN-CHIH	2,274	2,274	108	108	260	260	200	-	200		2,842	2.67%	2,842	2.67%	None
Deputy general manager	CHAN, CHIA-NAN	1,810	1,810	108	108	387	387	500	-	500	-	2,805	2.63%	2,805	2.63%	None
Deputy general manager	OU, CHING-CHUAN	1,302	2,039	26	26	196	196	180	-	180	-	1,704	1.61%	2,441	2.30%	None
Deputy general manager	OU, JEN-CHIEH	1,152	1,152	80	80	609	609	200	-	200	-	2,041	1.92%	2,041	1.92%	None

The Company's policy, standards, combination, procedures and its relationship with operating performance and future risks in paying managers' remuneration:

The amount of remuneration distributed to the managers of the Company is based on their duties, contributions, the Company's operating performance in the year and consideration of future risks. It will be reviewed by the Remuneration Committee and sent to the board of directors for resolution.

(v) Names of managers with remuneration as employees and the disbursement:

31 December 2023; Unit: NT\$1,000

	Title	Name	Stock	Cash	Total	The total amount in proportion to net income (%)
Managers	General manager	OU, CHENG-MING	-	3,100	3,100	2.91%
	Deputy general manager	CHANG, WEN-MING				
	Deputy general manager	YEN, HWEI-FANG				
	Deputy general manager	OU, CHING-CHUAN				
	Deputy general manager	OU, JEN-CHIEH				
	Deputy general manager	CHAN, CHIA-NAN				
	Deputy general manager	TSAI, CHIN-TE				
	Deputy general manager	WANG, NAN-KUEI				
	Senior manager and spokesman	MA, JONG-JYR				
	Senior manager	LIU, JAW-JUEH				
	Senior manager	WU, CHUN-HSIEN				
	Senior manager	LIAO, CHIEN-HSUN				
	Senior manager	TSENG, CHI-HUNG				
	Senior manager	LIN, WAN-CHIH				
	Senior manager	WANG, CHIN-YI				
	Senior manager	HSIEH, CHEN-MING				
	Senior manager	SHEN, CHING-WEN				
	Senior manager and corporate governance supervisor	HSUEH, CHING-YI				

Note: The individual employee remuneration for 2023 was disclosed based on actual amount.

- (vi) The total payment from the Company and all companies included in the financial statements to the directors, general manager and deputy general manager as remuneration in the last two years in proportion to the net income and related analysis, and explain the policy, standard and components of payment, the procedure for setting the amount of payment, and the association with the operation performance and the risks in the future.
1. Analysis of the total amount of remuneration paid by the company and all companies in the financial report to the Company's directors, general managers and deputy general managers in the last two years as a percentage of the net profit after tax of the individual or individual financial reports:

	Total amount of remuneration to net profit after tax in 2023		Total amount of remuneration to net profit after tax in 2022	
	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements
Director	21.92%	23.82%	10.55%	11.88%
General manager and deputy general manager				

2. Explain the policy, standard and components of payment, the procedure for setting the amount of payment, and the association with the operation performance and the risks in the future:

- (1) The remuneration policy for directors (including independent directors):

Implemented in accordance with the Company's Articles of Incorporation and the remuneration payment method for directors and functional members. The remuneration of directors shall be determined by the board of directors according to their participation in the operation of the company and the value of their contributions and with reference to the domestic industry standards. However, the remuneration of each director shall be a maximum of NT\$1,000,000 per year. If the Company has a profit in the year, it should allocate no less than 4% as employee remuneration and no more than 3% as director's remuneration. However, when the Company still has accumulated losses, it should reserve the amount in advance to make up for it. The distribution of employee remuneration and directors' remuneration shall be carried out by the board of directors with the presence of more than two-thirds of the directors and a resolution approved by more than half of the directors present and reported to the shareholders' meeting. The Company's board of directors passed the resolution on 12 March 2024 for distributing the directors' remuneration of NT\$2,507,565 for 2023.

- (2) The remuneration policy for the general manager and deputy general manager:
Owing that the manager's management ability, strategic planning and execution are the important forces to create the Company's operating performance. In order to closely integrate the personal goals of managers with the long-term and short-term business goals of the Company and the interests of shareholders, the principle of the Company's manager's salary policy is that the fixed salary is at a competitive level in the market, and the variable salary is based on the reasonable cooperation between the Company's operation and personal performance. And the Company also put emphasis on long-term incentive salaries and consideration of future risk for the purpose of encouraging managers to pay attention to the Company's long-term business goals and create a win-win situation for the Company, employees and shareholders. The employee remuneration and manager's remuneration for the distribution of the surplus shall be handled in accordance with the regulations of the Company's Articles of Incorporation. On 12 March 2024, the board of directors passed a resolution to propose the distribution of employee remuneration amounting to NT\$13,777,828 for 2023. After being reported to the shareholders' meeting, the date of distribution will be authorized by the chairman. The accumulated distributable surplus for 2023 amounts to NT\$322,052,963 (including the pending resolution of dividend distribution of NT\$25,364,240 from the 2023 shareholders' meeting).

iv. Implementation of corporate governance

(i) Operations of the board of directors

The Company convened a total of 5 (A) board of directors' meetings in the recent period. The attendance status of directors and supervisors was as follows:

Title	Name	Actual frequency attendance (as observer) (B)	Frequency of attendance by proxy	Actual attendance rate (%) 【B/A】	Remark
Chairman	OU, CHENG-MING	5	0	100%	Re-elected on 20 June 2022
Director	LIEN, TSUNG-FU	5	0	100%	Re-elected on 20 June 2022
Director	HSU, KUAN-CHUN	2	3	40%	Re-elected on 20 June 2022
Director	TSAI, KUO-CHI	5	0	100%	Re-elected on 20 June 2022
Director	YANG, SHANG-JU	5	0	100%	Date of newly appointment: 20 June 2022
Corporate director	Zhao Zan Investment Co., Ltd. Representative: OU, JEN-CHIEH	4	1	80%	Date of newly appointment: 20 June 2022
Corporate director	Yuan Rong Investment Co., Ltd. Representative: OU, TZU-HUEI	5	0	100%	Date of newly appointment: 20 June 2022
Independent director	TSOU, YEN-CHUNG	5	0	100%	Re-elected on 20 June 2022
Independent director	WU, TEH-CHUAN	5	0	100%	Re-elected on 20 June 2022
Independent director	WU, HUEI-HUANG	5	0	100%	Re-elected on 20 June 2022
Independent director	KO, HSIN-SUI	5	0	100%	Date of newly appointment: 20 June 2022

Attendance of independent directors at 5 board meetings in 2023

Year	2023				
Name	1/17	3/16	5/4	8/7	11/2
WU, TEH-CHUAN	●	●	●	●	●
WU, HUEI-HUANG	●	●	●	●	●
TSOU, YEN-CHUNG	●	●	●	●	●
KO, HSIN-SUI	●	●	●	●	●

Note : attend in person● attend by proxy○ absent◎

Other items required to be stated :

- i. In the event of the following occurrences, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response thereto should be specified :
 - (i) Items listed in Article 14-3 of the Securities and Exchange Act:

2023 and up to the date of publication of the annual report, and the content of the resolutions of the board of directors is as shown in the annual report. III, IV (XI) 2. Details of important resolutions of the board of directors. All independent directors have no objection to the matters listed in Article 14-3 of the Securities and Exchange Act.
 - (ii) Except for the previously mentioned matters, other matters resolved by the board of directors with objections or reservations of independent directors and with records or written statements: None.
- ii. Execution of the director's recusal of the interest proposal shall state the name of the director, the content of the proposal, the reason for the recusal of interest, and the circumstances of participation in voting:
 - (i) The board discussion on 17 January 2023
 1. In the first proposal, the Company reviewed the proposal for year-end bonus and top-level manager allocation in 2022. This proposal involves the self-interest of director OU, CHENG MING, director TSAI, KUO-CHI, director OU, JEN-CHIEH and director OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.
 2. In the second proposal, the Company reviewed the proposal for annual remuneration for top-level managers in 2022. This proposal involves the self-interest of director OU, CHENG-MING, director TSAI, KUO-CHI, director OU, JEN-CHIEH and director OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.
 - (ii) The board discussion on 4 May 2023
 1. In the second proposal, the Company reviewed the proposal for employee remuneration and top-level manager allocation in 2022. This proposal involves the self-interest of director OU, CHENG-MING, director TSAI, KUO-CHI, director OU, JEN-CHIEH, and director OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.
 2. In the third proposal, the Company reviewed and planned to determine the private placement date and pricing of common shares, as well as other related matters. This proposal involves the self-interest of director OU, CHENG-MING, director OU, JEN-CHIEH and OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.
 - (iii) The board discussion on 7 August 2023

1. The fourth case involves the Company's review of the salary adjustment for 2023. This proposal involves the self-interest of director OU, CHENG-MING, director TSAI, KUO-CHI, director OU, JEN-CHIEH and director OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.

(iv) The board discussion on 31 January 2024

1. In the first proposal, the Company reviewed the proposal for year-end bonus and top-level manager allocation in 2023. This proposal involves the self-interest of director OU, CHENG-MING, director TSAI, KUO-CHI, director OU, JEN-CHIEH and director OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.

2. In the second proposal, the Company reviewed the proposal for annual remuneration for top-level managers in 2023. This proposal involves the self-interest of director OU, CHENG-MING, director TSAI, KUO-CHI, director OU, JEN-CHIEH, and director OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.

(v) The board discussion on 8 May 2024

1. In the second proposal, the Company reviewed the proposal for employee remuneration and top-level manager allocation in 2023. This proposal involves the self-interest of director OU, CHENG-MING, director OU, JEN-CHIEH, and director OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.

2. The third case involves the Company's review of the promotion of senior managers for 2024. The case was unanimously approved by all attending directors without objection.

iii. TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, the scope of the evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the board of directors, and to fill out "Implementation Status of Board Evaluations":

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year regularly	1 January 2023 – 31 December 2023	The board of directors and board members	Internal self-evaluation of the board of directors and self-evaluation of board members.	<p>The measurement items for the performance evaluation of the board of directors include:</p> <ol style="list-style-type: none"> 1. Level of participation in the operation of the Company. 2. The quality of decision-making of the Board. 3. The composition and structure of the board. 4. Election of directors and continuing education. 5. Internal control, etc. <p>The measurement for the evaluation of the performance of individual board members includes:</p> <ol style="list-style-type: none"> 1. The control of the objective and mission of the Company. 2. Awareness of the duties of the directors. 3. Level of participation in the

				operation of the Company. 4. Cultivation of internal relation and communication 5. Professional designated and continuing education of the directors 6. Internal control
iv. Goals for strengthening the functions of the board of directors in the current year and the recent year (e.g. establishing an Audit Committee, enhancing information transparency, etc.) and evaluation of their implementation status: <ul style="list-style-type: none"> (i) In order to promote corporate governance and effectively strengthen the authority of the board of directors, the Company has established a corporate governance supervisor in accordance with the regulations of the “Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers”. (ii) In order to implement corporate governance and enhance the functions of the board of directors to establish performance goals and strengthen the efficiency of board of directors’ operations, the Company has formulated a method for evaluating the performance of the board of directors. The performance evaluation for 2023 was completed in the first quarter of 2024, and the results were reported to the board of directors on 12 March 2024. The self-assessment results of the board of directors indicate that the overall operation is relatively satisfactory. The board of directors has effectively fulfilled its responsibilities in guiding and overseeing company strategies, significant business activities, and risk management. It has also established appropriate internal control systems, resulting in a good overall operational situation that aligns with the spirit of corporate governance. The individual self-assessment results of board members indicate that the directors of the Company have positively evaluated the efficiency and effectiveness of operations concerning various evaluation criteria. (iii) To enhance operational transparency and safeguard shareholder interests, the Company discloses corporate governance information on its website every quarter and provides important decisions of the board of directors and functional committees for investors to search. (iv) The Company emphasizes diversity of board members, evaluating nominees based on their abilities in business management, crisis handling, financial and accounting expertise, etc. It places importance on gender equality, and the proportion of female directors among all board members is 1:10, ensuring gender equality is implemented. 				

(ii) Audit Committee’s operation status

1. Audit Committee establishment status: The Company has established an Audit Committee since 21 June 2016, assisting in supervising the fair presentation of the Company's financial statements, the selection (dismissal) and independence and performance of CPAs, the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations, and the management and control of the Company's existing or potential risks. There is a total of four Audit Committee members.
2. Information on the operation of the Audit Committee:
 The Company convened a total of 4 (A) meetings of the Audit Committee in 2023. The attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) 【 B / A 】	Remarks
Independent director (convenor)	TSOU, YEN-CHUNG	4	0	100%	Re-elected on 20 June 2022
Independent director (committee member)	WU, TEH-CHUAN	4	0	100%	Re-elected on 20 June 2022
Independent director (committee member)	WU, HUEI-HUANG	4	0	100%	Re-elected on 20 June 2022
Independent director (committee member)	KO, HSIN-SUI	4	0	100%	Date of newly appointment: 20 June 2022

Other items required to be stated:

- i. In the event of the following occurrences, the dates of the meetings, sessions, contents of motion, dissenting opinions or reserved opinions from independent directors, or significant recommendations, the resolution of the Audit Committee and the Company's response thereto should be specified.

(i) Items listed in Article 14-5 of the Securities and Exchange Act.

Date of meeting	Content of proposal
16 March 2023 (The 3rd Audit Committee, The 5th meeting)	<ul style="list-style-type: none"> ● The resolution has been passed for the Company's 2022 annual business report and financial statement. ● The resolution has been passed for the Company's 2022 profit and loss appropriation. ● The resolution has been passed to provide funding loans between the Company and the investee companies. ● The resolution has been passed for the Company's "Statement of Internal Control System" for 2022. ● The resolution has been passed to amend certain articles of the "Regulations Governing Internal Control Systems" of the Company. ● The resolution has been passed to amend certain articles of the "Internal Audit Implementation Rules" of the Company. ● The resolution has been passed to review the Audit Quality Indicators (AQI) of the CPAs and establish a pre-approval process for non-assurance services by EY Taiwan and its affiliated companies. ● The resolution has been passed for the audit of the Company's CPA fees of financial statement and tax report for 2023. ● The resolution has been passed to discontinue the proposed private placement of cash for the issuance of common shares, which was intended to be approved at the Company's extraordinary general meeting of shareholders for the first time in 2022. ● The resolution has been passed to amend certain articles of the "Procedures for the Acquisition or Disposal of Assets" of the Company.

4 May 2023 (The 3rd Audit Committee, The 6th meeting)	<ul style="list-style-type: none"> ● The resolution has been passed for the Company's consolidated financial statements for the first quarter of 2023. ● The resolution has been passed for the Company to proceed with the private placement of cash for the issuance of common shares.
7 August 2023 (The 3rd Audit Committee, The 7th meeting)	<ul style="list-style-type: none"> ● The resolution has been passed for the Company's internal rotation and adjustment of CPAs. ● The resolution has been passed for the Company's consolidated financial statements for the second quarter of 2023. ● The resolution has been passed for the endorsement and guarantee between the Company and the investee company. ● The resolution has been passed for the adjustment to the Company's organizational structure.
2 November 2023 (The 3rd Audit Committee, The 8th meeting)	<ul style="list-style-type: none"> ● The resolution has been passed for the Company's consolidated financial statements for the third quarter of 2023. ● The resolution has been passed to amend the Company's audit plan for 2024. ● The resolution has been passed to amend certain articles of the "Regulations Governing Internal Control Systems" of the Company. ● The resolution has been passed to amend certain articles of the "Internal Audit Implementation Rules" of the Company. ● The resolution has been passed for the Company's appointment or dismissal of internal audit supervisors.
12 March 2024 (The 3rd Audit Committee, The 9th meeting)	<ul style="list-style-type: none"> ● The resolution has been passed for the Company's 2023 annual business report and financial statement. ● The resolution has been passed for the Company's 2023 profit and loss appropriation. ● The resolution has been passed to provide funding loans between the Company and the investee companies. ● The resolution has been passed for the Company's "Statement of Internal Control System" for 2023. ● The resolution has been passed for the periodic assessment of the independence and suitability of the Company's CPAs. ● The resolution has been passed to review non-assurance services provided by Ernst & Young and its associates. ● The resolution has been passed for the audit of the Company's CPA fees of financial statement and tax report for 2024. ● The resolution has been passed to amend certain articles of the "Audit Committee Charter" of the Company.
8 May 2024 (The 3rd Audit Committee, The 10th meeting)	<ul style="list-style-type: none"> ● The resolution has been passed for the Company's consolidated financial statements for the first quarter of 2024.
The dissenting opinions or reserved opinions from independent directors, or significant recommendations: None.	

The resolution of the Audit Committee and the Company's response thereto:

The Audit Committee members unanimously approved all the proposals, and the board of directors, based on the recommendations of the Audit Committee, approved all the proposals.

(ii) Except for the previously mentioned affairs, other affairs have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors.

ii. In situations where independent directors recuse themselves due to conflict of interest, the independent director's name, content of the resolution, reason for recusal, and his or her voting participation should be properly recorded: None.

iii. Communication between independent directors and internal audit supervisors and CPAs (regarding issues such as company financial and operational status, procedures, and results)

(i) The independent directors and internal audit supervisors usually communicate via email, telephone or meeting. And conduct internal audit reports at quarterly Audit Committee meetings. In case of special circumstances, report to the Audit Committee immediately.

The Material Communication Content between the Auditing Committee and the head of internal audit is as follows:

Date	The point of communication	Result
16 March 2023	1. Discussion and communication on the internal audit business execution report from October 2022 to February 2023. 2. Discussions and resolution on the summary report of the internal control self-assessment for 2022. 3. Discussions and resolution on the amendment of the regulations governing of internal control systems and the implementation details of internal audit.	After the discussion and communication, the independent directors have no objection to the results of the audit business execution report, the summary report of the internal control self-assessment for 2022, and the results of the amendment of the regulations governing and implementation details of internal control systems.
4 May 2023	Discussion and communication on the internal audit business execution report for March 2023.	After the discussion and communication, the independent directors have no objection to the results of the audit business execution report.
7 August 2023	Discussion and communication on the internal audit business execution report from April 2023 to June 2023.	After the discussion and communication, the independent directors have no objection to the results of the audit business execution report.
2 November 2023	1. Discussion and communication on the internal audit business execution report from July 2023 to September 2023. 2. Discussion and communication on the internal audit plan for 2024. 3. Discussions and resolution on the amendment of the regulations governing of internal control systems and the implementation details of internal audit.	After the discussion and communication, the independent directors have no objection to the results of the audit business execution report, the internal audit plan for 2024, and the results of the amendment of the regulations governing and implementation details of internal control systems.

(ii) In addition to reporting the audit or review of the financial report to the independent directors, the CPAs of the Company also give suggestions and relevant countermeasures on the Company's overall operation, internal control audit, update publicity of financial and tax laws, etc. Furthermore, the CPAs attend the Audit Committee from time to time (twice a year) and report the audit status of financial statements.

The main communication content between CPAs and independent directors in 2023 is as follows:

Date	The point of communication	Result
16 March 2023	<ul style="list-style-type: none"> ● Explanation of the audit results of the consolidated statements and parent company only financial statements in 2022 and communicated about crucial audit matters. ● Auditor's explanation on Audit Quality Indicators (AQI) and the establishment of non-assurance services by Ernst & Young and its associates. ● Promotion of financial and tax law updates. 	Independent directors had no objection.
7 August 2023	<ul style="list-style-type: none"> ● Explanation of the review results of the consolidated financial report for the second quarter of 2023 and communicated about key audit matters. ● Auditor's explanation on the periodic assessment of the independence of CPAs. ● Promotion of financial and tax law updates. 	Independent directors had no objection.

(iii) The Company's website/corporate governance corner has set up the communication status of independent directors and regularly updates the communication progress. Website address: <http://www.umec.com.tw/Investor/CorporateGovernance>

3. Participation of supervisors in the operation of the board of directors: Not applicable.

(iii) Pursuit of corporate governance varied with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation:

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
i. Does the company establish and disclose the “Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?”	✓		The Company has established the Corporate Governance Best Practice Principles, handling and continuing to promote corporate governance operations in accordance with relevant regulations.	No deviation
ii. Shareholding structure & shareholders’ rights (i) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(i) The company has established a spokesperson system to deal with shareholders' issues, and there are spokespersons and proxy spokespersons to effectively handle shareholder suggestions or disputes and other related issues. If the law is involved, it will be handled by the legal counsel.	No deviation
(ii) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(ii) The Company has established a stock undertaking staff responsible for handling related matters, and appointed the shareholder service agency “the shareholder services department of President Securities Corporation” to assist in processing and can effectively grasp the list of major shareholders.	No deviation
(iii) Does the company establish and executes the risk control and firewall mechanism with the affiliated enterprise?	✓		(iii) The Company's internal control covers the risk management at the enterprise level and operational activities at the operational level. In addition, there are regulations on the supervision of subsidiaries to implement the risk control mechanism for subsidiaries and the audit unit conducts regular audits.	No deviation

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
(iv) Does the company formulate the internal specification to prohibit the corporate insiders to buy or sell negotiable securities by using the information undisclosed in market?	✓		(iv) The Company has stipulated the “Procedures for Handling Material Inside Information” and “Code of Conduct for Employees “to prevent improper disclosure of undisclosed information. Internal personnel is informed about relevant laws and penalties regarding insider trading. Directors and executives are required to sign confidentiality agreements and faithfully abide by them. An educational campaign on preventing insider trading should be conducted at least once a year for directors, executives, and employees.	No deviation
iii. The organization and function of the board (i) Does the board of directors draft the diversification policy, specific management objective and implements it in terms of the member composition?	✓		(i) 1. The Company's " Corporate Governance Best Practice Principles " has stipulated that the composition of the board of directors should consider diversity, and formulate an appropriate diversification policy according to its own operation, operation type and development needs. The policy is that the board members should generally possess the knowledge, skills and qualities that are required to perform their duties. 2. There are 11 board members in this session, of which about 2:9 are also served as employees, about 4:7 are independent directors, and 1:10 are female directors to implement gender equality. There are a total of four independent directors in the third term, three of whom have served for six years to the current date. There are three independent directors in the second session, and the tenure until the current term of office is about six years. All directors of the company possess the professional knowledge,	No deviation

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
			<p>skills and qualities to perform their duties. Those directors with industry experience account for about 91%, and those with professional qualifications account for about 9%. Please refer to this handbook for professional background information on directors (3.2.1 Information on directors and supervisors). For the gender ratio and professional background of the board members, please refer to Investor /Director Member Information on the official website of UMEC.</p> <p>3. Specific management objectives and achievement of the diversity policy: The board of directors should contain at least one female member and an independent director shall serve no more than three consecutive terms, the mentioned goal had been achieved. (Please refer to Investor/ Corporate Governance/Director Diversification Implementation Situation on the official website of UMEC. https://www.umec.com.tw/Investor/CorporateGovernance.</p>	
(ii) Does the company voluntarily set other functional committees apart from the Remuneration committee and Audit?		✓	(ii) In addition to the Remuneration Committee and the Audit Committee, the company currently has no other functional committees.	Yet to be evaluated.

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
(iii) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	✓		(iii) The Company has established the “Rules for Performance Evaluation of Board of Directors” and has completed the evaluation of the board of directors’ performance for 2023. The results were reported to the board of directors on 12 March 2024, and will be utilized as references for individual director remuneration and nomination for reelection. Relevant information has been disclosed on the Company's official website under the Corporate Governance section.	No deviation.
(iv) Does the company regularly evaluate the independence of CPAs?	✓		(iv) The independence and adequacy of the CPAs are regularly assessed by the Audit Committee every year, and confirm whether it is a director, shareholder or non-interested person of the company according to the evaluation procedure. Also, require the CPAs to provide a "Declaration of Independence" to confirm that his/her audit or review work complies with the relevant regulations of the independence of issue No. 10 of the Code of Professional Ethics for Accountants of the R.O.C. and there is no violation of relevant regulations that affect the independence of the accounting firm. 1. The accountant has no direct or material indirect financial interest in the company. 2. The accountant has no financing or guarantee with the directors of the company. 3. There is no significant commercial relationship between the accountants and the members of	No deviation.

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
			<p>their audit service team and the Company.</p> <p>4. The family members of the accountants and members of the audit service team do not hold the positions of directors, supervisors, managers or any direct and significant influence on the audit work of the Company.</p> <p>5. The CPAs and members of the audit service team do not hold the positions of directors, supervisors, managers, or any direct and significant influence on the audit work of the Company.</p> <p>6. The company does not provide gifts or special offers relevant to business habits to members of the audit service team or significant abnormal social customs.</p> <p>7. The accountant has served as the lead accountant of the company for less than seven years and can be returned to the office after at least two years of job rotation.</p> <p>8. Accountants are in accordance with the independence for non-audit services provided by the company.</p> <p>9. Obtain a declaration of independence from the accountant for the board members.</p>	
iv. Has the Company appointed a competent and appropriate number of personnel to perform the function of corporate governance, and a designated Corporate Governance Officer charged with corporate governance and related affairs (including but not limited to supplying the Directors and the Supervisors with information required for their performance of duties, assistance to the	✓		The Company has approved the appointment of the director of corporate governance during the board meeting held on 16 March 2023. The position will be concurrently held by the senior manager of the finance and accounting department. Furthermore, the appointee has the qualifications of having served as a financial, shareholder, and corporate governance affairs manager in a public company for over three years. Currently, the responsibilities related to	No deviation.

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
Directors and the Supervisors in law and compliance, administrative affairs pertinent to the convention of the Board and the Shareholders Meeting, keeping minutes of meeting on record for the convention of the Board and the Shareholders Meeting)?			<p>corporate governance are jointly handled by the management department and the finance department. The primary duties include the following:</p> <p>(i) The management department is responsible for planning the organizational structure and related laws and regulations and setting up a special corner for stakeholders and communication channels. The personnel will be responsible for dealing with the relevant stakeholders' response matters and respecting the rights and interests of stakeholders. In addition, a corporate governance corner has been set up, and relevant regulations and implementation status are updated on the Company's website in real time to improve information transparency. The Company's website address: http://www.umec.com.tw/Investor/CorporateGovernance</p> <p>(ii) The finance department assists in providing the information required by the directors to execute their business and it is also responsible for handling shareholders' meetings and the convening of the board of directors. Before the shareholders' meeting, it seeks opinions from various departments and directors to plan and formulate the agenda, register the date of the shareholders' meeting within the prescribed time limit, and prepare the proceedings manual and minutes. Additionally, the Company appointed the shareholder service agency “the shareholder services department of President Securities Corporation” for handling shareholders' stock affairs and protecting shareholders' rights and</p>	

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
			interests.	
v. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		(i) The Company has set up the “Corporate Social Responsibility Corner” and “Stakeholders Corner” on the Company’s website, providing stakeholders with non-stakeholder contact channels other than shareholders, employees, customers, suppliers and investors. In addition, providing a dedicated staff that is responsible for responding to relevant questions. (ii) Contact methods include telephone and dedicated e-mail to establish communication channels with stakeholders. (iii) Please refer to the Company’s website for relevant information: http://www.umec.com.tw/Investor	No deviation.
vi. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company appointed “the shareholder services department of President Securities Corporation” to handle shareholder meeting affairs.	No deviation.
vii. Information Disclosure (i) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(i) The Company has set up a company website. Company website address: http://www.umec.com.tw/Investor/FinanceAndShareholders , and establish an “Investor Corner” to expose various financial, operational and corporate governance-related information.	No deviation.

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
(ii) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(ii) The Company has set up three language web pages in traditional Chinese, English and Japanese, and provides dedicated e-mail mailboxes for related businesses. And has established "internal material information processing operation procedures" to establish a good internal material information processing and disclosure mechanism. Also, there is a dedicated person responsible for the collection and disclosure of information. And implement the spokesperson system as a bridge for external communication, and the spokesperson and dedicated person will disclose important information online. In addition to announcing monthly consolidated revenue, the company regularly discloses the results of quarterly board resolutions and financial reports on the company's official website to improve the Company's information disclosure.	No deviation.
(iii) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		✓	(iii) The issue is still under discussion. At present, there are no enough internal and external resources to announce in advance.	Still under discussion.
viii. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records,	✓		(i) Employee Rights: Employees are the most important asset of the Company. In addition to regularly convening labor-management meetings internally, the Company also prioritizes providing channels for employees to voice their opinions and complaints, ensuring open lines of communication. The Company aim to provide a	No deviation.

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors?			<p>conducive work environment for all employees so that they can fully utilize their talents. All employees of UNIVERSAL MICROELECTRONICS can provide feedback on their personal rights, benefits, management, and working environment at any time. Feedback can be submitted through dedicated lines, emails, or written submissions to immediate supervisors or the management department, and can also be directly deposited into physical suggestion boxes. The Company's internal employee webpage outlines various management policies, specifies employee rights, obligations, and benefits, and holds regular meetings to review benefit contents to safeguard employee rights. The Company established an Employee Welfare Committee on February 1994 to implement the pension system, and take out group insurance for employees, plan for further education and training of employees, attach importance to labor relations, and ensure employees' rights and interests.</p> <p>(ii) Employee Care: The Company provides employee group insurance for complete employee health management, and regularly conducts employee education and training to motivate talents in a timely manner. The Company's welfare system stabilizes the life of employees through various activities and benefits, such as organizing domestic and foreign travel for employees, subsidies for club activities, subsidies for departmental dinners, subsidies for employees' weddings, subsidies for employees' maternity, Labor Day on 1 May, the celebration for</p>	

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
			<p>employees’ birthdays, Mid-Autumn Festival and other gifts (coupons), year-end bonuses, provision of staff dormitories, and physical fitness Gym, 24HR ATM, employee car parking lot, etc.</p> <p>(iii) Investor Relation: The Company is required to disclose information in the public information observatory according to laws and regulations to protect the rights and interests of investors, and the investor mailboxes and spokesperson contact channels are stated on the company's website. Every year, the shareholders' meeting is convened in accordance with the provisions of the Company Law and relevant laws and regulations, and shareholders are also given sufficient opportunities to speak or make proposals. There is also a spokesperson system to deal with shareholder suggestions, doubts and disputes. The company also formulates the rules of procedure for shareholders' meetings and handles relevant information announcements and declarations in accordance with the regulations of the competent authorities, and timely provides various information that may affect investors' decision-making.</p> <p>(iv) Supplier Relation: The Company keeps in touch with suppliers at any time, adhering to the principle of reciprocity to create a win-win partnership. The supplier's opinion mailbox and the contact channel of the dedicated personnel for handling complaints are stated on the Company’s website.</p> <p>(v) Stakeholder Rights: The Company's website www.umec.com.tw has a “Stakeholders Corner”</p>	

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
			<p>for disclosing financial and business-related information and setting up mailboxes for stakeholders to raise relevant questions and suggestions. The Company's share transfer agent“the stock transfer agency department of President Securities of Corporation” also assists in handling related issues and suggestions from shareholders and the Company's stakeholders, etc. If legal issues are involved, professional lawyers will be appointed to deal with them to safeguard the rights and interests of stakeholders. In addition, the directors of the company adhere to the principle of high self-discipline, and those who have interests in the board of directors shall not participate in the voting.</p> <p>(vi) The Continuing Education of the Directors: The directors of the Company focus on industry development and continuous education in corporate governance, and the Company regularly arranges for directors to participate in refresher courses such as corporate governance. For relevant information please refer to the explanation of “Status of directors further education” of the annual report (3.4.8 Disclosure of directors’ further education).</p> <p>(vii) The Implementation Status of Risk Management Policy and Risk Assessment Standard : The company has set up an audit office, formulated various internal regulations according to law, carried out various risk management and assessment, and strictly controlled risks.</p> <p>(viii) The Implementation Status of Customer Policy: The Company and customers have always</p>	

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
			<p>maintained a stable and good relationship. The Company's website has set up a “Stakeholders Corner” and the following is the Company’s website address: http://www.umec.com.tw/Investor Set up a mailbox and telephone handled by a dedicated person for customer opinions and provide a channel for stakeholders to put forward relevant questions and suggestions.</p> <p>(ix) The Status of Taking Liability Insurance for the Company’s Directors and Supervisors: The Company has taken out liability insurance for directors (including independent directors) in 2023 and adopted an annual review of the policy content to improve the renewal conditions. And reported the director's liability insurance items, amount, coverage and other matters at the board meeting on 4 May 2023.</p>	
<p>ix. Explain the corrective action taken in response to the evaluation result released by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and special attention and additional effort on issues that needed to be addressed as top priority:</p> <p>According to the evaluation of 10th corporate governance evaluation (evaluation for the 2023), the evaluation result was ranked 81%~100% companies, the following is an explanation of the areas in which the Company did not score and the improvements made:</p> <p>(i) Improvements made by the Company in 2024 are as follows:</p> <ol style="list-style-type: none"> 1. The Company have established an information and communication security risk management framework, formulated information and communication security policies, specific management plans, and allocated resources for information and communication security management, which are disclosed on the Company's website or annual report. 2. The Company has uploaded uninterrupted audio and video recordings of the entire shareholders’ meeting after the meeting. 				

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
(ii) The Company will continue to assess the feasibility of future improvements regarding the areas where we have not scored well, in order to meet corporate governance requirements.				

Note: Regardless of whether the operational status is selected as “Yes” or “No”, it should be specified in the summary description field.

(iv) Composition, responsibilities, and operation of the Remuneration Committee:

On 27 December 2011, the board of directors of the Company formulated the articles of association of the Remuneration Committee in accordance with the "Measures for the Establishment and Execution of Powers of the Remuneration Committee of Companies Listed in Stocks or Trading in the Business Office of Securities Firms", and appointed WU, TEH-CHUAN, WU, HUEI-HUANG, TSOU, YEN-CHUNG and KO, HSIN-SUI, etc. as members of the 5th Remuneration Committee of the Company. It is stipulated in the Articles of Incorporation that members shall perform their duties faithfully with the attention of the fiduciary, and submit their suggestions to the board of directors for discussion.

1. Profiles of the members of the Remuneration Committee

8 May 2024

Condition Identity / Name		Professional qualifications and work experience	Independence status	Number of companies where the members of the Remuneration Committee also hold concurrent position as members of Remuneration Committee
Independent Director	WU, HUEI-HUANG	National Yang Ming Chiao Tung University Department of Electronic Engineering Independent director, Kinsus Interconnect Technology Corp. Independent director, Merry Electronics Co., Ltd.,	Compliant with Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee regarding independence	1
Independent Director	WU, TEH-CHUAN	Department of Electrical Engineering National Cheng Kung University Chairman, Lelon Electronics Corp,	Compliant with Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee regarding independence	0
Independent Director	TSOU, YEN-CHUNG	Department of Accountancy, National Cheng Kung University Director, Sun Young CPAs Firm	Compliant with Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee regarding independence	2
Independent Director	KO, HSIN-SUI	Master, College of Management, National Chung Hsing University	Compliant with Article 6 of the Regulations	0

Condition		Professional qualifications and work experience	Independence status	Number of companies where the members of the Remuneration Committee also hold concurrent position as members of Remuneration Committee
Identity	Name			
		Chairman, Sweeten Real Estate Development Co., Ltd.	Governing the Appointment and Exercise of Powers by the Remuneration Committee regarding independence	

2. Information on the function of the Remuneration Committee:

- (1) The Remuneration Committee of the Company consists of 4 members.
- (2) Tenure of the members in the current term: the previous term of office lasted from 8 August 2022 to 19 June 2025. The committee has convened 4 meetings(A). The eligibility of the members and attendance to committee sessions of the members are specified below:

Title	Name	Actual frequency of attendance (B)	Frequency of attendance by proxy	Actual attendance rate (%) (B/A)	Remark
Convener	WU, HUEI-HUANG	4	0	100%	Re-elected on 8 August 2022
Member	WU, TEH-CHUAN	4	0	100%	Re-elected on 8 August 2022
Member	TSOU, YEN-CHUNG	4	0	100%	Re-elected on 8 August 2022
Member	KO, HSIN-SUI	4	0	100%	Re-elected on 8 August 2022

Additional information:

- i. If the board does not adopt or amend the suggestions of the Remuneration Committee, it shall state the date, term, proposal content, resolution results of the board of directors and the Company's response to the Remuneration Committee (such as the remuneration approved by the board of directors is better than the suggestions of the Remuneration Committee, should explain the discrepancy and its reasons): None.
- ii. Should a committee member oppose or retain their opinion regarding any decision made by the Remuneration Committee and their opinion has been recorded or submitted in a written statement, the committee meeting date, session, content of the resolution, opinions of all members, and the response to the opinions shall be recorded: None.
- iii. The proposals and results of the meeting and the Company's response to members' opinions:

Date	Proposal details and resolution results
The 5 th Meeting, The 3 rd Remuneration Committee (17 January 2023)	<p>Proposal:</p> <ol style="list-style-type: none"> 1. Year-end bonus and allocation of senior managers in 2022. 2. The proposal of annual remuneration for senior managers in 2022. <p>Opinions of members: No objection or unqualified opinion. Resolution result: The chairman consulted all the attending members and passed the proposal without objection. The Company's response to the opinions of the Remuneration Committee: All members of the committee acted in favor of these motions in common consent and submit to the board.</p>
The 5 th Meeting, The 4 th Remuneration Committee (16 March 2023)	<p>Proposal:</p> <ol style="list-style-type: none"> 1. The Company's allocation of employee remuneration for 2022. 2. Amendment of the certain articles of the Company's "Regulations Governing Director and Functional Committee Remuneration Payment". 3. The Company's allocation of director remuneration for 2022. <p>Opinions of members: No objection or unqualified opinion. Resolution result: The chairman consulted all the attending members and passed the proposal without objection. The Company's response to the opinions of the Remuneration Committee: All members of the committee acted in favor of these motions in common consent and submit to the board.</p>
The 5 th Meeting, The 5 th Remuneration Committee (4 May 2023)	<p>Proposal:</p> <ol style="list-style-type: none"> 1. The Company's the allocation of employee remuneration and senior managers for 2022. <p>Opinions of members: No objections or unqualified opinions. Resolution result: The chairman consulted all the attending members and passed the proposal without objection. The Company's response to the opinions of the Remuneration Committee: All members of the committee acted in favor of these motions in common consent and submit to the board.</p>
The 5 th Meeting, The 6 th Remuneration Committee (7 August 2023)	<p>Proposal:</p> <ol style="list-style-type: none"> 1. The Company's salary adjustment for 2023. <p>Opinions of members: No objections or unqualified opinions. Resolution result: The chairman consulted all the attending members and passed the proposal without objection. The Company's response to the opinions of the Remuneration Committee: All members of the committee acted in favor of these motions in common consent and submit to the board.</p>

(v) The advocacy of sustainable development and variation from the “Sustainable Development Best Practice Principles of TWSE/TPEX Listed Companies”, and the reason:

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
i. Does the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) position to promote sustainable development, which is authorized by the board of directors to handle senior managers, and the board of directors supervises the situation?	✓		The company adheres to its corporate sustainability policy and vision. In August 2015, the “CSR Promotion Team” was established, and in May 2022, it was renamed the “Sustainable Information Disclosure Team”. Led by the management department and in collaboration with various departments, the team regularly reviews the Company’s operational capabilities in accordance with the governance strategies promoted by competent authorities and continuously promotes policies, systems, management guidelines, and specific plans in sustainability governance, sustainability environment, and social responsibility. It assesses progress towards goals, plans future initiatives, identifies sustainability issues of concern to stakeholders, and develops and implements annual plans while tracking the effectiveness of previous year's initiatives. The board of directors recommends that the “Sustainable Information Disclosure Team” and relevant department heads participate in government-organized ESG and greenhouse gas reduction courses to understand the government’s current low-carbon policies. In the fourth quarter of	No deviation.

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			2023, the Company completed the previous year’s “ESG Corporate Sustainability Report”. This year, greenhouse gas inventory operations will be conducted at the Taiwan headquarters, Vietnamese subsidiary (UMEC Vietnam Co., Ltd.), and Mainland China subsidiary (JA-LONG) according to the schedule. Upon completion of the inventory, the results will be included in this year’s “ESG Corporate Sustainability Report” and reported to the board of directors. Quarterly reports on ESG and greenhouse gas inventory will be submitted to the board of directors regularly, with the Company’s formulation of strategies.	
ii. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the company’s operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note2)	✓		1. This disclosure covers the sustainability performance of the Company's major subsidiaries in Taiwan, Vietnam, and Mainland China from January 2023 to December 2023. The risk assessment boundary is primarily based on the Company and includes Taiwan, Mainland China, and Vietnam, etc. The subsidiaries, JA-LONG TECHNOLOGY CO., LTD. (Shenzhen) and UMEC Vietnam Co., Ltd. are included in the scope based on their relevance to the Company’s core operations and the significance of their impact on major themes.	No deviation.

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			2. The Sustainable Development Committee conducts analyses based on the materiality principles of sustainability reports, communicates with internal and external stakeholders, and reviews domestic and international research reports, literature, and integrate assessment data from various departments and subsidiaries. This information is used to evaluate significant ESG issues, establish effective risk management policies for identification, measurement, assessment, monitoring, and control, and implement concrete action plans to reduce the impact of related risks.	
iii. Environmental Issue (i) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		In response to international trends and customer demands, the Company has established an environmental management system. On July 2022, the Company successfully passed the regular ISO 14001:2015 annual verification by SGS. A new certificate has been issued, valid until 2025. (The valid certificate of continued approval since July 2023) The greenhouse gas inventory management system was established starting from 2023. In July 2023, SGS conducted an ISO 14064-1: review	No deviation.

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			passed in 2018 (verifying the greenhouse gas inventory results for 2022), and issued a verification certificate, which has been published on the official website of UNIVERSAL MICROELECTRONICS.	
(ii) Does the Company make effort in upgrading energy efficiency and using regenerated materials for mitigating the impact on the environment?	✓		<ol style="list-style-type: none"> The Company actively promotes resource reuse efficiency, including internal document recycling and reusing the paper, comprehensive replacement of water-saving faucets, and wastewater recycling, which contributes to the quality of the water environment. The Company is committed to environmental protection, and its specific achievements are as follows : <ol style="list-style-type: none"> In 2022, the ratio of products in compliance with the management standard of restricted hazardous substances (ROHS) reached 100%. Reuse of waste packaging materials for product shipment packaging. The recycle and reuse of hydrocarbon cleaners have reached a 90% recovery rate. Purchased new variable frequency air compressors in 2023 to reduce electricity consumption and improve energy efficiency. 	Relevant with the principle.

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
(iii) Does the Company assess the potential risk and opportunity for the enterprise to bring about by climate change, and take appropriate measures in responding to climate change issues?	✓		The Company has also started to vigorously promote energy-saving measures and green factory construction, such as promoting the construction of rooftop photovoltaics and ground photovoltaics, eliminating low-efficiency motors to improve energy conservation, setting the temperature of air conditioners, turning off lights when leaving, saving water, etc. Saving electricity consumption by 1% per year is the energy saving and emission reduction goal, and the Company strives to achieve them.	Relevant with the principle.
(iv) Does the company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	✓		1. Greenhouse gas emissions status: (1) In 2022, the greenhouse gas emissions (operational headquarters and manufacturing plants) amounted to 4757.172 metric tons of CO ₂ e (Reviewed by SGS, a third-party certification body. The ‘Inspection Statement’ has been published on the official website of the Company). (2) In 2023, the greenhouse gas emissions amounted to 4129.718 metric tons of CO ₂ e (preliminary self-assessment, pending SGS review). (3) The total water consumption for 2022 was 26,349 units, and for 2023 was 25,619 units.	Relevant with the principle.

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			<p>(4) The total weight of business waste for 2022 was 8.28 metric tons, and for 2023 was 15.75 metric tons.</p> <p>2. The Company replaced faucets with misting ones to reduce water resource wastage.</p> <p>3. The Company continues to replace indoor LED lighting fixtures to reduce electricity consumption.</p> <p>4. The Company continues to enhance paperless processes to reduce paper usage, waste paper, and increase material recycling.</p> <p>5. To actively reduce the Company's greenhouse gas emissions, a variable frequency drive was installed in the air conditioning ice storage system in 2022, and variable frequency air compressors were purchased in 2023 to reduce energy consumption compared to fixed-frequency air compressors.</p>	
iv. Social Issue (i) Does the Company set up management policy and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		The Company abides by the Responsible Business Alliance (RBA) and the labor acts and international human rights principles where it operates. The Company does not force labor, does not use child labor, and does not use foreign illegal laborers,	Relevant with the principle.

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			<p>providing a safe and healthy working environment, improving the quality of products and services, the stability of production, and the loyalty and morale of employees. Strictly prohibit underaged employees from engaging in dangerous work, and all wages, working conditions and safety and health standards are established in accordance with national and regional laws and regulations. In terms of capital management, institutionalization and humanization are absolutely taken into account. In terms of appointment and employment, salary and reward, education and training, performance evaluation, job promotion, transfer and dismissal, retirement, etc., it is not affected by factors such as race, social class, gender or political party orientation, there are no circumstances as discrimination. Moreover, the Company deals with employees’ labor health insurance, and provides labor pensions to ensure labor rights and interests. Additionally, taking out insurance for all employees with commercial insurance such as group accident insurance and life insurance. During the manufacturing process, minimizing the adverse impacts on communities, the environment and natural</p>	

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			resources, while safeguarding the health and safety of the public. Adhere to the highest standards of integrity in all business interactions and adopt a zero-tolerance policy that prohibits any form of bribery, embezzlement, extortion and misappropriation of public funds. Respect intellectual property rights; transfer technical and production knowledge in a way that protects intellectual property rights; and protect customer and supplier information.	
(ii) Does the Company establish appropriately managed employee welfare measures (including salary, leave, and other benefits), and is its operational performance and achievements reflected in their pay?	✓		The Company formulates working conditions and various salary and welfare measures for employees in accordance with government labor-related laws and regulations, and according to the job title, function, learning experience, performance, market conditions, future development of the company and other factors, taking into account the retention of outstanding colleagues and shareholders' rights, pay a market-competitive salary level.	Relevant with the principle.

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
(iii) Does the Company provide employees with a safe and healthy work environment and regularly implement safety and health education programs for employees?	✓		<ol style="list-style-type: none"> 1. The Company is committed to providing employees with a safe and healthy working environment, and regularly implements safety and health education through education and training opportunities for new employees. 2. The Company has passed the ISO45001 management system certification. 3. In 2023, the Company recorded a total of six work-related incidents, including two incidents of injuries during operations and four commuting accidents. The occupational injury rate accounts for 0.79% of the total number of employees. The Company has provided relevant education, training, and awareness campaigns for employees who have experienced work-related incidents. 	Relevant with the principle.
(iv) Does the Company establish an effective competency development career training program for employees?	✓		The Company cooperates with well-known schools and departments to maintain a close relationship between industry and academia based on operational strategies and employee career development, and actively participates in the government's employment promotion programs to cultivate talents and their career planning.	Relevant with the principle.
(v) Does the Company comply with relevant regulations and international standards in customer health and safety, customer privacy, marketing and labeling of products and services, and does it	✓		The Company's marketing and labeling of products and services follows relevant regulations and international standards. For the products we sell, relevant regulations and international standards	Relevant with the principle.

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
establish consumer or customer rights protection policies and complaint procedures?			certificates or declarations will be issued according to customer needs. Such as compliance with EU REACH regulations, RoSH environmental protection regulations, WEEE regulations, EuP directives, halogen-free requirements and other international regulations. The privacy of customers abides by the confidentiality agreement and the personal data protection law and has established a customer service unit and a corner for stakeholders to protect consumer rights and provide a channel for complaints.	
(vi) Does the Company establish policies for the management of suppliers and required suppliers to comply with applicable rules and regulations governing environmental protection, occupational safety and health, or human rights of the labor, and the pursuit of these policies?	✓		The Company has established a “Supplier Control Program” for the management of suppliers. An evaluation team is formed by engineering, R&D, quality assurance and procurement or production management personnel to conduct written and on-site evaluation of suppliers. It focuses on the assurance of quality and product safety, regular and irregular audits of all suppliers with transactions, quality management and management of hazardous substances. And conduct an annual evaluation of the environmental protection, safety and health management system and performance of important suppliers. Use the company's influence to promote environmental protection and safety management to the company's main suppliers through supply chain management and Ensure that suppliers comply with environmental	Relevant with the principle.

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
		✓	<p>accounting standards.</p> <p>2. The Company’s ESG report for December 2023 has been published on the official website https://www.umec.com.tw/CorporateSocialResponsibility, and the ESG sustainability report was uploaded to the Stock Exchange for filing in January 2024.</p> <p>3. The third-party verification process for the Company’s ESG sustainability report is still under evaluation.</p>	
vi. If the Company has established the “Sustainable Development Best Practice Principles” in accordance with the “Sustainable Development Best Practice Principles for TWSE Listed and TPEX Listed Companies”, specify the variation between the practice and the principles: The Company has formulated the "Sustainable Development Code of Practice" and has followed the code accordingly. No deviation.				
vii. Other important information that helps to understand the implementation of sustainable development: <ol style="list-style-type: none"> 1. The Company and its overseas subsidiaries have strengthened the values that employees should dedicate what they get from society, so they frequently participate in public welfare activities around the world to fulfill corporate social responsibility and care for the land. Participated in the “Love is flying, creating a friendly environment for being loved and loved” event at Rose Enlightenment in Nantou Catholic Training Center in 2023. 2. The Company collaborates with universities for technical exchanges and course training. It has also established cross-disciplinary practical field collaborations with universities such as National Chin-Yi University of Technology and National Formosa University to cultivate talents. 				

Note 1: The principle of materiality refers to those who have a significant impact on the company's investors and other stakeholders in relation to environmental, social and corporate governance issues.

Climate-related Information of Listed Companies

1. Execution Status of Climate-related Information

Item	Execution Status
<p>1. Disclosure of the Supervision and Governance of Climate-related Risks and Opportunities by the Board of Directors and Management.</p>	<p>Board Supervision of Climate-related Risks and Opportunities: The board of directors, chaired by the chairman, includes functional executives who have a long-term focus on climate change and a thorough understanding of its importance and impact. Therefore, when reviewing significant capital investment cases, the board can incorporate climate change issues into consideration.</p> <p>Management's Assessment and Management of Climate-related Risks and Opportunities : The issues and impacts covered by climate change are extensive, with various units playing different roles. Information exchange and promotion of related issues are communicated quarterly through ESG meetings. Executives from various functions and business units participate to ensure that management is well-informed about climate-related issues. The Department of Intelligent Automation Technology is responsible for improving energy efficiency and conservation. The company's engineering, research and development, and manufacturing departments are committed to enhancing product energy efficiency and developing products and services that contribute to climate change mitigation and adaptation.</p>
<p>2. Description of How Identified Climate Risks and Opportunities Impact the Businesss, Strategy, and Fiance of the Company (Short-term, Medium-term,Long-term).</p>	<p>Timeline for Carbon Reduction Goals: Short-term: Defined as three years, Medium-term: Three to five years,Long-term: Over five year.</p> <p>Climate-related Risks: Short-term: Carbon tax imposition and related regulations, uncertainty in regulations and policies, increase in raw material costs,voluntary standards, renewable energy regulations. Medium-term: Consumer shift to low-carbon products, changes in customer supplier selection criteria, demand for reducing indirect greenhouse gas emissions throught energy saving, increased severity of extreme weather events, costs of transitioning to low-carbon technonlogy, mandatory regulations for products and services, average temperature rise, international industry standards, changes, in rainfall patterns and extreme weather patterns, changes in customer product specifications. Long-term: Products and services being replaced by other low-carbon products and services, rising sea levels, greenhouse gas reduction requirements for suppliers.</p>

Item	Execution Status
	<p>Climate-related Opportunities:</p> <p>Short-term: Utilization of more efficient production and distribution processes, recycling and reuse, use of low-emission energy, supportive policy incentives, use of new technologies, participation in carbon trading markets, development or expansion of low-carbon products and services, development of climate adaptation and insurance solutions, diversification of operations, new market partnerships.</p> <p>Medium-term: Participation in renewable energy projects and energy efficiency improvements.</p> <p>Long-term: Reduction of water resource usage, research and innovation of new products and services, resource substitution and diversification.</p>
3. Description of the Financial Impact of Extreme Weather Events and Transformation Actions.	<p>To address extreme weather events, the company needs to diversify its operations to safeguard the interests of the company and its customers. Therefore, various response measures need to be adopted, resulting in increased financial burden. Transformation actions may lead to short-term customer attrition, and the development of corresponding new products will also increase costs.</p>
4. Description of How the Identification, Assessment, and Management Process of Climate Risks are Integrated into the Overall Risk Management System	<p>Climate change has become a formal topic in the company's risk management, incorporated into the overall risk management. Due to the particularity of climate change, the board of directors has also appointed the ESG committee to be responsible for identifying and managing climate risks and opportunities using the TCFD framework, and promoting relevant response measures and strategies.</p>
5. If using scenario analysis to assess resilience to climate change risks, the scenario, parameters, assumptions, analysis factors, and major financial impacts should be explained.	<p>In the context of three scenario analyses completed for physical risks and transformation risks and opportunities, a water shortage issue was identified at the manufacturing plant:</p> <p>Regarding direct operational aspects, in addition to internal water conservation goals, the current and future water shortage risks were evaluated based on IPCC AR4 (assuming a temperature increase of 2°C). Resilience of regional water resources was strengthened to achieve sustainable water use. The resulting risk values from the analysis were incorporated into the basis for estimating financial impacts.</p> <p>Regarding electricity generation:</p> <p>In addition to internal energy-saving goals, continuous improvement of electricity efficiency was pursued. Based on IPCC AR4 and BAU scenario settings, the current and future electricity shortage risks were evaluated. The resulting risk values from the analysis were incorporated into the basis for estimating financial impacts.</p>

Item	Execution Status
6. If there is a transformation plan to address climate-related risks, describe the contents of the plan, as well as the indicators and objectives used for identifying and managing physical risks and transformation risks.	Discussions have begun on how to invest in the development of low-carbon technology, talent cultivation, and how to proceed with risk management, as well as the setting of indicators and objectives.
7. If using internal carbon pricing as a planning tool, the basis for price determination should be explained.	Currently, the company has not implemented an internal carbon pricing mechanism. In the future, the company will refer to the carbon fee collection standards set by the Environmental Protection Administration of the Executive Yuan (NT\$300~500 per metric ton of CO ₂ e) to establish the basis for internal carbon pricing and encourage production (process) units and research and development units to assist in energy conservation and carbon reduction efforts.
8. If climate-related targets are set, the covered activities, scope of greenhouse gas emissions, planning timeline, annual progress, etc., should be explained. If carbon offsetting or Renewable Energy Certificates (RECs) are used to achieve relevant targets, the source and quantity of offset carbon emissions or the number of RECs should be explained.	<p>1. The scope of greenhouse gas emissions covered by the ISO14064-1 system of the management department includes all manufacturing plants of the group. The greenhouse gas inventory planning timeline for 2024 includes the Taiwan headquarters and manufacturing Plant 2, the subsidiary in Vietnam (UMEC Vietnam Co., Ltd.), and the subsidiary in China (JA-LONG). The inventory planning timeline for 2025 includes the Taiwan headquarters and manufacturing Plant 2, the subsidiary in Vietnam (UMEC Vietnam Co., Ltd.), and the subsidiaries in China (JA-LONG and Renlong). The inventory planning timeline for 2026 includes the Taiwan headquarters and manufacturing Plant 2, the subsidiary in Vietnam (UMEC Vietnam Co., Ltd.), and the subsidiaries in China (JA-LONG , Renlong, and Fulong).</p> <p>2. According to the "Greenhouse Gas Offset Project Management Measures" of the Environmental Protection Administration, the company is not required to register as a process type for the first batch of greenhouse gas emission sources listed by the Environmental Protection Administration, and its annual greenhouse gas emissions do not exceed 25,000 metric tons of carbon dioxide equivalent, so it is not required to use the carbon offset mechanism.</p>
9. Explanation of Greenhouse Gas Inventory and Assurance Status, Reduction Targets, Strategies, and Specific Action Plans (to be filled in sections 1-1 and 1-2)	Please refer to the attached table for details.

1-1 Greenhouse Gas Inventory and Assurance Status for the Past Two Years.

1-1-1 Greenhouse Gas Inventory Information.

Explanation of Greenhouse Gas Emissions, Intensity (metric tons CO2e per million NT dollars), and Data Coverage for the Last Two Years.
<p>Greenhouse Gas Inventory Results for 2022 (Verified by External Audit):</p> <p>Direct emissions (Scope 1): 257.1963 metric tons CO2e</p> <p>Energy indirect emissions (Scope 2 and other indirect emissions under Scope 3): 4499.9756 metric tons CO2e</p> <p>Total greenhouse gas carbon emissions: 4757.172 metric tons CO2e</p> <p>Greenhouse gas carbon emission intensity: 0.9841 metric tons CO2e per million NT dollars</p> <p>Data Coverage: UNIVERSAL MICROELECTRONICS CO., LTD. (No. 2, Gongyequ 27th Rd., Nantun Dist., Taichung City 408217 , Taiwan (R.O.C.);No. 3, Gongyequ 27th Rd., Nantun Dist., Taichung City 408217 , Taiwan (R.O.C.)).</p> <p>Greenhouse Gas Inventory Information for 2023 (Not Yet Verified by External Audit):</p> <p>Direct emissions (Scope 1): 257.9896 metric tons CO2e</p> <p>Energy indirect emissions (Scope 2): 3871.7284 metric tons CO2e</p> <p>Total greenhouse gas carbon emissions: 4129.718 metric tons CO2e</p> <p>Greenhouse gas carbon emission intensity: 0.8543 metric tons CO2e per million NT dollars</p> <p>Data Coverage: UNIVERSAL MICROELECTRONICS CO., LTD. (No. 2, Gongyequ 27th Rd., Nantun Dist., Taichung City 408217 , Taiwan (R.O.C.);No. 3, Gongyequ 27th Rd., Nantun Dist., Taichung City 408217 , Taiwan (R.O.C.)).</p>

Note 1: Direct emissions (Scope 1,emissions directly from sources owned or controlled by the Company),energy indirect emissions (Scope 2,emissions resulting from the consumption of purchased electricity,heat,or steam)and other indirect emissions (Scope3,emissions from activites not owned or controlled by the company , but resulting from its activities).

Note 2: The coverage of direct emissions and energy indirect emissions data shall be processed according to the schedule specified in Article 10,Paragraph 2 of this standard.Information on other indirect emissions may be voluntarily disclosed.

Note 3: Greenhouse Gas Inventory Standard: The Greenhouse Gas Protocol (GHG Protocol)or ISO 14064-1 published by the International Organization for Standardization (ISO).

Note 4: Greenhouse gas emissione intensity may be calculated per unit of product / service or revenue,but data should be at least provided in terms of revenue (in million NT dollars).

1-1-2 Greenhouse Gas Assurance Information

Explanation of the assurance status for the most recent two years up to the date of printing of the annual report, including the scope of assurance, assurance provider, assurance criteria, and assurance opinion.
<p>Greenhouse Gas Inventory for 2021 (Self-assessment) Information:</p> <p>Scope of self-assessment: UNIVERSAL MICROELECTRONICS CO., LTD. (No. 2, Gongyequ 27th Rd., Nantun Dist., Taichung City 408217 , Taiwan (R.O.C.);No. 3, Gongyequ 27th Rd., Nantun Dist., Taichung City 408217 , Taiwan (R.O.C.))</p> <p>Coverage period of self-assessment information: From January 1, 2021, to December 31, 2021</p> <p>Greenhouse Gas Assurance Information for 2022:</p> <p>Scope of assurance: UNIVERSAL MICROELECTRONICS CO., LTD. (No. 2, Gongyequ 27th Rd., Nantun Dist., Taichung City 408217 , Taiwan (R.O.C.);No. 3, Gongyequ 27th Rd., Nantun Dist., Taichung City 408217 , Taiwan (R.O.C.))</p> <p>Coverage period of disclosed information: From January 1, 2022, to December 31, 2022</p> <p>Assurance provider: Taiwan Inspection Technology Co., Ltd. (SGS)</p> <p>Assurance criteria: In accordance with ISO 14064-1:2018, ISO 14064-3:2006 (with reference to Global Warming Potential (GWP) values from IPCC 2021 Sixth Assessment Report)</p>

Note 1: According to the schedule specified in Article 10, Paragraph 2 of this standard, if the company fails to obtain a complete assurance opinion on greenhouse gases by the date of the annual report printing, it shall indicate "Complete assurance information will be disclosed in the sustainability report." If the company has not prepared a sustainability report, it shall indicate "Complete assurance information will be disclosed on the Public Information Observation Platform," and the complete assurance information shall be disclosed in the following year's annual report.

Note 2: The assurance provider shall comply with the relevant regulations on assurance institutions for sustainability reports stipulated by the Taiwan Stock Exchange Corporation and the Taiwan Depository & Clearing Corporation.

Note 3: The disclosure content can refer to the best practice reference examples on the Corporate Governance Center website of the Taiwan Stock Exchange.

1-2 Greenhouse Gas Reduction Targets, Strategies and Specific Action Plans

This section outlines the greenhouse gas reduction baseline year and its data, reduction targets, strategies, specific action plans, and the achievement of reduction targets.

Greenhouse Gas Reduction Baseline Year: The baseline year for greenhouse gas reduction is set as 2022, with a total emissions of 4757.172 metric tons of CO₂e (Scope: Operational Headquarters and Manufacturing Plant 2).

[Direct Emissions (Scope 1): 257.1963 metric tons of CO₂e,
Energy Indirect Emissions (Scope 2 and Other Indirect Emissions in Scope 3): 4499.9756 metric tons of CO₂e]

In 2023, energy-saving and carbon reduction measures were implemented to reduce greenhouse gas emissions (an expected reduction of 5% in greenhouse gas carbon emissions) (Actual reduction is approximately 8%, pending verification by SGS):

Gradual replacement of lighting fixtures in Manufacturing Plant 2 (replacement of fluorescent lights with LED), approximately 100 fixtures, estimating a reduction of 2% in greenhouse gas carbon emissions.

Installation of variable frequency air compressors in Manufacturing Plant 2 (adjusting original fixed-frequency air compressors to standby mode), estimating a reduction of 3% in greenhouse gas carbon emissions.

In 2024, energy-saving and carbon reduction measures continue to be implemented (an estimated further reduction of 6% in greenhouse gas carbon emissions):

Gradual replacement of lighting fixtures in Operational Headquarters (replacement of fluorescent lights with LED), approximately 100 fixtures, estimating a reduction of 2% in greenhouse gas carbon emissions.

Implementation of functional enhancements for 6 elevators (including freight elevators) in Manufacturing Plant 2, estimating a reduction of 2% in carbon emissions.

Replacement of air pollution control equipment [Integration of 46 motors (2HP) into 3 variable frequency motors (75HP2, 30HP1)], estimating a reduction of 2% in greenhouse gas carbon emissions.

Note 1 : The procedures should be conducted in accordance with the schedule set forth in Article 10, Paragraph 2 of this guideline.

Note 2 : The base year should be the year in which the examination of the consolidated financial statements is completed at the boundary. For example, according to the provision in Article 10, Paragraph 2 of this guideline, companies with a capital of over 10 billion NT dollars should complete the examination of the consolidated financial statements for the year 2025 by 2024. Therefore, the base year is 2024. If the company has already completed the examination of the consolidated financial statements in advance, the earlier year may be used as the base year. Additionally, the data for the base year may be calculated based on a single year or the average of several years.

Note 3 : Disclosure content can be referred to the best practice reference examples on the Corporate Governance Center website of the Taiwan Stock Exchange.

(vi) Pursuit of corporate governance and measures to be taken

Fulfillment of Ethical Corporate Management and Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation.

Items Evaluated	Implementation Status (Note)			Variations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	<u>Yes</u>	<u>No</u>	Brief Explanation	
i. Establishment of the ethical corporate management (i) Does the Company make policies of ethical corporate management passed by the board, and explicitly stated the ethical corporate management policy and related action plans, and the commitment of the Board and the senior management in the proper pursuit of the ethical corporate management policy?	✓		The Company has formulated the "Code of Integrity Management", which can be found on the Company website/Investor corner/Corporate Governance corner (http://www.umec.com.tw/Investor/CorporateGovernance) The code stipulated that the board of directors, managers and employees of the Company should abide by laws and regulations and prevent dishonest behavior in the execution of business.	No deviation.
(ii) Does the Company develop the mechanisms for the assessment of the risk of unethical practices, and conducted analysis and assessed the kind of business activities vulnerable to the risk of unethical practices within the scope of operation at regular intervals, and mapped out the solution for preventing such practices covering at least the preventive measures as stated in Paragraph 2 under Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies ”?	✓		The “Corporate Governance Best Practice Principles” stipulated by the Company have detailed regulations prohibiting the directors, managers and all employees of the Company from engaging in any activities that fall within the scope of Article 7, paragraph 2 or other business scopes of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies". There is a “Procedures for Ethical Management and Guidelines for Conduct”. which clearly stipulates the relevant provisions of the Company's personnel prohibiting the provision or acceptance of illegitimate benefits and setting up reporting and appealing channels and appealing units to prevent dishonest behaviors.	No deviation.

Items Evaluated	Implementation Status (Note)			Variations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	<u>Yes</u>	<u>No</u>	Brief Explanation	
(iii) Does the Company map out the solution for preventing unethical practices, and specified the operation procedures, code of conduct, penalty on violation and the system for complaints in the solutions, and properly implemented the plans with routine review and revision of the aforementioned solutions	✓		The Company has formulated the "Corporate Governance Best Practice Principles", which clearly defines the operating procedures, behavior guidelines, punishment and complaint systems for violations, and carry out the implementation. In 2023, when the board of directors presented its executive report in each quarter, the Company's “Corporate Governance Best Practice Principles” will be re-examined that whether it needs to be revised.	No deviation.
ii. Practice of ethical corporate management (i) Does the Company assess the record of integrity on the counterparties of trade, and explicitly stated the integrity clause in the contracts binding the counterparties and the Company?	✓		The Company has evaluated the integrity records of its business partners, and we have not found any instances of trading with individuals or entities with a poor integrity record.	No deviation. °
(ii) Does the Company establish a designated body charged with the advocacy of business integrity under ethical corporate management on a full-time (part-time) basis under the direct supervision of the Board, and report to the Board of the ethical corporate management policy and the plans for prevention of unethical practices with monitoring the enforcement of the plans at regular intervals (at least once a year)?	✓		The Company's management department is responsible for planning and promoting the development of ethical management policies and prevention plans, and the audit unit supervises the implementation status, regularly reports to the board of directors on a quarterly basis on its integrity management policies and plans for preventing dishonest behavior and supervises business implementation.	No deviation.
(iii) Does the Company establish the policies for the prevention of the conflict of interest and appropriate channels for expression, and properly pursued these policies?	✓		The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct”, and clearly defined the policy of interest conflict and provided appropriate channels for statements.	No deviation.

Items Evaluated	Implementation Status (Note)			Variations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	<u>Yes</u>	<u>No</u>	Brief Explanation	
(iv) For the proper pursuit of ethical corporate management, has the Company established an effective accounting system and internal control system, with related audit plans designed by the internal audit function on the basis of the findings of the assessment on the risk of unethical practices basing on which audit on prevention of unethical practice will be conducted, or CPAs will be delegated for conducting the audit?	✓		The Company has established an accounting system and internal control system. In addition to the regular audit by the internal audit unit, it is also entrusted to the accountants to conduct regular audit.	No deviation.
(v) Does the Company hold internal and external ethical corporate behavior training regularly?	✓		The Company has been actively advocating the concept of ethical management to employees.	No deviation.
iii. Status for enforcing the whistle-blowing system (i) Does the Company establish a specific whistleblowing and reward system, set up convenient channels, and designate appropriate personnel to handle the investigations, depending on the identity of the personbeing reported?	✓		The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct” and has also clearly formulated the reporting and complaint channels. Complaints can be reported by the dedicated mailbox set up by the company, and a dedicated unit has been established to handle related affairs by the management department.	No deviation.
(ii) Does the Company establish a standard investigation procedure, follow-up measures, and relevant mechanisms to ensure confidentiality?	✓		The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct”, and the investigation procedures for reported matters is managed by the management department.	No deviation.
(iii) Does the Company adopt protection against possible mistreatment arising from reporting violations?	✓		The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct”, and has taken measures to protect whistleblowers, so as not to be mistreated due to whistleblowing.	No deviation.

Items Evaluated	Implementation Status (Note)			Variations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	<u>Yes</u>	<u>No</u>	Brief Explanation	
iv. Enhance information disclosure Does the Company disclose the content of its Best Practice Principles and its effectiveness on its website and the TWSE market observation post system?	✓		The Company currently discloses relevant information on the Company's website and the Market Observation Post System.	No deviation.
v. If the Company has established a “Corporate Governance Best Practice Principles” based on the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, please specify the variations and implementation below: The Company has established a “Corporate Governance Best Practice Principles” based on the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” that complies with the provisions of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” issued by the TWSE. In terms of operation, the Company also requires the relevant departments of the Company to implement in line with the code, and there is no material difference from the stipulated code.				
vi. Other information that facilitates the understanding of Ethical Corporate Best Practice Principles: The Company discloses the implementation status of ethical management on its company website/Investor corner/Disclosure of the implementation status of corporate best practice principles (http://www.umec.com.tw)				

(vii) The Company formulates the corporate governance code and related regulations and their query methods:

1. If the Company has established corporate governance principles and related guidelines, the means of accessing this information should be disclosed:

- (1) Rules of Procedure for the Shareholders' Meeting
- (2) Rules of Procedure for Board of Directors Meetings
- (3) Procedures for Election of Directors
- (4) Procedures for the Acquisition or Disposal of Assets
- (5) Operational Procedures for Loaning Funds to Others
- (6) Rules Governing Endorsement and Guarantee
- (7) Remuneration Committee Charter
- (8) Corporate Governance Best Practice Principles
- (9) Ethical Corporate Management Best Practice Principles
- (10) Procedures for Ethical Management and Guidelines for Conduct
- (11) Sustainable Development Best Practice Principles
- (12) Code of Conduct for Employees
- (13) Operational Procedures for Applications for Halt and Resumption of Trading

- (14) Audit Committee Charter
- (15) Procedures for Handling Material Inside Information
- (16) Rules Governing the Scope of Powers of Independent Directors
- (17) Standard Operational Protocol for Responding to Requests from Directors
- (18) Rules for Performance Evaluation of Board of Directors

2. Query method: Check the “Corporate Governance Corner” in the investor corner of the Company's website (<http://www.umec.com.tw/Investor/CorporateGovernance>) or inquire and download at the “Corporate Governance Rules” of "Corporate Governance" on Market Observation Post System (<http://mops.twse.com.tw>)

(viii) Other important information that facilitates the understanding of the implementation status of corporate governance may be disclosed:

1. In 2023, the further studies of directors are as follows:

Title	Name	Date of election	Date of course	Organizer	Name of Course	Study hours	Total hours
Director	OU, CHENG-MING	20 June 2022	9 June 2023	Securities& Futures Institute	Prevention of Insider Trading Campaign for 2023	3	6
			14 April 2023	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3	
Representative of corporate director	OU, JEN-CHIEH	20 June 2022	10 November 2023	Taiwan Corporate Governance Association	Practices and Development of Corporate Governance and Compliance	3	6
			10 August 2023	Taiwan Corporate Governance Association	SG-related Legal Issues to be Considered by the Board of Directors	3	
Representative of corporate director	OU, TZU-HUEI	20 June 2022	13 October 2023	Securities& Futures Institute	Prevention of Insider Trading Campaign for 2023	3	6
			14 April 2023	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3	
Director	TSAI, KUO-CHI	20 June 2022	9 June 2023	Securities& Futures Institute	Prevention of Insider Trading Campaign for 2023	3	6
			14 April 2023	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3	
Director	YANG, SHANG-JU	20 June 2022	8 December 2023	Securities& Futures Institute	Annual Internal Personnel Equity Transaction Legal Compliance Advocacy Seminar for 2023	3	6
			23 August 2023	Taiwan Corporate Governance Association	How to Strengthen Strategy Execution Capability in Enterprises	3	

Title	Name	Date of election	Date of course	Organizer	Name of Course	Study hours	Total hours
Director	LIEN, TSUNG-FU	20 June 2022	9 June 2023	Securities& Futures Institute	Prevention of Insider Trading Campaign for 2023	3	6
			14 April 2023	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3	
Director	HSU, KUAN-CHUN	20 June 2022	29 November 2023	Securities& Futures Institute	Annual Internal Personnel Equity Transaction Legal Compliance Advocacy Seminar for 2023	3	6
			2 June 2023	Securities& Futures Institute	Prevention of Insider Trading Campaign for 2023	3	
Independent Director	TSOU, YEN-CHUNG	20 June 2022	23 September 2023	Securities& Futures Institute	Practical Seminar on Sustainable Development	3	6
			14 April 2023	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3	
Independent Director	WU, TEH-CHUAN	20 June 2022	4 July 2023	Taiwan Stock Exchange Corporation	Cathay Sustainable Finance and Climate Change Summit for 2023	6	9
			9 June 2023	Securities& Futures Institute	Prevention of Insider Trading Campaign for 2023	3	
Independent Director	WU, HUEI-HUANG	20 June 2022	28 April 2023	Taiwan Corporate Governance Association	Investment-related Issues in ASEAN - Thailand, Malaysia, India, and Vietnam	3	6
			14 April 2023	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3	
Independent Director	KO, HSIN-SUI	20 June 2022	23 September 2023	Securities& Futures Institute	Practical Seminar on Sustainable Development	3	6
			15 July 2023	Commerce Development Research Institute	Corporate Governance and Sustainable Business Operations Workshop	3	

2. The further studies of managers in 2023 are as follows:

Title	Name	Date of election	Date of Course	Organizer	Name of Course	Study hours
Senior manager of Accounting Department	HSUEH, CHING-YI	1 April 2015	14 September 2023	Accounting Research and Development Foundation	Analysis of Practical Implementation and Case Studies of Enterprise Compliance with Labor Laws	6
			1 December 2023	Accounting Research and Development Foundation	How to Enhance Internal Control Efficiency through the Application of Robotic Process Automation (RPA)	6

Company's corporate governance supervisor	HSUEH, CHING-YI	16 March 2023	23 May 2023	Taiwan Stock Exchange Corporation	Listed Company Sustainable Development Action Plan Advocacy Meeting	3
			9 June 2023	Securities& Futures Institute	Prevention of Insider Trading Campaign for 2023	3
			14 Sep 2023	Accounting Research and Development Foundation	Analysis of Practical Implementation and Case Studies of Enterprise Compliance with Labor Laws	6
			1 Dec 2023	Accounting Research and Development Foundation	How to Enhance Internal Control Efficiency through the Application of Robotic Process Automation (RPA)	6
Supervisor of Audit Office	LI, QIAO-QIAN	2 November 2023	9 Nov 2023	The Institute of Internal Auditors	Key Discussions on the Implementation Practices of Corporate Sustainable ESG and Integrated Internal Audit and Control	6
			20 Dec 2023	The Institute of Internal Auditors	Internal Audit Guidelines for Sales and Receivables Cycle and Compliance with Legal and Regulatory Requirements	6

(ix) Internal control system execution status

1. Statement of Internal Control System

UNIVERSAL MICROELECTRONICS CO., LTD.

Statement of Internal Control System

12 March 2024

Based on the findings of a self-assessment, UNIVERSAL MICROELECTRONICS CO., LTD. states the following with regard to its internal control system during the year 2023:

1. UNIVERSAL MICROELECTRONICS CO.'s Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and UNIVERSAL MICROELECTRONICS CO., LTD. takes immediate remedial actions in response to any identified deficiencies.
3. UNIVERSAL MICROELECTRONICS CO., LTD. evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations
4. UNIVERSAL MICROELECTRONICS CO., LTD. has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, UNIVERSAL MICROELECTRONICS CO., LTD. believes that, on 31 December 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations
6. This Statement is an integral part of UNIVERSAL MICROELECTRONICS CO., LTD.'s annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on 12 March 2024, with none of the eleven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

UNIVERSAL MICROELECTRONICS CO., LTD.

Chairman: OU, CHENG-MING

General Manager: OU, CHENG-MING

2. The CPA audit review must be disclosed as the internal control system is audited by a CPA: None.

(x) Punishment of the Company and employees by the law, punishment of employees by the Company for violation of internal control system regulations, and major defects and improvement in the last year and by the report publishing date: None.

(xi) Major resolutions made and execution status at the shareholders' meeting and board meeting in the last year and by the report publishing date

1. Major resolutions made at the shareholders' meeting and the implementation status after the meeting of 2023:

Date	Major resolutions made and execution status
26 June 2023 regular shareholders' meeting	<p>1. The resolution has been passed for the Company's 2022 annual business report and financial statement. Implementation status: After the resolution was passed at the shareholders' meeting, it will be implemented immediately.</p> <p>2. The resolution has been passed for the Company's 2022 profit and loss appropriation. Implementation status: The shareholders' meeting resolved to distribute a cash dividend of NTD 0.5 for the current year, which was distributed and completed on 13 December 2023.</p> <p>3. The resolution has been passed for the amendment of certain articles of the Company's "Procedures For the Acquisition or Disposal of Assets". Implementation status: After the resolution was passed at the regular shareholders' meeting, it will be implemented immediately.</p> <p>4. The resolution to conduct a private placement cash increase for issuing common shares was not passed. Implementation status: None.</p>

2. Details of major resolutions of the board of directors from 1 January 2023 to 8 May 2024 (printing date):

Date/Period	Major resolutions
17 January 2023 (The 13th board of directors The 5th meeting)	<p>Report items:</p> <p>1. Minutes and implementation status of the previous meeting.</p> <p>2. The Company's major financial business reports.</p> <p>Discussion items:</p> <p>1. Year-end bonus and allocation of senior managers in 2022.</p> <p>2. The proposal of annual remuneration for senior managers in 2022.</p> <p>3. The resolution has been passed to approve the cash capital increase plan for investment in GaN Power Technology Co., Ltd.</p> <p>4. The resolution has passed for the loan limit between the Company and financial institutions.</p>
16 March 2023 (The 13th board of directors)	<p>Report items:</p> <p>1. Minutes and implementation status of the previous meeting.</p> <p>2. The Company's major financial business reports.</p> <p>3. The Company's external endorsement and guarantee status.</p> <p>4. The Company's internal audit business report.</p>

Date/Period	Major resolutions
The 6th meeting)	<p>5. The Company's corporate social responsibility business report for the fourth quarter of 2022.</p> <p>6. Progress report on the greenhouse gas inventory and verification schedule for the fourth quarter of 2022.</p> <p>7. Result of the board of directors' performance evaluation For 2022.</p> <p>8. The report on the Company's "Whether disguised financial transactions need to be disclosed as loaning funds to others announcement".</p> <p>Discussion items:</p> <p>1. The resolution has been passed for the Company's 2022 annual business report and financial statement.</p> <p>2. The resolution has been passed for the Company's 2022 profit and loss appropriation.</p> <p>3. The resolution has been passed for the amendment of the certain articles of the Company's "Regulations Governing Director and Functional Committee Remuneration Payment".</p> <p>4. The resolution has been passed for the allocation of director remuneration for 2022.</p> <p>5. The resolution has been passed for the allocation of employee remuneration for 2022.</p> <p>6. The resolution has been passed to provide funding loans between the Company and the investee companies.</p> <p>7. The resolution has been passed for the Company's "Statement of Internal Control System for 2022.</p> <p>8. The resolution has been passed to amend certain articles of the "Implementation Rules for Internal Audits" of the Company.</p> <p>9. The resolution has been passed for the Company's "Statement of Internal Control System for 2022.</p> <p>10. The resolution has been passed for the amendment of certain articles of the Company's "Corporate Governance Best Practice Principles".</p> <p>11. The resolution has been passed to review the Audit Quality Indicators (AQI) of the CPAs and establish a pre approval process for non-assurance services by EY Taiwan and its affiliated companies.</p> <p>12. The resolution has been passed for the review of the Company's CPA fees of financial statement and tax report.</p> <p>13. The resolution has been passed to discontinue the proposed private placement of cash for the issuance of common shares, which was intended to be approved at the Company's extraordinary general meeting of shareholders for the first time in 2022.</p> <p>14. The resolutions have been passed for the appointment of the Company's corporate governance supervisors.</p> <p>15. The resolution has been passed for the amendment of the certain articles of the Company's "Procedures for the Acquisition or Disposal of Assets".</p> <p>16. The resolution has passed to schedule the regular shareholders' meeting of 2023. The meeting will be held on 26 June 2023(Monday), at 9:00 a.m. in the Company's 5th floor conference room.</p> <p>17. The resolution has been passed to approve the cash capital increase plan for investment in GaN Power Technology Co., Ltd.</p> <p>18. The resolution has passed for the loan limit between the Company and financial institutions.</p>

Date/Period	Major resolutions
4 May 2023 (The 13th board of directors The 7th meeting)	<p>Report items:</p> <ol style="list-style-type: none"> 1. Minutes and implementation status of the previous meeting. 2. The Company's major financial business reports. 3. The Company's internal audit business report. 4. The Company's corporate social responsibility Business report for the first quarter of 2023. 5. The Company's report on the overview of liability insurance report of directors for 2023. 6. Progress report on the greenhouse gas inventory and verification schedule for the first quarter of 2023. 7. The report on the Company's "Whether disguised financial transactions need to be disclosed as loaning funds to others announcement". <p>Discussion items:</p> <ol style="list-style-type: none"> 1. The resolution has passed for the Company's consolidated financial statement report for the first quarter of 2023. 2. The resolution has passed for the Company's employee remuneration and the allocation of senior managers for 2022. 3. The resolution has been passed for the Company to proceed with the private placement of cash for the issuance of common shares. 4. The resolution has been passed for the Amendment of 2023 regular shareholders' meeting. 5. The resolution has passed for the loan limit between the Company and financial institutions.
7 August 2023 (The 13th board of directors The 8th meeting)	<p>Report items:</p> <ol style="list-style-type: none"> 1. Minutes and implementation status of the previous meeting. 2. The Company's major financial business reports. 3. The Company's internal audit business report. 4. The Company's corporate social responsibility Business report for the second quarter of 2023. 5. Report on the results of the corporate governance evaluation and related improvement plan for 2022(the 9th term). 6. Report on the Appointment of Information Security Officers and Personnel for 2023. 7. The report on the Company's "Whether disguised financial transactions need to be disclosed as loaning funds to others announcement". <p>Discussion items:</p> <ol style="list-style-type: none"> 1. The resolution has been passed for the Company's internal rotation and adjustment of CPAs. 2. The resolution has been passed for the Company's consolidated financial statements for the second quarter of 2023. 3. The Company's internal audit business report. 4. Resolution passed on the salary adjustment for 2023 of the Company. 5. The resolution has been passed for the amendment of certain articles of the Company's "Corporate Governance Best Practice Principles". 6. The resolution has passed for the loan limit between the Company and financial institutions. 7. The resolution has been passed for the adjustment to the Company's organizational structure.
2 November 2023 (The 13th board of directors The 9th meeting)	<p>Report items:</p> <ol style="list-style-type: none"> 1. Minutes and implementation status of the previous meeting. 2. The Company's major financial business reports.

Date/Period	Major resolutions
board of directors The 9th meeting)	<p>3. The Company's internal audit business report.</p> <p>4. The Company's corporate social responsibility business report for the third quarter of 2023.</p> <p>5. Progress report on the greenhouse gas inventory and verification schedule for the third quarter of 2023.</p> <p>6. The Company's information security, risk management, and changes in dedicated personnel for 2023 report.</p> <p>7. The Company's Tenure report on the qualification review results of independent directors during the 2023.</p> <p>8. The report on the Company's "Whether disguised financial transactions need to be disclosed as loaning funds to others announcement".</p> <p>Discussion items:</p> <p>1. The resolution has passed for the Company's consolidated financial statement report for the third quarter of 2023.</p> <p>2. Resolution passed to set the ex-dividend date for cash dividends for 2023 of the Company. Cash dividend payment date: 13 December 2023</p> <p>3. The resolution has been passed to amend the Company's audit plan for 2024.</p> <p>4. The resolution has been passed for the Company's "Statement of Internal Control System for 2023.</p> <p>5. The resolution has been passed to amend certain articles of the "Implementation Rules for Internal Audits" of the Company.</p> <p>6. Resolution passed to appoint or dismiss the internal audit manager of the Company.</p> <p>7. The resolution has been passed to approve the Company's operational plan overview for 2024.</p> <p>8. The resolution has been passed for the amendment of the certain articles of the Company's "Rules for Performance Evaluation of Board of Directors".</p> <p>9. The resolution has been passed to donate funds to establish a social welfare charitable foundation.</p> <p>10. The resolution has passed for the loan limit between the Company and financial institutions.</p>
31 January 2024 (The 13th board of directors The 10th meeting)	<p>Report items:</p> <p>1. Minutes and implementation status of the previous meeting.</p> <p>2. The Company's major financial business reports.</p> <p>3. The Company's internal audit business report from October 2023 to November 2023.</p> <p>Discussion items:</p> <p>1. The resolution has been passed for the Company's year-end bonus and allocation for senior managers in 2023.</p> <p>2. The resolution has been passed for the annual remuneration for senior managers in 2023.</p> <p>3. The resolution has passed for the loan limit between the Company and financial institutions.</p>
12 March 2024 (The 13th board of directors)	<p>Report items:</p> <p>1. Minutes and implementation status of the previous meeting.</p> <p>2. The Company's major financial business reports.</p> <p>3. The Company's external endorsement and guarantee status.</p> <p>4. The Company's internal audit business report.</p>

Date/Period	Major resolutions
The 11th meeting)	<p>5. The Company's corporate social responsibility business report for the fourth quarter of 2023.</p> <p>6. Progress report on the greenhouse gas inventory and verification schedule for the fourth quarter of 2023.</p> <p>7. Result of the board of directors' performance evaluation for 2023.</p> <p>8. The report on the Company's "Whether disguised financial transactions need to be disclosed as loaning funds to others announcement".</p> <p>Discussion items:</p> <p>1. The resolution has been passed for the Company's 2023 annual business report and financial statement.</p> <p>2. The resolution has been passed for the Company's 2023 profit and loss appropriation.</p> <p>3. The resolution has been passed for the allocation of director remuneration for 2023.</p> <p>4. The resolution has been passed for the allocation of employee remuneration for 2023.</p> <p>5. The resolution has been passed to provide funding loans</p> <p>6. The resolution has been passed for the Company's "Statement of Internal Control System" for 2023.</p> <p>7. The resolution has been passed for the periodic assessment of the independence and suitability of the Company's CPAs.</p> <p>8. The resolution has been passed to review non-assurance services provided by Ernst & Young and its associates.</p> <p>9. The resolution has been passed for the review of the Company's CPA fees of 2024 financial statement and tax report.</p> <p>10. The resolution has been passed for the amendment of the certain articles of the Company's "Audit Committee Charter".</p> <p>11. The resolution has been passed for the amendment of the certain articles of the Company's "Rules of Procedure for Board of Directors Meetings".</p> <p>12. The resolution has been passed for the amendment of the certain articles of the Company's "Rules for Performance Evaluation of Board of Directors".</p> <p>13. The resolution has passed to schedule the regular shareholders' meeting of 2024. The meeting will be held on 26 June 2024(Wednesday), at 9:00 a.m. in the Company's 5 th floor conference room.</p> <p>14. The resolution has passed for the loan limit between the Company and financial institutions.</p>
8 May 2024 (The 13th board of directors The 12th meeting)	<p>Report items:</p> <p>1. Minutes and implementation status of the previous meeting.</p> <p>2. The Company's major financial business reports.</p> <p>3. The Company's internal audit business report.</p> <p>4. The Company's corporate social responsibility business report for the first quarter of 2024.</p> <p>5. The Company's report on the overview of liability insurance report of directors for 2024.</p> <p>6. Progress report on the greenhouse gas inventory and verification schedule for the first quarter of 2024.</p> <p>7. The report on the Company's "Whether disguised financial transactions need to be disclosed as loaning funds to others announcement".</p> <p>Discussion items:</p> <p>1. The resolution has passed for the Company's consolidated financial statement report for the first quarter of 2024.</p>

Date/Period	Major resolutions
	2. The resolution has passed for the Company's employee remuneration and the allocation of senior managers for 2023. 3. The resolution has been passed for the Company's promotion of senior managers in 2024. 4. The resolution has passed for the loan limit between the Company and financial institutions.

- (xii) Summary of opinion differences in major resolutions at the board meeting between directors or supervisors in the last year and by the report publishing date with written records or statements: None.
- (xiii) Summary table of resignations and dismissals of relevant personnel in the Company during the most recent year or during the current year up to the date of the chairman, general manager, accounting supervisor, finance supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisor of the annual report

8 May 2024

Title	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
Manager of Audit Office	CHEN, MING-HUEI	3 October 2013	2 November 2023	Retirement

Note: The term "relevant personnel" referred to in the table includes the chairman, general manager, accounting supervisor, finance supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisor.

v. Information Regarding the Company's Audit Fee

(i) Audit fee

Unit: NT\$ (in thousands)

Accounting Firm	Name of CPA	Period Covered by CPA’s Audit	Audit fees	Non-audit fees	Total	Remarks
EY Taiwan	LO, WEN-CHEN	1 January 2023-31 March 2023	4,005	1,260	5,265	Non-audit fees mainly include tax verification, transfer pricing, and master file
	HUANG, TZU-PING					
	LO, WEN-CHEN	1 April 2023-31 December 2023				
	HUANG, CHING-YA					

- (ii) If the accounting firm is changed and the audit fee paid in the year of change is lower than the audit fee of the year before the change, the amount, proportion and reason for the decrease in audit fee shall be disclosed: None.
- (iii) If the audit fee is reduced by more than 10% compared with the previous year, the amount, proportion and reason for the reduction of the audit fee shall be disclosed: None.

vi. Replacement of CPA:

(i) Regarding the former CPA:

Replacement Date	Approved by the board of directors on 7 August 2023		
Replacement reasons and explanations	In order to enhance the independence of the CPAs in compliance with the regulations of the securities regulatory authority, and to implement a mechanism for self-rotation of CPAs, it is proposed to adjust the verification services for the Company's financial statements. From the second quarter of 2023, the signing services will be assumed by CPA LO, WEN-CHEN and CPA HUANG, CHING-YA, replacing CPA LO, WEN-CHEN and CPA HUANG, TZU-PING.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties		
	Status	CPA	The Company
	Termination of appointment	Not applicable	
	No longer accepted (continued) appointment		
Other issues (except for unqualified issues) in the audit reports within the last two year	None		
Differences with the issuer	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
	Remarks: None		
Other revealed matters (The items to be disclosed according to the fourth to seventh provisions of the first paragraph of Article 10 of these guidelines)	None		

(ii) Regarding the Successor CPA:

Names of the accounting firm	Ernst & Young Taiwan
Names of the CPA	LO, WEN-CHEN 、HUANG, CHING- YA
Date of appointment	Approved by the board of directors on 7 August 2023
Disclosure of those consultations and the consultation results regarding the prospective accounting treatment of or application of accounting principles to a specific transaction, or the type of audit opinion that might be rendered on the firm's financial report prior to the formal appointment of the successor CPA.	Not Applicable
Written views from the successor CPA regarding the matters on which the firm disagreed with the former CPA	Not Applicable

vii. The Company's chairman, general manager, and managers in charge of its finance and accounting business who hold any positions in the Company's accounting firm or its affiliates during the most recent year. The term "affiliates of the firm to which the CPA belongs" means the CPA of the accounting firm that holds more than 50% of the shares or has obtained more than half of the directors' seats, or companies or institutions listed as affiliates in the information released or published by the accounting firm: None.

viii. Share transfer and share mortgage of directors, supervisors, managers, and shareholders holding over 10% of shares in the last year and by the report publishing date. If the counterparty of the equity transfer or equity pledge is a related person, the name of the counterparty, the number of shares acquired or pledged, and the relationship with the company, directors, supervisors, and shareholders who hold more than 10% of the shares, shall be disclosed.

(i) Share transfer of directors, supervisors, managers, and major shareholders:

Unit: Share

Title	Name	2023		2024 as of 30 April	
		Increase (decrease) of shareholdings	Increase (decrease) of shares pledged	Increase (decrease) of shareholdings	Increase (decrease) of shares pledged
Chairman and the general manager	OU, CHENG-MING	—	—	—	—
Director	HSU, KUAN-CHUN	—	—	—	—
Director	LIEN, TSUNG-FU	—	—	—	—
Director	TSAI, KUO-CHI	—	—	—	—
Director	YANG, SHANG-JU	—	—	—	—
Corporate director	Zhao Zan Investment Co., Ltd.	—	—	—	—
	Representative: OU, JEN-CHIEH	—	—	—	—
Corporate director	Yuan Rong Investment Co., Ltd.	—	—	—	—
	Representative: OU, TZU-HUEI	—	—	—	—
Independe nt director	WU, TEH-CHUAN	—	—	—	—
Independe nt director	WU, HUEI-HUANG	—	—	—	—
Independe nt director	TSOU, YEN-CHUNG	—	—	—	—
Independe nt director	KO, HSIN-SUI	—	—	—	—
Manager	CHANG, WEN- MING	—	—	—	—
Manager	OU, CHING-CHUAN	—	—	—	—
Manager	MA, JONG-JYR	—	—	—	—
Manager	YEN, HWEI-FANG	—	—	—	—
Manager	CHAN, CHIA-NAN	—	—	—	—
Manager	TSAI, CHIN-TE	—	—	—	—
Manager	LIU, JAW-JUEH	—	—	—	—
Manager	WANG, NAN-KUEI	—	—	—	—
Manager	LIAO, CHIEN-HSUN	—	—	—	—
Manager	TSENG, CHI-HUNG	—	—	—	—
Manager	WU, CHUN-HSIEN	—	—	—	—

Title	Name	2023		2024 as of 30 April	
		Increase (decrease) of shareholdings	Increase (decrease) of shares pledged	Increase (decrease) of shareholdings	Increase (decrease) of shares pledged
Manager	LIN, WAN-CHIH	—	—	—	—
Manager	WANG, CHIN-YI	—	—	(1,000)	—
Manager	HSIEH, CHEN-MING	—	—	—	—
Manager	SHEN, CHING-WEN	—	—	—	—
Manager	HSUEH, CHING-YI	—	—	—	—
Manager	LI, CHUN-LIN (Took up the position on 01.04.2024)	N/A	N/A	—	—
Manager	CHANG, FANG- MING (Took up the position on 01.04.2024)	N/A	N/A	—	—

(ii) Information on shares transfer of affiliates: None.

Name	Reasons for transfer	Transaction date	Transaction counterparty	Relationship between the transaction counterparty and the Company, directors, supervisors, managers, and shareholders holding over 10% of shares	Shares	Transaction price (NT\$/share)
N/A						

(iii) Information on the shares pledge of affiliates: None.

Name	Reasons for pledge	Transaction date	Transaction counterparty	Relationship between the transaction counterparty and the Company, directors, supervisors, managers, and shareholders holding over 10% of shares	Shares	Shareholding ratio	Pledge rate	Pledge (redemption) amount
N/A								

ix. Information on the relationship among the top ten shareholders with shareholding ratio

28 April 2024 Unit: share; %

Name	Current shareholding		Spouse's/minor's shareholding		Shareholding by nominee arrangement		Name and relationship between the Company's top ten shareholders, or spouses or relatives within two degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
OU, CHENG-MING	34,870,964	27.38	5,002,778	3.93	—	—	LIN, HSUEH-HWA	Spouse	None
							OU MEIYA	Chairman of the	

							INVESTMENT CO., LTD.	Company	
							OU, JEN-CHIEH	Son	
							OU, TZU-HUEI	Daughter	
Representative of OUMEIYA INVESTMENT CO.,LTD.: OU, CHENG MING	12,693,541	9.97	—	—	—	—	OU, CHENG-MING	Chairman of the Company	None
							LIN, HSUEH-HWA	Supervisor of the Company	
							OU, JEN-CHIEH	Director of the Company	
							OU, TZU-HUEI	Director of the Company	
	34,870,964	27.38	5,002,778	3.93	—	—	LIN, HSUEH-HWA	Spouse	None
							OUMEIYA INVESTMENT CO.,LTD.	Chairman of the Company	
							OU, JEN-CHIEH	Son	
							OU, TZU-HUEI	Daughter	
LIN, HSUEH-HWA	5,002,778	3.93	34,870,964	27.38	—	—	OU, CHENG-MING	Spouse	None
							OUMEIYA INVESTMENT CO.,LTD.	Supervisor of the Company	
							OU, JEN-CHIEH	Son	
							OU, TZU-HUEI	Daughter	
WANG, KE-LI	2,547,083	2.00	—	—	—	—	None		None
YANG, TE-HUA	2,415,639	1.90	—	—	—	—	None		None
HSU, KUAN-CHUN	1,748,177	1.37	137,828	0.11	—	—	None		None
OU, JEN-CHIEH	1,365,582	1.07	—	—	687,000	0.54	OU, CHENG-MING	Father	None
							LIN, HSUEH-HWA	Mother	
							OUMEIYA INVESTMENT CO.,LTD.	Director of the Company	
							OU, TZU-HUEI	Sister	
OU, TZU-HUEI	1,354,356	1.06	—	—	659,000	0.52	OU, CHENG MING	Father	None
							LIN, HSUEH-HWA	Mother	
							OUMEIYA INVESTMENT CO.,LTD.	Director of the Company	
							OU, JEN-CHIEH	Brother	
LIN, CHIH-KANG	1,104,936	0.87	694,932	0.55	—	—	None		None
CHEN, MEI-CHIH	820,000	0.64	—	—	—	—	None		None

- x. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, manager, and any companies controlled either directly or indirectly by the company.

31 December 2023; Unit: 1,000 shares; %

Affiliates (Note)	Ownership by the Company		Direct or indirect ownership by directors/supervisors/managers		Total ownership	
	Shares	%	Shares	%	Shares	%
UMEC Investment (B.V.I.) Co., Ltd.	22,961	100.00	—	—	22,961	100.00
Tian Long Investment Co., Ltd.	8,800	100.00	—	—	8,800	100.00
PT UMEC Green Tech Indonesia	—	60.00	—	—	—	60.00
UMEC JAPAN Co., Ltd.	—	100.00	—	—	—	100.00
UMEC USA Inc	—	99.99	—	—	—	99.99
UMEC VIETNAM Co., Ltd.	—	25.73	—	74.27	—	100.00
Advanced Radar Technology Co., Ltd. (ARadTek)	4,256	84.78	542	10.80	4,798	95.58
Lightel Corporation	5,082	23.88	—	—	5,082	23.88
PORIS Electronics Co., Ltd.	—	—	1,202	33.55	1,202	33.55
UMEC (H.K.) Company Ltd.	—	—	1,782	100.00	1,782	100.00
Global Development Co., Ltd.	—	—	23,125	100.00	23,214	100.00

Note: Investments adopted the equity method.

IV. Fundraising

i. Capital and Shares

(i) Capitalization

1. Capitalization

Month/ Year	Issue Price	Authorized Shares/Capital		Capital Stock		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Non-cash Capital Increase	Other
February 1984	10	6,000,000	60,000,000	1,500,000	15,000,000	Establishment with cash	None	(73)Qi-San-Jian-San-Zi-No. 54326 dated February 18, 1984
April 1984	10	6,000,000	60,000,000	1,700,000	17,000,000	Cash capital increase at 2,000,000	None	(73)Qi-San-Jian-San-Zi-No. 95283 dated April 23, 1984
July 1989	10	6,000,000	60,000,000	3,600,000	36,000,000	Cash capital increase at 4,550,000 Amortization of premiums at 14,450,000	None	(78)Qi-Ba-Jian-Yi-Zi-No. 179806 dated July 24, 1989
November 1990	10	7,600,000	76,000,000	7,600,000	76,000,000	Cash capital increase at 31,000,000 Amortization of premiums at 9,000,000	None	Jing(80)Shang-No. 105310 dated March 21, 1991
August 1991	10	10,640,000	106,400,000	10,640,000	106,400,000	Amortization of premiums at 30,400,000	None	Jing(80)Shang-No. 125156 dated November 7, 1991
December 1993	10	13,200,000	132,000,000	13,200,000	132,000,000	Cash capital increase at 25,600,000	None	Jing(83)Shang-No. 101879 dated February 15, 1994
April 1996	10	15,840,000	158,400,000	15,840,000	158,400,000	Amortization of premiums at 26,400,000	None	Jing (85)Shang-No. 106207 dated May 9, 1996
December 1996	10	19,980,000	199,800,000	19,980,000	199,800,000	Cash capital increase at 41,400,000	None	Jing (86)Shang-No. 122514 dated January 8, 1997
July 1997	10	51,680,000	516,800,000	28,000,000	280,000,000	Amortization of premiums at 39,960,000 Cash capital increase at 40,240,000	None	(86)Tai-Tsai-Cheng-(Yi) No. 25754 dated March 27, 1997
May 1998	10	51,680,000	516,800,000	36,400,000	364,000,000	Amortization of premiums at 84,000,000	None	(88)Tai-Tsai-Cheng-(Yi) No. 43597 dated May 18, 1998
August 1999	10	87,186,000	871,860,000	60,570,000	605,700,000	Amortization of premiums at 138,320,000 Cash capital increase at 100,000,000 New share issue through capitalization of employee bonus at 3,380,000	None	(88)Tai-Tsai-Cheng-(Yi) No. 47241 dated June 1, 1998
April 2000	10	87,186,000	871,860,000	66,570,000	665,700,000	Cash capital increase at 60,000,000	None	(89)Tai-Tsai-Cheng-(Yi) No. 18369 dated February 23, 2000

Month/ Year	Issue Price	Authorized Shares/Capital		Capital Stock		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Non-cash Capital Increase	Other
July 2000	10	163,200,000	1,632,000,000	93,698,000	936,980,000	Amortization of premiums at 232,995,000 Capital surplus transferred to capital at 33,285,000 New share issue through capitalization of employee bonus at 5,000,000	None	(89)Tai-Tsai-Cheng-(Yi) No. 45250 dated May 25, 2000
September 2001	10	202,746,000	2,027,460,000	120,586,500	1,205,865,000	Amortization of premiums at 215,505,400 Capital surplus transferred to capital at 46,849,000 New share issue through capitalization of employee bonus at 6,530,600	None	(90)Tai-Tsai-Cheng-(Yi) No.144448 dated July 11, 2001
March 2002	10	202,746,000	2,027,460,000	120,386,500	1,203,865,000	Capital reduction by mature stock repurchases at 2,000,000	None	(90) Tai-Tsai-Cheng-(San) No. 173212 dated 10 December 2001
September 2002	10	202,746,000	2,027,460,000	139,000,000	1,390,000,000	Amortization of premiums at 144,463,800 Capital surplus transferred to capital at 36,115,950 New share issue through capitalization of employee bonus at 5,555,250	None	(91)Tai-Tsai-Cheng-(Yi) No. 0910135306 dated June 28 2002
August 2003	10	204,746,000	2,047,460,000	143,270,000	1,432,700,000	Amortization of premiums at 40,200,000 New share issue through capitalization of employee bonus at 2,500,000	None	(92)Tai-Tsai-Cheng-(Yi) No. 0920129804 dated July 4, 2003
October 2004	10	204,746,000	2,047,460,000	138,270,000	1,382,700,000	Capital reduction by mature stock repurchases at 50,000,000	None	(93)Tai-Tsai-Cheng-(San) No. 0930138355 dated August 26, 2004
October 2006	10	204,746,000	2,047,460,000	133,270,000	1,332,700,000	Capital reduction by mature stock repurchases at 50,000,000	None	(91)Tai-Tsai-Cheng-(San) No. 0910168228 dated December 26, 2002
April 2008	10	204,746,000	2,047,460,000	132,980,000	1,329,800,000	Capital reduction by mature stock repurchases at 2,900,000	None	(94)Jin-Guan-Zheng-San-Zi No. 0940110141 dated March 22, 2005
August 2008	10	204,746,000	2,047,460,000	136,454,200	1,364,542,000	Amortization of premiums at 32,242,000 New share issue through capitalization of employee bonus at 2,500,000	None	(94)Jin-Guan-Zheng-Yi-Zi No. 0970034068 dated July 8, 2008

Month/ Year	Issue Price	Authorized Shares/Capital		Capital Stock		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Non-cash Capital Increase	Other
January 2009	10	204,746,000	2,047,460,000	132,252,200	1,322,522,000	Capital reduction by mature stock repurchases at 42,020,000	None	(97)Jin-Guan-Zheng -San-Zi No. 0970045385 dated August 29, 2008 (94) Jin-Guan-Zheng-Sa n-Zi No. 0940160023 dated December 29, 2005
February 2011	10	204,746,000	2,047,460,000	129,252,200	1,292,522,000	Capital reduction by mature stock repurchases at 30,000,000	None	(97)Jin-Guan-Zheng -San-Zi No. 0970006012 dated February 15, 2008
January 2012	10	204,746,000	2,047,460,000	127,359,200	1,273,592,000	Capital reduction by mature stock repurchases at 18,930,000	None	(100) Jin-Guan-Zheng-Jia o-Zi no. 1000046913 dated September 26, 2011

2. Type of shares

Share Type	Authorized Shares/Capital			Remarks
	Externally circulated shares	Unissued Shares	Total	
Common stock	127,359,200	77,386,800	204,746,000	Stock of TWSE listed company

3. General information about the reporting system: Not applicable.

4. Private common stock information for the last three years:

- (1) The private placement of ordinary shares for cash capital increase was approved by the extraordinary general meeting on 18 March 2022. However, on 16 March 2023, the board of directors decided not to proceed with the implementation, resulting in no actual funds being raised.
- (2) On 20 June 2023, the shareholders' meeting resolved not to approve the private placement of ordinary shares for cash capital increase.

(ii) Shareholder structure

28 April 2024

Shareholder structure Quantity	Government Agencies	Financial Institutions	Other Corporations	Individuals	Foreign Institutions an Individuals	Total
Amount	-	-	190	20,111	31	20,332
Shares held (share)	-	-	16,384,484	110,249,749	724,967	127,359,200
Percentage (%)	-	-	12.86	86.57	0.57	100.00

(iii) Share distribution

28 April 2024

Shares Held Grading	Number of Shareholders	Shares held	Percentage %
1 -999	11,097	391,298	0.31
1,000 - 5,000	7,132	15,142,550	11.89
5,001- 10,000	1,137	9,138,458	7.18
10,001- 15,000	336	4,299,538	3.38
15,001- 20,000	208	3,868,708	3.04
20,001 - 30,000	146	3,836,597	3.01
30,001 - 40,000	75	2,728,228	2.14
40,001- 50,000	45	2,126,277	1.67
50,001 - 100,000	84	5,862,621	4.60
100,001 - 200,000	35	5,058,210	3.97
200,001 - 400,000	18	4,969,797	3.90
400,001 - 600,000	3	1,725,855	1.36
600,001- 800,000	6	4,288,007	3.37
800,001 - 1,000,000	1	820,000	0.64
Above 1,000,001	9	63,103,056	49.54
Total	20,332	127,359,200	100.00

Preferred stock

28 April 2024

Shares Held Grading	Number of Shareholders	Shares	%
Grading according to the actual situation	Not applicable		
Total			

Note: The Company does not issue preferred stock.

(iv) List of major shareholders

28 April 2024

Shares	Shares	%
Major shareholders		
OU, CHENG-MING	34,870,964	27.38
OUMEIYA INVESTMENT CO., LTD.	12,693,541	9.97
LIN, HSUEH-HWA	5,002,778	3.93
WANG, KE-LI	2,547,083	2.00
YANG, TE-HUA	2,415,639	1.90
HSU, KUAN-CHUN	1,748,177	1.37
OU, JEN-CHIEH	1,365,582	1.07
OU, TZU-HUEI	1,354,356	1.06
LIN, CHIH-KANG	1,104,936	0.87
CHEN, MEI-CHIH	820,000	0.64

(v) Market price per share, net value per share, equity per share, dividends per share and relevant information

Item \ Year		2022	2023	As of 8 May 2024
Market price per share	Highest	31.00	44.75	30.60
	Lowest	17.30	23.50	24.00
	Average	22.10	30.75	27.27
Net value per share	Before distribution	16.05	15.91	16.07
	After distribution	16.05	N/A	N/A
EPS	Weighted average (thousand shares)	126,821	126,821	126,821
	EPS	2.07	0.84	0.07
Dividends per share	Cash dividends	0.5	0.2(Note)	—
	Stock grants	from retained earnings	—	—
		from capital surplus	—	—
	Accumulative undistributed dividends		—	—
ROI	Price / Earnings Ratio	10.68	36.61	389.57
	Price / Dividends Ratio	44.20	153.75	N/A
	Cash Dividends Yield	2.26%	0.65%	N/A

Note: The profit distribution for the 2023 has been approved by the board of directors on 12 March 2023, and has not yet been approved by the shareholders' meeting.

(vi) Dividends policy and implementation

1. Dividend policy stipulated in the Articles of Incorporation

If the general final accounting of the year shows profits, it shall be distributed in the following order:

- (1) Payment of taxes.
- (2) Make up for the losses of previous years.
- (3) 10% of the deposit should be set aside as legal reserves. However, when the legal reserve amounts to the total paid-in capital, this shall not apply. The remaining shall be withdrawn or transferred to the special reserve according to laws and regulations; If there is a remaining balance, together with the accumulated undistributed earnings, the board of directors would formulate a surplus of profits distribution proposal and resolve in the shareholders' meeting to distribute dividends to shareholders.
- (4) The Company's dividend policy is determined in accordance with the current and future development plans, considering the investment environment, capital needs and domestic and foreign competition conditions as well as taking the interests of shareholders and other factors into account. When distributing dividends to shareholders, they may be distributed through the issuance of new shares of the Company or cash, in which cash dividends shall not be less than 10% of the total dividends.

2. Implementation status:

Regarding the profit and loss distribution for 2023, it has been resolved by the board of directors on 12 March 2024, to prioritize the distribution of profits for 2023. A proposed cash dividend of NTD0.2 per share will be distributed, totaling NTD25,364,240. After being approved by the approval of shareholders' meeting, and the board of directors will be authorized to determine the ex-dividend date for the distribution after the resolution. As of the end of 2023, the accumulated distributable earnings amount to NTD322,052,963, and the undistributed earnings at the end of the period amount to NTD296,688,723.

3. When major changes in dividend policy are expected, an explanation should be made:
None.

(vii) Effect of stock grants planned at current shareholders' meeting on business performance and EPS: Not applicable.

(viii) Employee, director, and supervisor remuneration:

1. Percentage or range of employee, director and supervisor remuneration specified in the Articles of Incorporation:

(1) If the Company makes a profit in the year, it should allocate no less than 4% as employee remuneration.

(2) If the Company makes a profit in the year, it should allocate no less than 3% as director remuneration.

Where the Company has accumulated losses, it should set aside an amount for future offsetting.

Employee remuneration may be distributed in the form of stocks or cash, and the recipients of such distributions may include eligible employees of subsidiary companies, subject to certain conditions.

2. The estimation basis for the current period's employee, director, and supervisor remuneration, calculation basis for the allocation of stock dividends, and accounting treatment for any differences between the actual distribution amount and the estimated amount:

The estimation basis is determined based on the profitability of the current year for distribution purposes. The aforementioned amounts are recorded under the salary expense category. If there are differences between the estimated amounts and the actual distribution amounts as determined by the board of directors, they will be recognized in the income statement of the following year.

3. The board of directors approved the distribution of remuneration and related matters:

(1) The amount of employee remuneration, as well as director and supervisor remuneration, distributed in cash or stocks: The Company, as resolved by the board of directors on 12 March 2024, distributed director remuneration for 2023 in the amount of NTD 2,507,565, and employee remuneration in the amount of NTD 13,777,828.

- (2) The ratio of the amount of employee remuneration distributed in stock to the total amount of after-tax net profit and total employee remuneration in the current period's parent company only financial statement: Not applicable.

4. Distribution of employee remunerations for employees, directors and supervisors in the previous year:

2022

Unit: NT\$1,000

Items	Recipients	Amount by the board of directors' resolution	Actual distribution amount	Distribution variance amount and reasons	Distribution method
Employee remuneration	Employees of the Company and eligible employees of affiliated companies meeting certain criteria	13,758	13,758	0	Cash
Director remuneration	Directors of the Company (including independent directors)	6,878	6,878	0	Cash
Total		20,636	20,636		

(ix) Repurchase of the Company's shares (completed):

08 May 2024

Repurchase	Ninth
Date of the board of directors' resolution	2020/3/25
Repurchase purpose	Transfer of shares to employees
Repurchase period	2020/3/26~2020/5/25
Repurchase price range	Each share ranged from NT\$6.68 to NT\$18.68
Types and quantities of shares repurchased	538,000 ordinary shares
Amount of repurchased shares	NT\$6,150,760
Percentage of repurchased quantity to the planned repurchase quantity (%)	26.90%
Number of shares disposed and transferred	0 ordinary shares
Accumulated holding number of the Company's shares	538,000 ordinary shares
Percentage of accumulated holding of the Company's shares to the total issued shares (%)	0.42%
Reasons for the incomplete execution in this time	To accommodate market mechanisms and employee subscription intentions, the full repurchase as planned was not executed.

- ii. Issue of corporate bonds: None.
- iii. Issue of preferred stocks: None.
- iv. Issue of overseas depositary receipts: None.
- v. Issue of employee stock option: None.
- vi. Issue of employee restricted shares: None.
- vii. Mergers and acquisitions or issuance of new shares by the transferee of other company's shares: None.
- viii. Items to be disclosed in capital utilization plans: There has been no issuance or private placement of securities in the past three years and the quarter preceding the publication date of the annual report.
 - (i) On 18 March 2022, the Company approved the resolution at the first extraordinary shareholders' meeting to conduct a cash capital increase through private placement of common shares. However, on 16 March 2023, the Company's board of directors resolved not to proceed with the private placement of common shares for cash capital increase.
 - (ii) On 26 June 2023, the shareholders' meeting resolved not to approve the private placement of ordinary shares for cash capital increase.

V. Operational highlights

i. Content of business:

(i) Business scope:

1. The main content of the Company's business:

- (1) CC01080 Electronics Components Manufacturing
- (2) CC01070 Telecommunication Equipment and Apparatus Manufacturing
- (3) CC01100 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
- (4) CC01040 Lighting Equipment Manufacturing
- (5) CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing
- (6) CC01020 Electric Wires and Cables Manufacturing
- (7) CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing
- (8) CC01110 Computer and Peripheral Equipment Manufacturing
- (9) CC01990 Electrical Machinery, Supplies Manufacturing
- (10) CD01030 Motor Vehicles and Parts Manufacturing
- (11) CE01030 Optical Instruments Manufacturing
- (12) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
- (13) F113010 Wholesale of Machinery
- (14) F113020 Wholesale of Household Appliance
- (15) F113030 Wholesale of Precision Instruments
- (16) F113050 Wholesale of Computers and Clerical Machinery Equipment
- (17) F113070 Wholesale of Telecommunication Apparatus
- (18) F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories
- (19) F119010 Wholesale of Electronic Materials
- (20) F401010 International Trade
- (21) IG03010 Energy Technical Services
- (22) I501010 Product Designing
- (23) C802041 Drugs and Medicines Manufacturing
- (24) CF01011 Medical Devices Manufacturing
- (25) F108021 Wholesale of Western Pharmaceutical
- (26) F108031 Wholesale of Medical Devices
- (27) F208021 Retail Sale of Western Pharmaceutical
- (28) F208031 Retail Sale of Medical Apparatus
- (29) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Revenue distribution

The revenue distribution of each major product of the Company and its subsidiaries in 2023 is as follows:

Item	Total sales	(%) of Total Sales
Magnetic Parts	407,220	8.85%
Power Supplies	1,820,560	39.54%
Communication Electronics	2,342,820	50.89%
Optical Communication Products	13,437	0.29%
Other Items	19,744	0.43%
Total	4,603,781	100%

3. The Company's current products (services), and new products (services) planned for development:

(1) Current products (services): electromagnetic parts, power supplies, communication electronics, Optical Communication Products.

(2) New products (services) planned for development: Please refer to 1(III)5.

The expected research development direction in 2024

(ii) The overview of the industry:

1. The current status and development of the industry

At present, the electronics industry can be broadly divided into three categories: information, network communication and consumer electronics. The Company's major products are electromagnetic parts, switch mode power supplies, information and communication products, active optical components and passive optical components, etc. The current status of each industry is as follows:

(1) Magnetic parts

According to the International Energy Agency (IEA), it is estimated that by 2030, the global electric vehicle stock will reach 350 million units, but there will only be 150 million charging points available. Therefore, there is still potential for the construction of over 100 million charging stations worldwide. Among them, the United States plans to build 500,000 public charging stations along 53,000 miles of highways nationwide. The European Union aims to have 3.5 million charging points by 2030 and 16.3 million by 2050. China estimates that by 2030, the number of new energy vehicles in the country will reach 64.2 million, leaving a gap of about 60 million charging stations to achieve a 1:1 ratio. The Japanese government plans to deploy 150,000 charging stations by 2030, and the South Korean government plans to add up to 500,000 charging stations by 2025. Therefore, the market for related electronic transformers is expected to grow in the future.

In the Power Over Ethernet (PoE) market, according to a report by Expert Market Research, the global Power Over Ethernet (PoE) market is expected to grow at a compound annual growth rate of 13% from 2024 to 2032, reaching approximately \$3.03 billion by 2032. The report indicates that the increase in application of PoE technology in residential, commercial, and industrial sectors is the primary driver of market growth.

According to the report of Expert Market Research, the global lighting market reached approximately \$128.76 billion in 2023 and is expected to grow at a compound annual growth rate of 7.3% from 2024 to 2032, reaching approximately \$242.71 billion by 2032. It is anticipated that the market will continue to maintain rapid growth in the coming years, indicating a positive outlook for the demand of electromagnetic components in the future.

(2) Power supply

Power supplies feature high power density, high conversion efficiency, wide input voltage range, and other characteristics. Products include converters, chargers, rectifiers, inverters, and more. Apart from information, communication, industrial equipment, lighting, consumer electronics, new energy equipment, automotive electronics, they can also be applied in fields such as medical, laboratory, military aerospace, and maritime industries, becoming indispensable key components in power electronics products.

AI artificial intelligence, 5G communication systems, edge computing, and cloud computing technologies continue to develop. Servers and networking equipment are further utilized in 5G infrastructure. Data center GPU computing, due to its large power consumption, is also gradually adopting new generations of liquid cooling and higher power, high-efficiency power supplies. With the steady growth of the global server and communication equipment market, power supply manufacturers are increasingly shifting towards developing power supplies for servers and networking equipment. Apart from standard mid and low-end products, they are also moving towards mid and high-end markets such as Open RAN telecommunications network equipment deployment, including telecommunications equipment power supplies, edge computing server power supplies, rack-mounted power supplies, DC telecommunications room power supplies, PoE, and integrated backup battery systems, etc.

With the rapid advancement of battery and electric vehicle technology, there has been a significant increase in demand for charging infrastructure, chargers, and energy storage systems. The trend towards vehicle electrification, coupled with the intensive release of electric vehicles by automotive manufacturers worldwide, is expected to continue driving rapid expansion in the electric vehicle market. Power supplies with modular and scalable designs hold a significant position in this market trend.

(3) Information and communication products

Many car models currently come equipped with Sentry Mode, such as Tesla Model 3, Tesla Model Y, Tesla Model S, XPeng P7, NIO ET7, and NIO ET8. When Sentry Mode is activated, a Tesla can be in a vigilant state at all times. When a moving object approaches the vehicle, Sentry Mode will wake up from the screen. In case of impact or vibration, Sentry Mode will sound an alarm or play music as a warning, record and store footage of illegal activities, and send notifications to the owner's phone. These are mainly electric vehicles with numerous cameras that detect moving objects, but this often drains the vehicle's power supply. Low-power radar has been developed as an alternative to cameras for detection, consuming less power and being unaffected by weather conditions. The Company has been working in this field for many years and has expanded from 24GHz radar to more power-efficient and sensitive 60GHz radar.

(4) Optical communication products

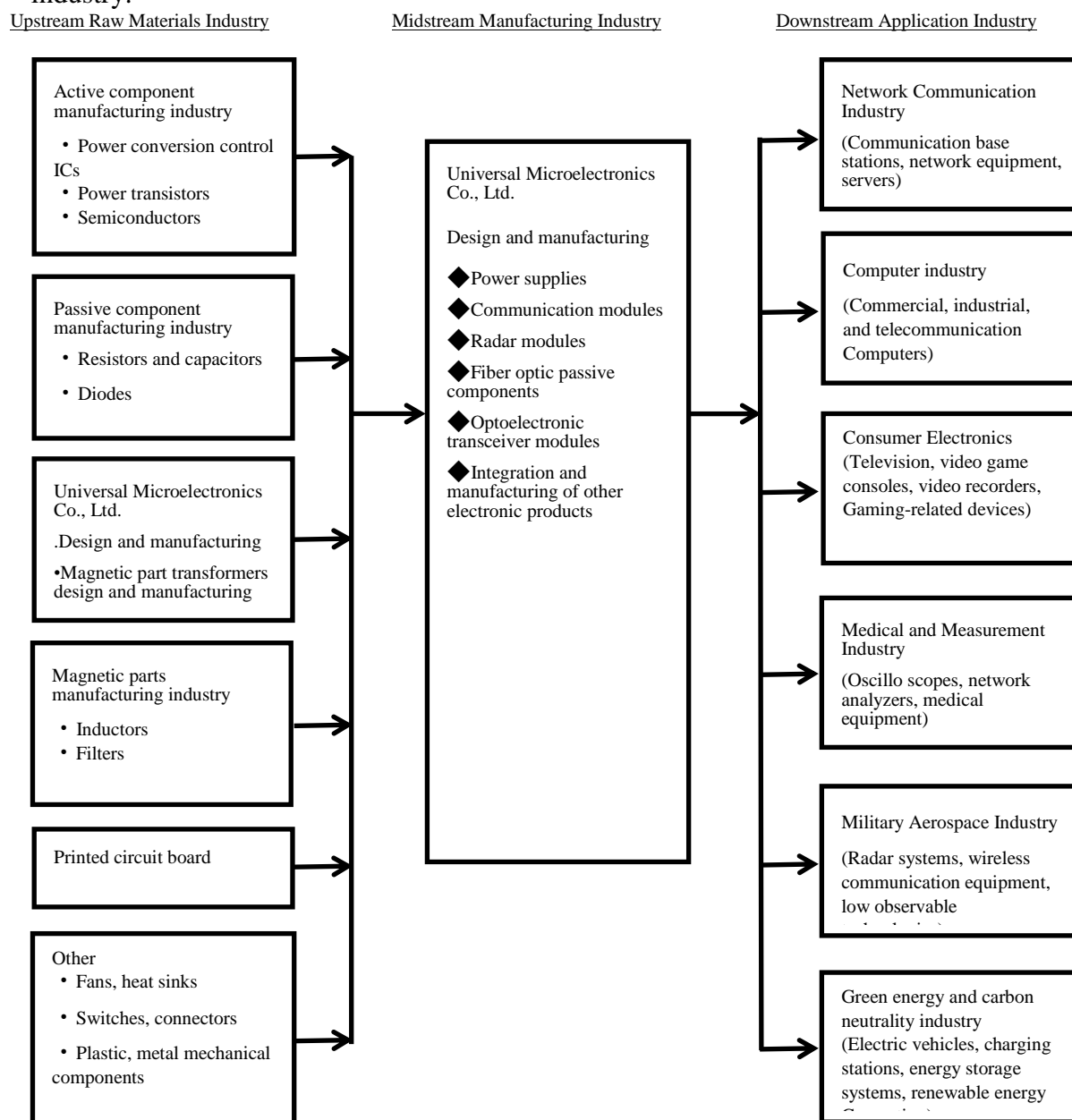
The ongoing development of VCSE (Vertical-Cavity Surface-Emitting Laser) and related products, adhering to industry standards and gaining customer recognition, has yielded significant advancements. The main products include quad small formfactor pluggable (QSFP) and active optical cables (AOC). To cater to the needs of large-scale data centers, the development of small form-factor pluggable (SFP) modules, four-channel QSFP optical transceiver modules, and active optical cables has progressed from 10Gbit/s and 40Gbit/s to the current 100Gbit/s specification. Furthermore, there is a growing market opportunity in the pursuit of 400Gbit/s capabilities.

As the consumer market gravitates towards high-resolution and image-centric trends, televisions with 8K resolution or higher are now equipped with HDMI and DP ports. Additionally, consumer electronic USB products such as mobile devices and laptops are transitioning towards Type-C connectivity. This development aims to provide consumers with the ability to connect their personal devices to televisions and other displays. Consequently, the development of products conforming to these three major specifications is underway.

2. The links between the upstream, midstream, and downstream segments of the industry, and development trends and competition for the Company's products

With the recovery of the global information and electronic products industry, the expansion of the telecommunications sector, the increasing prevalence of multimedia, and the rapid development of personal computers, coupled with the strong demand for smartphones, fax machines, and electronic stabilizers, the demand for electronic components is expected to increase. Looking ahead, as the industry and government in our country gradually succeed in the development of key materials, the self-production and design capabilities of companies are significantly enhanced, the comprehensive introduction of automated production, and the continuous breakthroughs in key technologies, the communication electronic component industry in which our company operates should have significant growth potential. Furthermore, the Company's efforts to integrate various technologies and develop in the field of network and fiber optic communications applications will also better cater to future market trends.

The Company's main products include magnetic components, power transformers, information and communication products, and optical communication components. The following table summarizes the relevance of the Company's products to the overall industry:



(iii) The overview of the Company's technologies and research

1. Focus on R&D and striving for innovation has always been the goal of Universal Microelectronics Co., Ltd.
2. Starting from producing electronic components to manufacturing computers, communication peripherals, and optical communication products, UNIVERSAL MICROELECTRONICS has gradually moved towards the production of finished products. It has successfully developed the High-Current (35A) Power Inductor 22-30D series to meet future high-power power supply filtering applications and the High-Voltage Isolated Flyback Transformer 06-38D series for industrial automation systems, medical electronics and equipment. It has completed the development of high-density micro adapters supporting USB Type-C with PD function up to 65W, expanded railway power product line to 15W~500W, and introduced competitively priced all-digital 150W-2200W server power supplies compliant with Intel platform requirements. It has also launched ultra-wide input ratio 40W~500W power modules supporting smart grid DC distribution or railway control systems, low orbit satellite power supplies and EMI modules, high-power density medical standard power supplies (Adapter, 250W 2"*4" Open Frame, 400W 3"*5" Open Frame), IP68 protection level digital intelligent control marine/camper chargers, and high-efficiency and high-power density dual-output networking equipment power supplies (550W~950W) with fanless design for high ambient temperatures. It has completed the small-scale shipment of 60GHz low-power and low-cost radars, UN R151 BSIS radar, and bicycle rear warning radar in 2023, and has successfully developed preliminary research on 77GHz low-power and low-cost radars. Optical communication products continue to develop high-precision die bonding machines, SFP+ optical transceiver modules, active optical cables, and 1x4+1CDWDM.
3. To ensure the guarantee of "top products", Universal Microelectronics Co., Ltd. actively cultivates talents. Currently, the Company has over a hundred R&D personnel, accounting for 30% of the indirect workforce. Additionally, the Company allocates approximately 3-6% of its annual revenue as R&D expenses. Universal Microelectronics Co., Ltd. also engages in collaborative development and research with domestic and international research institutions, while simultaneously collaborating with world-leading companies to introduce the most advanced technologies and accumulate research and development experience.
4. To improve R&D skills and develop the application of new technology, the Company and its subsidiaries have invested a total of NT\$51,376 thousand in R&D expenses since 2023 and as of the first quarter of 2024.

Unit: NT\$(in thousands)

Year	January-March 2024	2023
R&D expenses	51,376	191,241
R&D expenses to revenue	6.10%	4.15%

5. The expected research development direction in 2024 is as follows:

(1) R&D of magnetic-related products

Future positioning of magnetic products - Creating new value through new technologies (new markets). The development directions for new products are as follows:

- ①Development of magnetic components for networking and power line communication technology applications.
- ②Development of magnetic components for networking remote power supply, power management, and medical electronic technology applications.

- ③Has established AEC-Q200 verification capability and IATF16949 system certification for automotive passive electronic components, paving the way for future expansion in the automotive electronic passive component market.
 - ④Collaborating with the development of the 4C industries, expand the application areas of automotive electronic electromagnetic components in applications such as automotive communication (Controller Area Network - CAN), reverse ultrasonic radar, power management, automatic lighting in electric vehicles, and battery charging.
 - ⑤Addressing the increasing demands for miniaturization, high-voltage resistance, and automated design of electromagnetic components. Optimizing structural design to meet UL safety regulations (primary & secondary spacing) and achieving optimal application, optimization, and price requirements.
- (2) R&D of power supply (SPS) related products:
- ①Development of power modules with an 18-fold widened input range, applicable to railway transportation, industrial automation, telecommunications, defense and military, maritime, and IOT (Internet of Things), etc.
 - ②Development of a 240W USB PD charger, suitable for battery charging equipment in information communication, machine tools, and small electric mobile equipment.
 - ③Development of a high-efficiency 250W adapter, utilizing PFC+LLC circuit architecture, applicable to information communication, industrial control, and IOT (Internet of Things).
 - ④Continuous development of 400W~800W smart chargers that comply with UL1236 charging standards, IP68 waterproof, remote, and Bluetooth and suitable for the demand of advanced applications, such as marine environments, vessels, and recreational vehicles.
 - ⑤Combination of original PoE and 12V CPRS series models, development of digital control power supplies, and integration of modular design to provide customers with more comprehensive solution options.
 - ⑥Development of some commercial parts for power supply of long-term mission cycle space and filter modules.
- (3) R&D of information communication products (ICP) related products:
- ①Successful development of 60GHz low-power and low-cost radar and successfully integrated in original equipment manufacturer DVRs in Asian automotive factories, and mass production.
 - ②Integration of lower-cost, lower-power consumption, and higher detection efficiency into the second-generation bicycle radar and UN R151 BSIS radar.
- (4) R&D of optical communication products:
- ① Develop high-speed fiber optic cables for data centers, including products such as 100G QSFP and 25G SFP+, to provide reliable and high-bandwidth communication links that meet the needs of large-scale data centers.
 - ② Develop high-speed cable solutions for the general consumer market, such as USB 3.1 Type-C, HDMI 2.1, DP 2.0, DVI, KVM, and other products. Customized product development can cater to various applications in households, factory management systems, healthcare systems, educational systems, etc.

(iv) The Company's long- and short-term business development plans

1. Short-term business development plans

(1) Marketing strategy: Achieving the optimal balance between product sales revenue and profit involves determining the proportion of standard specification products and custom specification products.

(2) Production policy:

① Rationalize the arrangement of existing plants and consistently optimize the manufacturing process to maximize production efficiency.

② Improve productivity and activation. etc. to maximize the benefits of investment. Reduce production costs and enhance the international competitiveness of the Company's products through on-site management.

2. Long-term business development plans

(1) Marketing strategy: The industry in which the Company operates is a global industry, and the mastery of its channels is of great help to its business expansion. Therefore, the Company will continue to expand its overseas business presence at the right timing and locations to provide more direct services to local customers, agents, and distributors. This will enable the Company to increase its market share. °

(2) Manufacturing policy: In response to the changing global political and economic landscape, the Company will leverage the advantages of its cross-domain manufacturing facilities to provide the production services that its customers require. The Company will also adhere to the ESG policies of each country, ensuring a commitment to sustainable business practices for the benefit of its customers and shareholders. The Company's main focus is on OEM and ODM products, continuously developing new products to enhance their value-added features.

(3) Product development direction: In the field of professional products, the Company will continue to develop products with the latest specifications and maintain competitiveness in key technologies through patent applications. In response to the thriving development of electrification and artificial intelligence-related applications, the Company has expanded the research and development teams for high-power product lines and millimeter-wave sensor product lines to strive for the introduction into more new application markets.

(4) Operation scale and financial cooperation direction: In order to cope with the growth of business scale, the Company is supported by equity funds or bank loans and handle cash capital increase, issuance of corporate bonds or issuance of other financial products to raise long-term funds to participate in operations.

ii. Market and sales overview

(i) Market analysis

1. Sales region of the Company's main products and services

The manufacture and sales of the Company and its subsidiaries' magnetic parts, power

supply, information and communication products, and optical communication products. The sales contents and ratios are as follows :

Unit: NT\$ (in thousands)		
Item \ Unit	2023	
	Amount (NT\$)	%
Magnetic parts	407,220	8.85%
Power supply	1,820,560	39.54%
Information and communication products	2,342,820	50.89%
Optical communication products	13,437	0.29%
Other items	19,744	0.43%
Total	4,603,781	100%

The sales distribution of the Company and its subsidiaries are mainly focused on exports with domestic sales as a supplement. The Company's main sales areas are Asia and the United States, and their relevant information is as follows

Unit: NT\$ (in thousands)			
Sales area \ Year		2023	
		Amount (NT\$)	%
Local	R.O.C.	1,322,208	28.72%
	Asia	932,504	20.26%
Export	The U.S.	2,189,155	47.55%
	Other countries	159,914	3.47%
	Subtotal	3,281,573	71.28%
Total		4,603,781	100%

2. The demand and supply conditions for the market in the future

(1) Magnetic parts

Due to the strong demand for passive components, the transformer industry is also promising, with a focus on automation and high-value-added product manufacturing. It is expected that the rapid market growth in the future will drive domestic and international players to continuously expand their production capacity to meet the demand. With excellent production technology, cost control, a complete industrial chain, and flexible order acceptance, domestic players are expected to maintain good growth.

The transformer industry is part of the passive electronic component sector, which is an essential component in almost all circuits. According to statistics, the global market size of passive electronic components has been growing year by year. As the demand for transformers is derived from downstream electronic component manufacturers, the future growth of downstream customers is crucial for the development of the transformer industry. The demand for upstream transformers will continue to grow with the development of smart grids, network remote power supply, home networks, LED lighting, automotive electronics, medical electronics, and wired broadband

access communication products.

(2) Power supply

The rapid development of cloud computing, the Internet, electric vehicle onboard electronics, optoelectronic applications, smart devices, and new energy sources has also driven the growth of industrial electronics products. The increasing demand for servers, storage devices, and network communication products has contributed to the positive outlook. Additionally, the growth in energy storage, charging infrastructure, and medical equipment further fuel the long-term growth of the power supply industry. The Company possesses advanced technology and flexible customization capabilities through collaborations with world-class manufacturers. The Company specializes in AC/DC power supplies, server power solutions, and DC conversion modules. With profound expertise in power supply research and a diversified product portfolio, it offers a wide range of power solutions for consumer, enterprise, telecommunications, transportation, and industrial applications. The Company's multinational production facilities with automated manufacturing capabilities and flexible capacity planning enable efficient global production and distribution. It is committed to providing comprehensive power management system solutions, aiming to explore new opportunities in the power supply market.

ESG is an international trend for the future, and customers have a growing demand for energy-saving and green energy products. By leveraging the core technologies in power electronics and heat dissipation that UNIVERSAL MICROELECTRONICS has mastered through innovative research and talent cultivation, the Company develops high-efficiency products aligned with the ESG direction, becoming the advantage of UNIVERSAL MICROELECTRONICS in promoting ESG.

(3) Information and communication products

According to Research Nester's analysis, by the end of 2033, the global automotive radar market revenue is expected to reach approximately \$15 billion. As the number of automobiles continues to increase and concerns grow over the rising global road accident rate, there is a surge in demand for vehicle safety-related functions. With advancements in radar sensor technology, the demand for automotive radars from car users continues to rise. In 2021, nearly 63% and about 56% of new cars sold in the United States and Europe respectively were equipped with lane-keeping assist functions.

(4) Optical communication products

According to the latest biennial market report "10G/40G/100G Data Center Optical Products" by market research firm IHS Infonetics, 65% of 10G/40G/100G/400G modules are deployed in data center applications. In terms of the future development of the optical module market, active optical cables will replace traditional copper wire high-speed transmission products, with applications ranging from general households, educational centers, unmanned data centers, security surveillance, and healthcare, to home theaters.

3. Positive and negative factors contributing to the developmental prospects

(1) Positive factor

①Product diversification and broad market coverage

In addition to a strong technological foundation, it is crucial for the company to have a deep understanding of market information and industry developments. Our company follows the principle of developing both OEM/ODM and standard products and actively pursues diversified and decentralized market expansion. Currently, we collaborate with our marketing channels, sales representatives, and distributors to gather market and industry intelligence from various regions. We also engage in joint development and design with our customers to stay informed about technology trends and make informed business decisions. By adopting a strategy of product diversification and broad market coverage, our company is able to adapt to the diverse economic characteristics and industry cycles of different regions, effectively capturing market dynamics and mitigating risks.

②Leading R&D technology and possessing high process capabilities.

The electronics industry is characterized by short product life cycles, making product research and development crucial for the survival and growth of high-tech companies. The enhancement of process capabilities serves as the foundation for the success of product development. Recognizing this, the Company has been dedicated to talent cultivation since its establishment. Currently, we have a team of over a hundred R&D professionals who develop a range of products in-house. Additionally, the Company collaborates with domestic and international research institutions or customers to introduce advanced technologies and accumulate experience. In terms of process technology, we have expertise in various SMT (Surface Mount Technology) applications, such as BGA (Ball Grid Array) and CSP (Chip Scale Packaging). We complement our capabilities with high-precision assembly equipment and computer-aided design tools (CAD). This ensures that our product research, design, and process capabilities meet global standards. The Company has successfully developed multiple electronic components and peripheral products, which are sold to numerous internationally renowned enterprises.

③ Well-established management system and excellent product quality

The Company has implemented a comprehensive computerized information system to manage various processes, including product development, order processing, material management, production control, on-site operations, and shipping. This allows us to have full control and visibility over each stage of the production cycle. Additionally, the Company's research and development team continuously conducts studies on alternative materials to improve product yield and reduce costs, leveraging economies of scale. Through meticulous management and dedicated research efforts, The Company has achieved superior product quality. Its commitment to quality has been recognized through multiple quality awards, and we have obtained certifications such as ISO 14001, ISO 45001, ISO 9001, TL 9000, and IATF16949. We have also obtained various factory certifications including Japan's PSE, USA's UL, Germany's TUV, China's CCC, and the European CE Mark, comprising a total of 14 safety certifications. The Company's excellent product quality has earned the trust of international major companies, leading to long-term and stable cooperative relationships. These factors contribute to a stable source of orders, as the Company's superior product quality has been trusted by international clients for many years.

④The Company has achieved excellent control over the sourcing of raw materials and components

Over the years, the Company has maintained long-term and strong OEM/ODM relationships with our customers. This has greatly facilitated its access to reliable suppliers of raw materials and components. The Company's established relationships with these suppliers enable us to have a high degree of control over the sourcing of critical raw materials and components. Having a trusted network of suppliers allows us to explore alternative parts and components, seek out different sources of supply, and ultimately reduce procurement costs. This enhances the Company's market competitiveness and enables it to adapt to changing market conditions effectively.

⑤Enter the internet communication and automotive electronics industries in a timely manner

In response to the trend of integration within the 3C (Computer, Communication, and Consumer Electronics) industry, our company not only maintains its existing power supply products and communication transformers but also focuses on developing ODM products in areas such as satellite navigation systems (GPS), information and communication technology products, and digital home networking modules.

⑥Financial strategy

The Company adheres to a prudent and conservative financial approach, emphasizing financial planning and maintaining good relationships with partner banks. The Company also utilizes various financial instruments to address the funding requirements that arise from the expansion of our operations. By ensuring a sound financial structure, the Company establishes a solid foundation for the company's growth and expansion.

(2) Negative factors and countermeasures

①With a high proportion of the Company's sales coming from exports, the Company is susceptible to the impact of exchange rate fluctuations

Over the past three years, the Company's average proportion of export sales to net revenue has been approximately 80%. As a result, the Company's sales revenue is highly susceptible to exchange rate fluctuations. However, it is worth noting that around 70% of our purchased materials are denominated in foreign currencies. Therefore, exchange rate volatility affects both the Company's selling prices and costs.

Countermeasure:

To mitigate the impact of exchange rate fluctuations, the Company has implemented several strategies. Firstly, the Company utilizes receivables from export regions to offset the local procurement costs for raw materials and components, thereby achieving a balance in foreign currency assets and liabilities. Additionally, the Company actively expands its business in other markets, gradually diversifying the risks associated with currency fluctuations. Furthermore, the Company adopts the currency chosen by its major competitors as the pricing benchmark, allowing it to align its quotes with market trends and minimize the exchange rate risk.

②Rising labor costs in Chinese factories

As the Chinese economy continues to grow and with the implementation of government policies, the cost of labor in the region has been steadily increasing.

Countermeasure:

Products with more labor-intensive processes have been relocated to countries like Vietnam where labor costs are relatively low. On the other hand, efforts have been made to increase the level of automation in product manufacturing. Research and development personnel are actively engaged in product innovation and technological advancements, continually improving processes and equipment to reduce labor costs and maintain competitiveness.

③The market is characterized by intense competition with numerous competitors

Due to the short product lifecycle and rapid flow of market information in the electronic communication industry, both domestic and international manufacturers are increasingly entering the market, leading to intensifying competition.

Countermeasure:

The Company utilizes its existing technology development and excellent manufacturing processes, along with diversified product development, to quickly grasp market trends and enhance competitiveness. It actively embraces the development of network communications and adjusts production configuration accordingly. Additionally, it strategically enters the automotive electronics market to seize development opportunities.

(ii) The usage and manufacturing processes for the Company's main products

1. Magnetic parts:

The electromagnetic parts manufactured by the Company include:

(1) Various inductive components used in switch mode power supplies

(2) Various inductive components used in telecommunications equipment and communications equipment

Manufacturing process: Wiring→Assembly→Semi-finished product testing→Varnished (epoxy potting) →Finished product testing→ Finished products packaging and storage

2. Switch mode power supplies:

(1) Servers, networking power supplies: High-end AI servers, white-label servers, networking, and data storage equipment power supplies.

(2) Adapter: Ice machine power supply, laptop, LCD display power supply, printer, PoE power supply, medical equipment, USB Type-C PD charger and smart home equipment application.

(3) AC/DC & DC/DC: Widely used in various data center equipment, server computers, workstation computers, networking systems, electric vehicles, railways, industrial control systems, aerospace equipment, etc.

Manufacturing process: SMT automatic placement / Manual insertion→ Welding→ Repair welding→ Assembly of the bottom→ Functional test→ Aging test→ Finished product testing→ Finished products packaging and storage

3. Information and communication products:

According to the accumulated experience and design specifications, the active and passive parts such as IC and transistors are surface-mount technology on the circuit substrate. Then, carry out the assembly work to make this substrate product have its unique functions. The application scopes are the information industry, communication industry, consumer electronics, medical electronic equipment, automotive electronics, and radar products.

General manufacturing process:

Solder paste printing→ SMT Automatic Placement→ Infrared Welding→Solder pot→ Artificial Plugin→ Cleansing → Repair Welding→In-Circuit-Test→ Burn-in test→ Functional test→ Finished products packaging and storage

The manufacturing process of high-frequency millimeter waves products:

Solder paste printing→SMT Automatic Placement→ Infrared Welding→Solder pot→Artificial Plugin→ Cleansing→ Repair Welding→In-Circuit-Test→ mmWave IF test→ Burn-in test→High-frequency millimeter wave performance Monopulse testing→Finished products packaging and storage

4. Optical communication products:

At present, the Company's main products are HDMI, DP, DVI, KVM, QSFP, SFP+, USB AOC Cable, and optical passive components.

(1) HDMI、DP、DVI、QSFP、SFP+、USB AOC Cable used for long-distance video transmission and high-speed data transfer.

Manufacturing process:

SMT→ Die/Wire Bonding→ Assembly of optical modules→ Testing→ Finished products packaging and storage

- (2) Optical passive components are related components that distribute optical power and optical signals, with the purpose of signal power distribution and path switching. The function includes connection, coupling, attenuation, beam splitting, and rotating light path, etc. The related product includes optical connectors, optical fiber couplers, wavelength division multiplexers, etc. The application scope is mainly the components and parts used in the establishment of the broadband network.

Manufacturing process:

(A) Optical coupler: Fusion→ External packaging→ Thermal cycling→

Test and inspection→ Finished products packaging and storage

(B) C/DWDM: Assembly→Light Coupling→External packaging→ Thermal

cycling→Testing and inspection→ Finished products packaging and storage

(iii) The supply situation for the Company's major raw materials:

The raw materials used by the Company are not special materials and are easy to obtain in the market. The Company has been cooperating with raw material suppliers for many years and has maintained a good relationship with these suppliers. Furthermore, the Company has maintained more than two suppliers to ensure the supply of raw materials and reduce the risk of material shortage. So far, the supply of raw materials is stable and good, and the price can respond appropriately to the market conditions of the information electronics industry in a timely manner. As a result, the Company's supply situation of major raw materials is good.

Main Product	Major Raw Materials	Supply Situation
Magnetic products	Magnetic core (Core)	The main suppliers are leading international companies and domestic TPEX listed companies with stable quality and supply.
	Magnet wire (Wire)	The main suppliers are domestic TWSE and TPEX listed companies, and the supply has been stable for many years.
Optical communication product	Printed circuit board	The Company has long-term cooperation with many suppliers. The quality and supply of these suppliers have been stable.
	Mechanical parts	Mainly includes a number of suppliers of plastic parts and metal parts, and are being audited regularly. The suppliers are stable in quality and supply.
	Semiconductor parts	The main materials are all products of major semiconductor leading companies in the world and the products of TWSE and TPEX listed companies. The Company has interacted with major agents and original factories, and can flexibly utilize various resources scheduling when out of stock. The recent lead times have eased, and the supply is stable.

	Passive components	Mainly includes an electrolytic capacitor, multi-layer Ceramic Capacitor (MLCC), chip resistors, etc. The main suppliers are domestic TWSE and TPEx listed companies, and the quality has been stable for many years.
	Transformer and inductor	Mostly are made by Universal Microelectronics Co., Ltd. to stabilize the supply, increase the self-made rate and reduce the cost.
Optical communication product	Gradient Index Rod Lenses	The Company has long-term cooperation with various suppliers, and the quality and supply status is stable.
	Glass capillary tube	The Company has long-term cooperation with various suppliers, and the quality and supply status is stable.
	Optical fibers	The Company has long-term cooperation with various suppliers, and the quality and supply status is stable.

(iv) List of major purchase and sale customers

- Suppliers and clients accounting for 10 percent or more of the Company's total sales amount in either of the 2 most recent fiscal years, the amounts sold to each, the percentage of total sales accounted for by each.

Unit: NT\$ (in thousands)

2022				2023				2024 as of the previous quarter			
Company Name	Amount	Percentage (%)	Relation with Issuer	Company Name	Amount	Percentage (%)	Relation with Issuer	Company Name	Amount	Percentage (%)	Relation with Issuer
Customer A	1,592,884	32.95%	None	Customer A	1,892,658	41.11%	None	Customer A	347,937	41.34%	None
Customer B	164,194	3.40%	None	Customer B	519,389	11.28%	None	Customer B	12,023	1.43%	None
Other	3,077,111	63.65%		Other	2,191,734	47.61%		Other	481,605	57.23%	
Total	4,834,189	100.00%		Total	4,603,781	100%		Total	841,565	100%	

- Customer A was the largest sales customer in 2023, mainly selling information and communication products. The customer's orders remained stable and the order status was good. As of the first quarter of 2024, it was still the largest sales customer.
- Customer B mainly selling power products. The customer's was shipped more after making up for the shortage of materials, resulting in an increase in sales in 2023.
- Manufacturers accounting for 10 percent or more of the Company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from each, the percentage of total sales accounted for by each: None.

(v) Production volume and value of main products in the most recent 2 years

Unit: NT\$ (in thousands)

Year	2022			2023		
Output Major Products	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Magnetic parts	50,000	39,417	354,746	40,000	21,800	161,504
Power supply	11,000	7,443	1,824,776	7,000	3,297	850,694
Information and communications product	9,000	6,588	1,407,730	5,000	3,320	1,609,218
Optical communication product	200	108	30,928	50	25	17,975
Other	0	0	0	0	0	0
Total	70,200	53,556	3,618,180	52,050	28,442	2,639,391

(vi) Sales volume and value of main products in the most recent 2 years

Unit: 1,000 pcs, NT\$ (in thousands)

Year	2022				2023			
Shipments & Sales Major Products	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Magnetic parts	11,005	139,887	33,042	433,646	10,182	131,581	23,150	275,639
Power supply	2,784	1,064,859	5,458	1,049,834	2,284	1,088,657	3,095	731,903
Information and communications products	1,115	81,645	13,055	2,007,317	983	87,874	6,929	2,254,946
Optical communication product	4	12,097	108	12,430	28	11,501	3	1,936
Other	80	12,728	1,177	19,746	76	2,595	157	17,149
Total	14,988	1,311,216	52,840	3,522,973	13,553	1,322,208	33,334	3,281,573

iii. Employee statistics for the most recent 2 years up to the annual report publication date

Year		End of 2022	End of 2023	As of 31 March 2024
Number of Employees	Direct labor	1,925	1,738	1,589
	Indirect labor	787	655	585
	Total	2,712	2,393	2,174
Average age		34.62	35.78	36.04
Average years of service		6.61	7.71	8.72
Education Distribution Percentage (%)	Ph.D.	0.14%	0.17%	0.19%
	Master's Degree	2.48%	2.96%	3.17%
	Bachelor's Degree	28.84%	33.07%	34.65%
	Senior High School	39.38%	39.55%	39.32%
	Below Senior High School	29.16%	24.25%	22.67%

iv. Environmental protection expenditure

- (i) Losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid

and any violations of environmental protection laws or regulations found in the environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: Up to now, there have been no violations.

In 2023, it is planned to install pollution prevention and control equipment, with an estimated amount of approximately TWD11,688 thousand for the construction of scrubbers.

- (ii) Estimate of possible expenses that could be incurred in the future and measures (including improvement measures) being or to be taken: The expense of air pollution prevention and control treatment (wastewater treatment) at the manufacturing plant is 30,000 thousand per ton.
- (iii) In response to the implementation of RoHS, the Company has abided by the relevant regulations of the industry. Countermeasures have been taken for environmental protection and lead-free process, and at the same time to ensure that the Company's product quality can be sold to countries around the world without concern. Therefore, the implementation of the restriction has no significant impact on the Company.

v. Labor relations

- (i) Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

1. Employee Welfare

Employee benefits planning is an important factor in maintaining labor relations other than salary. Since the establishment of the Employee Welfare Committee on February 1994, the Company has planned various welfare measures (including holiday bonuses, birthday gifts, gift certificates, company trips, subsidies for special occasions, contracted merchants, etc.), employee dormitories, employee food allowance, special discounts for contracted hospitals and medical institutions, regular health checks, employee emergency aid, group insurance, etc.

The current welfare measures are as follows:

- (1) Meal reimbursement for each department, gifts for Labor Day, Mid-Autumn Festival gifts, club subsidy, incentive bonus, employees patent application reward, employee proposal reward °
- (2) Birthday gift certificates
- (3) Take out labor insurance, national health insurance, labor pension, employee group insurance, employee emergency aid
- (4) Wedding gifts, gifts of money to the family of the deceased, maternity leave, tocolysis leave for pregnant women, pregnancy checkup accompaniment, pregnancy checkup leave, parental leave, maternity benefits
- (5) Year-end bonus, lucky draw, birthday celebration, club subsidy, travel subsidy for domestic tourism and international travel, providing books and magazines, holding various volunteer services or recreational activities, etc.
- (6) On-the-job training for employees
- (7) Regular health checks, special discounts for contracted hospitals and medical institutions
- (8) Contracted merchants, group buying platform
- (9) Staff uniforms, staff canteen, meal reimbursement for employees, employee dormitory,

parking lot for cars and motorcycles, gym, 24HR ATM

2. Continuing education and training:

- (1) To cultivate employees' correct working attitude and methods and stimulate their potential, the Company has stipulated an "SOP for training". The Company implemented this by introducing the human resource management system of the TTQS system. Allow the Company maintains outstanding competitiveness in the fiercely competitive global market and continues to create and demonstrate high-performance business result.

Employees' continuing education and training in 2023 are as follows:

Employees' continuing education and training			
Year	2023		
Number of participants	8010		
Item	Number of Courses	Total Participants	Total Hours
New employee orientation	21	614	2,456
Vocational skills training	367	3,979	7,901
Management training course	33	1,288	2,576
Total	421	5,881	12,933

(2) Training and development

- ① Take the Company's overall development goals as the direction, the Company implements the procedure of selecting, educating, employing, and retaining for introducing outstanding talents, continuing on-the-job training, and promoting trained talents on the basis of a vocational system to realize the mutual development of the Company and each employee.
- ② Sound training system
- Pre-employment training for new employees
 - Vocational training
 - Job position(post) training
 - Special and professional training
- ③ Combine a performance management system and sound promotion system to achieve the goal of talent development

3. Retirement system and implementation status

In order to ensure the well-being of the Company's employees during their employment and to support their post-retirement lives, the Company has established an Employee Retirement Policy. According to this policy, eligible employees who meet the requirements are entitled to receive retirement benefits in accordance with the relevant provisions of the Labor Standards Act. To ensure the proper allocation of retirement funds, we have established the Labor Retirement Fund Supervisory Committee, which regularly monitors the allocation and execution of retirement funds. Since September 1994, the Supervisory Committee of Labor Retirement Reserve has been responsible for monthly contributions to the retirement fund, which is held in a separate account managed by the Central Trust of China. As of 31 March 2024, the balance of the retirement fund account is NT\$ 158,139 thousand. Employees can review the allocated amount in their monthly salary statement for easy reference and verification.

- (1) The employee who is under any of the following circumstances may apply for retirement:

- ① Who has completed more than 15 years of service and is aged 55 or above.

- ②Who has completed more than 25 years of service.
- ③Who has completed more than 10 years of service and is aged 60 or above.

(2) The employee who is under any of the following circumstances will be compulsorily retired by the Company:

- ①Aged 60.
- ②Who is incapable of his/her work due to mental or physical disability.
- ③Other special employees who have been approved by the competent authority for compulsory retirement.

The standard for the conversion of pension bases is the average monthly salary at the time of being approved for retirement

(3) Grant of pension:

- ①The pension payment standards for the employee who is applicable to the Labor Standards Act (the old system) is as follows:
 - a. Who has completed less than 15 years of service will be granted two bases every full year.
 - b. Who has completed more than 15 years of service will be granted a base annually. The total should be under 45 bases. Those who haven't completed half a year of service should be counted as half a year, and those who have completed half a year of service should be counted as one year.
 - c. Those who were compulsorily retired according to the two paragraphs of the preceding article, If the mental or physical disability was caused by the performance of duties, an additional 20% of the pension should be paid in accordance with the provisions of the preceding two paragraphs.

②The pension payment standards for the employee who is applicable to the Labor Pension Act (the new system) is as follows:

According to the classification of labor pension, 6% of the employees' monthly salary will be contributed as the labor pension on a monthly basis.

The retirees who have been approved and completed the resignation procedures will be granted pensions within 30 days from the date of retirement. However, if the Company is in financial difficulty, the pension will be paid in installments after being reported to the competent authority for approval.

4. The code of conduct for employees, personal safety and working environment, employee relations and communication:

(1) The code of conduct for employees

The Company has stipulated an employee manual and placed it on the company's website. The employee manual has written the details of relevant regulations, welfare, rewards and punishments, labor safety, labor-management harmony, etc. that employees should abide by.

(2) Personal safety and working environment

The Company conducts regular health check-ups for employees, arranges safety and health management personnel, formulates various labor safety management rules, conducts safety and health management training, conducts fire drills, etc. according to the regulation of the Occupational Safety and Health Act. To avoid accidents and disasters, automated external defibrillators were installed in the factories to protect the safety of employees.

(3) Employee Relations and Communication

The Company focuses on the employees' capabilities of self-esteem, self-respect, and self growth. The Company cares about the employees' needs and provides them with a safe working environment. Promote mutual understanding between labor and

management through different channels (departmental meetings, bulletin boards, online announcements, etc.), and further leads the employees to work on the common goals efficiently.

(4) The Company strictly abides by domestic and foreign labor and human rights regulations and treats all the employees equally, including:

- ① Formulate labor conditions in accordance with government labor-related laws and regulations.
- ② Comply with the “Employment Service Act” and provide open, fair, and just job opportunities to all job seekers.
- ③ Set up multiple complaint channels, and the employees can appeal anytime and anywhere if their rights and interests have been violated or improperly handled.
- ④ Pay attention to the publicity of sexual harassment prevention and provide employees with clear complaint channels to ensure the rights and interests of the employees.
- ⑤ Regularly hold labor-management meetings and related seminars to provide channels for the employees to communicate directly and express their opinions.

5. Labor-management agreement and various employee rights and interests protection measures:

(1) Set up multiple complaint channels, and the employees can appeal anytime and anywhere if their rights and interests have been violated or improperly handled. The Company pays attention to the publicity of sexual harassment prevention and provides employees with clear complaint channels to ensure the rights and interests of the employees. Regularly hold labor-management meetings and related seminars to provide channels for the employees to communicate directly and express their opinions.

(2) If there is any problem between the labor and management of the Company, the representatives of both parties can fully express and communicate in the labor-management coordination meeting, and seek the best solution in the spirit of coordination and cooperation. The Company provides various welfare such as staff uniforms, staff canteen subsidies, birthday gifts, holiday bonus, emergency aid and marriage and death subsidies. Furthermore, holding labor training courses regularly, or holding various entertaining activities from time to time for the relaxation of the employees’ bodies and minds.

(ii) List any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

vi. Cyber security management:

(i) The cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management

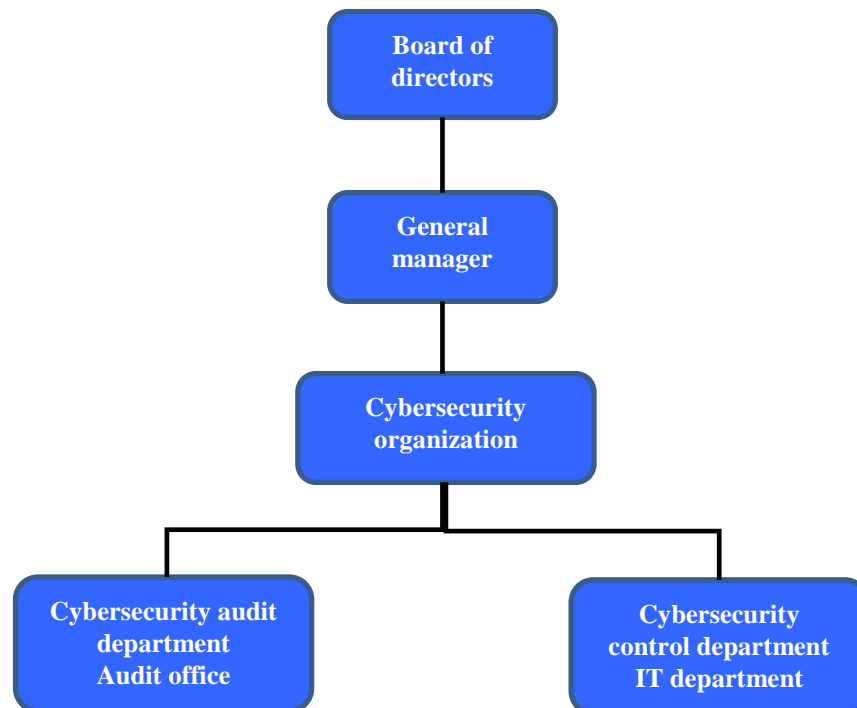
1. The cyber security risk management framework:

(1) Corporate information security governance organization

Universal Microelectronics Co., Ltd. established a “cyber security organization” in 2022, which manages the IT department and is responsible for formulating,

implementing risk management, and the compliance check of the relevant policies on cyber security and protection. The top executive of the cyber security organization reports the effectiveness of cyber security management, issues, and directions related to cyber security to the board of directors every year. The organization holds meetings every six months to review and makes resolutions on cyber security and information protection guidelines and policies and implements the effectiveness of cyber security management measures.

(2) Cyber security risk management framework of Universal Microelectronics Co., Ltd.

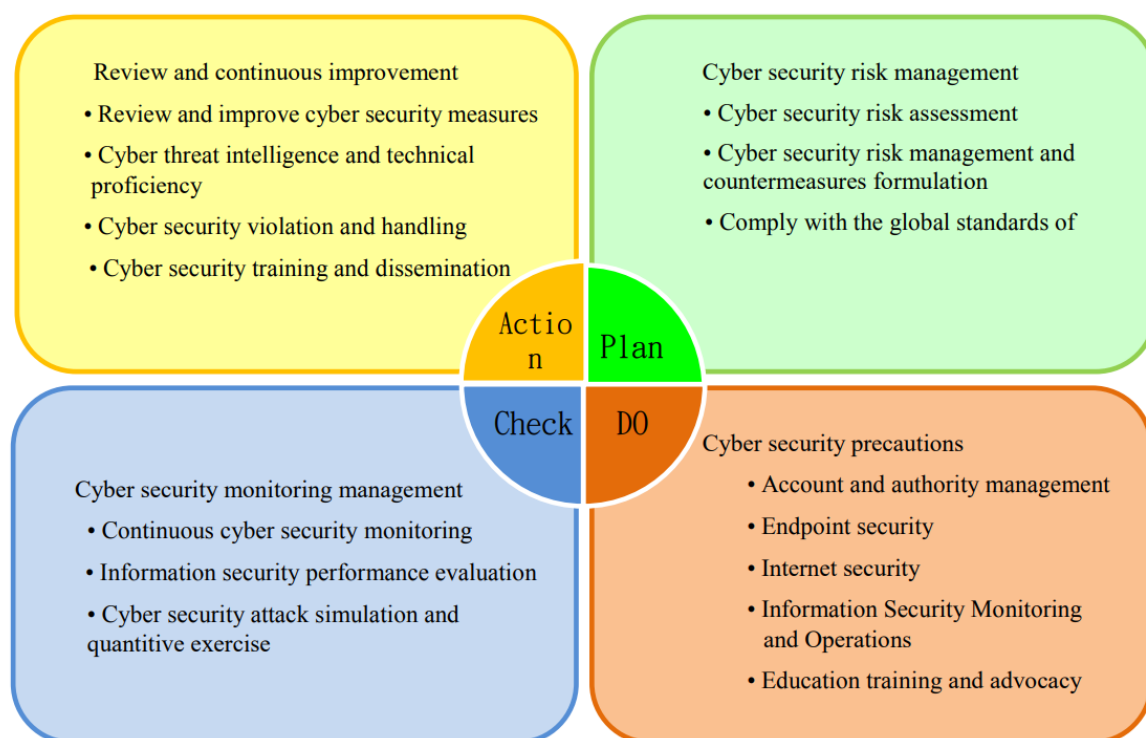


2. Cyber security policy:

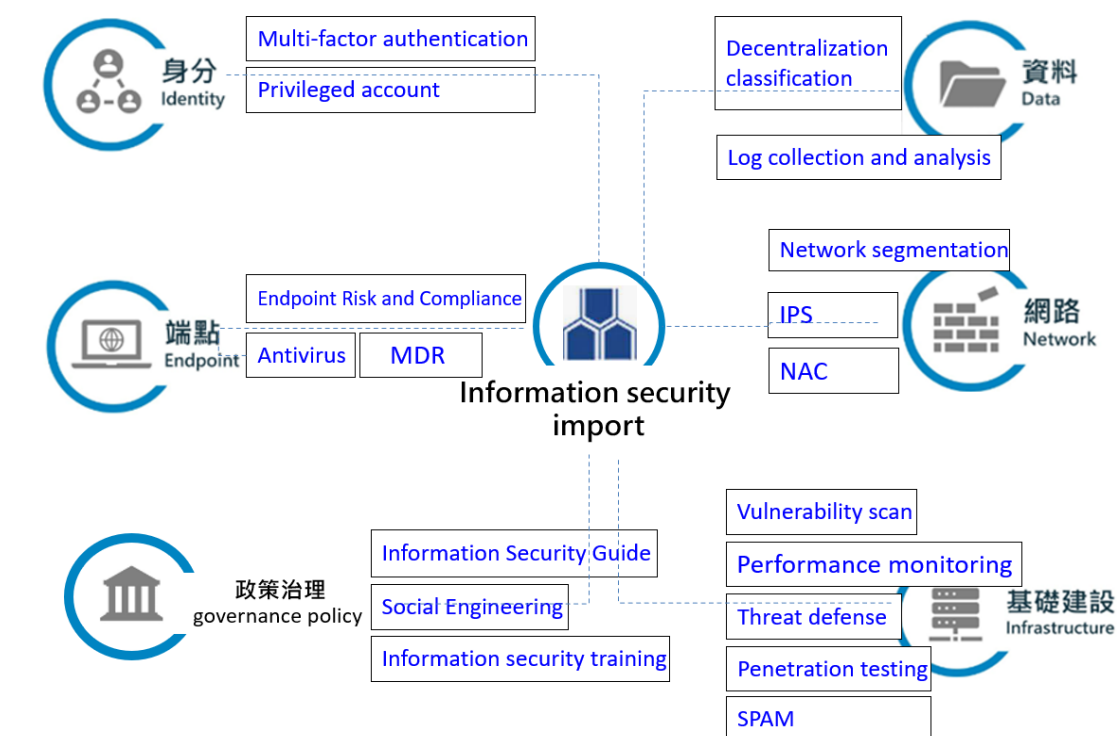
(1) Cyber security policies and frameworks

The IT department is the responsible business unit for cyber security. The department is comprised of an IT manager and several IT professionals, and the department is responsible for the formulation of internal cyber security policies, the planning and implementation of cyber security operations, and the promotion and implementation of cyber security policies. Every year, the audit office conducts regular inspections. If any deficiencies are found during the inspection, the inspected unit will be immediately required to propose improvement measures and regularly track improvement results to reduce internal cyber security risks. Also, reporting the result of cyber security management and implementation to the board of directors every year.

(2) Corporate cyber security risk management and continuous improvement framework



(3) Specific management plan for information security



(1) Identity security

- Introduce two-factor authentication to enhance the security of account verification for external/internal access.
- Regularly conduct audits of privileged accounts.

(2) Endpoint security

- Establish MDR services for core hosts and computers, with 7*24 continuous monitoring to prevent malicious attack behaviors.
- Deploy control measures such as endpoint antivirus, asset inventory, and installation permission in accordance with computer types.

(3) Data security

- Establish permissions for accessing content by unit and open access to corresponding functions in each system based on permissions.
- Save trajectory records through a centralized management platform.

(4) Internet security

- Implement Network Access Control (NAC) to block external devices from accessing the network.
- Strengthen network firewall control to prevent the spread of viruses across zones.

(5) Infrastructure (monitor, operation)

- Establish system, network monitoring platforms, and abnormal alarm services.
- Regularly conduct vulnerability scans, security patching, and penetration testing.
- Implement email protection filtering to enhance email security.

(6) Governance policies

- Establish a cyber security audit team to formulate and review cyber security policies and objectives in accordance with cyber security guidelines, and report regularly to the board of directors.
- Regularly conduct cyber security education and training and email social engineering drills to provide employees with cyber security awareness.

(4) The Resource Devoted to Cyber Security Management:

Policies

7 standards

Addition of amendments to 7 cyber security standards

2023	7
2022	2
Before 2021	4

Outsourced cybersecurity services

- ❑ Establish MDR 7*24 monitoring services for core systems to prevent malicious attack behaviors.
- ❑ External system penetration testing and vulnerability patching.

Training/ Promotion

6 email social engineering drills

All **176** new employees in 2023 have completed the information security education training course.

Performed 6 email social engineering phishing drills, involving over **700** participants.

Information security protection

The total investment in information and communication security protection exceeded **3.6 million** in 2023.

- ❑ Information security dedicated team was established in 2022, and held regular meetings to discuss security architecture, with over **35** meetings convened.
- ❑ Strengthen firewall area management: Implement rule-based access management for Server Zone and Production Line Zone, and enable IPS intrusion prevention.
- ❑ Enable VPN two-factor authentication: Strengthen the security of account verification for external/internal access.
- ❑ Network Access, Computer Management: Implement the Pixis and Forescout compliance platforms to enhance endpoint access security.
- ❑ Establishment of cloud backup for core systems.

- (ii) List any losses suffered by the Company in the most recent year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken: None.

vii. Important contracts: (the contracts that would affect shareholders' equity):

Agreement	Counterparty	Period	Major contents	Restrictions
Long-term loan	MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.	From 13 November 2023 to 13 November 2033	Real-estate secured loan	None
Labor contract	PAO,TE-TUNG Investment Management Limited(Shenzhen)	From 28 September 2023 to 28 September 2024	Consulting services provided by JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	None
Labor contract	SHANG-HSIN Interior Design CO., LTD. (Shenzhen)	From 28 September 2023 to ∞	Consulting services provided by JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	None

VI. Financial Status

i. Condensed Balance Sheet, Integrated Income Statement, CPA Name and Audit Opinions of the recent five years:

(i) Information on Condensed Balance Sheet and Integrated Income Statement

Condensed Balance Sheet (Consolidated)

Unit: NT\$ (in thousands)

Year Item		Financial Information in the last five years					Consolidated Financial Information by March 31 2024 (Note 1)
		2019	2020	2021	2022	2023	
Property, plant, and equipment		2,868,686	2,721,596	2,950,299	3,844,404	3,237,387	2,951,651
Intangible assets		1,219,819	1,191,364	1,142,919	1,099,984	1,016,493	1,020,617
Other assets		22,944	14,831	12,093	10,865	16,092	13,061
Total assets		663,610	683,880	817,977	589,396	579,037	571,635
Property, plant, and equipment		4,775,059	4,611,671	4,923,288	5,544,649	4,849,009	4,556,964
Current liabilities	Before distribution	2,495,253	1,480,241	1,796,823	2,635,232	1,857,728	1,388,604
	After distribution	2,495,253	1,480,241	1,796,823	2,635,232	Note 2	Note 2
Non-current liabilities		716,169	1,542,069	1,267,706	872,610	972,625	1,128,943
Total liabilities	Before distribution	3,211,422	3,022,310	3,064,529	3,507,842	2,830,353	2,517,547
	After distribution	3,211,422	3,022,310	3,064,529	3,507,842	Note 2	Note 2
Equity attributable to the parent company		1,560,127	1,587,198	1,857,175	2,035,740	2,018,629	2,038,886
Capital		1,273,592	1,273,592	1,273,592	1,273,592	1,273,592	1,273,592
Capital surplus		369,527	369,437	370,396	373,076	373,076	373,076
Retained earnings	Before distribution	252,237	232,044	354,370	727,827	730,610	738,979
	After distribution	252,237	232,044	354,370	727,827	Note 2	Note 2
Other equities		(335,229)	(281,724)	(135,032)	(332,604)	(353,098)	(340,610)
Treasury stocks		0	(6,151)	(6,151)	(6,151)	(6,151)	(6,151)
Non-controlling interest		3,510	2,163	1,584	1,067	627	531
Total equity	Before distribution	1,563,637	1,589,361	1,858,759	2,036,807	2,018,656	2,039,417
	After distribution	1,563,637	1,589,361	1,858,759	2,036,807	Note 2	Note 2

Note 1: The financial information for the first quarter of 2024 has been audited by CPAs.

Note 2: The amount of earnings distribution has not yet been resolved by the shareholders' meeting, therefore the amount after distribution is not disclosed.

Condensed Income Statement (Consolidated)

Unit: NT\$ (in thousands)

Year Item	2019	2020	2021	2022	2023	Consolidated Financial Information by March 31 2024 (Note 1)
Revenue	3,636,647	3,801,959	4,040,354	4,834,189	4,603,781	841,565
Gross profit	498,231	579,260	625,522	838,689	684,864	111,267
Operating income	(113,625)	16,011	56,784	257,365	85,554	(28,326)
Non-operating income and expense	(63,559)	(36,881)	1,954	71,492	44,818	46,657
Net income before tax	(177,184)	(20,870)	58,738	328,857	130,372	18,331
Net income from continuing operations	(191,387)	(13,831)	44,127	262,060	106,046	8,273
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss)	(191,387)	(13,831)	44,127	262,060	106,046	8,273
Other comprehensive income (Net of tax)	23,679	45,585	224,312	(86,692)	(60,786)	12,488
Total comprehensive income (loss)	(167,708)	31,754	268,439	175,368	45,260	20,761
Net income attributable to shareholders of the parent company	(188,856)	(12,273)	44,706	262,577	106,486	8,369
Net income attributable to non-controlling interest	(2,531)	(1,558)	(579)	(517)	(440)	(96)
Comprehensive income attributable to shareholders of the parent company	(165,319)	33,312	269,018	175,885	45,700	20,857
Comprehensive income attributable to non- controlling interest	(2,389)	(1,558)	(579)	(517)	(440)	(96)
EPS	(1.48)	(0.10)	0.35	2.07	0.84	0.07

Note 1: The financial information for the first quarter of 2024 has been reviewed by CPAs.

Condensed Balance Sheet (Parent Only)

Unit: NT\$ (in thousands)

Item \ Year		Financial Information in the last five years				
		2019	2020	2021	2022	2023
Current assets		3,052,627	2,730,708	2,882,688	3,578,005	3,069,348
Property, plant, and equipment		529,507	497,805	496,121	505,165	513,888
Intangible assets		14,148	7,568	6,342	6,714	12,062
Other assets		915,321	1,078,372	1,241,777	1,053,258	1,046,732
Total assets		4,511,603	4,314,453	4,626,928	5,143,142	4,642,030
Current Liabilities	Before distribution	2,243,348	1,187,342	1,508,139	2,247,440	1,660,931
	After distribution	2,243,348	1,187,342	1,508,139	2,247,440	Note 1
Non-current liabilities		708,128	1,539,913	1,261,614	859,962	963,070
Total liabilities	Before distribution	2,951,476	2,727,255	2,769,753	3,107,402	2,624,001
	After distribution	2,951,476	2,727,255	2,769,753	3,107,402	Note 1
Equity attributable to the shareholders of the parent company		1,560,127	1,587,198	1,857,175	2,035,740	2,018,029
Capital		1,273,592	1,273,592	1,273,592	1,273,592	1,273,592
Capital surplus		369,527	369,437	370,396	373,076	373,076
Retained earnings	Before distribution	252,237	232,044	354,370	727,827	730,610
	After distribution	252,237	232,044	354,370	727,827	Note 1
Other equities		(335,229)	(281,724)	(135,032)	(332,604)	(353,098)
Treasury stock		0	(6,151)	(6,151)	(6,151)	(6,151)
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	1,560,127	1,587,198	1,857,175	2,035,740	2,018,029
	After distribution	1,560,127	1,587,198	1,857,175	2,035,740	Note 1

Note 1: The amount of earnings distribution has not yet been resolved by the shareholders' meeting, therefore the amount after distribution is not disclosed.

Condensed Income Statement (Parent Only)

Unit: NT\$ (in thousands)

Year Item	2019	2020	2021	2022	2023
Revenue	4,187,176	4,346,584	4,647,604	5,627,188	5,147,932
Gross profit	488,936	467,361	474,956	556,812	506,862
Operating income	37,388	47,217	65,840	127,552	70,374
Non-operating income and expense	(216,807)	(70,756)	(15,033)	195,748	51,119
Net income before tax	(179,419)	(23,539)	50,807	323,300	121,493
Net income from continuing operations	(179,419)	(23,539)	50,807	323,300	121,493
Loss from discontinued operations	0	0	0	0	0
Net income (loss)	(188,856)	(12,273)	44,706	262,577	106,486
Other comprehensive income (Net of tax)	23,537	45,585	224,312	(86,692)	(60,786)
Total comprehensive income (loss)	(165,319)	33,312	269,018	175,885	45,700
Net income attributable to the shareholders of the parent company	(165,319)	33,312	269,018	175,885	45,700
Net income attributable to non-controlling interest	0	0	0	0	0
Comprehensive income attributable to the shareholders of the parent company	(165,319)	33,312	269,018	175,885	45,700
Comprehensive income attributable to non-controlling interest	0	0	0	0	0
EPS	(1.48)	(0.10)	0.35	2.07	0.84

(ii) CPAs' Names and Audit Opinions of the Recent Five Years:

Year	CPAs	Audit Opinions
2019	CHEN, MING HUNG, TU, CHING-YUAN	Unqualified Opinion
2020	CHEN, MING HUNG, TU, CHING-YUAN	Unqualified Opinion
2021	CHEN, MING HUNG, TU, CHING-YUAN	Unqualified Opinion
2022	LO, WEN-CHEN, HUANG, TZU PING	Unqualified Opinion
2023	LO, WEN-CHEN, HUANG, CHING-YA	Unqualified Opinion

ii. Financial Analysis of the Recent Five Years:

(i) Financial Analysis

Financial Analysis (IFRS Consolidated)

<div> <div>Year</div> <div>Item</div> </div>		Financial Information in the last five years					
		2019	2020	2021	2022	2023	Consolidated Financial Information by March 31 2024 (Reviewed by CPAs)
Financial Structure (%)	Debt ratio	67.25	65.53	62.24	63.26	58.36	55.24
	Long-term capital to property, plant, and equipment ratio	175.23	249.32	259.16	249.18	278.41	293.96
Solvency (%)	Current ratio	114.96	183.86	164.19	145.88	174.26	212.56
	Quick ratio	75.64	115.23	76.26	66.66	75.04	86.98
	Times interest earned ratio	(5.66)	0.28	3.18	10.72	4.65	3.09
Operating Ability	Accounts receivable turnover (times)	5.37	5.73	5.69	6.11	6.42	6.34
	Average collection period	67.97	63.69	64.14	59.73	56.85	57.57
	Inventory turnover (times)	3.14	3.33	2.70	2.22	2.02	1.64
	Accounts payable turnover (times)	4.94	5.27	5.01	4.94	4.81	4.75
	Average days in sales	116.24	109.60	135.18	164.41	180.69	222.56
	Property, plant, equipment turnover (times)	3.10	2.97	3.28	4.07	4.10	3.12
	Total assets turnover (times)	0.76	0.81	0.85	0.92	0.89	0.72
Profitability	Return on assets (%)	(3.56)	0.20	1.37	5.52	2.58	0.32
	Return on equity (%)	(11.65)	(0.87)	2.56	13.46	5.23	0.40
	Profit before-tax to capital ratio (%)	(13.91)	(1.63)	4.61	25.82	10.23	1.43
	Profit ratio (%)	(5.26)	(0.36)	1.09	5.42	2.30	0.98
	EPS (NT\$)	(1.48)	(0.10)	0.35	2.07	0.84	0.07
Cash Flow	Cash flow ratio (%)	1.30	12.29	Note 1	11.16	18.67	(0.43)
	Cash flow adequacy ratio (%)	0.65	0.41	0.03	0.07	0.29	0.31
	Cash reinvestment ratio (%)	0.80	3.61	Note 1	5.85	5.60	Note 1
Leverage	Operating leverage	Note 2	189.88	57.79	18.78	44.69	Note 2
	Financial leverage	0.81	Note 1	1.89	1.15	1.71	0.76

Please state the reasons for any changes exceeding 20% in financial ratio for the past 2 years:

1. Times interest earned ratio: The decrease in profitability during the current year has resulted in a lower times interest earned ratio compared to the previous year.
2. Return on assets (%): Due to the difference of gross margin in product mix, resulting in a decrease in profitability this year, and the return on assets has also decreased compared to the previous year.
3. Return on equity: Due to the decrease in profitability and retained earnings this year, the return on equity has also decline compared to the previous year.
4. Profit before-tax to capital ratio (%): Due to the decrease in profitability this year, the profit before-tax to capital ratio has decreased compared to the previous year.
5. Profit ratio (%): It is mainly due to the impact of the global netcom market digesting excess inventory, reduced sales of

- power products, and differences in gross margin of product mix, resulting in a decrease in net profit ratio compared to the previous year.
6. EPS (NT\$): Due to decreased profitability this year, earnings per share have also decreased compared to the previous year.
 7. Cash flow ratio: Due to the refinancing of long-term borrowings this year, resulting in a decrease in long-term borrowings due within one year or one operating cycle, and adjustments in inventory were made to meet customer order demands, leading to a decrease in contract liabilities and accounts payable, which influenced the reduction in current liabilities. Additionally, an increase in accounts receivable turnover led to a rise in net cash inflow from operating activities, resulting in a higher cash flow ratio compared to the previous year.
 8. Cash flow adequacy ratio: It is mainly due to the increase in net cash inflow from operating activities compared to the previous year, resulting in a higher cash adequacy ratio compared to the previous year.
 9. Operating leverage: Due to the decreased operating profit in the current year, the degree of operating leverage has increased.
 10. Financial leverage: Due to the decrease in operating profit this year, the financial leverage increased.

Note 1: Since the ratio is negative, it is not intended to be disclosed.

Note 2: Since the operating profit is negative (loss), it is not intended to be disclosed.

Financial Analysis (IFRS Parent Only)

<div style="display: flex; align-items: center; justify-content: center;"> <div style="transform: rotate(-45deg); transform-origin: left top; white-space: nowrap;">Item \ Year</div> <div style="margin-left: 10px;">Year</div> </div>		Financial Information in the last five years				
		2019	2020	2021	2022	2023
Financial Structure (%)	Debt ratio	65.42	63.21	59.86	60.42	56.53
	Long-term capital to property, plant, and equipment ratio	426.29	627.25	623.50	569.89	578.98
Solvency (%)	Current ratio	136.07	229.98	191.14	159.20	184.80
	Quick ratio	112.33	180.74	129.32	95.48	101.60
	Times interest earned ratio	(5.84)	0.18	2.94	10.92	4.42
Operating Ability	Accounts receivable turnover (times)	3.64	3.72	3.84	4.54	4.63
	Average collection period	100	98	95	80	79
	Inventory turnover (times)	6.84	7.40	6.09	4.65	3.57
	Accounts payable turnover (times)	8.67	9.10	8.73	9.21	7.80
	Average days in sales	53	49	60	79	102
	Property, plant, equipment turnover (times)	8.33	8.43	9.31	11.16	10.06
	Total assets turnover (times)	0.93	0.98	1.04	1.15	1.05
Profitability	Return on assets (%)	(3.73)	0.25	1.47	5.91	2.76
	Return on equity (%)	(11.50)	(0.78)	2.60	13.49	5.25
	Profit before-tax to capital ratio (%)	(14.09)	(1.85)	3.99	25.38	9.54
	Profit ratio (%)	(4.51)	(0.28)	0.96	4.67	2.07
	EPS (NT\$)	(1.48)	(0.10)	0.35	2.07	0.84
Cash Flow	Cash flow ratio (%)	Note 5	6.46	(19.40)	7.80	18.97
	Cash flow adequacy ratio (%)	54.15	15.81	(38.05)	(25.73)	11.16
	Cash reinvestment ratio (%)	Note 5	1.92	(7.21)	4.49	6.25
Leverage	Operating leverage	75.51	60.12	46.24	30.70	44.06
	Financial leverage	3.35	2.57	1.66	1.34	2.02

Please state the reasons for any changes exceeding 20% in financial ratio for the past 2 years:

1. Times interest earned ratio: Due to the decrease in profit this year, the times interest earned ratio decreased compared with the same quarter last year.
2. Inventory turnover (times): Due to the inventory depletion for this year have decreased compared to the previous year, resulting in a decrease in inventory turnover.
3. Average days in sales: Due to the difference in gross profit of product mix, the increase in profitability of power supply and information and communication products resulted in an increase in return on assets compared with the previous year.
4. Return on assets (%): Due to the difference of gross margin in product mix, resulting in a decrease in profitability this year, and the return on assets has also decreased compared to the previous year.
5. Return on equity (%): The increase in profitability and retained earnings for the current year has led to a lower return on equity compared to the previous year.
6. Profit before-tax to capital ratio (%): The decrease in profitability for the current year has resulted in a lower profit

- before-tax to capital ratio compared to the previous year.
7. Profit ratio (%): It is mainly due to the impact of the global netcom market digesting excess inventory, reduced sales of power products, and differences in gross margin of product mix, resulting in a decrease in net profit ratio compared to the previous year.
 8. EPS (NT\$): Due to a decrease in profits for the current year, the earnings per share have also decreased compared to the previous year.
 9. Cash flow ratio (%): Due to the refinancing of long-term borrowings this year, resulting in a decrease in long-term borrowings due within one year or one operating cycle, and adjustments in inventory were made to meet customer order demands, leading to a decrease in contract liabilities and accounts payable, which influenced the reduction in current liabilities. Additionally, an increase in accounts receivable turnover led to a rise in net cash inflow from operating activities, resulting in a higher cash flow ratio compared to the previous year.
 10. Cash flow adequacy ratio (%): Due to changes in the investment structure of the group's subsidiaries this year, with the record of prepayments for shares across years, leading to an increase in other non-current assets compared to the previous year, resulting in a higher cash reinvestment ratio compared to the previous year.
 11. Cash reinvestment ratio (%): Due to changes in the investment structure of the group's subsidiaries this year, the company increased the investment to the subsidiaries, leading to an increase cash reinvestment ratio.
 12. Operating leverage: Due to the decrease in operating profit for the current year, the degree of operating leverage has increased.
 13. Financial leverage: Due to the decrease in operating profit for the current year, the degree of financial leverage has increased.

Note 1: The calculation formulas used for the financial analysis are as follows:

1. Financial Structure

- (1) Debt ratio = total liabilities / total assets
- (2) Long-term fund to property, plant and equipment ratio = (shareholders' equity + noncurrent liabilities) / net property, plant, and equipment, right-of-use assets

2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets – inventories – prepaid expenses) / current liabilities
- (3) Times interest earned = earnings before interest and taxes / interest expenses

3. Operating Ability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
- (2) Average collection period = 365 / receivables turnover rate
- (3) Inventory turnover = cost of sales / average inventory
- (4) Accounts payable (including accounts payable and notes payable arising from business operations) turnover (times) = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period
- (5) Average days in sale = 365 / inventory turnover
- (6) Property, plant, and equipment turnover = operating revenue / average net property, plant, and equipment
- (7) Total assets turnover = operating revenue / average total assets

4. Profitability

- (1) Return on total assets = $(\text{net income} + \text{interest expenses} * (1 - \text{effective tax rate})) / \text{average total assets}$
- (2) Return on equity = $\text{net income} / \text{average equity}$
- (3) Pre-tax income to paid-in capital ratio = $\text{income before tax} / \text{paid-in capital}$
- (4) Profit ratio = $\text{net income} / \text{operating revenue}$
- (5) Earnings per share = $(\text{net profit after tax} - \text{dividends on preferred shares}) / \text{weighted average number of issued shares (Note 2)}$

5. Cash flow

- (1) Cash flow ratio = $\text{net cash provided by operating activities} / \text{current liabilities}$
- (2) Cash flow adequacy ratio = $5\text{-year sum of cash from operations} / 5\text{-year sum of capital expenditures, inventory additions, and cash dividend}$
- (3) Cash reinvestment ratio = $(\text{cash provided by operating activities} - \text{cash dividends}) / (\text{gross property, plant, and equipment} + \text{long-term investments} + \text{other noncurrent assets} + \text{working capital})$ (Note3)

6. Leverage

- (1) Operating leverage = $(\text{operating revenue} - \text{variable cost}) / \text{income from operations}$ (Note 4)
- (2) Financial leverage = $\text{income from operations} / (\text{income from operations} - \text{interest expenses})$

Note 2: When the above formula for calculating earnings per share is used during measurement, pay attention to the following matters:

- 1. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
- 2. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered when calculating the weighted average number of shares.
- 3. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
- 4. If the preferred shares are nonconvertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax. In the

case of noncumulative preferred shares, if there is net profit after tax, dividends on preferred shares shall be subtracted from the net profit after tax; if there is a loss, then no adjustment must be made.

Note 3: Pay attention to the following matters when performing cash flow analysis:

1. Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
2. Capital expenditures mean the amounts of cash out-flows for annual capital investment.
3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculations.
4. Cash dividend includes cash dividends from both common shares and preferred shares.
5. Gross property, plant, and equipment value means the total value of property, plant, and equipment prior to the subtraction of accumulated depreciation.

Note 4: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, pay attention to their reasonableness and to maintaining consistency.

Note 5: Since the ratio is negative, it is not intended to be disclosed.

Note 6: Since the operating profit is negative (loss), it is not intended to be disclosed.

iii. Audit Committee's Review Reports on 2023 Financial Statements

Universal Microelectronics Co., Ltd.
Audit Committee's Review Report

The board of directors has prepared the Company's 2023 business report, financial statements (including parent company only financial statements and consolidated financial statements) and profit distribution proposal. The CPA firm of EY Taiwan, represented by CPAs LO, WEN-CHEN and HUANG, CHING-YA, was retained to audit the Financial Statements and has issued an audit report relating to the financial statements. The business report, financial statements, and proposal for the distribution of profit have been reviewed and determined to be correct and accurate by the Audit Committee. According to relevant requirements of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sincerely,

UNIVERSAL MICROELECTRONICS CO., LTD.
2024 Annual Shareholders' Meeting

Universal Microelectronics Co., Ltd.
Convenor of the Audit Committee: TSOU, YEN-CHUNG

12 March 2024

- iv. The Company's consolidated financial statement for the most recent year certified by a CPA: please refer to Appendix 1
- v. The Company's parent company only financial statement for the most recent year certified by a CPA: please refer to Appendix 2
- vi. In the most recent year and the date of publication of the annual report of the company and its affiliates, if the company experiences financial difficulties, the impact on the company's financial position shall be stated: None.

VII. Review of financial conditions, financial performance, and risk management

i. Financial Status

Analysis of Financial Status

Unit: NT\$ (in thousands)

Item \ Year	2023	2022	Difference	
			Amount (NT\$)	Difference %
Current Assets	3,237,387	3,844,404	(607,017)	(15.79%)
Fixed Assets	1,611,622	1,700,245	(88,623)	(5.21%)
Total Assets	4,849,009	5,544,649	(695,640)	(12.55%)
Current Liabilities	1,857,728	2,635,232	(777,504)	(29.50%)
Long-term Liabilities	972,625	872,610	100,015	11.46%
Total Liabilities	2,830,353	3,507,842	(677,489)	(19.31%)
Capital stock	1,273,592	1,273,592	-	-
Capital surplus	373,076	373,076	-	-
Retained Earnings	730,610	727,827	2,783	0.38%
Treasury Shares	(6,151)	(6,151)	-	-
Other Equity	(353,098)	(332,604)	(20,494)	(6.16%)
Non-controlling interests	627	1,067	(440)	(41.24%)
Total Equity	2,018,656	2,036,807	(18,151)	(0.89%)

Analysis of variation: (An increase or decrease of 20% or more and a change in an amount exceeding 10 million NT dollars in two consecutive periods):

1. The decrease in current liabilities: Due to adjustments in inventory to meet customer order demands this year, resulting in a decrease in accounts payable. Additionally, the decrease in contract liabilities and long-term borrowings due within one year or one operating cycle this year led to an decrease in current liabilities compared to the previous year.

ii. Financial Performance

- (i) The main reasons for any material change in operating revenues, operating income, or income before tax during the past 2 fiscal years, provide a sales volume forecast and the basis therefor.

Unit: NT\$ (in thousands)

Item \ Year	2023	2022	Increased (Decreased) Amount	Difference
				(%)
Operating revenue	4,603,781	4,834,189	(230,408)	(4.77%)
Operating cost	3,918,917	3,995,500	(76,583)	(1.92%)
Gross profit	684,864	838,689	(153,825)	(18.34%)
Operating expenses	599,310	581,324	17,986	3.09%
Operating income (loss)	85,554	257,365	(171,811)	(66.76%)
Non-operating income and expenses	44,818	71,492	(26,674)	(37.31%)
Pre-tax income (loss)	130,372	328,857	(198,485)	(60.36%)
Income tax benefit (expense)	(24,326)	(66,797)	(42,471)	(63.58%)
Net income (loss) from continuing operations	106,046	262,060	(156,014)	(59.53%)

Analysis of variation: (An increase or decrease of 20% or more and a change in an amount exceeding 10 million NT dollars in two consecutive periods):

- 1.The decrease in operating income : It is mainly due to the impact of the global netcom market digesting excess inventory, reduced sales of power products, resulting in a decrease in gross profit, and the operating income for this year has decreased compared to the previous year.
- 2.The decrease in non-operating income and expenses: Due to the reduced volatility in foreign exchange rates in 2023, the Group's net foreign exchange gains decreased. As a result, non-operating income and expenses have decreased compared to the same period last year. °
- 3.The decrease in pre-tax income: Due to the decrease in operating income and the reduced volatility in foreign exchange rates in 2023, the foreign exchange gains decreased, and the pre-tax net income for this year has decreased compared to the same period last year.
- 4.The decrease in income tax expense: Due to the decrease in pre-tax net profit for this year compared to the previous year, the recognized income tax expense has also decreased compared to the same period last year. °
- 5.The decrease in net income from continuing operations: It is mainly due to the decrease in overall operating revenue and the impact of differences in gross margin of product mix, the profit decreased. Additionally, due to the reduced volatility in foreign exchange rates, the Group's net foreign exchange gains decreased, leading to a decrease in post-tax net income from continuing operations compared to the previous year.

- (ii) The sales volume forecast and the basis thereof, and its possible effect on the Company's financial operations as well as measures to be taken in response: None.

iii. Cash flow

(i) Cash flow analysis for the current year

Item \ Year	31 December 2023	31 December 2022	Variance (%)
Cash flow ratio (%)	18.67	11.16	67.29%
Cash flow adequacy ratio (%)	0.29	0.07	314.29%
Cash reinvestment ratio (%)	5.6	5.85	(4.27%)
Analysis of variation:			
1. The increase in cash flow ratio: Due to the refinancing of long-term borrowings this year, resulting in a decrease in long-term borrowings due within one year or one operating cycle, and adjustments in inventory were made to meet customer order demands, leading to a decrease in contract liabilities and accounts payable, which influenced the reduction in current liabilities. Additionally, an increase in accounts receivable turnover led to a rise in net cash inflow from operating activities, resulting in a higher cash flow ratio compared to the previous year.			
2. The increase in cash flow adequacy ratio: It is mainly due to the increase in net cash inflow from operating activities compared to the previous year, resulting in a higher cash adequacy ratio compared to the previous year.			

(ii) Cash flow analysis for the coming year

Unit: NT\$ (in thousands)					
Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
723,930	248,062	(135,883)	836,109	-	-
1. Analysis of change in cash flow in the current year:					
(1) Net cash flow from operating activities:					
The expected net cash inflows from operating activities are mainly due to the assessment that the supply chain conditions, particularly in terms of the availability of components and materials, will improve after the pandemic. This improvement is expected to drive an increase in the group's shipments and lead to improved profitability.					
(2) Estimated annual cash outflows:					
Mainly due to the repayment of medium to long-term loans.					
2. Estimated remedies for cash shortfall and liquidity analysis: None.					

iv. The effect upon financial operations of any major capital expenditures during the most recent year

- (1) Major capital expenditure and the source of capital thereof: None.
- (2) The expected potential benefits of major capital expenditures: None.

v. Investment policy in the last year, main causes for profits or losses, improvement plans and investment plans for the coming year:

All equity method investments made by the Company are aimed at long-term strategic purposes. If the Company evaluates the strategic values of an investment is no longer significant, it will be viewed as a financial investment. The Company's investment policies are mainly focused on enhancing the Company's production capacity, key technology, marketing, etc. Furthermore, the division of labor is based on each plant's advantages, with the primary goal of creating the Company's maximum benefits. So far, each subsidiary's business content is mainly paying attention to assisting the parent company. As a result, their major operating revenues come from the parent company. All revenue recognition of the Company's subsidiaries will comply with the guidelines of the OECD and stipulate a suitable transfer pricing policy. In the future, the Company will continue to adhere to the principle of long-term strategic investment and diligently evaluate investment plans.

- vi. Risk management and assessments for the most recent year and up to the annual report publication date
- (i) Effects of changes in Interest rates, foreign exchange rates and inflation on corporate finance, and future response measures:
 1. Interest rates: The Company always pays attention to the trend of bank loan interest rates, and makes the most suitable arrangement with the consideration of the Company's short and mid-long-term capital.
 2. Foreign exchange rates: Since the Company mostly quotes sales in US dollars, exchange rate fluctuations mainly affect the level of the holding position for the US dollars. Therefore, the Company tends to make payments to suppliers in US dollars, while paying attention to the impact of international trade risks on the exchange rate fluctuations to reduce the Company's exposure to foreign exchange risks.
 3. Inflation: The Company always pays attention to market price trends and adopt flexible strategies to reduce the impact of inflation on the Company.
 - (ii) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:
 1. The Company has not engaged in high-risk or highly leveraged investments for 2023.
 2. In 2023, the Company's loaning of funds, endorsements, guarantees and derivatives transactions have complied with provisions of the Company's "Regulations Governing Loaning Funds to Others", "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees" and "Handling Procedure to Engage in the Transaction of Derivative Products". As of the annual report publication date, all recipients of the company's loaning of funds, endorsements, and guarantees are wholly-owned subsidiaries.
 3. The derivative transactions engaged in by the Company are foreign exchange swap contracts. As of the annual report publication date, the Company has no derivative transactions.
 - (iii) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

The Company's research and development philosophy is to obtain key technology through strategic alliance and establish a product technology information center to integrate relevant information of all the products for the use of research and development reference sources. Furthermore, the Company has taken the initiatives in the market through Design-in. By closely cooperating with international leading telecommunication companies, speeding up the product design stage from technical assessment to product concept. This research and development philosophy enables the Company to design products that meet customers' needs. Please refer to the previous operating highlight for the Company's future research and development plan. The projected research and development expenses for 2024 are estimated to be NT\$231 million.
 - (iv) Effect on the Company's financial operations of important policies adopted and changes in the regulations at home and abroad, and measures to be taken in response:
 1. The Company always pay attention to the changes in important policies and regulations at home and abroad and evaluates their impact on the Company. For instance, consistently observing the changes in the US-China trade war and making arrangements and adjustments to the production capacity of each domestic and overseas plant. Moreover, the rise in China's basic wages has resulted in an increase in operating costs, the Company has improved its automated process to lower labor costs. In addition, the Company has complied with the implementation of RoHS in EU countries. The Company's manufacturing equipment, process, inspection standards, and control points have abided by the regulations and laws to produce green products.
 2. For the revision to the Company Act and the Securities and Exchange Act, the Company

always keep an eye on the changes in important policies and laws at home and abroad and evaluates their impacts on the Company in order to take adequate countermeasures.

3.The Company has Complied with the IFRS. As further IFRS-related standards are updated, the Company will establish a relevant operating system to respond to the changes in regulations and laws.

(v) Effect on the Company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response:

1.The Company's business, research and development and finance departments always pay attention to the changes in the trend of the market, science and technology to obtain relevant techniques. Moreover, the Company has been continuously devoting efforts to research and develop new products, enhancing efficiency and strengthening its competitive edge. Also, the Company has been proactively developing new overseas markets to obtain more orders with good quality and keep abreast of the development trend of science and industry. In addition, the Company adjusts its short and mid-long-term development strategies in response to the changes in science and technology and reduces their impacts on the Company's `business and finance to realize sustainable management.

2.Cyber security risks

①Endpoint security

The Company's important information systems have been installed EDR (Endpoint Detection and Response) Agent for monitoring abnormalities. Moreover, the Company has also adopted the outsourcing service of MDR (Managed Detection and Response), which includes cyber security professionals providing risk analysis and judgment and preventing malicious programs from causing further cyber security incidents. Furthermore, the Company's information systems have regularly implemented vulnerability scanning. For the high-risk vulnerabilities, the Company will try to fix them as much as possible. However, the Company will use Server Farm for limited access if the vulnerabilities are unable to be fixed.

②Cyber security

Conduct network segmentation by using physical firewalls to segregate internal and external Internet from OT (production lines). The Server Farm, on the other hand, utilizes virtual firewalls for network segmentation. Furthermore, the Company has introduced NAC (Network Access Control) for controlling the internal network by connecting NAC with the internal network and eliminating the chance of devices from other companies connecting to the Company's Internet.

The Company has set up a dedicated department to monitor cyber security risks. Reduce the impacts of cyber security risks on the Company's business and finance with careful and active approaches.

(vi) The impact of changes in the corporate image on corporate risk management, and the Company's response measures:

The Company and its subsidiaries have been devoting themselves to corporate social responsibility, charity and educational activities, etc. for a long time. As a result, the Company has maintained a good corporate image. If there is an event that might affect the Company's image, relevant units will respond promptly to deal with it.

(vii) Expected benefits from, risks relating to and response to merger and acquisition plans:

There was no merger and acquisition plan in the most recent fiscal year and up to the annual report publication date.

(viii) Expected benefits from, risks relating to and response to factory expansion plans:

Before the factory expansion, the Company will considerate the Company overall production capacity allocation in advance and evaluation according to the future development of products as well as customer needs.

- (ix) Risks relating to and responding to excessive concentration of purchasing sources and excessive customer concentration:

1.Purchasing: The Company has diversified purchasing sources.

2.Sales: The concentration of sales to Customer A in 2023 was 41.11%, mainly focused on information and communication products. Additionally, due to the introduction of new products to this customer in the current year, sales revenue increased. Moreover, the global netcom market focused on inventory digestion in 2023, leading to poor market conditions in the netcom market, resulting in a decrease in sales of electromagnetic and power products of the Company, and further emphasized the proportion of sales to Customer A in the Company. In 2024, the Company has developed new customers and introduced new products, and it is estimated that the concentration of sales will gradually improve.

- (x) Effects of, risks relating to and response to large share transfers or changes in shareholdings by directors, supervisors, or shareholders with shareholdings of over 10%:

There was no such event that occurred in the Company in the most recent fiscal year and up to the annual report publication date.

- (xi) Effects of, risks relating to and responding to the changes in management rights:

The Company's management rights have not been changed.

- (xii) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the Company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10% and/or any company or companies controlled by the Company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, the amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

- (xiii) Other major risks: None.

vii.Other important matters: None.

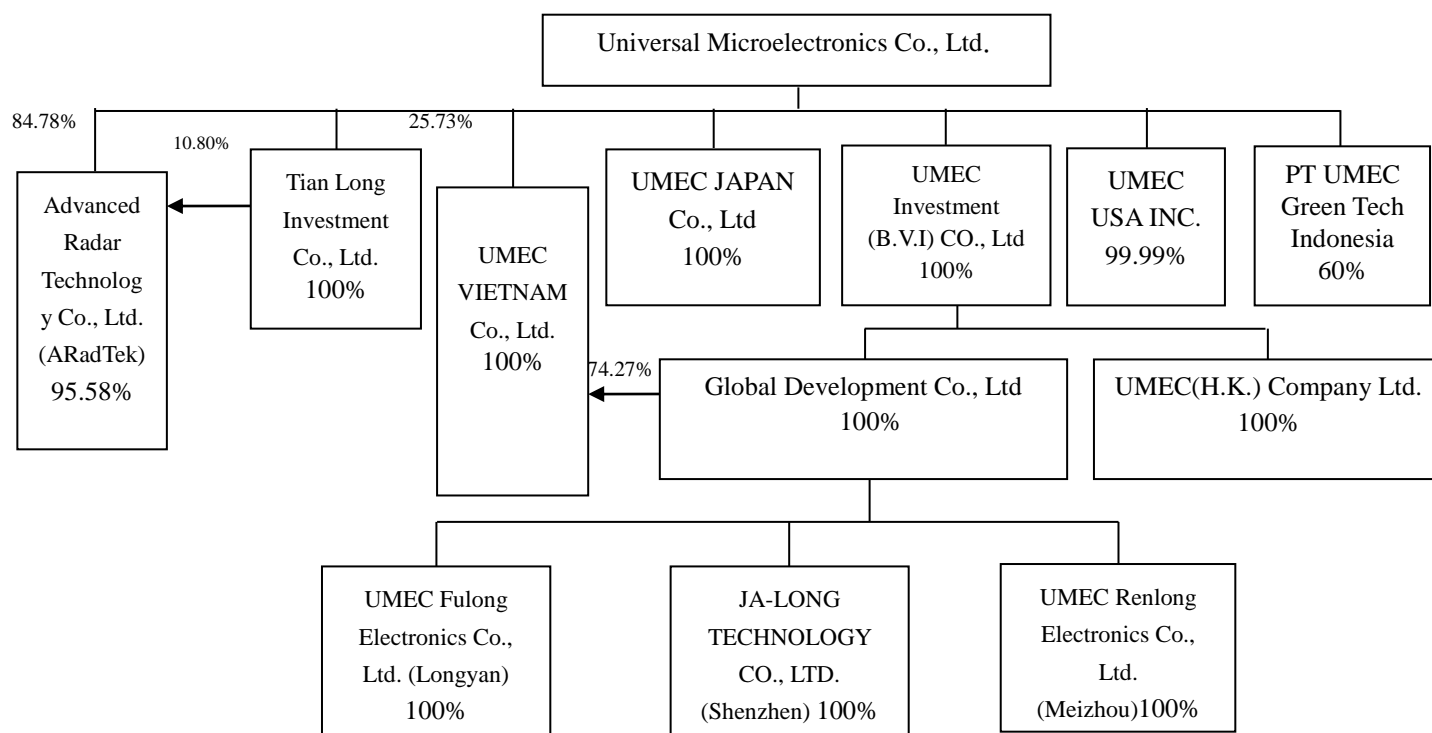
VIII. Special Disclosure

i. Information on the Company's affiliates

(i) Consolidated business report of affiliates

1. Overview of affiliated companies

(1) Affiliated companies organizational chart (31 December 2023)



(2) Information on the Company's affiliates

Company name	Date of Incorporation	Address	Paid-in capital	Main business content
Universal Microelectronics Co., Ltd.	18 February 1984	3,27th Rd., Taichung Industrial Park. Taichung, Taiwan	NT\$1,273,592 thousand	Manufacturing, processing and domestic and overseas sales of electromagnetic parts switch mode power supply, information and communication product, optoelectronic product, optical communication product and other electronic parts
UMEC Investment (B.V.I) CO., Ltd	11 April 1999	Vistra Corporate Services Centre. Wickhams Cay II, Road Town Tortola, VG1110, BRITISH VIRGIN ISLANDS	USD22,961 thousand	Investment and holding company
Tian Long Investment Co., Ltd.	18 August 2003	1F., No. 37, Sec. 2, Meicun Rd., South Dist., Taichung City	NT\$88,000 thousand	Investment company
UMEC (H.K.) Company Ltd.	25 May 1993	FLAT B 5/F NO.38 HUNG TO RD KWUN TONG KOWLOON, HONG KONG	HKD1,782 thousand	Established in Hongkong to handle export shipping affairs of China.
UMEC USA Inc.	22 February 2000	1921 Ellen St #7 Sturgis, SD 57785, USA	USD500 thousand	R&D and sales of electromagnetic parts
Global Development Co., Ltd	9 October 2000	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KYI-1205 Cayman Islands.	USD23,215 thousand	Investment and holding company

Company name	Date of Incorporation	Address	Paid-in capital	Main business content
JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	16 November 2000	Baoan Tong Fuyu Industrial Park Shenzhen, Fuyong Town, Shenzhen	USD17,650 thousand	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board
Advanced Radar Technology Co., Ltd. (ARadTek)	2 November 2006	Rm. 2, 8F., Dayou Rd., Taoyuan Dist., Taoyuan City	NT\$50,200 thousand	Manufacturing and sales of electronic parts and components
UMEC Vietnam Co., Ltd.	3 February 2009	Lot B(B1), Quang Chau Industrial Park, Bac Giang Province, Vietnam	USD12,124 thousand	Manufacturing and sales of switch mode power supply, transformer and circuit board
UMEC Fulong Electronics Co., Ltd. (Longyan)	26 August 2010	No.1 Fuxiang Road, Wuping Industrial Park, Wuping Country, Longyan City, Fujian, China	USD3,000 thousand	Manufacturing and sales of switch mode power supply and transformer
UMEC Renlong Electronics Co., Ltd. (Meizhou)	28 May 2012	Industrial Area, Wuhua Country, Meizhou City, Guangdong Province, China	USD600 thousand	Manufacturing and sales of switch mode power supply and transformer
UMEC Japan Co., Ltd.	1 October 2013	5F YS 1st Bld. 3-5-3 Osaki, Shinagawa-Ku, Tokyo, 141-0032 JAPAN	JPY6,000 thousand	Promotion and sales of switch mode power supply, transformer and manufacturing and assembly of circuit board
PT UMEC Green Tech Indonesia	31 December 2017	Ketapang Business Centre, Jl. Kh. Zainul Arifin No 20 Blok A16 Jakarta Barat, Indonesia 11140	USD191 thousand	Sales of electronic parts and components

(3) The industries covered by the business operated by the affiliates overall:

- ①The Company's main business contents are the manufacturing and sales of magnetic parts and components, power supplies, information and communications products, and optoelectronic products.
- ②UMEC Investment (B.V.I) Co., Ltd. is a holding company established in the British Virgin Islands and mainly runs an overseas investment business.
- ③Tian Long Investment Co., Ltd. is an investment company.
- ④UMEC (H.K.) Company Ltd. is established in Hongkong and mainly assists in handling export shipping affairs for China.
- ⑤UMEC USA Inc. is a subsidiary invested and established by the Company to expand its market in the U.S. and Canada, and it mainly runs the business of the R&D and sales of electromagnetic parts and components.
- ⑥Global Development Co., Ltd is a holding company established in the Cayman Islands and it mainly runs the business of overseas investment business.
- ⑦JA-LONG TECHNOLOGY CO., LTD. (Shenzhen) is established in Shenzhen City in Guangdong Province, China. The Company mainly runs the business of manufacturing electronic magnetic parts, power supplies, information and communication products, optical communication products and optoelectronics for its affiliates.
- ⑧UMEC Fulong Electronics Co., Ltd. (Longyan) was established in Longyan City of Fujian, China and it mainly runs the business of manufacturing electromagnetic parts and power supplies for its affiliates.
- ⑨UMEC VIETNAM Co., Ltd. was established in Bac Giang Province, Vietnam, and it mainly runs the business of manufacturing electromagnetic parts, power supplies, information and communications products for its affiliates.
- ⑩UMEC Renlong Electronics Co., Ltd. (Meizhou) was established in Meizhou City of Guangdong Province, China, and it mainly runs the business of manufacturing electromagnetic parts and power supplies for its affiliates.

①Advanced Radar Technology Co., Ltd. (ARadTek) was established in Taiwan, and it mainly runs the business of manufacturing and selling electronic parts and components.

②UMEC Japan Co., Ltd. was established in Tokyo, Japan, and it mainly runs the business of promoting and selling switch mode power supplies and transformers and manufacturing and assembly of the circuit board.

③PT UMEC Green Tech Indonesia was established in Indonesia and mainly runs the business of promoting and selling electronic parts and components.

(4) Information on directors, supervisors and general managers of affiliates

Company name	Title	Name or representative	Shareholding	
			Stock (Investment amount)	%
Universal Microelectronics Co., Ltd.	Chairman and general manager	OU, CHENG-MING	34,870,964	27.38
	Director	HSU, KUAN-CHUN	1,748,177	1.37
	Director	LIEN, TSUNG-FU	798,146	0.63
	Director	TSAI, KUO-CHI	700,929	0.55
	Director	YANG, SHANG-JU	-	-
	Director	Representative of Zhao Zan Investment Co., Ltd., OU, JEN-CHIEH	687,000	0.54
	Director	Representative of Yuan Rong Investment, Co., Ltd., OU, TZU-HUEI	659,000	0.52
	Independent director	WU, TEH-CHUAN	-	-
	Independent director	WU, HUEI-HUANG	-	-
	Independent Director	TSOU, YEN-CHUNG	-	-
	Independent Director	KO, HSIN-SUI	-	-
UMEC Investment (B.V.I) CO., Ltd	Director	Representative of UNIVERSAL MICROELECTRONICS CO., LTD.: OU, CHENG-MING	USD22,961,020	100.00
UMEC (H.K.) Company Ltd.	Director	UMEC Investment CO., Ltd OU, CHENG-MING	HKD 1,782,000	100.00
UMEC USA Inc.	Director	Representative of UNIVERSAL MICROELECTRONICS CO., LTD.: OU, CHENG-MING	USD499,999	99.99
	Director	LIN, HSUEH-HWA	USD1	0.01
Global Development Co., Ltd	Director	UMEC Investment CO., Ltd OU, CHENG-MING	USD23,214,961	100.00
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Director	Global Development CO., Ltd LIN, HSUEH-HWA	USD17,650,000	100.00
Tian Long Investment Co., Ltd.	Chairman	Representative of UNIVERSAL MICROELECTRONICS CO., LTD.: OU, CHENG-MING	8,800,000	100.00
	Director	Representative of UNIVERSAL MICROELECTRONICS CO., LTD.: HSU, KUAN-CHUN	8,800,000	100.00
	Director	Representative of Universal Microelectronics Co., Ltd.: LIN, HSUEH-HWA	8,800,000	100.00

Company name	Title	Name or representative	Shareholding	
			Stock (Investment amount)	%
	Supervisor	Representative of Universal Microelectronics Co., Ltd.: OU, JEN-CHIEH	8,800,000	100.00
UMEC Fulong Electronics Co., Ltd. (Longyan)	Director	Global Development CO., Ltd LIN, HSUEH-HWA	USD3,000,000	100.00
UMEC VIETNAM Co., Ltd.	Director	Global Development CO., Ltd LIN, HSUEH-HWA	USD9,003,574	74.27
	Director	Representative of UNIVERSAL MICROELECTRONICS CO., LTD.: OU, CHENG-MING	USD3,120,000	25.73
UMEC Renlong Electronics Co., Ltd. (Meizhou)	Director	Global Development CO., Ltd LIN, HSUEH-HWA	USD600,000	100.00
Advanced Radar Technology Co., Ltd. (ARadTek)	Chairman & general manager	Representative of Universal Microelectronics Co., Ltd.: OU, CHENG-MING	4,255,894	84.78
	Director	Representative of Universal Microelectronics Co., Ltd.: CHAN, CHIA-NAN	4,255,894	84.78
	Director	Representative of Tian Long Investment Co., Ltd.: OU, JEN-CHIEH	541,945	10.80
	Director	YANG, PEI-CHI	-	-
	Director	LI, NIEN-CHUAN	464	0.01
	Director	OU, TZU-HUEI	10,000	0.20
	Director	TAO, CHI-WEN	3,761	0.07
	Supervisor	KO, TIEN-HUA	-	-
	Supervisor	HSUEH, CHING-YI	-	-
UMEC Japan Co., Ltd.	Director	Representative of Universal Microelectronics Co., Ltd.: OU, CHENG-MING	USD50,262.69	100
PT UMEC Green Tech Indonesia	Director	Representative of Universal Microelectronics Co., Ltd.: OU, CHENG-MING	USD114,600	60
	Director	Advanced E-Tech Corp. OU, CHENG-MING	USD76,400	40

(5) Operational highlights of subsidiaries

Unit: NT\$ (in thousands)/earnings per share (NT\$)

Company name	Capital amount	Total assets	Total liabilities	Net worth	Operating revenues	Operating income	Profit or loss for the period (after-tax)	Earnings per share (NT\$) (after-tax)
Universal Microelectronics Co., Ltd.	1,273,592	4,642,030	2,624,001	2,018,029	5,147,932	70,374	106,486	0.84
UMEC Investment (B.V.I) CO., Ltd	753,401	207,329	-	207,329	-	(90)	20,397	-
UMEC (H.K.) Company Ltd.	7,001	17,910	5,089	12,821	20,736	395	206	-
UMEC USA Inc.	43,013	43,679	319	43,360	9,062	(4,630)	(4,557)	-
Global Development Co., Ltd	712,815	405,299	233,843	171,456	-	(1,584)	20,173	-
JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	541,943	1,254,574	989,513	265,061	2,061,671	42,792	72,137	-

Company name	Capital amount	Total assets	Total liabilities	Net worth	Operating revenues	Operating income	Profit or loss for the period (after-tax)	Earnings per share (NT\$) (after-tax)
Tian Long Investment Co., Ltd.	88,000	58,353	40	58,313	-	(94)	8,868	-
UMEC Fulong Electronics Co., Ltd. (Longyan)	92,115	71,167	15,462	55,705	71,110	(22,911)	(22,620)	-
UMEC VIETNAM Co., Ltd.	372,286	269,613	147,262	122,351	125,151	(31,162)	(34,875)	-
UMEC Renlong Electronics Co., Ltd. (Meizhou)	18,423	20,466	47,175	(26,709)	46,211	(11,541)	(11,542)	-
Advanced Radar Technology Co., Ltd. (ARadTek)	50,200	19,519	5,418	14,101	12,299	(10,044)	(9,939)	-
UMEC Japan Co., Ltd.	1,368	2,641	1,413	1,228	6,131	(445)	(21)	-
PT UMEC Green Tech Indonesia	3,519	-	-	-	-	-	-	-

Note 1: If the affiliate is a foreign company, its relevant figures should be converted into New Taiwan Dollars using the exchange rate on the reporting date.

(ii) Consolidated Financial Statements of Affiliates

Statement

The entities that are required to be included in the consolidated statements of affiliates of Universal Microelectronics Co., Ltd. as of and for the year ended 31 December 2023 under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No.10 “Consolidated Financial Statements”. Relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Universal Microelectronics Co., Ltd. and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Truly yours,

Universal Microelectronics Co., Ltd.

Representative: OU, CHENG-MING

12 March 2024

ii.Private Placement Securities in recent year and up to the publication date of this annual report:

- (i) The Company's extraordinary general meeting on 18 March 2022 passed the resolution of conducting a private placement of ordinary shares for cash capital increase. The cash capital increase for ordinary shares should be within the quota of up to 25,471,800 shares. According to Article 43-6 of the Securities and Exchange Act, privately placed securities shall be handled before the expiration of a one-year period from the date of the shareholders' meeting resolution.
- (ii) The Company resolved by the board of directors on 16 March 2023, to discontinue the private placement cash capital increase for the issuance of common shares.

iii.Holding or disposal of shares in the company by the Company's subsidiaries during the most recent year or the current year up to the date of publication of the annual report: None.

iv.Other matters that require additional description: None.

v.Matters according to Article 36-3-2 of the Securities and Exchange Act of Taiwan in the most recent year and up to the date of printing of this annual report which has a significant impact on shareholders' equity or stock price: None.

Appendix 1 The Company's consolidated financial report was audited and certified by CPAs for the most recent year

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS**

FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

Address: 3,27TH RD.,Taichung Industrial Park.Taichung, Taiwan, R.O.C.
Telephone: 886-4-23590096

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

UNIVERSAL MICROELECTRONICS CO., LTD

Statement

The entities that are required to be included in the consolidated statements of affiliates of Universal Microelectronics Co., Ltd. as of and for the year ended 31 December 2023 under the “Criteria Governing the Preparation of Affiliation Reports, consolidated business reports and consolidated financial statements of affiliated enterprises” are the same as those included in the consolidated financial statements prepared in conformity with international financial reporting standards No.10 “Consolidated Financial Statements”. Relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Universal Microelectronics Co., Ltd. and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Truly yours,

UNIVERSAL MICROELECTRONICS CO., LTD.

Chairman: OU, CHENG-MING

12 March 2024

Independent Auditors' Report Translated from Chinese

To UNIVERSAL MICROELECTRONICS Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of UNIVERSAL MICROELECTRONICS Co., Ltd. and its subsidiaries (the “Group”) as of 31 December 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2023 and 2022, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries (the “Group”) as of 31 December 2023 and 2022, and their consolidated financial performance and cash flows for the years ended 31 December 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the report(s) of the other auditors, 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 2023 consolidated financial statements. 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.

1. Impairment of accounts receivable

As of 31 December 2023, gross accounts receivable and loss allowance by the Group amounted to NT\$565,120 thousand and NT\$1,910 thousand, respectively. Net accounts receivable accounted for 12% of total consolidated assets and have significant impacts on the Group. Since the loss allowance of account receivables is measured by the expected credit loss for the duration of the account receivables, it is necessary to divide account receivables into groups in the process of measurement and analyze the application of related assumptions, including appropriate aging intervals and their respective loss rate. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net account receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, assessing the effectiveness of internal controls around accounts receivable management, including performing simple tests by sampling and understanding management's assessment for expected credit losses of accounts receivable, dividing the expected loss rate of risk group and determining appropriate aging intervals and each group, selecting samples to perform the accounts receivable confirmation, analyzing trends of changes in account receivable of prior and subsequent periods and turnover rates, reviewing the collection in subsequent period to assess their recoverability. We also assessed the adequacy of the disclosures related to accounts receivable in Notes 5 and 6.

2. Valuation for inventories

As of 31 December 2023, the Group's net inventories amounted to NT\$1,822,672 thousand. Net inventories accounted for 38% of consolidated total assets, which was considered material in the consolidated statements. Due to uncertainty arising from rapid changes in product technology, the provision for valuation loss, sluggish or obsolete inventories involves major judgments by the management. We therefore determined this a key audit matter.

Our audit procedures included, but not limited to, evaluate the effectiveness of the internal control established by the management for inventory, including performing simple tests and understanding the appropriateness of the management's assessment of inventory evaluation policies and methods, evaluating the management's stocktaking plan and conducting inventory inspections on the spot, obtain the inventory aging table and test the correctness of the inventory age, re-calculating the unit cost of inventories, and evaluating and testing net realizable value adopted by management. We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Group, 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 audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 auditing standards in the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
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 ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause 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 accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the 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 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Other

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2023 and 2022.

Lo, Wen Chen

Huang, Ching Ya

Ernst & Young, Taiwan

12 March 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices 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 accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards in the Republic of China, and their applications in practice.

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of 31 December	
		2023	2022
Current assets			
Cash and cash equivalents	4,6(1)	\$723,930	\$627,056
Current financial assets at fair value through profit or loss	4,6(2)	38,085	25,951
Notes receivable, net	4,7	454	11,741
Accounts receivable, net	4,6(3),(19)	562,730	853,044
Accounts receivable due from related parties, net	4,6(3),(19),7	480	85
Other receivables		15,976	26,539
Current tax assets		135	125
Current inventories	4,6(4)	1,822,672	2,054,312
Prepayments	4	20,593	33,409
Other current assets	4,6(5),8	52,332	212,142
Total current assets		3,237,387	3,844,404
Non-current assets			
Non-current financial assets at fair value through other comprehensive income	4,6(6)	204,319	289,820
Investments accounted for using equity method	4,6(7)	67,266	13,272
Property, plant and equipment	4,6(8),8	1,016,493	1,099,984
Right-of-use assets	4,6(20)	57,685	67,144
Investment property, net	4,6(9),8	116,167	86,096
Intangible assets	4	16,092	10,865
Deferred tax assets	4,6(24)	45,552	40,755
Other non-current assets	6(10)	88,048	92,309
Total non-current assets		1,611,622	1,700,245
Total assets		\$4,849,009	\$5,544,649

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS(Continued)
 31 December 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars)

Liabilities and equity	Notes	As of 31 December	
		2023	2022
Current liabilities			
Current borrowings	4,6(11)	\$228,000	\$240,800
Short-term notes and bills payable	4,6(12)	79,944	44,945
Current financial liabilities at fair value through profit or loss	4,6(13)	0	957
Current contract liabilities	6(18)	60,207	230,903
Notes payable		513	525
Accounts payable		686,525	941,099
Other payables	6(14)	220,910	242,589
Current tax liabilities	4	40,959	68,420
Current lease liabilities	4,6(20)	6,604	6,721
Long-term borrowings, current portion	4,6(15)	513,310	844,877
Other current liabilities, others		20,756	13,396
Total current liabilities		<u>1,857,728</u>	<u>2,635,232</u>
Non-current liabilities			
Non-current portion of non-current borrowings	4,6(15)	912,432	809,295
Non-current lease liabilities	4,6(20)	6,298	8,513
Net defined benefit liability, non-current	4,6(16)	49,434	47,707
Other non-current liabilities, others		4,461	7,095
Total non-current liabilities		<u>972,625</u>	<u>872,610</u>
Total liabilities		<u>2,830,353</u>	<u>3,507,842</u>
Equity	4,6(17)		
Equity attributable to owners of parent			
Share capital			
Ordinary share		1,273,592	1,273,592
Capital surplus		373,076	373,076
Retained earnings			
Legal reserve		48,839	11,494
Special reserve		332,604	135,032
Unappropriated retained earnings		349,167	581,301
Total retained earnings		<u>730,610</u>	<u>727,827</u>
Other equity interest		(353,098)	(332,604)
Treasury shares		(6,151)	(6,151)
Total equity attributable to owners of parent		<u>2,018,029</u>	<u>2,035,740</u>
Non-controlling interests		627	1,067
Total equity		<u>2,018,656</u>	<u>2,036,807</u>
Total liabilities and equity		<u>\$4,849,009</u>	<u>\$5,544,649</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the years ended 31 December 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the years ended 31 December	
		2023	2022
Operating revenue	4,6(18),7	\$4,603,781	\$4,834,189
Operating costs	4,6(21)	(3,918,917)	(3,995,500)
Gross profit from operations		684,864	838,689
Operating expenses	6(21),7		
Selling expenses		(101,159)	(114,386)
Administrative expenses		(306,993)	(282,532)
Research and development expenses		(191,241)	(183,734)
Impairment loss (impairment gain and reversal of impairment loss)	4,6(19)	83	(672)
Total operating expenses		(599,310)	(581,324)
Net operating income		85,554	257,365
Non-operating income and expenses	4,6(22)		
Interest income		11,725	6,009
Other income		67,070	50,187
Other gains and losses		501	52,157
Finance costs		(35,630)	(33,824)
Share of profit (loss) of associates and joint ventures accounted for using equity method	4,6(7)	1,152	(3,037)
Total non-operating income and expenses		44,818	71,492
Profit from continuing operations before tax		130,372	328,857
Tax expense	4,6(24)	(24,326)	(66,797)
Profit		106,046	262,060
Other comprehensive income	4,6(23)		
Components of other comprehensive income that will not be reclassified to profit or loss			
Gains (losses) on remeasurements of defined benefit plans		(3,256)	13,519
Unrealised (losses) gains from investments in equity instruments measured at fair value through other comprehensive income		(55,059)	(115,240)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		10,073	3,597
Components of other comprehensive income that will be reclassified to profit or loss			
Exchange differences on translation		(15,680)	13,090
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		3,136	(1,658)
Total other comprehensive income		(60,786)	(86,692)
Total comprehensive income		\$45,260	\$175,368
Profit, attributable to:			
Profit, attributable to owners of parent		\$106,486	\$262,577
Profit, attributable to non-controlling interests		(440)	(517)
		\$106,046	\$262,060
Comprehensive income attributable to:			
Comprehensive income, attributable to owners of parent		\$45,700	\$175,885
Comprehensive income, attributable to non-controlling interests		(440)	(517)
		\$45,260	\$175,368
Earnings per share (NTD)	6(25)		
Basic earnings per share		\$0.84	\$2.07
Diluted earnings per share		\$0.84	\$2.06

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 For the years ended 31 December 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Retained earnings					Other equity interest					
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of 1 January 2022	1,273,592	370,396	4,699	281,724	67,947	(30,064)	(104,968)	(6,151)	1,857,175	1,584	1,858,759
Appropriation and distribution of 2021 retained earnings											
Legal reserve appropriated			6,795		(6,795)				-		-
Reversal of special reserve				(146,692)	146,692				-		-
Changes in equity of associates and joint ventures accounted for using equity method		2,680							2,680		2,680
Profit in 2022					262,577				262,577	(517)	262,060
Other comprehensive income in 2022					10,815	11,432	(108,939)		(86,692)	-	(86,692)
Total comprehensive income	-	-	-	-	273,392	11,432	(108,939)	-	175,885	(517)	175,368
Disposal of investments in equity instruments designated at fair value through other comprehensive income					100,065		(100,065)		-		-
Balance as of 31 December 2022	\$1,273,592	\$373,076	\$11,494	\$135,032	\$581,301	\$(18,632)	\$(313,972)	\$(6,151)	\$2,035,740	\$1,067	\$2,036,807
Balance as of 1 January 2023	\$1,273,592	\$373,076	\$11,494	\$135,032	\$581,301	\$(18,632)	\$(313,972)	\$(6,151)	\$2,035,740	\$1,067	\$2,036,807
Appropriation and distribution of 2022 retained earnings											
Legal reserve appropriated			37,345		(37,345)				-		-
Reversal of special reserve				\$197,572	(197,572)				-		-
Cash dividends of ordinary share					(63,411)				(63,411)		(63,411)
Profit in 2023					106,486				106,486	(440)	106,046
Other comprehensive income in 2023					(2,605)	(12,544)	(45,637)		(60,786)	-	(60,786)
Total comprehensive income	-	-	-	-	103,881	(12,544)	(45,637)	-	45,700	(440)	45,260
Others					(37,687)		37,687		-		-
Balance as of 31 December 2023	\$1,273,592	\$373,076	\$48,839	\$332,604	\$349,167	\$(31,176)	\$(321,922)	\$(6,151)	\$2,018,029	\$627	\$2,018,656

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the years ended 31 December 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2023	2022
Cash flows from operating activities:		
Profit from continuing operations before tax	\$130,372	\$328,857
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	147,836	152,405
Amortization expense	23,898	22,059
Expected credit (gain) loss	(83)	672
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(9,879)	7,251
Interest expense	35,630	33,824
Interest income	(11,725)	(6,009)
Dividend income	(4,905)	(4,334)
Share of (gain) loss of associates and joint ventures accounted for using equity method	(1,152)	3,037
Gain on disposal of property, plan and equipment	(2,976)	(839)
Loss on disposal of intangible assets	-	438
Others	(6)	-
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	11,287	(8,525)
Decrease (increase) in accounts receivable	290,002	(144,083)
Decrease (increase) in other receivable	10,385	(8,135)
Decrease (increase) in inventories	231,640	(514,499)
Decrease in prepayments	12,816	6,657
(Increase) decrease in other current assets	(12,811)	8,107
(Decrease) increase in contract liabilities	(170,696)	139,118
Decrease in notes payable	(12)	(1,053)
(Decrease) increase in accounts payable	(254,574)	268,828
(Decrease) increase in payable	(21,643)	48,085
Increase (decrease) in other current liabilities	7,360	(941)
Decrease in net defined benefit liability	(1,529)	(1,642)
Cash inflow generated from operations	409,235	329,278
Interest received	11,903	5,746
Dividends received	4,905	4,334
Interest paid	(35,666)	(33,516)
Income taxes paid	(43,427)	(11,532)
Net cash flows from (used in) operating activities	346,950	294,310

(Continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS(Continued)
 For the years ended 31 December 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(22,400)	(19,600)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	151,797
Acquisition of financial assets at amortised cost	(15,570)	-
Proceeds from repayments of financial assets at amortised cost	15,570	13,840
Acquisition of financial assets at fair value through profit or loss	(3,212)	-
Acquisition of property, plant and equipment	(106,496)	(75,434)
Proceeds from disposal of property, plant and equipment	4,388	1,799
Acquisition of intangible assets	(15,056)	(7,222)
(Increase) decrease in other financial assets	172,621	(208,933)
Increase in other non-current assets	(9,960)	(51,350)
Net cash flows used in investing activities	19,885	(195,103)
Cash flows from financing activities:		
(Decrease) increase in short-term loans	(12,800)	41,274
Increase (decrease) in short-term notes and bills payable	34,999	(35,026)
Proceeds from long-term debt	973,585	752,200
Repayments of long-term debt	(1,202,015)	(790,270)
Payments of lease liabilities	(8,666)	(8,543)
Decrease in other non-current liabilities	(2,634)	(1,278)
Cash dividend distribution	(63,411)	-
Net cash outflows used in financing activities	(280,942)	(41,643)
Effect of exchange rate changes on cash and cash equivalents	10,981	(12,240)
Net increase in cash and cash equivalents	96,874	45,324
Cash and cash equivalents at beginning of period	627,056	581,732
Cash and cash equivalents at end of period	\$723,930	\$627,056

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

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

UNIVERSAL MICROELECTRONICS Co., Ltd. (the Company) was incorporated in Republic of China (R.O.C) on 18 February 1984. The main activities of the Company include manufacturing and selling computer peripherals, connectors, wires and other parts. The shares of the Company commenced trading on Taiwan's Over-the-Counter Market in 1998 and were listed on the Taiwan Stock Exchange on 11 September 2000. Its registered location and main operational base were situated at No. 3, Industrial Road 27, Nantun District, Taichung City.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (the Group) were authorized for issue in accordance with a resolution of the Board of Directors' meeting on 12 March 2024.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

(a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2024. The remaining new or amended standards and interpretations have no material impact on the Group.

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

- (a) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. The remaining new or amended standards and interpretations have no material impact on the Group.

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

4. Summary of significant accounting policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the year ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are endorsed by FSC (TIFRSs).

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (NT\$) unless otherwise stated.

(3) Basis of Consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group’s voting rights and potential voting rights

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary
- (b) derecognizes the carrying amount of any non-controlling interest
- (c) recognizes the fair value of the consideration received
- (d) recognizes the fair value of any investment retained
- (e) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss
- (f) recognize the resulting difference in current profit or loss

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		Note
			31 December 2023	31 December 2022	
The Company	Tien Lung Investment Co., Ltd.	Investment company	100.00%	100.00%	
The Company	UMEC Investment Co., Ltd. (UMEC (B.V.I.))	Investment and holding company	100.00%	100.00%	
The Company	PT UMEC Green Tech Indonesia	Sales of electronic parts and components	60.00%	60.00%	
The Company	Advanced Radar Technology Co., Ltd. (ARadTek)	Manufacturing and sales of electronic parts and components	84.78%	84.78%	
The Company	UMEC USA, Inc. (UMEC (USA))	R&D and sales of electromagnetic parts	99.99%	-%	Note 1

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		Note
			31 December 2023	31 December 2022	
The Company	UMEC JAPAN CO., LTD. (UMEC (JAPAN))	Promotion and sales of switch mode power supply, transformer and manufacturing and assembly of circuit board	100.00%	-%	Note 1
The Company	UMEC VIETNAM Co., Ltd.	Manufacturing and sales of switch mode power supply, transformer and circuit board	25.73%	-%	Note 1
UMEC (B.V.I)	UMEC (H.K.) Company Ltd. (UMEC (H.K.))	Established in Hongkong to handle export shipping affairs of China.	100.00%	100.00%	
UMEC (B.V.I)	Global Development Company Ltd. (Global)	Investment and holding company	100.00%	100.00%	
Global	JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board	100.00%	100.00%	
Global	UMEC Fulong Electronics Co., Ltd. (Longyan)	Manufacturing and sales of switch mode power supply and transformer assemblies	100.00%	100.00%	
Global	UMEC VIETNAM Co., Ltd.	Manufacturing and sales of switch mode power supply, transformer and circuit board	74.27%	100.00%	Note 1
Global	UMEC Renlong Electronics Co., Ltd. (Meizhou)	Manufacturing and sales of switch mode power supply and transformer	100.00%	100.00%	
Tien Lung Investment Co., Ltd.	ARadTek	Manufacturing and sales of electronic parts and components	10.80%	10.80%	

Note 1: The company adjusted its investment structure in the third quarter of 2023 and transferred UMEC (USA), a subsidiary of UMEC (B.V.I.) and UMEC (JAPAN), a subsidiary of Global, 100% ownership to the Company.

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NT\$), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(1) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Group's business model for managing the financial assets
- B. the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

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Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition
- B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

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(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

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Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

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B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired.
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

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(4) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

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If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

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(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

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Raw materials - Purchase cost under weighted average cost method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for under the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

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When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

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Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	20~40 years
Machinery and equipment	6~10 years
Transportation equipment	5~10 years
Office equipment	3~10 years
Other equipment	2~10 years

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An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(14) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	20 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

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The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(15) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

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At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

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For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Patents	Computer software	Others
Useful lives	10 years	10 years	20~40 years
Amortization method used	Amortized on a straight-line basis over the period of the patent	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(19) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(20) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

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Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. Revenue from the sale of goods is recognized based on the prices stipulated in the contracts.

The credit period of the Group's sale of goods is from 10 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(21) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(22) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(23) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

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Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(24) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

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- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed

5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements required management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

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(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The principal assumptions used to determine the recoverable amounts of different cash-generating units, including sensitivity analysis, are explained in detail in Note 6.

(c) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

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(d) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(e) Accounts receivables—estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

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(f) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2023	2022
Cash on hand	\$1,564	\$3,752
Demand deposits	722,366	623,304
Total	<u>\$723,930</u>	<u>\$627,056</u>

(2) Financial assets at fair value through profit or loss

	As of 31 December	
	2023	2022
Financial assets mandatorily at fair value through profit or loss:		
Stocks	\$34,908	\$25,951
Index Bond Fund	3,177	-
Total	<u>\$38,085</u>	<u>\$25,951</u>

Financial assets at fair value through profit or loss were not pledged.

(3) Accounts receivables and accounts receivable - related parties

	As of 31 December	
	2023	2022
Accounts Receivable	\$564,640	\$855,037
Less: loss allowance	(1,910)	(1,993)
Subtotal	562,730	853,044
Accounts receivable – related parties	480	85
Total	<u>\$563,210</u>	<u>\$853,129</u>

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Accounts receivables were not pledged.

The credit period extended to customers by the Group is typically between 10 and 150 days. The total book value as of December 31, 2023 and 2022, were NT\$565,120 thousand and NT\$855,122 thousand, respectively. Please refer to Note 6(19) for more details on loss allowance and Note 12 for details on credit risk management.

(4) Inventories

	As of 31 December	
	2023	2022
Raw materials	\$1,266,429	\$1,430,361
Supplies & parts	45,023	41,300
Work in progress	29,144	26,323
Finished goods	118,047	208,568
Merchandise	364,029	347,760
Total	<u>\$1,822,672</u>	<u>\$2,054,312</u>

The inventory cost recognized as operating costs for the years ended 31 December 2023 and 2022 were NT\$3,918,917 thousand and NT\$3,995,500 thousand, respectively. The gain from price recovery of inventories related to cost of goods sold were NT\$22,535 thousand and NT\$(21,108) thousand.

The gain from price recovery of inventories in 2022 was due to the selling slow-moving inventories that was originally provided for write-down.

No inventories were pledged.

(5) Other current assets

	As of 31 December	
	2023	2022
Restricted assets	\$36,312	\$208,933
Payment on Behalf	1,615	2,888
Temporary debits	194	91
Other assets	14,211	230
Total	<u>\$52,332</u>	<u>\$212,142</u>

Please refer to Note 8 for more details on other current assets under pledge.

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(6) Financial assets at fair value through other comprehensive income

	As of 31 December	
	2023	2022
Equity instrument investments measured at fair value through other comprehensive income, Non-current		
Listed companies stocks	\$116,429	\$124,891
Emerging companies stocks	35,288	29,730
Unlisted companies stocks	52,602	135,199
Total	<u>\$204,319</u>	<u>\$289,820</u>

The Group entered into a stock conversion agreement with Lightel Corporation in 28 September 2023, as the stock conversion reference date. The Group exchanged 5,082,027 shares of Lightel Technologies Inc. it held for 5,082,027 ordinary shares of. The fair value at the time of exchange was NT\$57,306 thousand. The unrealized valuation loss accumulated at the time of exchange was NT\$47,109 thousand, and the income tax benefit directly recognized in equity NT\$ (9,422) thousand was transferred from other equity to retained earnings.

In 2023, the Group disposed of the listed stocks and emerging stocks, which were reported under equity instrument investments measured at fair value through other comprehensive income during the period. Upon derecognition, the fair value of the investments was NT\$151,797 thousand, and the cumulative disposal gain of NT\$100,065 thousand was transferred from other components of equity to retained earnings.

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the periods ended 31 December 2023 and 2022 are as follow:

	As of 31 December	
	2023	2022
Related to investments held at the end of the reporting period	\$3,216	\$2,786
Related to investments derecognized during the period	-	-
Dividends recognized during the period	<u>\$3,216</u>	<u>\$2,786</u>

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Financial assets at fair value through other comprehensive income were not pledged.

(7) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

	As of 31 December			
	2023		2022	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Lightel Corporation	\$61,258	23.88%	\$ -	-%
Poris Electronics Co.,Ltd	6,008	33.55%	6,744	33.55%
AMIT System Service Ltd.	-	-%	3,139	14.75%
UEC System Solutions Corporation	-	-%	3,389	13.89%
PT. SINERGI CERDAS TECHNOLOGY	-	49.00%	-	49.00%
Total	<u>\$67,266</u>		<u>\$13,272</u>	

The Group entered into a share conversion agreement with Lightel Corporation with 28 September 2023, as the share conversion reference date, whereby it exchanged 5,082,027 shares of Lightel technology, Inc. held for 5,082,027 ordinary shares of Lightel Corporation.

The Group did not participate in the cash capital increase of AMIT System Service Ltd., in the third quarter of the year ended 31 December 2023, and its shareholding ratio decreased from 14.75% to 11.00%. As a result, the Group lost significant influence over AMIT System Service Ltd., and therefore reclassified it as a financial asset measured at fair value through other comprehensive income.

In the third quarter of the year ended 31 December 2023, the Group participated in the cash capital increase of UEC System Solutions Corporation, increasing its investment amount by NT\$1,400 thousand. However, as the Group did not subscribe in proportion to its shareholding, its shareholding ratio decreased from 13.89% to 11.08%. Consequently, the Group lost significant influence over UEC System Solutions Corporation, and therefore reclassified it as a financial asset measured at fair value through other comprehensive income.

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The aggregate financial information of the Group's share of its associates is as follows:

	As of 31 December	
	2023	2022
Profit or loss from continuing operations	\$1,152	\$(3,037)
Other comprehensive income (net of tax)	-	-
Total comprehensive income	<u>\$1,152</u>	<u>\$(3,037)</u>

The associates had no contingent liabilities capital commitments and pledged as of 31 December 2023 and 2022.

(8) Property, plant and equipment

Components of building that have different useful lives were the main building structure and air conditioning, which were depreciated 20~40 years and 10~15 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Mold equipment	Other equipment	Leasehold improvements	Construction in progress and equipment pending examination	Total
Cost:										
As of 1 January 2023	\$159,997	\$1,259,653	\$1,339,596	\$13,411	\$100,408	\$111,307	\$269,289	\$1,912	\$66,297	\$3,321,870
Additions	-	1,859	14,446	-	6,659	1,514	2,505	221	15,249	42,453
Reclassification	-	(82,275)	41,513	1,490	5,409	4,015	11,616	-	(10,614)	(28,846)
Disposals	-	(340)	(79,111)	(1,040)	(2,443)	(244)	(1,035)	-	-	(84,213)
Exchange differences	-	(30,047)	(23,798)	(66)	(2,597)	(77)	(3,041)	(4)	-	(59,630)
As of 31 December 2023	<u>\$159,997</u>	<u>\$1,148,850</u>	<u>\$1,292,646</u>	<u>\$13,795</u>	<u>\$107,436</u>	<u>\$116,515</u>	<u>\$279,334</u>	<u>\$2,129</u>	<u>\$70,932</u>	<u>\$3,191,634</u>
Depreciation and impairment:										
As of 1 January 2023	\$(449)	\$(793,799)	\$(978,632)	\$(11,521)	\$(80,893)	\$(106,917)	\$(248,273)	\$(1,402)	\$ -	\$(2,221,886)
Depreciation	-	(40,542)	(76,299)	(653)	(8,495)	(3,372)	(6,627)	(330)	-	(136,318)
Disposals	-	283	77,768	1,040	2,436	239	1,035	-	-	82,801
Reclassification	-	64,881	-	-	-	(2,023)	2,023	-	-	64,881
Exchange differences	-	15,938	14,771	66	1,675	69	2,862	-	-	35,381
As of 31 December 2023	<u>\$(449)</u>	<u>\$(753,239)</u>	<u>\$(962,392)</u>	<u>\$(11,068)</u>	<u>\$(85,277)</u>	<u>\$(112,004)</u>	<u>\$(248,980)</u>	<u>\$(1,732)</u>	<u>\$ -</u>	<u>\$(2,175,141)</u>

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	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Mold equipment	Other equipment	Leasehold improvements	Construction in progress and equipment pending examination	Total
Cost:										
As of 1 January 2022	\$159,997	\$1,228,953	\$1,325,131	\$14,389	\$97,693	\$107,941	\$265,268	\$1,912	\$36,045	\$3,237,329
Additions	-	455	14,810	-	4,157	2,743	5,214	-	30,252	57,631
Reclassification	-	1,142	7,644	1,272	575	723	6,447	-	-	17,803
Disposals	-	-	(26,662)	(2,302)	(4,112)	(100)	(10,208)	-	-	(43,384)
Exchange differences	-	29,103	18,673	52	2,095	-	2,568	-	-	52,491
As of 31 December 2022	<u>\$159,997</u>	<u>\$1,259,653</u>	<u>\$1,339,596</u>	<u>\$13,411</u>	<u>\$100,408</u>	<u>\$111,307</u>	<u>\$269,289</u>	<u>\$1,912</u>	<u>\$66,297</u>	<u>\$3,321,870</u>
Depreciation and impairment:										
As of 1 January 2022	\$(449)	\$(738,187)	\$(911,752)	\$(13,078)	\$(75,877)	(102,779)	\$(251,205)	\$(1,083)	\$ -	\$(2,094,410)
Depreciation	-	(42,418)	(80,403)	(697)	(7,821)	(4,238)	(4,825)	(319)	-	(140,721)
Disposals	-	-	25,716	2,302	4,112	100	10,194	-	-	42,424
Exchange differences	-	(13,194)	(12,193)	(48)	(1,307)	-	(2,437)	-	-	(29,179)
As of 31 December 2022	<u>\$(449)</u>	<u>\$(793,799)</u>	<u>\$(978,632)</u>	<u>\$(11,521)</u>	<u>\$(80,893)</u>	<u>\$(106,917)</u>	<u>\$(248,273)</u>	<u>\$(1,402)</u>	<u>\$ -</u>	<u>\$(2,221,886)</u>
Net carrying amount as at:										
31 December 2023	<u>\$159,548</u>	<u>\$395,611</u>	<u>\$330,254</u>	<u>\$2,727</u>	<u>\$22,159</u>	<u>\$4,511</u>	<u>\$30,354</u>	<u>\$397</u>	<u>\$70,932</u>	<u>\$1,016,493</u>
31 December 2022	<u>\$159,548</u>	<u>\$465,854</u>	<u>\$360,964</u>	<u>\$1,890</u>	<u>\$19,515</u>	<u>\$4,390</u>	<u>\$21,016</u>	<u>\$510</u>	<u>\$66,297</u>	<u>\$1,099,984</u>

(9) Investment property

	Land	Building	Right-of-use asset	Total
Cost:				
As of 1 January 2023	\$86,096	\$ -	\$ -	\$86,096
Reclassification	-	92,889	9,753	102,642
Exchange differences	-	(977)	(102)	(1,079)
As of 31 December 2023	<u>\$86,096</u>	<u>\$91,912</u>	<u>\$9,651</u>	<u>\$187,659</u>
As of 1 January 2022	\$86,096	\$ -	\$ -	\$86,096
Additions from reclassification	-	-	-	-
As of 31 December 2022	<u>\$86,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$86,096</u>

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	Land	Building	Right-of-use asset	Total
Depreciation and impairment:				
As of 1 January 2023	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-
Reclassification		(64,881)	(7,371)	(72,252)
Exchange differences		683	77	760
As of 31 December 2023	\$ -	\$(64,198)	\$(7,294)	\$(71,492)
As of 1 January 2022	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-
As of 31 December 2022	\$ -	\$ -	\$ -	\$ -
Net carrying amount as at:				
As of 31 December 2023	\$86,096	\$27,714	\$2,357	\$116,167
As of 31 December 2022	\$86,096	\$ -	\$ -	\$86,096

(a) Please refer to Note 8 for more details on investment property under pledge.

(b) The fair value of investment properties was NT\$494,951 and NT\$143,736 thousand for the years ended 31 December 2023 and 2022. The key inputs used are explained as follows:

- a. The income approach is based on the rental income and capitalization rate typically earned by the subject under normal circumstances.
- b. The market approach involves the price per square meter.

(10) Other non-current assets

	As of 31 December	
	2023	2022
Prepayment for equipment	\$40,096	\$49,814
Guarantee deposits paid	2,486	1,500
Other assets - others	45,466	40,995
Total	\$88,048	\$92,309

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(11) Short-term loans

	As of 31 December	
	2023	2022
Unsecured bank loans	\$200,000	\$100,000
Secured bank loans	28,000	140,800
Total	<u>\$228,000</u>	<u>\$240,800</u>

	As of 31 December	
	2023	2022
Interest rates applied		
Unsecured bank loans	1.81%	1.69%
Secured bank loans	1.81%	1.56%-1.69%

The Group's unused short-term lines of credits amounted to NT\$1,296,130 thousand and NT\$823,260 thousand as of 31 December 2023 and 2022, respectively.

Secured bank loans were secured by time deposits, please refer to Note 8 for more details.

(12) Short-term notes and bills payable

		As of 31 December	
		2023	2022
Commercial papers payable	China Bills Finance Corporation	\$50,000	\$ -
	Ta Ching Bills Finance Corporation	30,000	-
	Union Bank Of Taiwan	-	45,000
Less: discount on short-term notes and bills payable		(56)	(55)
Total		<u>\$79,944</u>	<u>\$44,945</u>

	As of 31 December	
	2023	2022
Interest rates applied	1.39%-1.51%	1.42%

Short-term notes and bills payable represent credit borrowings were not pledged.

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(13) Financial liabilities at fair value through profit or loss

	As of 31 December	
	2023	2022
Held for trading		
Foreign exchange swaps	\$ -	\$957

(14) Others payables

	As of 31 December	
	2023	2022
Wages and salaries payable	\$111,081	\$134,673
Employee bonus payable	13,859	13,758
Business tax payable	917	9,416
Insurance expense payable	8,884	8,472
Compensation due to directors	2,508	6,878
Payable on machinery and equipment	13,871	5,381
Pension expense payable	5,361	4,873
Other payables	64,429	59,138
Total	\$220,910	\$242,589

(15) Long-term loans

Details of long-term loans as of 31 December 2023 and 2022 are as follows:

Lenders	Maturity date	As of 31 December	
		2023	2022
Mega International Commercial Bank	2033/11/13	\$486,690	\$579,251
Chang Hwa Commercial Bank	2029/06/23	434,318	422,384
Bank of Taiwan	2025/10/28	104,883	179,596
Taiwan Cooperative Bank	2025/08/02	102,009	184,512
Hua Nan Commercial Bank	2024/12/06	200,000	120,000
Land Bank of Taiwan	2027/11/25	31,333	72,666
First Commercial Bank	2027/04/15	52,509	65,763
Taichung Commercial Bank	2024/09/01	14,000	30,000
Subtotal		1,425,742	1,654,172
Less: current portion		(513,310)	(844,877)
Total		\$912,432	\$809,295

	As of 31 December	
	2023	2022
Interest rates applied	1.85%-2.39%	1.73%-2.31%

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Please refer to Note 8 for more details on property, plant and equipment and investment property under pledge.

(16) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended 31 December 2023 and 2022 were NT\$19,091 thousand and NT\$18,550 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

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The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$11,743 thousand to its defined benefit plan during the 12 months beginning after 31 December 2023.

The weighted average duration of the defined benefits obligation was 7.1 years as of 31 December 2023.

Pension costs recognized in profit or loss are as follows:

	For the years ended 31 December	
	2023	2022
Current service cost	\$31	\$69
Net interest on the net defined benefit liabilities (assets)	467	371
Total	<u>\$498</u>	<u>\$440</u>

Reconciliations of the defined benefit obligation and plan assets at fair value are as follows:

	As of		
	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022
Defined benefit obligation	\$167,784	\$179,622	\$184,796
Plan assets at fair value	(118,350)	(131,915)	(121,928)
Other non-current assets - Net defined benefit liabilities (assets)	<u>\$49,434</u>	<u>\$47,707</u>	<u>\$62,868</u>

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Reconciliation of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities
As of 1 January 2022	\$184,796	\$(121,928)	\$62,868
Current service cost	69	-	69
Interest expense (income)	1,109	(738)	371
Prior service costs and gains or losses on settlement	-	-	-
Subtotal	185,974	(122,666)	63,308
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(3,230)	-	(3,230)
Experience adjustments	(799)	-	(799)
Remeasurements of the defined benefit assets	-	(9,490)	(9,490)
Subtotal	(4,029)	(9,490)	(13,519)
Payments of benefit obligation	(2,323)	2,323	-
Contributions by employer	-	(2,082)	(2,082)
As of 31 December 2022	179,622	(131,915)	47,707
Current period service costs	31	-	31
Interest expense (income)	1,797	(1,330)	467
Prior service costs and gains or losses on settlement	-	-	-
Subtotal	181,450	(133,245)	48,205
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	-	-	-
Experience adjustments	4,167	-	4,167
Remeasurements of the defined benefit assets	-	(911)	(911)
Subtotal	4,167	(911)	3,256
Payments of benefit obligation	(17,833)	17,833	-
Contributions by employer	-	(2,027)	(2,027)
As of 31 December 2023	\$167,784	\$(118,350)	\$49,434

The principal assumptions used in determining the Company's defined benefit plan are shown below:

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	As of 31 December	
	2023	2022
Discount rate	1.00%	1.00%
Expected rate of salary increases	2.00%	2.00%

Sensitivity analysis for significant assumption is shown below:

	For the years ended 31 December			
	2023		2022	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.50%	\$ -	\$3,222	\$ -	\$3,845
Discount rate decrease by 0.50%	3,382	-	4,060	-
Future salary increase by 0.50%	3,368	-	4,028	-
Future salary decrease by 0.50%	-	3,243	-	3,855

The sensitivity analyses above were based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses might not have been representative of an actual change in the defined benefit obligation, as it was unlikely that changes in assumptions would have occurred in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(17)Equities

(a) Common stock

The Company's authorized capital was NT\$2,207,460 thousand and NT\$1,273,592 thousand in a total of 220,746 thousand shares and 127,359 thousand shares as of 31 December 2023 and 2022. Each share has one voting right and a right to receive dividends.

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(b) Capital surplus

	As of 31 December	
	2023	2022
Additional paid-in capital	\$335,197	\$335,197
Treasury share transactions	34,058	34,058
Increase through changes in ownership interests in subsidiaries	(564)	(564)
Share of changes in net assets of associates and joint ventures accounted for using the equity method	4,385	4,385
Total	<u>\$373,076</u>	<u>\$373,076</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Treasury stock

The treasury stock held by the Company was NT\$6,151 thousand, and the number of treasury stock held by the Company was 538 thousand as of 31 December 2023 and 2022.

In order to encourage employees, the Company decided to repurchase shares as treasury shares by the propose of the Board of Directors on March 25, 2020. The Company repurchased 538 thousand shares between March 26 and May 25, 2020. The range of the repurchased price is between \$6.68 and \$18.68.

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As of 31 December 2023 and 2022, the treasury shares of the company had not been transferred to employees.

According to the Securities and Exchange Act, the number of shares bought back under the preceding paragraphs may not exceed ten percent of the total number of issued and outstanding shares of the company. The total amount of the shares bought back may not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve.

According to the Securities and Exchange Act, the shares bought back by the Company should not be pledged and the shareholder's rights should not be enjoyed.

(d) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues
- b. Offset prior years' operation losses
- c. Set aside 10% as legal reserve
- d. Set aside or reverse special reserve in accordance with law and regulations
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

As the Company is undergoing a growth stage, the policy of dividend distribution should reflect its long-term financial planning. The Board of Directors shall make the distribution proposal annually and present it at the Shareholder's meeting every year. The distribution of shareholders dividend shall be allocated cash dividends to be distributed may not be less than 10% of total dividends to be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

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When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2022 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it. Due to the adoption of IFRSs for the first time on the conversion date, the Company's retained earnings had become negative. Therefore, there was no need to allocate a special surplus reserve.

Details of the 2023 and 2022 earnings distribution and dividends per share as approved and resolved by the Board of Directors’ meeting and shareholders’ meeting on 12 March 2024 and 26 June 2023, respectively, are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	For the years ended		For the years ended	
	31 December		31 December	
	2023	2022	2023	2022
Legal reserve appropriated	\$6,619	\$37,345		
Special reserve appropriated	20,494	197,572		
Common stock -cash dividend	25,364	63,411	\$0.2	\$0.5

Please refer to Note 6(21) for details on employees’ compensation and remuneration to directors.

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(e) Non-controlling interests

	For the years ended 31 December	
	2023	2022
Beginning balance	\$1,067	\$1,584
Losses attributable to non-controlling interests	(440)	(517)
Other comprehensive income, attributable to non-controlling interests:		
Changes in equity of subsidiaries	-	-
Ending balance	<u>\$627</u>	<u>\$1,067</u>

(18) Operating revenue

	For the years ended 31 December	
	2023	2022
Revenue from contracts with customers		
Sale of goods	\$4,584,037	\$4,801,715
Other operating revenue	19,744	32,474
Total	<u>\$4,603,781</u>	<u>\$4,834,189</u>

Analysis of revenue from contracts with customers for the years ended 31 December 2023 and 2022 are as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2023

	Magnetic component & power product department	Information and communication product department	Optical communication product office	Others department	Total
Sale of goods	\$2,227,780	\$2,342,820	\$13,437	\$ -	\$4,584,037
Other operating revenues	-	-	-	19,744	19,744
Total	<u>\$2,227,780</u>	<u>\$2,342,820</u>	<u>\$13,437</u>	<u>\$19,744</u>	<u>\$4,603,781</u>

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For the year ended 31 December 2022

	Information				
	Magnetic component & power product department	and communicatio n product department	Optical communicatio n product office	Others department	Total
Sale of goods	\$2,688,226	\$2,088,962	\$24,527	\$ -	\$4,801,715
Other operating revenues	-	-	-	32,474	32,474
Total	<u>\$2,688,226</u>	<u>\$2,088,962</u>	<u>\$24,527</u>	<u>\$32,474</u>	<u>\$4,834,189</u>

The Group recognizes sales revenue when control of goods has been transferred to the customer at a point in time.

(2) Contract balances

A.Contract assets – current

As of 31 December 2023 and 2022, the Group did not have any contract assets.

B.Contract liabilities – current

	As of		
	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022
Sales of goods	<u>\$60,207</u>	<u>\$230,903</u>	<u>\$91,785</u>

The significant changes in the Group's balances of contract liabilities for the year ended 31 December 2023 and 2022 are as follows:

	For the years ended 31 December	
	2023	2022
The opening balance transferred to revenue	\$(202,084)	\$(47,622)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	31,388	186,740

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(3) Transaction price allocated to unsatisfied performance obligations

As of 31 December 2023, since all customer contracts for the sale of goods are shorter than one year, there is no requirement to provide information related to unrecognized performance obligations.

(4) Assets recognized from costs to fulfil a contract

None.

(19) Expected credit losses / (gains)

	For the years ended 31 December	
	2023	2022
Operation expense- Expected credit losses Accounts Receivable	<u>\$(83)</u>	<u>\$672</u>

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of 31 December 2023 and 2022 are as follows:

The historical credit loss experience of accounts receivable indicates no significant difference in loss patterns among different customer groups. Therefore, the provision for expected credit losses is measured without distinction of groups and based on the expected credit loss rates. Relevant information is as follows:

31 December 2023

	Not yet due (Note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$545,197	\$14,355	\$2,666	\$227	\$1,269	\$1,860	\$565,574
Loss ratio	- %	0.01%	0.05%	0.31%	3.63%	100.00%	
Lifetime expected credit losses	-	(2)	(1)	(1)	(46)	(1,860)	(1,910)
Carrying amount	<u>\$545,197</u>	<u>\$14,353</u>	<u>\$2,665</u>	<u>\$226</u>	<u>\$1,223</u>	<u>\$ -</u>	<u>\$563,664</u>

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31 December 2022

	Not yet due (Note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$829,873	\$32,432	\$2,105	\$166	\$267	\$2,020	\$866,863
Loss ratio	- %	- %	- %	- %	14.13%	96.78%	
Lifetime expected credit losses	-	-	-	-	(38)	(1,955)	(1,993)
Carrying amount	\$829,873	\$32,432	\$2,105	\$166	\$229	\$65	\$864,870

Note: The Group's note receivables are not overdue.

The movement in the provision for impairment of note receivables and trade receivables during the 31 December 2023 and 2022 are as follows:

	Note receivables	Trade receivables
As of 1 January 2023	\$ -	\$1,993
Addition / (reversal) for the current period	-	(83)
Write off due to uncollectibility	-	-
Exchange difference	-	-
As of 31 December 2023	\$ -	\$1,910
As of 1 January 2022	\$ -	\$1,746
Addition / (reversal) for the current period	-	672
Write off due to uncollectibility	-	(425)
Exchange difference	-	-
As of 31 December 2022	\$ -	\$1,993

(20) Leases

i. The Group is a lessee

The Group leased various properties, including real estate such as land and buildings, transportation equipment, and office equipment. The lease terms ranged from 1 to 50 years.

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The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A.Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of 31 December	
	2023	2022
Land	\$44,841	\$52,123
Buildings	12,276	13,543
Transportation equipment	275	1,398
Office equipment	293	80
Total	<u>\$57,685</u>	<u>\$67,144</u>

During the year ended 31 December 2023 and 2022, the Group's additions to right-of-use assets amounting to NT\$7,180 thousand and NT\$13,927 thousand.

(b) Lease liability

	As of 31 December	
	2023	2022
Lease liability		
Current	\$6,604	\$6,721
Non-Current	6,298	8,513
Total	<u>\$12,902</u>	<u>\$15,234</u>

Please refer to Note 6(22)(d) for the interest on lease liabilities recognized during the years ended 31 December 2023 and 2022 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

B.Amounts recognized in the statement of profit or loss

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Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2023	2022
Land	\$3,001	\$3,002
Buildings	7,681	8,059
Transportation equipment	729	516
Office equipment	107	107
Total	<u>\$11,518</u>	<u>\$11,684</u>

C.Income and costs relating to leasing activities

	For the years ended 31 December	
	2023	2022
The expenses relating to short-term leases	<u>\$3,437</u>	<u>\$3,311</u>

D.Cash outflow related to lessee and lease activity

During the year ended 31 December 2023 and 2022, the Group's total cash outflows for leases amounting to NT\$12,211 thousand and NT\$12,019 thousand.

(21)Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2023 and 2022:

	For the years ended 31 December					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$539,501	\$288,018	\$827,519	\$576,185	\$293,116	\$869,301
Labor and health insurance	76,548	33,542	110,090	72,682	30,599	103,281
Pension	8,649	10,940	19,589	8,495	10,495	18,990
Other employee benefits expense	12,695	8,805	21,500	11,714	8,485	20,199
Depreciation	100,907	46,929	147,836	105,761	46,644	152,405
Amortization	9,083	14,815	23,898	7,877	14,182	22,059

The number of employees for the Group were 2,393 and 2,712 as of 31 December 2023 and 2022.

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According to the Articles of Incorporation, no less than 4% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board meeting resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of 31 December 2023, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended of 31 December 2023 to be 10% and 1.82% of profit, respectively. The employees' compensation and remuneration to directors for the year ended of 31 December 2023 amount to NT\$13,778 thousand and NT\$2,508 thousand respectively, recognized as salaries. Based on profit of 31 December 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended of 31 December 2022 to be 4% and 2% of profit, respectively. The employees' compensation and remuneration to directors for the year ended of 31 December 2022 amount to NT\$13,758 thousand and NT\$6,878 thousand respectively, recognized as salaries

In the year ended 31 December 2022, actual distributions of employee remuneration and director remuneration amounted to NT\$13,758 thousand and NT\$6,878 thousand, respectively. These amounts do not differ significantly from the expenses recognized in the year ended 31 December 2022 financial statements.

(22) Non-operating income and expenses

(a) Interest income

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	For the years ended 31 December	
	2023	2022
Financial assets measured at amortized cost:	<u>\$11,725</u>	<u>\$6,009</u>

(b) Other income

	For the years ended 31 December	
	2023	2022
Rental income	\$31,294	\$20,057
Dividend income	4,905	4,334
Other income - others	30,871	25,796
Total	<u>\$67,070</u>	<u>\$50,187</u>

(c) Other gains and losses

	For the years ended 31 December	
	2023	2022
Gain (loss) on disposal of property, plant and equipment	\$2,976	\$839
Loss on disposal of intangible assets	-	(438)
Lease modification gain	6	-
Foreign exchange gain (loss), net	(11,645)	60,570
(Loss) gain of financial asset at fair value through profit or loss	9,879	(7,251)
Other expense	(715)	(1,563)
Total	<u>\$501</u>	<u>\$52,157</u>

(d) Finance costs

	For the years ended 31 December	
	2023	2022
Interest on loans from bank	\$35,522	\$33,659
Interest on lease liabilities	108	165
Total	<u>\$35,630</u>	<u>\$33,824</u>

(23) Components of other comprehensive income

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	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(3,256)	\$ -	\$(3,256)	\$651	\$(2,605)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(55,059)	-	(55,059)	9,422	(45,637)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(15,680)	-	(15,680)	3,136	(12,544)
Total	<u>\$(73,995)</u>	<u>\$ -</u>	<u>\$(73,995)</u>	<u>\$13,209</u>	<u>\$(60,786)</u>

For the year ended 31 December 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$13,519	\$ -	\$13,519	\$(2,704)	\$10,815
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(115,240)	-	(115,240)	6,301	(108,939)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	13,090	-	13,090	(1,658)	11,432
Total	<u>\$(88,631)</u>	<u>\$ -</u>	<u>\$(88,631)</u>	<u>\$1,939</u>	<u>\$(86,692)</u>

(24)Income tax

The main components of income tax expense (benefit) for the years ended 31 December 2023 and 2022 were as follows:

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Income tax expense recognized in profit or loss

	For the years ended 31	
	December	
	2023	2022
Current income tax expense (income):		
Current income tax charge	\$22,341	\$48,899
Adjustments in respect of current income tax of prior periods	2,995	(269)
Deferred tax expense (income) :		
Deferred tax expense relating to origination and reversal of temporary differences	(1,010)	18,167
Total income tax expense (income)	<u>\$24,326</u>	<u>\$66,797</u>

Income tax relating to components of other comprehensive income

	For the years ended 31	
	December	
	2023	2022
Deferred tax expense (income) :		
Remeasurements of defined benefit plans	\$(651)	\$2,704
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(9,422)	(6,301)
Exchange differences on translation	(3,136)	1,658
Income tax relating to components of other comprehensive income	<u>\$(13,209)</u>	<u>\$(1,939)</u>

Income tax charged directly to equity

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	For the years ended 31	
	December	
	2023	2022
Current income tax expense (income):		
Realized losses from equity instruments	<u>\$(9,422)</u>	<u>\$21,913</u>
investment measured at fair value		
through other comprehensive income		

reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended	
	31 December	
	2023	2022
Accounting profit before tax from continuing operations	<u>\$130,372</u>	<u>\$328,857</u>
At the Company's statutory income tax rate	\$26,074	\$65,771
Tax effect of revenues exempt from taxation	(245)	3,731
Tax effect of expenses not deductible for tax purposes	320	280
Tax effect of deferred tax assets/liabilities	(9,807)	(13,622)
Tax effect of different tax rates for entities in other tax regions	4,942	5,273
Corporate income surtax on undistributed retained earnings	1,800	5,633
Adjustments in respect of current income tax of prior periods	2,995	(269)
Others	<u>(1,753)</u>	<u>-</u>
Total income tax expense recognized in profit or loss	<u>\$24,326</u>	<u>\$66,797</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2023

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensi ve income	Recognized in equity	Ending balance
Temporary differences					
Unrealized foreign exchange gains or losses	\$4,732	\$284	\$ -	\$ -	\$5,016
Allowance for inventory valuation losses	6,228	1,216	-	-	7,444
Unrealized impairment losses of prepayments to suppliers	1,826	-	-	-	1,826
Impairment on financial assets measured at amortized cost	10,249	-	-	-	10,249
Pension expense payable	9,502	(306)	-	-	9,196
Exchange differences resulting from translating the financial statements of foreign operations	6,216	-	3,136	-	9,352
Revaluations of financial assets at fair	191	(184)	-	-	7
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	-	-	9,422	(9,422)	-
Unrealized transactions within the Group entities	<u>1,811</u>	<u>-</u>	<u>651</u>	<u>-</u>	<u>2,462</u>
Net deferred tax assets (liabilities)		<u>\$1,010</u>	<u>\$13,209</u>	<u>\$(9,422)</u>	
Reflected in balance sheet as follows:	<u>\$40,755</u>				<u>\$45,552</u>
Reflected in balance sheet as follows:					
Deferred tax liabilities	<u>\$40,755</u>				<u>\$45,552</u>
Deferred tax liabilities	<u>\$ -</u>				<u>\$ -</u>

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For the year ended 31 December 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensi ve income	Recognized in equity	Ending balance
Temporary differences					
Unrealized foreign exchange gains or losses	\$18,363	\$(13,631)	\$ -	\$ -	\$4,732
Allowance for inventory valuation losses	8,658	(2,430)	-	-	6,228
Unrealized impairment losses of prepayments to suppliers	1,826	-	-	-	1,826
Impairment on financial assets measured at amortized cost	10,249	-	-	-	10,249
Pension expense payable	9,830	(328)	-	-	9,502
Exchange differences resulting from translating the financial statements of foreign operations	7,874	-	(1,658)	-	6,216
Revaluations of financial assets at fair	-	191	-	-	191
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(28,214)	-	6,301	21,913	-
Unrealized transactions within the Group entities	4,515	-	(2,704)	-	1,811
Deferred tax income (expense)	1,969	(1,969)	-	-	-
Net deferred tax assets (liabilities)		<u>\$(18,167)</u>	<u>\$1,939</u>	<u>\$21,913</u>	
Reflected in balance sheet as follows:	<u>\$35,070</u>				<u>\$40,755</u>
Reflected in balance sheet as follows:					
Deferred tax liabilities	<u>\$63,283</u>				<u>\$40,755</u>
Deferred tax liabilities	<u>\$(28,213)</u>				<u>\$ -</u>

Unrecognized deferred tax assets

As of 31 December 2023 and 2022, deferred tax assets had not been recognized NT\$206,727 thousand and NT\$216,534 thousand, respectively.

The assessment of income tax returns

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As of 31 December 2023, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2021
Subsidiary-Tien Lung Investment Co., Ltd.	Assessed and approved up to 2021
Subsidiary-Advanced Radar Technology Co.,Ltd.	Assessed and approved up to 2021

(25) Earnings per share

Basic earnings per share amounts were calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts were calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would have been issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the years ended</u> <u>31 December</u>	
	<u>2023</u>	<u>2022</u>
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company	<u>\$106,486</u>	<u>\$262,577</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>126,821</u>	<u>126,821</u>
Basic earnings per share (NT\$)	<u>\$0.84</u>	<u>\$2.07</u>
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company	<u>\$106,486</u>	<u>\$262,577</u>
Profit attributable to ordinary equity holders of the Company after dilution	<u>\$106,486</u>	<u>\$262,577</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>126,821</u>	<u>126,821</u>
Effect of dilution:		
Employee compensation-stock (in thousands)	<u>473</u>	<u>555</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>127,294</u>	<u>127,376</u>
Diluted earnings per share (NT\$)	<u>\$0.84</u>	<u>\$2.06</u>

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There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the completion of the financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
AMIT System Service Ltd.	Associate
UEC System Solutions Corporation	Associate
Poris Electronics Co., Ltd.	Associate
Lightel Corporation	Associate
Connection Technology Systems Inc.	Substantive related party
Lightel Technologies Inc.	Substantive related party

Note: No longer an associate company starting from the third quarter of the year ended 31 December 2023.

(a) Sales

	For the years ended 31 December	
	2023	2022
Associates		
Poris Electronics Co., Ltd.	\$2,163	\$3
Other related parties		
Connection Technology Systems Inc.	1,075	9,294
Lightel Technologies Inc.	1,039	1,981
Subtotal	2,114	11,275
Total	\$4,277	\$11,278

The selling prices to related parties by the Group are not significantly different from those to regular customers. Accounts receivables are generally collected in the form of foreign currency checks or through T/T (wire transfer) within three months from the shipment month, except in cases where the financial condition of the related party requires different arrangements.

(b) Note receivables

	As of 31 December	
	2023	2022
Poris Electronics Co., Ltd.	\$ -	\$3

(c) Accounts Receivable

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	As of 31 December	
	2023	2022
Other related parties		
Connection Technology Systems Inc.	\$454	\$85
Lightel Technologies Inc.	26	-
Total	<u>\$480</u>	<u>\$85</u>

(d) Key management personnel compensation

	For the years ended 31 December	
	2023	2022
Short-term employee benefits	\$25,990	\$27,860
Post-employment benefits	574	503
Total	<u>\$26,564</u>	<u>\$28,363</u>

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

Items	Carrying amount		Secured liabilities
	31 Dec. 2023	31 Dec. 2022	
Property, plant and equipment - land	\$148,931	\$148,931	Long-term loans
Property, plant and equipment - buildings	107,662	115,825	Long-term loans
Property, plant and equipment - machinery and equipment	50,679	60,712	Long-term loans
Investment property	48,000	48,000	Long-term loans
Other current assets - restricted assets	36,312	208,933	Short-term borrowings and Customs bond
Total	<u>\$391,584</u>	<u>\$582,401</u>	

9. Commitments and contingencies

(a) The Group provided guarantees notes receivable NT\$2,700,204 thousand for loan to banks for the year ended 31 December 2023.

(b) The important contracts for construction in progress or provision of services

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Contracting parties	Contract subject	Total contract price (before tax)	Price paid as of 31 December 2023
Company A	Plant expansion project	\$68,571	\$63,634
Company B	Plant mechanical and electrical equipment	35,048	31,543
Company C (Note)	Service contract	RMB 16,540	RMB 2,719

Note: The Group's subsidiary, Jialong Technology (Shenzhen) Co., Ltd., intends to apply to the local government for land expansion to increase the building area. Therefore, it has separately entered into service contracts with relevant consulting companies. The total contract price amounts to RMB 16,540 thousand (exclusive of tax). As of 31 December 2023, RMB 2,719 thousand has been paid, and RMB 13,821 thousand remains unpaid.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Other assets

(1) Categories of financial instruments

Financial assets

	As of 31 December	
	2023	2022
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$38,085	\$25,951
Financial assets at fair value through other comprehensive income	204,319	289,820
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	722,366	623,304
Note receivables	454	11,741
Accounts Receivable	563,210	853,129
Other receivables	15,976	26,539
Other current assets - restricted assets	36,312	208,933
Guarantee deposits paid	2,486	1,500
Subtotal	\$1,340,804	\$1,725,146
Total	\$1,583,208	\$2,040,917

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Financial liabilities

	As of 31 December	
	2023	2022
Financial liabilities at amortized cost:		
Short-term loans	\$228,000	\$240,800
Short-term notes and bills payable	79,944	44,945
Accounts payables	687,038	941,624
Other payables	220,910	242,589
Long-term loans (including current portion with maturity less than 1 year)	1,425,742	1,654,172
Lease liability	12,902	15,234
Subtotal	2,654,536	3,139,364
Financial liabilities at fair value through profit or loss:		
Held for trading	-	957
Total	\$2,654,536	\$3,140,321

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

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Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and RMB.

- (a) When NTD strengthens / weakens against USD by 1%, the profit for the periods ended 31 December 2023 and 2022 is decreased / increased by NT\$5,792 thousand and NT\$7,540 thousand, respectively.
- (b) When NTD strengthens / weakens against RMB by 1%, the profit for the periods ended 31 December 2023 and 2022 is increased / decreased by NT\$400 thousand and NT\$630 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the bank borrowings with fixed interest rates and variable interest rates.

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The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the periods ended 31 December 2023 and 2022 to increase / decrease by NT\$1,654 thousand and NT\$1,895 thousand, respectively.

Equity price risk

The fair value of the Group's listed, emerging and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed, emerging and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price measured at fair value through profit or loss could increase / decrease the Group's profit for the years ended 31 December 2023 and 2022 by NT\$349 thousand and NT\$260 thousand, respectively.

At the reporting date, a change of 1% in the price of the listed and emerging companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$1,517 and NT\$1,546 thousand on the equity attributable to the Group for the years ended 31 December 2023 and 2022, respectively.

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Please refer to Note (12)9 for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of 31 December 2023 and 2022, amounts receivables from top ten customers represented 63% and 57% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding

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and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 31 December 2023					
Loans	\$748,423	\$458,016	\$253,094	\$273,055	\$1,732,588
Short-term notes and bills payable	80,000	-	-	-	80,000
Account payables	687,038	-	-	-	687,038
Other payables	220,910	-	-	-	220,910
Lease liabilities	6,708	6,350	-	-	13,058
As of 31 December 2022					
Loans	\$1,095,442	\$561,226	\$189,591	\$106,119	\$1,952,378
Short-term notes and bills payable	45,000	-	-	-	45,000
Account payables	941,624	-	-	-	941,624
Other payables	242,589	-	-	-	242,589
Lease liabilities	6,797	6,126	2,500	-	15,423

Derivative financial liabilities

None.

(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended 31 December 2023:

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	Short-term	Short-term notes	Long-term loan (including maturity within a year)	Lease liabilities	Other non- current liabilities	Total liabilities from financing activities
	loans	and bills payable				
As of 1 January 2023	\$240,800	\$44,945	\$1,654,172	\$15,234	\$7,095	\$1,962,246
Cash flow	(12,800)	34,999	(228,430)	(8,666)	(2,634)	(217,531)
Non-cash change	-	-	-	6,479		6,479
Currency change	-	-	-	(145)		(145)
As of 31 December 2023	<u>\$228,000</u>	<u>\$79,944</u>	<u>\$1,425,742</u>	<u>\$12,902</u>	<u>\$4,461</u>	<u>\$1,751,049</u>

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term	Short-term notes	Long-term loan (including maturity within a year)	Lease liabilities	Other non- current liabilities	Total liabilities from financing activities
	loans	and bills payable				
As of 1 January 2022	\$199,526	\$79,971	\$1,692,242	\$9,703	\$8,373	\$1,989,815
Cash flow	41,274	(35,026)	(38,070)	(8,543)	(1,278)	(41,643)
Non-cash change	-	-	-	13,927	-	13,927
Currency change	-	-	-	147	-	147
As of 31 December 2022	<u>\$240,800</u>	<u>\$44,945</u>	<u>\$1,654,172</u>	<u>\$15,234</u>	<u>\$7,095</u>	<u>\$1,962,246</u>

(7) Fair values of financial instruments

(A) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

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- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
 - c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
 - d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
 - e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).
- (B) Fair value of financial instruments measured at amortized cost
- The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

(C) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

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(8) Derivatives

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2023 and 2022 are as follows:

Foreign exchange swaps

The Group entered into foreign exchange swaps to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to foreign exchange swaps:

As of 31 December 2023

None.

Items	Amount (in thousands)	Contract Period
As of 31 December 2022		
Foreign exchange swaps	Sell USD 4,500	9 November 2022 – 28 March 2023

The counterparties for the aforementioned derivatives transactions were well known local or overseas banks, as they have sound credit ratings, the credit risk is insignificant.

The foreign exchange swaps have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

(9) Fair value measurement hierarchy

(a) Definition of fair value hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 31 December 2023

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	\$34,908	\$ -	\$ -	\$34,908
Index Bond Fund	3,177	-	-	3,177
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	151,717	-	52,602	204,319
As at 31 December 2022				

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	\$25,951	\$ -	\$ -	\$25,951
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	154,621	-	135,199	289,820
Financial liabilities at fair value through profit or loss				
Foreign exchange swaps	-	957	-	957

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Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

The adjustments to the balances of assets and liabilities measured at fair value using Level 3 in the fair value hierarchy for the Group's recurring fair value measurements are presented as follows:

	Assets	
	At fair value through other comprehensive income	
	Stocks	
	For the years ended 31 December	
	2023	2022
Beginning balance	\$135,199	\$116,022
Total gains and losses recognized for the year:		
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	(52,155)	(423)
Transfer to Level 3	4,464	-
Transfer out of Level 3	(57,306)	-
Acquisition	22,400	19,600
Disposal	-	-
Ending balance	\$52,602	\$135,199

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of 31 December 2023

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	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	the 1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity fair by NT\$562 thousand

As of 31 December 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	the 1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity fair by NT\$1,352 thousand

(c) Disclosure of Fair Value Hierarchy Information for Non-Fair Value Measurements

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As of 31 December 2023

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (please refer to Note 6(10))	\$ -	\$ -	\$498,668	\$498,668

As of 31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (please refer to Note 6(10))	\$ -	\$ -	\$143,736	\$143,736

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of 31 December 2023			As of 31 December 2022		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	\$35,782	30.705	\$1,098,686	\$48,102	30.710	\$1,477,216
RMB	12,159	4.327	52,612	16,410	4.408	72,334
Financial liabilities						
Monetary items:						
USD	16,919	30.705	519,498	23,551	30.710	723,243
RMB	21,410	4.327	92,641	30,706	4.408	135,352

The Group has a number of different functional currencies; therefore, we are unable to disclose the exchange loss and gain of monetary financial assets and financial liabilities under each foreign currency that has significant impact. The Group recognized NT\$(11,645) thousand and NT\$60,570 thousand foreign exchange gain (loss) for the years ended 31 December 2023 and 2022, respectively.

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The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions

- (a) Financing provided to others: Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others: Please refer to Attachment 2.
- (c) Securities held as of 31 December 2023 (excluding the portion related to investments in subsidiaries, associated companies, and joint ventures): Please refer to Attachment 3.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 4.

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- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 5.
- (i) Financial instruments and derivative transactions: Please refer to Note 12 (8).
- (j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 6.

(2) Information on investees:

Names, locations, main businesses and products, original investment amount, investment as of 31 December 2023, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2023 (exclude the information on investments in mainland China): Please refer to Attachment 7.

(3) Information on investments in mainland China

- (a) The Group's investments in mainland China through Global Development Company Ltd. included names, main businesses and products, total amount of paid-in capital, method of investment, Investment flow situation, percentage of ownership, investment income (loss) recognized, carrying value as of 31 December 2023, accumulated inward remittance of earnings as of 31 December 2023 and upper limit on investment in mainland China: Please refer to Attachment 8.
- (b) Significant transactions through third regions with the investees in Mainland China: Please refer to Attachment 1,2,4,5 and 6.

(4) Information of major shareholders

Stocks	Quantity of shares	shareholding
Major shareholders		
OU, CHENG-MING	34,870,964	27.38%
OUMEIYA INVESTMENT CO., LTD.	12,693,541	9.96%

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14. Segment information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

- (a)Magnetic Component & Power product department: The department is responsible for the production of electronic components.
- (b)Information and communication product department: The department was responsible for the production of OEM and ODM information and communication products.
- (c)Optical communication product office: The department was responsible for the production of optical communication equipment products.
- (d) Others: Mainly involves the trading of raw materials and acting as a purchasing agent for commodities.

Operating segments have been aggregated to be reported as aforementioned operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

1.Information on profit or loss, assets and liabilities of the reportable segment:

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	Magnetic component & power product department	Information and communication product department	Optical communication product office	Others	Adjustment and elimination	Group total
Revenue						
External customer	\$2,227,780	\$2,342,820	\$13,437	\$19,744	\$ -	\$4,603,781
Inter-segment	1,401,633	1,474,012	8,454	12,423	(2,896,522)	-
Total revenue	<u>\$3,629,413</u>	<u>\$3,816,832</u>	<u>\$21,891</u>	<u>\$32,167</u>	<u>\$(2,896,522)</u>	<u>\$4,603,781</u>
Segment profit	<u>\$(72,326)</u>	<u>\$214,065</u>	<u>\$(73,493)</u>	<u>\$62,126</u>	<u>\$ -</u>	<u>\$130,372</u>

For the year ended 31 December 2022

	Magnetic component & power product department	Information and communication product department	Optical communication product office	Others	Adjustment and elimination	Group total
Revenue						
External customer	\$2,688,226	\$2,088,962	\$24,527	\$32,474	\$ -	\$4,834,189
Inter-segment	2,024,957	1,573,550	18,475	24,462	(3,641,444)	-
Total revenue	<u>\$4,713,183</u>	<u>\$3,662,512</u>	<u>\$43,002</u>	<u>\$56,936</u>	<u>\$(3,641,444)</u>	<u>\$4,834,189</u>
Segment profit	<u>\$150,558</u>	<u>\$207,317</u>	<u>\$(88,813)</u>	<u>\$60,426</u>	<u>\$(631)</u>	<u>\$328,857</u>

¹ Revenue from departments whose nature cannot be classified that do not meet the quantitative thresholds for reportable segments.

² Inter-segment revenue are eliminated on consolidation and recorded under the “adjustment and elimination” column, all other adjustments and eliminations are disclosed below.

2.The adjustments on profit or loss, assets and liabilities of the reportable segment:

There were no adjustments required for segment revenue, profit or loss, assets, liabilities, or other significant items for the years ended 31 December 2023 and 2022.

3.Geographical information

Revenue from external customers:

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	For the years ended 31 December	
	2023	2022
Asia	\$932,504	\$1,224,934
United States	2,189,155	2,134,133
Taiwan	1,322,208	1,311,216
Other countries	159,914	163,906
Total	<u>\$4,603,781</u>	<u>\$4,834,189</u>

The revenue information above is based on the location of the customers.

Non-current assets:

	As of 31 December	
	2023	2022
China	\$363,000	\$455,420
Taiwan	684,341	672,218
Vietnam	245,759	228,427
Other countries	1,385	333
Total	<u>\$1,294,485</u>	<u>\$1,356,398</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, and other non-current assets.

(1) Information about major customers

	As of 31 December	
	2023	2022
Customer A	\$1,892,658	\$1,592,884
Customer B	519,389	-
Total	<u>\$2,412,047</u>	<u>\$1,592,884</u>

Attachment 1: Financing provided to others

No.	Lender (Note 1)	Counterparty(Note1)	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing Note 6	Amount of sales to (purchases from) counter-party	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	368,460	368,460	184,230	1.30%	1	2,002,280	-	-	-	-	807,212 (Note1)	807,212 (Note2)
1	UMEC (B.V.I.)	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	92,115	92,115	-	0.00%	2	-	Need for operating	-	-	-	124,397 (Note2)	124,397 (Note3)
2	Global	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	61,410	61,410	-	0.00%	2	-	Need for operating	-	-	-	102,874 (Note3)	102,874 (Note4)

Note 1: The above transactions were all made between consolidated entities in the Group and have been reversed.

Note 2: JA-LONG TECHNOLOGY CO., LTD.(Shenzhen) had business transactions with the Company. The maximum loan amount extended to the Company was limited to 40% of the audited net worth of NT\$2,018,029 thousand as of 31 December 2023.

Individual loan amounts were limited to the extent of the business transactions between the two parties.

The business transaction amount referred to was the higher of the purchase or sales amount between the two parties. This year, the business transaction amount exceeded 40% of the Company's net worth as of 31 December 2023.

Therefore, the individual loan amounts were limited to 40% of the audited net worth of NT\$2,018,029 thousand as of 31 December 2023.

Note 3: The loan amount was calculated based on 60% of the audited net worth of UMEC (B.V.I.) as of 31 December 2023, which amounted to NT\$207,329 thousand.

Note 4: The loan amount was calculated based on 60% of the audited net worth of Global as of 31 December 2023, which amounted to NT\$171,456 thousand.

Note 5: To fill in the nature of the loan, please follow the instructions below:

(1) If there is a business transaction, please fill in "1".

(2) If there is a need for short-term financing, please fill in "2".

Attachment 2: Endorsement/Guarantee provided to others

No. (Note 1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party (Note 3)	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount (Note 4)	Parent company's guarantee/ endorsement amount to subsidiaries (Note 5)	Subsidiaries' guarantee/ endorsement amount to parent company (Note 5)	Guarantee/ endorsement amount to company in Mainland China (Note 5)
		Company name	Relationship (Note 2)										
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	2	\$403,606	\$216,350	\$216,350	\$ -	\$ -	10.72%	\$807,212	Y	N	Y
1	UMEC (B.V.I.)	The Company	2	51,832	30,705	30,705	-	-	14.81%	62,199	N	Y	N
2	Global	The Company	2	51,437	46,058	46,058	-	-	26.86%	60,010	N	Y	N

Note 1: The Company and its subsidiaries are coded as follows:

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

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: 1. Limit of guarantee/endorsement amount for for a single enterprise by the Company is limited to 20% of the Company's net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT\$2,018,029 thousand.

2. Limit of guarantee/endorsement amount for for a single enterprise by UMEC (B.V.I.) is limited to 25% of UMEC (B.V.I.)'s net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT\$207,329 thousand.

3. Limit of guarantee/endorsement amount for for a single enterprise by Global is limited to 30% of Global's net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT\$171,456 thousand.

Note 4: 1. The total limit of guarantee/endorsement amount by the Company is limited to 40% of the Company's net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT\$2,018,029 thousand.

2. The total limit of guarantee/endorsement amount by UMEC (B.V.I.) is limited to 30% of UMEC (B.V.I.)'s net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT\$207,329 thousand.

3. The total limit of guarantee/endorsement amount by Global is limited to 35% of Global's net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT\$171,456 thousand.

Note 5: "Y" for the listed (OTC) parent company guarantees/endorsees for subsidiary, subsidiary guarantees/endorsees for the listed (OTC) parent company or guarantee/endorse for companies in Mainland China.

Attachment 3: Securities held (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type of securities	Name of securities	Relationship (Note 1)	Financial statement account	As of 31 December 2023				Note
					Shares	Carrying amount	Percentage of ownership (%)	Fair value	
Tien Lung Investment Co., Ltd.	Stocks	LELON ELECTRONICS CORP.	-	Financial assets at fair value through profit or loss- current	484,153 shares	\$34,908	0.29%	\$34,908	-
				Subtotal		\$34,908		\$34,908	
Tien Lung Investment Co., Ltd.	Stocks	GOODWAY MACHINE CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	34,327 shares	\$2,317	0.03%	\$2,317	-
Tien Lung Investment Co., Ltd.	Stocks	INTEGRATED DIGITAL TECHNOLOGIES, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	279,129 shares	-	0.97%	-	-
Tien Lung Investment Co., Ltd.	Stocks	Asia Pacific Microsystems, Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	62,044 shares	353	0.13%	353	-
Tien Lung Investment Co., Ltd.	Stocks	EVERMORE TECHNOLOGY, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	195,192 shares	-	2.87%	-	-
						\$2,670		\$2,670	
The Company	Stocks	GOODWAY MACHINE CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	50,567 shares	3,413	0.05%	3,413	-
The Company	Stocks	Partner Tech Corp.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	649,151 shares	17,430	0.86%	17,430	-
The Company	Stocks	Connection Technology Systems Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	4,481,726 shares	110,699	14.10%	110,699	-
The Company	Stocks	Asia Pacific Microsystems, Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,208,872 shares	6,979	2.57%	6,979	-
The Company	Stocks	EVERMORE TECHNOLOGY, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	457,921 shares	-	6.73%	-	-
The Company	Stocks	SysJust Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	221,015 shares	17,858	0.84%	17,858	-
The Company	Stocks	AESOPOWER, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	2,505,643 shares	3,158	10.89%	3,158	-
The Company	Stocks	Hannlync Technologies Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	700,000 shares	-	0.55%	-	-
The Company	Stocks	Silver PAC Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,809,609 shares	-	-	-	-
The Company	Stocks	Terasilic Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	535,523 shares	1,559	1.83%	1,559	-
The Company	Stocks	Phoenix 3 Venture Capital Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	2,000,000 shares	15,856	8.70%	15,856	-
The Company	Stocks	LIEN SHEN ELECTRONICS CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	500,000 shares	5,068	14.29%	5,068	-
The Company	Stocks	GaN Power Technology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	3,000,000 shares	13,992	6.59%	13,992	-
The Company	Stocks	AMIT System Service Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	301,036 shares	1,407	11.00%	1,407	
The Company	Stocks	UEC System Solutions Corporation	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,640,000 shares	4,230	11.08%	4,230	
				Subtotal		\$201,649		\$201,649	

Note 1: Not required if the issuer of securities is not a related party.

Attachment 4: Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock

Related-party	Counter-party	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Credit period	Unit price	Credit period	Carrying amount	Percentage of total consolidated receivables (payable)	
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Purchase	\$2,002,280	49.09%	Collected over a specific period	\$ -	-	\$ -	-%	
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Sales	620,991	12.06%	Collected over a specific period	-	-	433,432	43.99%	
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	The Company	Subsidiary	Sales	2,002,280	97.12%	Collected over a specific period	-	-	-	-%	
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	The Company	Subsidiary	Purchase	620,991	47.22%	Collected over a specific period	-	-	(433,432)	(76.57)%	

Attachment 5: Receivables from related parties with accounts exceeding the lower of NT\$100 million or 20 percent of the capital stock

Related-party	Counter-party	Relationship	Amount	Average collection turnover	Overdue account receivable-related parties		Collection in subsequent period	Allowance for doubtful debts
					Amount	Processing method		
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Accounts receivable \$433,432	1.52	\$ -	-	\$ -	\$ -
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Other receivables \$185,557		-	-	-	-

Attachment 6: The business relationship, significant transactions and amounts between parent company and subsidiaries

No. (Note 1)	Related-party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets(Note3)
0	The Company	UMEC VIETNAM Co., Ltd.	1	Processing fees	\$125,959	(Note 4)	2.74%
0	The Company	UMEC VIETNAM Co., Ltd.	1	Prepayment	112,709	(Note 4)	2.32%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Sales	620,991	(Note 4)	13.49%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Accounts receivable	433,432	(Note 4)	8.94%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Purchase	2,002,280	(Note 4)	43.49%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Other receivables	185,557	(Note 4)	3.83%
0	The Company	Global Development Co. Ltd	1	Prepayment	233,743	(Note 4)	4.82%

Note 1: The Company is coded "0".The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the Company asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, interim cumulative balances are used as basis.

Note 4: The transaction terms include collecting payments over a specified period.

Attachment 7: Names, locations, main businesses and products, original investment amount, net income (loss) of investee company and investment income (loss) recognized: (Excluding investment in Mainland China)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2023			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (thousand shares)	Percentage of ownership (%)	Book value			
The Company	UMEC (B.V.I.)	Vistra Corporate Services Centre, Wickhams Cay II, Road Town Tortola ,VG1110 ,BRITISH VIRGIN ISLANDS	Investment and holding company	\$753,401	\$997,418	22,961,020	100.00%	\$200,522	\$20,397	\$56,986	Note1
The Company	Tien Lung Investment Co., Ltd.	1F., No. 37, Sec. 2, Meicun Rd., South Dist., Taichung City, Taiwan (R.O.C.)	Investment company	88,000	88,000	8,800,000	100.00%	58,313	8,868	8,868	
The Company	ARadTek	8F-2, No.487, Dayou Rd., Taoyuan Dist., Taoyuan City, Taiwan (R.O.C.)	Manufacturing and sales of electronic parts and components	42,559	42,559	4,255,894	84.78%	11,955	(9,939)	(8,426)	
The Company	AMIT SYSTEM SERVICE LTD.	No. 149, Wugong Rd., Wugu Dist., New Taipei City 248, Taiwan (R.O.C.)	Electronic information supply services industry	-	11,780	-	-	-	-	(1,354)	Note2
The Company	PT UMEC Green Tech Indonesia	Ketapang Business Centre,Jl. Kh. Zainul Arifin No 20 Blok A16 Jakarta Barat, Indonesia 11140	Manufacturing and sales of electronic parts and components	3,519	3,519	-	60.00%	-	-	-	
				USD 114,600	USD 114,600						
The Company	UEC System Solutions Corporation Limited	5th Floor, No. 219, Xinhua 2nd Road, Neihu District, Taipei City, Taiwan (R.O.C.)	IoT product applications and services and electronic product trading	-	6,000	-	-	-	-	(711)	Note3
The Company	UMEC (JAPAN)	No. 5-3, Osaki 3-chome, Shinagawa-ku, Tokyo	Promotion and sales of switch mode power supply, transformer and manufacturing and assembly of circuit	1,368	1,368	-	100.00%	1,229	(21)	(21)	
The Company	UMEC (USA)	1921 Ellen St #7 Sturgis,SD 57785,USA	R&D and sales of electromagnetic parts	43,013	43,013	499,999	99.99%	43,215	(4,557)	(4,557)	
The Company	UMEC VIETNAM Co., Ltd.	B(B1)lot, Quang Chau Industrial Park, Bac Giang Province, Vietnam	Manufacturing and sales of switch mode power supply, transformer and circuit board	95,831	-	-	25.73%	31,481	(34,875)	(7,557)	
The Company	Lightel Corporation	Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands	Investment and holding company	57,306	-	5,082,027	23.88%	61,258	57,385	3,953	
UMEC (B.V.I.)	UMEC (H.K.)	FLAT B 5/F NO.38 HUNG TO RD KWUN TONG KOWLOON, HONG KONG	Established in Hongkong to handle export shipping affairs of China.	7,001	7,001	1,782,000	100.00%	12,821	206	206	
				HKD 1,782,000	HKD 1,782,000						
UMEC (B.V.I.)	Global	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.	Investment and holding company	712,815	941,162	23,214,961	100.00%	171,456	20,173	20,173	
				USD 23,214,961	USD 30,651,744						
UMEC (B.V.I.)	UMEC (USA)	1921 Ellen St #7 Sturgis,SD 57785,USA	R&D and sales of electromagnetic parts	-	15,355	23,214,961	100.00%	171,456	20,173	20,173	
				-	USD 499,999						
Global	UMEC VIETNAM Co., Ltd.	B(B1)lot, Quang Chau Industrial Park, Bac Giang Province, Vietnam	Manufacturing and sales of switch mode power supply, transformer and circuit board	276,455	276,455	-	74.27%	90,870	(34,875)	(27,318)	
				USD 9,003,574	USD 9,003,574						
Tien Lung Investment Co., Ltd.	ARadTek	8F-2, No.487, Dayou Rd., Taoyuan Dist., Taoyuan City, Taiwan (R.O.C.)	Manufacturing and sales of electronic parts and components	5,420	5,420	541,945	10.80%	1,523	(9,939)	(1,073)	
Tien Lung Investment Co., Ltd.	PORIS ELECTRONICS CO., LTD.	11 F., No. 866-7, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan (R.O.C.)	Electronic information supply services industry	10,400	10,400	1,201,637	33.55%	6,008	(2,192)	(736)	

Note1: The investment income recognized in the current period includes the investment gains or losses generated by the investee company due to favorable or unfavorable market conditions.

Note2: Significant influence over the investee was lost in the third quarter of the year ended 31 December 2023, resulting in the reclassification of the investment from 'Equity Method Investments' to 'Financial Assets at Fair Value through Other Comprehensive Income - Non-current'. For further details, please refer to Notes 6 and 7. The period of disclosure of the investee's income and expenses for this period is from 1 January to 31 August of the 2023.

Note3: Significant influence over the investee was lost in the third quarter of the year ended 31 December 2023, resulting in the reclassification of the investment from 'Equity Method Investments' to 'Financial Assets at Fair Value through Other Comprehensive Income - Non-current'. For further details, please refer to Notes 6 and 7. The period of disclosure of the investee's income and expenses for this period is from 1 January to 30 September of the 2023.

Attachment 8: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2023	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 31 December 2023	Accumulated Inward Remittance of Earnings as of 31 December 2023
					Outflow	Inflow						
JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board	\$541,943	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	\$537,338	\$ -	\$ -	\$537,338	\$72,137	100.00%	\$72,137	\$265,061	\$ -
		USD 17,650,000		USD 17,500,000			USD 17,500,000					
UMEC Wuhan Company Limited	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board	184,230	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	184,230	-	-	184,230	-	-%	-	(Note4)	-
		USD 6,000,000		USD 6,000,000			USD 6,000,000					
UMEC Renlong Electronics Co., Ltd. (Meizhou)	Manufacturing and sales of switch mode power supply and transformer	18,423	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	18,423	-	-	18,423	(11,542)	100.00%	(11,542)	(26,709)	-
		USD 600,000		USD 600,000			USD 600,000					
UMEC Fulong Electronics Co., Ltd. (Longyan)	Manufacturing and sales of switch mode power supply and transformer	92,115	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	92,115	-	-	92,115	(22,620)	100.00%	(22,620)	55,705	-
		USD 3,000,000		USD 3,000,000			USD 3,000,000					

Accumulated Investment in Mainland China as of 31 December 2023	Investment Amounts Authorized by Investment Commission, MOEA (Note1)	Upper Limit on Investment (Note2)
\$832,241	\$912,184	\$1,210,817

Note 1: The Investment Commission of the Ministry of Economic Affairs has approved an investment amount of USD 29,708 thousand.

Note 2: According to Ministry of Economic Affairs, R.O.C., the Company's investment in Mainland China is not limited to 60% of net worth or consolidated net worth specified by the Investment Commission.

Note 3: The aforementioned amount in foreign currency will be converted into New Taiwan Dollars using the exchange rate on the balance sheet date.

Note 4: The company obtained the approval for deregistration from the Administration for Industry and Commerce of Ma'anshan City on November 16, 2018.

The liquidation process was completed on January 17, 2019, and the company received the notification letter of filing for deregistration from the Investment Commission of the Ministry of Economic Affairs on June 9, 2022.

Appendix 2 The Company's parent company only financial statement for the most recent
year certified by a CPA

UNIVERSAL MICROELECTRONICS CO., LTD.

**PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS**

FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

Address: 3,27TH RD.,Taichung Industrial Park.Taichung, Taiwan, R.O.C.
Telephone: 886-4-23590096

The reader is advised that parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Independent Auditors' Report Translated from Chinese

To UNIVERSAL MICROELECTRONICS Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of UNIVERSAL MICROELECTRONICS Co., Ltd. (the “Company”) as of 31 December 2023 and 2022, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2023 and 2022, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2023 and 2022, and its financial performance and cash flows for the years ended 31 December 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the report(s) of the other auditors, 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 2023 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment of accounts receivable

As of 31 December 2023, gross accounts receivable and loss allowance by the Company amounted to NT\$986,782 thousand and NT\$1,910 thousand, respectively. Net accounts receivable accounted for 21 % of total assets, which was significant to the Company's financial statements. Since the loss allowance of account receivables is measured by the expected credit loss for the duration of the account receivables, it is necessary to divide account receivables into groups in the process of measurement and analyze the application of related assumptions, including appropriate aging intervals and their respective loss rate. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net account receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, assessing the effectiveness of internal controls around accounts receivable management, including performing simple tests by sampling and understanding management's assessment for expected credit losses of accounts receivable, dividing the expected loss rate of risk group and determining appropriate aging intervals and each group, selecting samples to perform the accounts receivable confirmation, analyzing trends of changes in account receivable of prior and subsequent periods and turnover rates, reviewing the collection in subsequent period to assess their recoverability. We also assessed the adequacy of the disclosures related to accounts receivable in Notes 5 and 6.

2. Valuation for inventories (Including inventories of the subsidiaries under the equity method)

The amount of inventories of the Company and its subsidiaries was significant to the financial statements. Due to uncertainty arising from rapid changes in product technology, the provision for valuation loss, sluggish or obsolete inventories involves major judgments by the management. We therefore determined this a key audit matter.

Our audit procedures included, but not limited to, evaluate the effectiveness of the internal control established by the management for inventory, including performing simple tests and understanding the appropriateness of the management's assessment of inventory evaluation policies and methods, evaluating the management's stocktaking plan and conducting inventory inspections on the spot, obtain the inventory aging table and test the correctness of the inventory age, re-calculating the unit cost of inventories, and evaluating and testing net realizable value adopted by management. We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company 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 financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only 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 internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 2023 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Lo, Wen Chen

Huang, Ching Ya

Ernst & Young, Taiwan

12 March 2024

Notice to Readers

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

Accordingly, the accompanying parent company only financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or auditing standards in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

UNIVERSAL MICROELECTRONICS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of 31 December	
		2023	2022
Current assets			
Cash and cash equivalents	4,6(1)	\$443,592	\$344,047
Current financial assets at fair value through profit or loss	4,6(2)	\$3,177	\$ -
Notes receivable, net	4,7	454	11,741
Accounts receivable, net	4,6(3)	550,835	836,144
Accounts receivable due from related parties, net	4,6(3),7	434,037	384,916
Other receivables	4	12,456	20,520
Other receivable due from related parties, net	4,7	207,306	340,527
Current inventories	4,6(4)	1,255,009	1,344,998
Prepayments	7	126,889	87,195
Other current assets	4,6(5)	35,593	207,917
Total current assets		3,069,348	3,578,005
Non-current assets			
Non-current financial assets at fair value through other comprehensive income	4,6(6)	201,649	287,274
Investments accounted for using equity method	4,6(7)	407,973	471,728
Property, plant and equipment	4,6(8)	513,888	505,165
Right-of-use assets	4,6(18)	1,001	2,948
Investment property, net	4,6(9)	102,778	103,254
Intangible assets	4	12,062	6,714
Deferred tax assets	4,6(22)	45,552	40,755
Other non-current assets	7	287,779	147,299
Total non-current assets		1,572,682	1,565,137
Total assets		\$4,642,030	\$5,143,142

(continued)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

UNIVERSAL MICROELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS

31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of 31 December	
		2023	2022
Current liabilities			
Current borrowings	4,6(10)	\$228,000	\$240,800
Short-term notes and bills payable	4,6(11)	79,944	44,945
Current financial liabilities at fair value through profit or loss	4,6(2)	-	957
Current contract liabilities	6(16)	59,291	228,452
Accounts payable		554,451	635,193
Other payables	6(12),7	165,404	173,380
Current tax liabilities	4	39,703	66,073
Current lease liabilities	4,6(18)	826	2,263
Long-term borrowings, current portion	4,6(13)	513,310	844,877
Other current liabilities, others		20,002	10,500
Total current liabilities		<u>1,660,931</u>	<u>2,247,440</u>
Non-current liabilities			
Non-current portion of non-current borrowings	4,6(13)	912,432	809,295
Non-current lease liabilities	4,6(18)	189	721
Net defined benefit liability, non-current	4,6(14)	49,434	47,707
Other non-current liabilities, others		1,015	2,239
Total non-current liabilities		<u>963,070</u>	<u>859,962</u>
Total liabilities		<u>2,624,001</u>	<u>3,107,402</u>
Equity	4,6(15)		
Share capital			
Ordinary share		1,273,592	1,273,592
Capital surplus		373,076	373,076
Retained earnings			
Legal reserve		48,839	11,494
Special reserve		332,604	135,032
Unappropriated retained earnings		349,167	581,301
Total retained earnings		<u>730,610</u>	<u>727,827</u>
Other equity interest		(353,098)	(332,604)
Treasury shares		<u>(6,151)</u>	<u>(6,151)</u>
Total equity		<u>2,018,029</u>	<u>2,035,740</u>
Total liabilities and equity		<u><u>\$4,642,030</u></u>	<u><u>\$5,143,142</u></u>

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD.
 PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
 For the years ended 31 December 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the years ended 31 December	
	Notes	2023	2022
Operating revenue	4,6(16),7	\$5,147,932	\$5,627,188
Operating costs	4,6(19),7	(4,641,034)	(5,070,377)
Gross profit from operations		\$506,898	\$556,811
Unrealized profit (loss) from sales		(140)	(104)
Realized profit (loss) on from sales		104	105
Gross profit from operations		\$506,862	\$556,812
Operating expenses	4,6(19),7		
Selling expenses		(80,812)	(80,262)
Administrative expenses		(154,683)	(154,969)
Research and development expenses		(201,076)	(193,747)
Impairment loss (impairment gain and reversal of impairment loss)	6(17)	83	(282)
Total operating expenses		(436,488)	(429,260)
Net operating income		70,374	127,552
Non-operating income and expenses	4,6(20),7		
Interest income		10,313	9,770
Other income		20,678	15,907
Other gains and losses		8,504	155,916
Finance costs		(35,557)	(32,597)
Share of profit (loss) of associates and joint ventures accounted for using equity method	4,6(7)	47,181	46,752
Total non-operating income and expenses		51,119	195,748
Profit from continuing operations before tax		121,493	323,300
Tax expense	4,6(22)	(15,007)	(60,723)
Profit		106,486	262,577
Other comprehensive income	4,6(21)		
Components of other comprehensive income that will not be reclassified to profit or loss			
Gains (losses) on remeasurements of defined benefit plans		(3,256)	13,519
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(55,183)	(115,163)
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		124	(77)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		10,073	3,597
Components of other comprehensive income that will be reclassified to profit or loss			
Exchange differences on translation		(15,680)	13,090
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		3,136	(1,658)
Total other comprehensive income		(60,786)	(86,692)
Total comprehensive income		\$45,700	\$175,885
Earnings per share (NTD)			
Basic earnings per share	6(23)	\$0.84	\$2.07
Diluted earnings per share		\$0.84	\$2.06

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
UNIVERSAL MICROELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity interest		Treasury shares	Total equity
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income		
Balance as of 1 January 2022	\$1,273,592	\$370,396	\$4,699	\$281,724	\$67,947	\$(30,064)	\$(104,968)	\$(6,151)	\$1,857,175
Appropriation and distribution of 2021 retained earnings									
Legal reserve appropriated			6,795		(6,795)				-
Reversal of special reserve				(146,692)	146,692				-
Changes in equity of associates and joint ventures accounted for using equity method		2,680							2,680
Profit in 2022					262,577				262,577
Other comprehensive income in 2022					10,815	11,432	(108,939)		(86,692)
Total comprehensive income	-	-	-	-	273,392	11,432	(108,939)	-	175,885
Disposal of investments in equity instruments designated at fair value through other comprehensive income					100,065		(100,065)		-
Balance as of 31 December 2022	<u>\$1,273,592</u>	<u>\$373,076</u>	<u>\$11,494</u>	<u>\$135,032</u>	<u>\$581,301</u>	<u>\$(18,632)</u>	<u>\$(313,972)</u>	<u>\$(6,151)</u>	<u>\$2,035,740</u>
Balance as of 1 January 2023	\$1,273,592	\$373,076	\$11,494	\$135,032	\$581,301	\$(18,632)	\$(313,972)	\$(6,151)	\$2,035,740
Appropriation and distribution of 2022 retained earnings									
Legal reserve appropriated			37,345		(37,345)				-
Special reserve appropriated				197,572	(197,572)				-
Cash dividends of ordinary share					(63,411)				(63,411)
Profit in 2023					106,486				106,486
Other comprehensive income in 2023					(2,605)	(12,544)	(45,637)		(60,786)
Total comprehensive income	-	-	-	-	103,881	(12,544)	(45,637)	-	45,700
Others					(37,687)		37,687		-
Balance as of 31 December 2023	<u>\$1,273,592</u>	<u>\$373,076</u>	<u>\$48,839</u>	<u>\$332,604</u>	<u>\$349,167</u>	<u>\$(31,176)</u>	<u>\$(321,922)</u>	<u>\$(6,151)</u>	<u>\$2,018,029</u>

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD.
 PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
 For the years ended 31 December 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2023	2022
Cash flows from operating activities:		
Profit from continuing operations before tax	\$121,493	\$323,300
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	63,399	61,097
Amortization expense	12,109	8,694
Expected credit loss (gain)	(83)	282
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(922)	957
Interest expense	35,557	32,597
Interest income	(10,313)	(9,770)
Dividend income	(3,113)	(2,700)
Share of profit of associates and joint ventures accounted for using equity method	(47,181)	(46,752)
Gain on disposal of property, plan and equipment	(8)	-
Loss on disposal of investments	10,274	9,662
Unrealized profit from sales	140	104
Realized profit on from sales	(104)	(105)
Others	-	(1,631)
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	11,287	(8,525)
Decrease in accounts receivable	236,271	19,206
Decrease (increase) in other receivable	141,310	(50,990)
Decrease (increase) in inventories	89,989	(508,072)
(Increase) decrease in prepayments	(39,694)	8,264
(Increase) decrease in other current assets	(263)	6,920
(Decrease) Increase in contract liabilities	(169,161)	137,615
(Decrease) Increase in accounts payable	(80,742)	169,901
(Decrease) Increase in other payable	(7,940)	51,259
Increase (decrease) in other current liabilities	9,502	(2,906)
Decrease in net defined benefit liability	(1,529)	(1,642)
Cash inflow generated from operations	370,278	196,765
Interest received	10,288	9,881
Dividends received	3,113	8,897
Interest paid	(35,593)	(32,289)
Income taxes paid	(32,965)	(8,054)
Net cash flows from (used in) operating activities	315,121	175,200

(Continued)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD.
 PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS(Continued)
 For the years ended 31 December 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(22,400)	(19,600)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	151,795
Acquisition of financial assets at fair value through profit or loss	(3,212)	-
Proceeds from capital reduction of investments accounted for using equity method	233,743	102,838
Acquisition of property, plant and equipment	(70,609)	(67,674)
Proceeds from disposal of property, plant and equipment	1,238	-
Acquisition of intangible assets	(13,729)	(7,221)
(Increase) decrease in other financial assets	172,587	(207,599)
Increase in other non-current assets	(240,039)	(41,646)
Net cash flows (used in) from investing activities	57,579	(89,107)
Cash flows from financing activities:		
Increase in short-term loans	(12,800)	41,274
(Decrease) increase in short-term notes and bills payable	34,999	(35,026)
Proceeds from long-term debt	973,585	752,200
Repayments of long-term debt	(1,202,015)	(790,270)
Payments of lease liabilities	(2,289)	(1,984)
Decrease in other non-current liabilities	(1,224)	(1,330)
Cash dividend distribution	(63,411)	-
Net cash used in financing activities	(273,155)	(35,136)
Net increase (decrease) in cash and cash equivalents	99,545	50,957
Cash and cash equivalents at beginning of period	344,047	293,090
Cash and cash equivalents at end of period	\$443,592	\$344,047

(The accompanying notes are an integral part of the parent company only financial statements)

UNIVERSAL MICROELECTRONICS CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
For the Year Ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

UNIVERSAL MICROELECTRONICS Co., Ltd. (the Company) was incorporated in Republic of China (R.O.C) on 18 February 1984. The main activities of the Company include manufacturing and selling computer peripherals, connectors, wires and other parts. The shares of the Company commenced trading on Taiwan's Over-the-Counter Market in 1998 and were listed on the Taiwan Stock Exchange on 11 September 2000. Its registered location and main operational base were situated at No. 3, Industrial Road 27, Nantun District, Taichung City.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (the Group) were authorized for issue in accordance with a resolution of the Board of Directors' meeting on 12 March 2024.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments.

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

(a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2024. The remaining new or amended standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

- (a) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017, and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The remaining new or amended standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of Compliance

The parent company only financial statements of the Company for the year ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of Preparation

The Company prepared the parent company only financial statements in accordance with the Regulations. According to the Article 21 of the Regulation, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

(3) Foreign Currency Transactions

The Company's parent company only financial statements are presented in its functional currency, New Taiwan Dollars (NT\$). Items included in the financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at the respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in foreign currencies are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

UNIVERSAL MICROELECTRONICS CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Company holds the asset primarily for the purpose of trading

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Company's business model for managing the financial assets
- B. the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost.

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss.

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

UNIVERSAL MICROELECTRONICS CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Derivative financial instruments

The Company uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost under weighted average cost method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Investments accounted for under the equity method

According to Article 21 of the Regulation, the Company's investment in subsidiaries was presented as "Investments accounted for using equity method" and made necessary adjustments. The profit or loss during the period and other comprehensive income presented in the parent company only financial statements shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to shareholders of the parent presented in the financial statements prepared on a consolidated basis, and the shareholders' equity presented in the parent company only financial statements shall be the same as the equity attributable to shareholders of the parent presented in the financial statements prepared on a consolidated basis. The adjustment was considered the difference between investment in subsidiaries in consolidated financial statements according to IFRS 10 "Consolidated financial statements" and application of IFRS to different reporting entities, debit/credit "Investment accounted for using equity method", "Share of profit or loss of subsidiaries, associates and joint ventures" or "Share of other comprehensive profit or loss of subsidiaries, associates and joint ventures" etc.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. Joint venture means the Company has rights to the net assets of the joint agreement (with joint controller).

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	20~40 years
Machinery and equipment	6~10 years
Transportation equipment	5~10 years
Office equipment	3~10 years
Other equipment	2~15 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Investment property

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	20 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers properties to or from investment properties according to the actual use of the properties.

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(15) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Patents	Computer software	Others
Useful lives	10 years	10 years	2~5 years
Amortization method used	Amortized on a straight-line basis over the period of the patent	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired

(16) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the assets or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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(17) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(18) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(19) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Company manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. Revenue from the sale of goods is recognized based on the prices stipulated in the contracts.

The credit period of the Company's sale of goods is from 10 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

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(20) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(21) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(22) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

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Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(23) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

5. Significant accounting judgments, estimates and assumptions

The preparation of the parent company only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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(1) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(2) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that The Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(3) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

(4) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

Please refer to Note 6 for more details of the unrecognized deferred income tax assets as of 31 December 2023.

(5) Accounts receivables—estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

UNIVERSAL MICROELECTRONICS CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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(6) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2023	2022
Cash on hand	\$511	\$2,058
Demand deposits	443,081	341,989
Total	<u>\$443,592</u>	<u>\$344,047</u>

(2) Financial assets (liability) at fair value through profit or loss

	As of 31 December	
	2023	2022
Financial assets mandatorily at fair value through profit or loss:		
Index Bond Fund	\$3,177	\$ -
Held for trading:		
Cross Currency Swap	<u>\$ -</u>	<u>\$(957)</u>

Financial assets at fair value through profit or loss were not pledged.

(3) Accounts receivables and accounts receivable - related parties

	As of 31 December	
	2023	2022
Accounts receivables	\$552,745	\$838,137
Less: loss allowance	(1,910)	(1,993)
Subtotal	550,835	836,144
Accounts receivable – related parties	434,037	384,916
Total	<u>\$984,872</u>	<u>\$1,221,060</u>

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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Accounts receivables were not pledged.

Accounts receivables are generally on 10-150 day terms. The total carrying amount as of 31 December 2023 and 31 December 2022 were NT\$986,782 thousand and NT\$1,223,053 thousand, respectively. Please refer to Note 6(17) for more details on loss allowance of accounts receivables for the year ended 31 December 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(4) Inventories

	As of 31 December	
	2023	2022
Raw materials	\$868,889	\$948,512
Supplies & parts	36,140	27,920
Semi-finished goods	27,207	17,449
Work in progress	78,377	118,725
Finished goods	244,396	232,392
Total	<u>\$1,255,009</u>	<u>\$1,344,998</u>

The cost of inventories recognized as operating costs for the year ended 31 December 2023 and 2022 were NT\$4,641,034 thousand and NT\$5,070,377 thousand, respectively. The gain from price recovery of inventories related to cost of goods sold were NT\$6,078 thousand and NT\$(12,148) thousand.

The gain from price recovery of inventories in 2022 was due to the selling slow-moving inventories that was originally provided for write-down.

No inventories were pledged.

(5) Other current assets

	As of 31 December	
	2023	2022
Restricted deposit	\$35,012	\$207,599
Temporary debits	473	279
Other assets	108	39
Total	<u>\$35,593</u>	<u>\$207,917</u>

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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Please refer to Note 8 for more details on other current assets under pledge.

(6) Financial assets at fair value through other comprehensive income

	As of 31 December	
	2023	2022
Equity instrument investments measured at fair value through other comprehensive income – Non-current		
Listed companies stocks	\$114,112	\$122,777
Emerging companies stocks	35,288	29,730
Unlisted companies stocks	52,249	134,767
Total	<u>\$201,649</u>	<u>\$287,274</u>

The Group entered into a stock conversion agreement with Lightel Corporation in 28 September 2023, as the stock conversion reference date. The Group exchanged 5,082,027 shares of Lightel Technologies Inc. it held for 5,082,027 ordinary shares of. The fair value at the time of exchange was NT\$57,306 thousand. The unrealized valuation loss accumulated at the time of exchange was NT\$47,109 thousand, and the income tax benefit directly recognized in equity NT\$ (9,422) thousand was transferred from other equity to retained earnings.

In the year ended 31 December 2023, the Group disposed of the listed stocks and emerging stocks, which were reported under equity instrument investments measured at fair value through other comprehensive income during the period. Upon derecognition, the fair value of the investments was NT\$151,797 thousand, and the cumulative disposal gain of NT\$100,065 thousand was transferred from other components of equity to retained earnings.

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended 31 December 2023 and 2022 are as follow:

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	For the years ended 31	
	December	
	2023	2022
Related to investments held at the end of the reporting period	\$3,113	\$2,700
Related to investments derecognized during the period	-	-
Dividends recognized during the period	<u>\$3,113</u>	<u>\$2,700</u>

Financial assets at fair value through other comprehensive income were not pledged.

(7) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Company:

	As of 31 December			
	2023		2022	
Investees	Amount	%	Amount	%
Investments in subsidiaries:				
UMEC Investment Co., Ltd.	\$200,522	100.00%	\$346,399	100.00%
Tien Lung Investment Co., Ltd.	58,313	100.00%	49,321	100.00%
Advanced Radar Technology Co., Ltd.	11,955	84.78%	20,381	84.78%
UMEC JAPAN CO., LTD.	1,229	100.00%	1,339	100.00%
UMEC USA, Inc.	43,215	99.99%	47,760	99.99%
UMEC VIETNAM Co., Ltd.	31,481	25.73%	-	-%
PT UMEC Green Tech Indonesia	-	60.00%	-	60.00%
Subtotal	<u>346,715</u>		<u>465,200</u>	
Investments in associates:				
Lightel Corporation	61,258	23.88%	-	-%
AMIT System Service Ltd.	-	-	3,139	14.75%
UEC System Solutions Corporation	-	-	3,389	13.89%
Subtotal	<u>61,258</u>		<u>6,528</u>	
Total	<u>\$407,973</u>		<u>\$471,728</u>	

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (1) For the year ended 31 December 2023 and 2022, the Company recognized share of profit or loss of subsidiaries and associates, and the details are as follows:

Investees	For the years ended 31 December	
	2023	2022
UMEC Investment Co., Ltd.	\$56,986	\$65,832
Tien Lung Investment Co., Ltd.	8,868	(6,882)
Advanced Radar Technology Co., Ltd.	(8,426)	(9,923)
Lightel Corporation	3,953	-
AMIT System Service Ltd.	(1,354)	(1,880)
UEC System Solutions Corporation	(711)	(473)
UMEC JAPAN CO., LTD.	(21)	17
UMEC USA, Inc.	(4,557)	61
UMEC VIETNAM Co., Ltd.	(7,557)	-
PT UMEC Green Tech Indonesia	-	-
Total	<u>\$47,181</u>	<u>\$46,752</u>

- (2) For the year ended 31 December 2023 and 2022, the Company recognized exchange differences on translation of foreign operations accounted for using equity method, and the details are as follows:

Investees	For the years ended 31 December	
	2023	2022
UMEC Investment Co., Ltd.	\$(13,016)	\$8,346
UMEC JAPAN CO., LTD.	(89)	(46)
UMEC USA, Inc.	48	4,790
UMEC VIETNAM Co., Ltd.	(2,623)	-
Total	<u>\$(15,680)</u>	<u>\$13,090</u>

UNIVERSAL MICROELECTRONICS CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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(3) Investments in subsidiaries

Investing subsidiaries was expressed as “Investments accounted for under the equity method” in the parent company only financial statements and was made the adjustment which was necessary.

In 2022, Tien Lung Investment Co., Ltd. repatriated a total of NT\$6,197 thousand in earnings, which was recorded as a deduction in the equity-method investment.

In 2023, the Company reduced its shareholding in UMEC Investment Co., Ltd. by 5,720 shares to offset losses, and reduced its shareholding by 5,083 shares due to the return of capital. The Company received a total of NT\$102,838 thousand in refunded capital.

The Company adjusted its investment structure in 2023 and transferred UMEC (USA), a subsidiary of UMEC (B.V.I.) and Universal (Japan), a subsidiary of Global, 100% ownership to the Company.

In the fourth quarter of the year the year ended 31 December 2022 the company engaged in debt-to-equity swap for capital increase in UMEC VIETNAM Co., Ltd. In the second quarter of the year ended 31 December 2023, the company obtained the business license issued by the Vietnamese government to complete the capital increase, acquiring a 25.73% stake.

In the year ended 31 December 2023, the company reduced its capital by 7,437 shares through UMEC Investment Co., Ltd., and received a refund of NT\$233,743 thousand.

(4) Investments in associates

The Company entered into a share conversion agreement with Lightel Corporation with 28 September 2023, as the share conversion reference date, whereby it exchanged 5,082,027 shares of Lightel technology, Inc. held for 5,082,027 ordinary shares of Lightel Corporation.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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The Company did not participate in the cash capital increase of AMIT System Service Ltd., in the third quarter of the year ended 31 December 2023, and its shareholding ratio decreased from 14.75% to 11.00%. As a result, the Company lost significant influence over AMIT System Service Ltd., and therefore reclassified it as a financial asset measured at fair value through other comprehensive income.

In the third quarter of the year ended 31 December 2023, the Company participated in the cash capital increase of UEC System Solutions Corporation, increasing its investment amount by NT\$1,400 thousand. However, as the Group did not subscribe in proportion to its shareholding, its shareholding ratio decreased from 13.89% to 11.08%. Consequently, the Company lost significant influence over UEC System Solutions Corporation, and therefore reclassified it as a financial asset measured at fair value through other comprehensive income.

The Company's investments in the companies above are not individually material. The aggregate financial information of the Company's share of its associates is as follows:

	For the years ended	
	31 December	
	2023	2022
Profit from continuing operations	\$1,888	\$(2,353)
Other comprehensive income (net of tax)	-	-
Total comprehensive income	<u>\$1,888</u>	<u>\$(2,353)</u>

The associates had no contingent liabilities or capital commitments as of 31 December 2023 and 2022.

(5)Property, plant and equipment

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				Transportati				Construction in progress and equipment pending examination	Total
	Land	Buildings	Machinery and equipment	on equipment	Office equipment	Mold equipment	Other equipment		
Cost:									
As of 1 January 2023	\$149,380	\$495,055	\$551,026	\$8,483	\$57,597	\$111,307	\$116,754	\$66,297	\$1,555,899
Additions	-	770	11,726	-	6,424	1,514	1,964	15,249	37,647
Reclassification	-	10,614	16,680	1,490	-	1,641	13,151	(10,614)	32,962
Disposals	-	(340)	(15,392)	(1,040)	(1,502)	-	(321)	-	(18,595)
As of 31 December 2023	<u>\$149,380</u>	<u>\$506,099</u>	<u>\$564,040</u>	<u>\$8,933</u>	<u>\$62,519</u>	<u>\$114,462</u>	<u>\$131,548</u>	<u>\$70,932</u>	<u>\$1,607,913</u>
Depreciation and impairment:									
As of 1 January 2023	\$(449)	\$(367,110)	\$(419,994)	\$(7,212)	\$(48,936)	\$(106,917)	\$(100,116)	\$ -	\$(1,050,734)
Depreciation	-	(13,171)	(33,216)	(413)	(5,103)	(3,131)	(5,622)	-	(60,656)
Disposals	-	284	14,218	1,040	1,502	-	321	-	17,365
As of 31 December 2023	<u>\$(449)</u>	<u>\$(379,997)</u>	<u>\$(438,992)</u>	<u>\$(6,585)</u>	<u>\$(52,537)</u>	<u>\$(110,048)</u>	<u>\$(105,417)</u>	<u>\$ -</u>	<u>\$(1,094,025)</u>
Cost:									
As of 1 January 2022	\$149,380	\$495,055	\$538,571	\$9,512	\$56,784	\$107,941	\$107,149	\$36,045	\$1,500,437
Additions	-	-	12,066	-	3,946	2,743	5,121	30,252	54,128
Reclassification	-	-	6,250	1,273	-	723	5,300	-	13,546
Disposals	-	-	(5,861)	(2,302)	(3,133)	(100)	(816)	-	(12,212)
As of 31 December 2022	<u>\$149,380</u>	<u>\$495,055</u>	<u>\$551,026</u>	<u>\$8,483</u>	<u>\$57,597</u>	<u>\$111,307</u>	<u>\$116,754</u>	<u>\$66,297</u>	<u>\$1,555,899</u>
Depreciation and impairment:									
As of 1 January 2022	\$(449)	\$(354,423)	\$(392,756)	\$(9,251)	\$(47,346)	\$(102,779)	\$(97,312)	\$ -	\$(1,004,316)
Depreciation	-	(12,687)	(33,099)	(263)	(4,723)	(4,238)	(3,620)	-	(58,630)
Disposals	-	-	5,861	2,302	3,133	100	816	-	12,212
As of 31 December 2022	<u>\$(449)</u>	<u>\$(367,110)</u>	<u>\$(419,994)</u>	<u>\$(7,212)</u>	<u>\$(48,936)</u>	<u>\$(106,917)</u>	<u>\$(100,116)</u>	<u>\$ -</u>	<u>\$(1,050,734)</u>
Net carrying amount as at:									
31 December 2023	<u>\$148,931</u>	<u>\$126,102</u>	<u>\$125,048</u>	<u>\$2,348</u>	<u>\$9,982</u>	<u>\$4,414</u>	<u>\$26,131</u>	<u>\$70,932</u>	<u>\$513,888</u>
31 December 2022	<u>\$148,931</u>	<u>\$127,945</u>	<u>\$131,032</u>	<u>\$1,271</u>	<u>\$8,661</u>	<u>\$4,390</u>	<u>\$16,638</u>	<u>\$66,297</u>	<u>\$505,165</u>

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Components of building that have different useful lives are the main building structure and air conditioning, which are depreciated 20~40 years and 10~15 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

The company did not have any instances where interest capitalization was required for the acquisition of real estate, plants, and equipment.

(8) Investment property

	Land	Buildings	Total
Cost :			
As at 1 Jan. 2023	\$96,713	\$9,514	\$106,227
Additions from acquisitions	-	-	-
As at 31 Dec. 2023	<u>\$96,713</u>	<u>\$9,514</u>	<u>\$106,227</u>
As at 1 Jan. 2022	\$96,713	\$9,514	\$106,227
Additions from acquisitions	-	-	-
As at 31 Dec. 2022	<u>\$96,713</u>	<u>\$9,514</u>	<u>\$106,227</u>
Depreciation and impairment :			
As at 1 Jan. 2023	\$ -	\$(2,973)	\$(2,973)
Depreciation	-	(476)	(476)
As at 31 Dec. 2023	<u>\$ -</u>	<u>\$(3,449)</u>	<u>\$(3,449)</u>
As at 1 Jan. 2022	\$ -	\$(2,498)	\$(2,498)
Depreciation	-	(475)	(475)
As at 31 Dec. 2022	<u>\$ -</u>	<u>\$(2,973)</u>	<u>\$(2,973)</u>
Net carrying amount as at:			
As at 31 Dec. 2023	<u>\$96,713</u>	<u>\$6,065</u>	<u>\$102,778</u>
As at 31 Dec. 2022	<u>\$96,713</u>	<u>\$6,541</u>	<u>\$103,254</u>

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Please refer to Note 8 for more details on investment property under pledge.

Investment properties held by The Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3.

The fair value of the investment properties held by the Company as of 31 December 2023 and 2022 was NT\$231,797 thousand and NT\$181,374 thousand, respectively. The aforementioned fair values were determined by independent external valuation experts and evaluated based on recent transaction prices of comparable properties obtained from the Ministry of the Interior's real estate transaction actual price inquiry. The valuation method employed was the comparison approach, with the primary input being the price per square meter.

(9) Short-term loans

	As of 31 December	
	2023	2022
Unsecured bank loans	\$200,000	\$100,000
Secured bank loans	28,000	140,800
Total	<u>\$228,000</u>	<u>\$240,800</u>

	As of 31 December	
	2023	2022
Interest rates applied		
Unsecured bank loans	1.81%	1.69%
Secured bank loans	1.81%	1.56%~1.69%

The Company's unused short-term lines of credits amounted to NT\$1,296,130 thousand and NT\$823,260 thousand as of 31 December 2023 and 2022, respectively.

The short-term loans are guaranteed by time deposits, please refer to Note 8 for details.

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(10) Short-term notes and bills payable

Nature	Guarantee or acceptance institution	As of 31 December	
		2023	2022
Commercial papers payable	China Bills Finance Corporation	\$50,000	\$ -
	Ta Ching Bills Finance Corporation	30,000	-
	Union Bank Of Taiwan	-	45,000
Less: discount on short-term notes and bills payable		(56)	(55)
Total		<u>\$79,944</u>	<u>\$44,945</u>
		As of 31 December	
		2023	2022
Interest rates applied		<u>1.39%-1.51%</u>	<u>1.42%</u>

Short-term notes and bills payable represent credit borrowings were not pledged.

(11) Other payables

	As of 31 December	
	2023	2022
Wages and salaries payable	\$70,913	\$87,646
Employee bonus payable	13,859	13,758
Insurance expense payable	8,884	8,472
Compensation due to directors	2,508	6,878
Payable on machinery and equipment	13,770	5,380
Pension expense payable	5,175	4,873
Other payables to related parties	7,449	9,248
Other payables, others	<u>42,846</u>	<u>37,125</u>
Total	<u>\$165,404</u>	<u>\$173,380</u>

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(12) Long-term loans

Details of long-term loans as at 31 December 2023 and 31 December 2022 are as follows:

Lenders	Maturity date	As of 31 December	
		2023	2022
Mega International Commercial Bank	2033/11/13	\$486,690	\$579,251
Chang Hwa Commercial Bank	2029/06/23	434,318	422,384
Bank of Taiwan	2025/10/28	104,883	179,596
Taiwan Cooperative Bank	2025/08/02	102,009	184,512
Hua Nan Commercial Bank	2024/12/06	200,000	120,000
Land Bank of Taiwan	2027/11/25	31,333	72,666
First Commercial Bank	2027/04/15	52,509	65,763
Taichung Commercial Bank	2024/09/01	14,000	30,000
Subtotal		1,425,742	1,654,172
Less: current portion		(513,310)	(844,877)
Total		<u>\$912,432</u>	<u>\$809,295</u>

	As of 31 December	
	2023	2022
Interest rates applied	<u>1.85%-2.39%</u>	<u>1.73%~2.31%</u>

Please refer to Note 8 for more details on property, plant and equipment and investment property under pledge.

(13) Post-employment benefits

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

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Pension expenses under the defined contribution plan for the year ended 31 December 2023 and 2022 were NT\$17,090 thousand and NT\$16,620 thousand, respectively.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$11,743 thousand to its defined benefit plan during the 12 months beginning after 31 December 2023.

The weighted average duration of the defined benefits obligation was 7.1 years as of 31 December 2023.

Pension costs recognized in profit or loss are as follows:

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	For the years ended 31 December	
	2023	2022
Current service costs	\$31	\$69
Net interest on the net defined benefit liabilities	467	371
Total	<u>\$498</u>	<u>\$440</u>

Reconciliations of liabilities of the defined benefit obligation and plan assets at fair value are as follows:

	As of		
	31 Dec. 2023	31 Dec. 2022	1 Jan.2022
Defined benefit obligation	\$167,784	\$179,622	\$184,796
Plan assets at fair value	(118,350)	(131,915)	(121,928)
Other non-current assets - Net defined benefit liabilities (assets)	<u>\$49,434</u>	<u>\$47,707</u>	<u>\$62,868</u>

Reconciliation of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities
As of 1 January 2022	\$184,796	\$(121,928)	\$62,868
Current period service costs	69	-	69
Interest expense (income)	1,109	(738)	371
Prior service costs and gains or losses on settlement	-	-	-
Subtotal	<u>185,974</u>	<u>(122,666)</u>	<u>63,308</u>
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(3,230)	-	(3,230)
Experience adjustments	(799)	-	(799)
Remeasurements of the defined benefit assets	-	(9,490)	(9,490)
Subtotal	<u>(4,029)</u>	<u>(9,490)</u>	<u>(13,519)</u>
Payments of benefit obligation	(2,323)	2,323	-
Contributions by employer	-	(2,082)	(2,082)
As of 31 December 2022	<u>179,622</u>	<u>(131,915)</u>	<u>47,707</u>
Current period service costs	31	-	31
Interest expense (income)	1,797	(1,330)	467
Prior service costs and gains or losses on settlement	-	-	-
Subtotal	<u>181,450</u>	<u>(133,245)</u>	<u>48,205</u>

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	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-		-
Actuarial gains and losses arising from changes in financial assumptions	-	-	-
Experience adjustments	4,167	-	4,167
Remeasurements of the defined benefit assets	-	(911)	(911)
Subtotal	4,167	(911)	3,256
Payments of benefit obligation	(17,833)	17,833	-
Contributions by employer	-	(2,027)	(2,027)
As of 31 December 2023	\$167,784	\$(118,350)	\$49,434

The principal assumptions used in determining the Company's defined benefit plan are shown below:

	As of 31 December	
	2023	2022
Discount rate	1.00%	1.00%
Expected rate of salary increases	2.00%	2.00%

Sensitivity analysis for significant assumption are shown below:

	For the years ended 31 December			
	2023		2022	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.50%	\$ -	\$3,222	\$ -	\$3,845
Discount rate decrease by 0.50%	3,382	-	4,060	-
Future salary increase by 1.00%	3,368	-	4,028	-
Future salary decrease by 1.00%	-	3,243	-	3,855

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The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(14) Equity

(a) Common stock

The Company's authorized capital and the issued capital was NT\$2,207,460 thousand and NT\$1,273,592 thousand in a total of 220,746 thousand shares and 127,359 thousand shares as of 31 December 2023 and 2022. Each share has one voting right and a right to receive dividends.

(b) Capital surplus

	As of 31 December	
	2023	2022
Additional paid-in capital	\$335,197	\$335,197
Treasury share transactions	34,058	34,058
Increase through changes in ownership interests in subsidiaries	(564)	(564)
Share of changes in net assets of associates and joint ventures accounted for using the equity method	4,385	4,385
Total	<u>\$373,076</u>	<u>\$373,076</u>

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According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Treasury stock

As of 31 December 2023 and 2022, the treasury stock held by the Company was NT\$6,151 thousand, and the number of treasury stock held by the Company was 538 thousand.

In order to encourage employees, the Company decided to repurchase shares as treasury shares by the propose of the Board of Directors on March 25, 2020. The Company repurchased 538 thousand shares between March 26 and May 25, 2020. The range of the repurchased price is between \$6.68 and \$18.68.

As of 31 December 2023 and 2022, the treasury shares of the Company had not been transferred to employees.

According to the Securities and Exchange Act, the number of shares bought back under the preceding paragraphs might not exceed ten percent of the total number of issued and outstanding shares of the Company. The total amount of the shares bought back might not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve.

The Company's treasury stocks, as stipulated by securities trading regulations, should not be pledged nor entitled to receive dividends or voting rights.

(d) Retained earnings and dividend policies

According to the Company's original Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

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- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Company's dividend policy is determined in accordance with the current and future development plans, considering the investment environment, capital needs and domestic and foreign competition conditions as well as taking the interests of shareholders and other factors into account. When distributing dividends to shareholders, they may be distributed through the issuance of new shares of the Company or cash, in which cash dividends shall not be less than 10% of the total dividends.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve

On 31 March 2022, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

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On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution.

Details of the 2023 and 2022 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on 16 March 2023 and 20 June 2023, respectively, are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	For the year ended		For the year ended	
	31 December		31 December	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Legal reserve	\$6,619	\$37,345		
Special reserve	20,494	197,572		
Common stock -cash dividend	25,364	63,411	\$0.2	\$0.5

Please refer to Note 6(19) for further details on employees' compensation and remuneration to directors.

(15) Operating revenue

	For the years ended	
	31 December	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Sale of goods	\$5,128,196	\$5,600,597
Other operating revenue	19,736	26,591
Total	<u>\$5,147,932</u>	<u>\$5,627,188</u>

Analysis of revenue from contracts with customers for the years ended 31 December 2023 and 2022 are as follows:

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(1) Disaggregation of revenue

For the year ended 31 December 2023

	Magnetic Component & Power product department	Information and communication product department	Optical Communication Product Office	Others department	Total
Sale of goods	\$2,789,844	\$2,325,028	\$13,324	\$-	\$5,128,196
Other operating revenues	-	-	-	19,736	19,736
Total	<u>\$2,789,844</u>	<u>\$2,325,028</u>	<u>\$13,324</u>	<u>\$19,736</u>	<u>\$5,147,932</u>

For the year ended 31 December 2022

	Magnetic Component & Power product department	Information and communication product department	Optical Communication Product Office	Others department	Total
Sale of goods	\$3,405,596	\$2,173,733	\$21,268	\$ -	\$5,600,597
Other operating revenues	-	-	-	26,591	26,591
Total	<u>\$3,405,596</u>	<u>\$2,173,733</u>	<u>\$21,268</u>	<u>\$26,591</u>	<u>\$5,627,188</u>

The Company recognizes sales revenue when control of goods has been transferred to the customer at a point in time.

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(2) Contract balances

A. Contract assets – current

As of December 31 2023 and 2022, the company did not have any contract assets.

B. Contract liabilities - current

	2023.12.31	2022.12.31	2022.1.1
Sales of goods	\$59,291	\$228,452	\$90,837

The significant changes in the Company's balances of contract liabilities for the year ended 31 December 2023 and 2022 are as follows:

	For the years ended 31 December	
	2023	2022
The opening balance transferred to revenue	\$(199,812)	\$(46,806)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	30,651	184,421

(3) Transaction price allocated to unsatisfied performance obligations

As of 31 December 2023, since all customer contracts for the sale of goods are shorter than one year, there is no requirement to provide information related to unrecognized performance obligations.

(4) Assets recognized from costs to fulfil a contract

None.

(16) Expected credit losses/ (gains)

The Company had no expected credit losses for the years ended 31 December 2023 and 31 December 2022.

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	For the years ended	
	31 December	
	2023	2022
Operating expenses – Expected credit losses/(gains)		
Accounts receivables	\$(83)	\$282

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at 31 December 2023 and 2022 are as follows:

The historical credit loss experience of accounts receivable indicates no significant difference in loss patterns among different customer groups. Therefore, the provision for expected credit losses is measured without distinction of groups and based on the expected credit loss rates. Relevant information is as follows:

31 December 2023

	Not yet			Overdue			
	due	<=30		61-90	91-120	>=121	
	(note)	days	31-60 days	days	days	days	Total
Gross carrying							
amount	\$966,860	\$14,355	2,666	\$226	\$1,269	\$1,860	\$987,236
Loss ratio	- %	0.01%	0.05%	0.31%	3.63%	100%	
Lifetime							
expected							
credit losses	-	(2)	(1)	(1)	(46)	(1,860)	(1,910)
Carrying							
amount	<u>\$966,860</u>	<u>\$14,353</u>	<u>\$2,665</u>	<u>\$225</u>	<u>\$1,223</u>	<u>\$ -</u>	<u>\$985,326</u>

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31 December 2022

	Not yet due (note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$1,197,804	\$32,432	\$2,105	\$166	\$267	\$2,020	\$1,234,794
Loss ratio	-%	-%	-%	-%	14.13%	96.78%	
Lifetime expected credit losses	-	-	-	-	(38)	(1,955)	(1,993)
Carrying amount	<u>\$1,197,804</u>	<u>\$32,432</u>	<u>\$2,105</u>	<u>\$166</u>	<u>\$229</u>	<u>\$65</u>	<u>\$1,232,801</u>

Note: The Company's note receivables were not overdue.

The movement in the provision for impairment of note receivables and trade receivables during the years ended 31 December 2023 and 2022 are as follows:

	Note receivables	Trade receivables
As of 1 January 2023	\$ -	\$1,993
Addition/(reversal) for the current period	-	(83)
Write off	-	-
As of 31 December 2023	<u>\$ -</u>	<u>\$1,910</u>
As of 1 January 2022	\$ -	\$1,746
Addition/(reversal) for the current period	-	282
Write off	-	(35)
As of 31 December 2022	<u>\$ -</u>	<u>\$1,993</u>

(17) Leases

(1) The Company is a lessee

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The Company leases various properties, including real estate such as land, buildings, office equipment and transportation equipment. The lease terms range from 1 to 4 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

(a)Right-of-use asset

The carrying amount of right-of-use assets

	As of 31 December	
	2023	2022
Buildings	\$433	\$2,166
Transportation equipment	275	702
Office equipment	293	80
Total	<u>\$1,001</u>	<u>\$2,948</u>

During the year ended 31 December 2023 and 2022, The Company's additions to right-of-use assets amounting to NT\$320 thousand and NT\$853 thousand, respectively.

(b)Lease liabilities

	As of 31 December	
	2023	2022
Lease liabilities		
Current	\$826	\$2,263
Non-Current	189	721
Total	<u>\$1,015</u>	<u>\$2,984</u>

Please refer to Note 6(20)(d) for the interest on lease liabilities recognized during the year ended 31 December 2023 and 2022 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

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Depreciation charge for right-of-use assets

	For the years ended	
	31 December	
	2023	2022
Buildings	\$1,733	\$1,733
Transportation equipment	427	152
Office equipment	107	107
Total	<u>\$2,267</u>	<u>\$1,992</u>

C. Income and costs relating to leasing activities

	For the years ended	
	31 December	
	2023	2022
The expenses relating to short-term leases	<u>\$483</u>	<u>\$481</u>

D. Cash outflow related to lessee and lease activity

During the years ended 31 December 2023 and 2022, the Company's total cash outflows for leases amounting to NT\$2,806 thousand and NT\$2,525 thousand.

(18) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2023 and 2022:

Function Nature	For the years ended 31 December					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$216,221	\$201,756	\$417,977	\$221,581	\$202,382	\$423,963
Labor and health insurance	23,757	20,491	44,248	21,335	18,954	40,289
Pension	8,035	9,553	17,588	7,871	9,189	17,060
Remuneration to directors	-	3,889	3,889	-	7,543	7,543
Other employee benefits expense	8,864	5,868	14,732	7,070	5,532	12,602
Depreciation	40,544	22,855	63,399	38,570	22,527	61,097
Amortization	2,910	9,199	12,109	1,183	7,511	8,694

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For the years ended 31 December 2023 and 2022, the average number of employees of the Company were 762 and 733, respectively; the number of directors who were not concurrently employees were both 8.

For the years ended 31 December 2023 and 2022, the average of employees benefits expense of the Company were NT\$656 thousand and NT\$681 thousand ; the average of employees salaries of the Company were NT\$554 thousand and NT\$584 thousand, respectively. The Company's average salary expense adjustment for the years ended 31 December 2023 increased by 5%.

The Company had established an audit committee to replace the supervisor in accordance with the regulations, resulting in the non-recognition of the supervisor's remuneration.

The Company's policy for compensation of directors, managers and employees is as follows:

Implemented in accordance with the Company's Articles of Incorporation and the remuneration payment method for directors and functional members. The remuneration of directors shall be determined by the board of directors according to their participation in the operation of the company and the value of their contributions and with reference to the domestic industry standards. Owing that the manager's management ability, strategic planning and execution are the important forces to create the Company's operating performance. In order to closely integrate the personal goals of managers with the long-term and short-term business goals of the Company and the interests of shareholders, the principle of the Company's manager's salary policy is that the fixed salary is at a competitive level in the market, and the variable salary is based on the reasonable cooperation between the Company's operation and personal performance. And the Company also put emphasis on long-term incentive salaries and consideration of future risk for the purpose of encouraging managers to pay attention to the Company's long-term business goals and create a win-win-win situation for the Company, employees and shareholders. The employee remuneration and manager's remuneration for the distribution of the surplus shall be handled in accordance with the regulations of the Company's Articles of Incorporation.

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The Company formulates working conditions and various salary and welfare measures for employees in accordance with government labor-related laws and regulations, and according to the job title, function, learning experience, performance, market conditions, future development of the company and other factors, taking into account the retention of outstanding colleagues and shareholders' rights, pay a market-competitive salary level.

Employee monthly compensation includes monthly salaries, bonuses based on performance, year-end bonuses based on business performance and individual achievements, and employee compensation as stipulated in the Articles of Association. The Company conducts regular performance evaluations of all employees to accurately assess their job performance as the basis for promotion, salary and bonus distribution, and talent development.

According to the Articles of Incorporation, no lower than 4% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors. However, when the Company has accumulated losses, they should have been covered in advance.

Employee compensation may be distributed in the form of stocks or cash, and the recipients may include employees of subsidiary companies who meet certain conditions. The conditions and distribution methods should be determined by the Board of Directors. The distribution of employee compensation and director remuneration shall be approved by a resolution of the Board of Directors with the attendance of two-thirds or more of the directors and the consent of a majority of the attending directors and shall be reported to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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Based on profit of 31 December 2023, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended of 31 December 2023 to be 10% and 1.82% of profit, respectively. The employees' compensation and remuneration to directors for the year ended of 31 December 2023 amount to NT\$13,778 thousand and NT\$2,508 thousand respectively, recognized as salaries. Based on profit of 31 December 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended of 31 December 2022 to be 4% and 2% of profit, respectively. The employees' compensation and remuneration to directors for the year ended of 31 December 2022 amount to NT\$13,758 thousand and NT\$6,878 thousand respectively, recognized as salaries

In the year ended 31 December 2022, actual distributions of employee remuneration and director remuneration amounted to NT\$13,758 thousand and NT\$6,878 thousand, respectively. These amounts do not differ significantly from the expenses recognized in the year ended 31 December 2022 financial statements.

(19) Non-operating income and expenses

(a) Interest income

	For the years ended 31 December	
	2023	2022
Financial assets measured at amortized cost	\$10,313	\$9,770

(b) Other income

	For the years ended 31 December	
	2023	2022
Rental income	\$660	\$660
Dividend income	3,113	2,700
Other income - others	16,905	12,547
Total	\$20,678	\$15,907

(c) Other gains and losses

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	For the years ended 31 December	
	2023	2022
Gain on disposal of property, plan and equipment	\$8	\$ -
Losses on disposal of investments	(10,274)	\$(9,662)
Foreign exchange (losses) gains, net	18,399	167,893
Gain (Losses) of financial liabilities at fair value through profit or loss	922	(957)
Other expense	(551)	(1,358)
Total	<u>\$8,504</u>	<u>\$155,916</u>

(d) Finance costs

	For the years ended 31 December	
	2023	2022
Interest on loans from bank	\$35,523	\$32,537
Interest on lease liabilities	34	60
Total	<u>\$35,557</u>	<u>\$32,597</u>

(20) Components of other comprehensive income

For the year ended 31 December 2023

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(3,256)	\$ -	\$(3,256)	\$651	(2,605)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(55,183)	-	(55,183)	9,422	(45,761)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	124	-	124	-	124
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(15,680)	-	(15,680)	3,136	(12,544)
Total of other comprehensive income	<u>\$(73,995)</u>	<u>\$ -</u>	<u>\$(73,995)</u>	<u>\$13,209</u>	<u>\$(60,786)</u>

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For the year ended 31 December 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$13,519	\$ -	\$13,519	\$(2,704)	\$10,815
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(115,163)	-	(115,163)	6,301	(108,862)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(77)	-	(77)	-	(77)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	13,090	-	13,090	(1,658)	11,432
Total of other comprehensive income	<u>\$(88,631)</u>	<u>\$ -</u>	<u>\$(88,631)</u>	<u>\$1,939</u>	<u>\$(86,692)</u>

(21) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended 31 December	
	2023	2022
Current income tax expense (income):		
Current income tax charge	\$15,624	\$44,484
Adjustments in respect of current income tax of prior periods	393	41
Deferred tax expense (income):		
Deferred tax income relating to origination and reversal of temporary differences	(1,010)	16,198
Total income tax expense (income)	<u>\$15,007</u>	<u>\$60,723</u>

Income tax relating to components of other comprehensive income

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	For the years ended 31 December	
	2023	2022
Deferred tax expense (income):		
Remeasurements of defined benefit plans	\$(651)	\$2,704
Unrealized (losses) gains from equity instruments investments measured at fair value through other comprehensive income	(9,422)	(6,301)
Exchange differences on translation	(3,136)	1,658
Income tax relating to components of other comprehensive income	<u>\$(13,209)</u>	<u>\$(1,939)</u>

Income tax charged directly to equity

	For the years ended 31 December	
	2023	2022
Current income tax expense (income):		
Realized losses from equity instruments investment measured at fair value through other comprehensive income	<u>\$(9,422)</u>	<u>\$21,913</u>

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended 31 December	
	2023	2022
Accounting profit before tax from continuing operations	<u>\$121,493</u>	<u>\$323,300</u>
At the Company's statutory income tax rate	\$24,299	\$64,660
Tax effect of revenues exempt from taxation	(245)	3,731
Tax effect of expenses not deductible for tax purposes	320	280
Tax effect of deferred tax assets/liabilities	(9,807)	(13,622)
Corporate income surtax on undistributed retained earnings	1,800	5,633
Adjustments in respect of current income tax of prior periods	393	41
Others	(1,753)	-
Total income tax expense recognized in profit or loss	<u>\$15,007</u>	<u>\$60,723</u>

Deferred tax assets (liabilities) relate to the following:

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	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Balance as of 31 December
Temporary differences					
Unrealized foreign exchange gains or losses	\$4,732	\$284	\$ -	\$ -	\$5,016
Allowance for inventory valuation losses	6,228	1,216	-	-	7,444
Unrealized impairment losses of prepayments to suppliers	1,826	-	-	-	1,826
Impairment on financial assets measured at amortized cost	10,249	-	-	-	10,249
Pension expense payable	9,502	(306)	-	-	9,196
Exchange differences on translation	6,216	-	3,136	-	9,352
Revaluations of financial assets at fair value	191	(184)	-	-	7
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	-	-	9,422	(9,422)	-
Non-current liability – Defined benefit liability	1,811	-	651	-	2,462
Deferred tax income (expense)		<u>\$(1,010)</u>	<u>\$13,209</u>	<u>\$(9,422)</u>	
Net deferred tax assets (liabilities)	<u>\$40,755</u>				<u>\$45,552</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$40,755</u>				<u>\$45,552</u>
Deferred tax liabilities	<u>\$ -</u>				<u>\$ -</u>

For the year ended 31 December 2022

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Balance as of 31 December
Temporary differences					
Unrealized foreign exchange gains or losses	\$18,363	\$(13,631)	\$ -	\$ -	\$4,732
Allowance for inventory valuation losses	8,658	(2,430)	-	-	6,228
Unrealized impairment losses of prepayments to suppliers	1,826	-	-	-	1,826
Impairment on financial assets measured at amortized cost	10,249	-	-	-	10,249
Pension expense payable	9,830	(328)	-	-	9,502
Exchange differences on translation	7,874	-	(1,658)	-	6,216
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	-	191	-	-	191
Non-current liability – Defined benefit liability	(28,214)	-	6,301	21,913	-
Unused tax losses	4,515	-	(2,704)	-	1,811
Deferred tax income (expense)		<u>\$(16,198)</u>	<u>\$1,939</u>	<u>\$21,913</u>	
Net deferred tax assets (liabilities)	<u>\$33,101</u>				<u>\$40,755</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$61,314</u>				<u>\$40,755</u>
Deferred tax liabilities	<u>\$(28,213)</u>				<u>\$ -</u>

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Unrecognized deferred tax assets

As of 31 December 2023 and 2022, deferred tax assets had not been recognized NT\$206,727 thousand and NT\$216,534 thousand, respectively.

The assessment of income tax returns

As of 31 December 2023, the assessment of the income tax returns of the Company is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2021

(22) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended 31 December	
	2023	2022
(a) Basic earnings per share		
Profit (in thousand NT\$)	\$106,486	\$262,577
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	126,821	126,821
Basic earnings per share (NT\$)	\$0.84	\$2.07

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	For the years ended 31 December	
	2023	2022
(b) Diluted earnings per share		
Profit (in thousand NT\$)	\$106,486	\$262,577
Profit attributable to ordinary equity holders of the Company after dilution	\$106,486	\$262,577
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	126,821	126,821
Effect of dilution:		
Employee compensation-stock (thousand shares)	473	555
Weighted average number of ordinary shares outstanding after dilution (thousand shares)	127,294	127,376
Diluted earnings per share (NT\$)	\$0.84	\$2.06

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date of completion of the financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship</u>
Tien Lung Investment Co., Ltd.	Subsidiary
Advanced Radar Technology Co., Ltd.	Subsidiary
PT UMEC Green Tech Indonesia	Subsidiary
UMEC Investment Co., Ltd	Subsidiary
UMEC JAPAN CO., LTD.	Subsidiary
UMEC USA, INC.	Subsidiary
UMEC VIETNAM Co., Ltd.	Subsidiary
UMEC Company Ltd.	Subsidiary
Global Development Co. Ltd	Subsidiary
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary
UMEC Renlong Electronics Co., Ltd. (Meizhou)	Subsidiary
UMEC Fulong Electronics Co., Ltd. (Longyan)	Subsidiary
PORIS ELECTRONICS CO., LTD.	Associate

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Name of the related parties	Nature of relationship
AMIT System Service Ltd.(note)	Associate
UEC System Solutions Corporation(note)	Associate
Lightel Corporation	Associate
Connection Technology Systems Inc.	Substantive related party
Lightel Technologies Inc.	Substantive related party

Note: No longer an associate company starting from the third quarter of the year ended 31 December 2023.

Significant transactions with related parties

(a) Sales

	For the years ended 31 December	
	2023	2022
Subsidiaries		
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	\$620,991	\$918,908
Others	6,648	8,745
Associates	2,163	3
Substantive related party	2,114	11,275
Total	<u>\$631,916</u>	<u>\$938,931</u>

The selling prices to related parties by the Company were not significantly different from those to regular customers. Accounts receivable were generally collected in the form of foreign currency checks or through T/T (wire transfer) within three months from the shipment month, except in cases where the financial condition of the related party required different arrangements.

(b) Purchases

	For the years ended 31 December	
	2023	2022
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	<u>\$2,002,280</u>	<u>\$2,361,233</u>

The purchase price from related parties by the Company was determined through mutual agreement based on market rates. The payment terms for purchases from related parties by the Company are comparable to those for regular suppliers, with a payment period of one to three months.

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(c) Notes receivable

	As of 31 December	
	2023	2022
PORIS ELECTRONICS CO., LTD.	\$ -	\$3

(d) Accounts receivable

	As of 31 December	
	2023	2022
Subsidiaries		
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	\$433,432	\$383,948
Others	125	883
Substantive related party	480	85
Total	\$434,037	\$384,916

(e) Other receivables

	As of 31 December	
	2023	2022
Subsidiaries		
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	\$185,557	\$339,415
Others	21,749	1,112
Total	\$207,306	\$340,527

Other receivables represent amounts due from related parties for goods collected on their behalf, expenses advanced on their behalf, equipment and raw materials purchased on their behalf, and funds lent to them.

(f) Prepayments

	As of 31 December	
	2023	2022
UMEC VIETNAM Co., Ltd.	\$112,709	\$60,391

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(g) Prepayments for investments

	As of 31 December	
	2023	2022
Subsidiaries		
Global Development Co. Ltd	\$233,743	\$ -
UMEC VIETNAM Co., Ltd.	-	95,831
Total	<u>\$233,743</u>	<u>\$95,831</u>

(h) Other payables

	As of 31 December	
	2023	2022
Subsidiaries		
UMEC Company Ltd.	\$4,728	\$7,756
Advanced Radar Technology Co., Ltd.	2,166	748
Others	555	744
Total	<u>\$7,449</u>	<u>\$9,248</u>

Other payables represent payments due to related parties for the purchase of equipment, payment of processing fees, and outstanding loans.

(i) Processing expense

	For the years ended 31 December	
	2023	2022
UMEC VIETNAM Co., Ltd.	<u>\$125,959</u>	<u>\$166,291</u>

(j) Management service income

	For the years ended 31 December	
	2023	2022
Subsidiaries		
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	\$876	\$933
UMEC VIETNAM Co., Ltd.	522	584
Total	<u>\$1,398</u>	<u>\$1,517</u>

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For the years ended 31 December 2023 and 2022, the company recorded management service income provided to subsidiaries in deduction of expenses of NT\$25,425 thousand and NT\$27,574 thousand and recorded in other income of NT\$1,398 thousand and NT\$1,517 thousand, respectively.

(k) Management expense

	For the years ended 31 December	
	2023	2022
UMEC Company Ltd.	\$20,803	\$29,527

(l) Rent income

	For the years ended 31 December	
	2023	2022
Advanced Radar Technology Co., Ltd.	\$660	\$660

The determination and collection of rental fees for the lease agreement were based on general market conditions.

(m) Royalty expense

	For the years ended 31 December	
	2023	2022
Advanced Radar Technology Co., Ltd.	\$3,728	\$3,795

(n) Commissioned research expenses

	For the years ended 31 December	
	2023	2022
Advanced Radar Technology Co., Ltd.	\$8,571	\$8,571

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(o) Interest revenue

	For the years ended 31 December	
	2023	2022
Subsidiaries		
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	\$2,722	\$4,754
Others	-	1,185
Total	<u>\$2,722</u>	<u>\$5,939</u>

(p) Other expense

	For the years ended 31 December	
	2023	2022
Subsidiaries		
UMEC JAPAN CO., LTD.	\$6,089	\$5,773
Others	-	557
Total	<u>\$6,089</u>	<u>\$6,330</u>

(q) Key management personnel compensation

	For the years ended 31 December	
	2023	2022
Short-term employee benefits	\$22,766	\$24,347
Post-employment benefits	574	503
Total	<u>\$23,340</u>	<u>\$24,850</u>

8. Assets pledged as security

The following table lists assets of the Company pledged as security:

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Items	Carrying amount		Secured liabilities
	31 December 2023	31 December 2022	
Property, plant and equipment - land	\$148,931	\$148,931	Long-term borrowings
Property, plant and equipment - buildings	107,662	115,825	Long-term borrowings
Property, plant and equipment - machinery and equipment	50,678	60,712	Long-term borrowings
Investment property	48,000	48,000	Long-term borrowings
Other current assets - restricted deposit	35,012	207,599	Short-term borrowings, Short-term notes and bills payable
Total	<u>\$390,283</u>	<u>\$581,067</u>	

9. Significant contingencies and unrecognized contract commitments

(a) The Company provided guarantees notes receivable NT\$2,700,204 thousand for loan to banks for the year ended 31 December 2023.

(b) The important contracts for construction in progress or provision of services

Contracting parties	Contract subject	Total contract price (before tax)	Price paid as of 31 December 2023
Company A	Plant expansion project	\$68,571	\$63,634
Company B	Plant mechanical and electrical equipment	35,048	31,543

10. Significant disaster loss

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

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Financial assets

	As of 31 December	
	2023	2022
Financial assets at fair value through other comprehensive income	\$201,649	\$287,274
Financial assets at fair value through profit or loss	3,177	-
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluded cash on hand)	443,081	341,989
Notes receivable	454	11,741
Accounts receivable	984,872	1,221,060
Other receivables	219,762	361,047
Other current assets - restricted deposit	35,012	207,599
Guarantee deposits paid	1,719	518
Subtotal	1,684,900	2,143,954
Total	<u>\$1,889,726</u>	<u>\$2,431,228</u>

Financial liabilities

	As of 31 December	
	2023	2022
Financial liabilities at amortized cost:		
Short-term loans	\$228,000	\$240,800
Short-term notes and bills payable	79,944	44,945
Accounts payable	554,451	635,193
Other payables	165,404	173,380
Long-term loans (including current portion with maturity less than 1 year)	1,425,742	1,654,172
Lease liabilities	1,015	2,984
Subtotal	2,454,556	2,751,474
Financial liabilities at fair value through profit or loss:		
Held for trading	-	957
Total	<u>\$2,454,556</u>	<u>\$2,752,431</u>

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(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

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The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the year ended 31 December 2023 and 2022 is decreased/increased by NT\$10,967 thousand and NT\$15,059 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2023 and 2022 to decrease/increase by NT\$1,654 thousand and NT\$1,895 thousand, respectively.

Equity price risk

The fair value of the Company's listed, emerging and unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed, emerging and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed and emerging companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$1,494 thousand and NT\$1,525 thousand on the equity attributable to The Company for the years ended 31 December 2023 and 2022, respectively.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

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As of 31 December 2023 and 2022, amounts receivables from top ten customers represented 79% and 68% of the total accounts receivables of the Company. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 31 December 2023					
Loans	\$748,423	\$458,016	\$253,094	\$273,055	\$1,732,588
Short-term notes and bills payable	80,000	-	-	-	80,000
Accounts payable	554,451	-	-	-	554,451
Other payables	165,404	-	-	-	165,404
Lease liabilities	834	192	-	-	1,026

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	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of 31 December 2022					
Loans	\$1,095,442	\$561,226	\$189,591	\$106,119	\$1,952,378
Short-term notes and bills payable	45,000	-	-	-	45,000
Accounts payable	635,193	-	-	-	635,193
Other payables	173,380	-	-	-	173,380
Lease liabilities	2,296	724	-	-	3,020

Derivative financial instruments

None.

(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended 31 December 2023:

	Short-term loans	Short-term notes and bills payable	Long-term loan (including maturity within a year)	Lease liabilities	Other non-current liabilities	Total liabilities from financing activities
As of 1 January 2023	\$240,800	\$44,945	\$1,654,172	\$2,984	\$2,239	\$1,945,140
Cash flow	(12,800)	34,999	(228,430)	(2,289)	(1,224)	(209,744)
Non-cash change	-	-	-	320	-	320
As of 31 December 2023	<u>\$228,000</u>	<u>\$79,944</u>	<u>\$1,425,742</u>	<u>\$1,015</u>	<u>\$1,015</u>	<u>\$1,735,716</u>

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term loans	Short-term notes and bills payable	Long-term loan (including maturity within a year)	Lease liabilities	Other non-current liabilities	Total liabilities from financing activities
As of 1 January 2022	\$199,526	\$79,971	\$1,692,242	\$4,115	\$3,569	\$1,979,423
Cash flow	41,274	(35,026)	(38,070)	(1,984)	(1,330)	(35,136)
Non-cash change	-	-	-	853	-	853
As of 31 December 2022	<u>\$240,800</u>	<u>\$44,945</u>	<u>\$1,654,172</u>	<u>\$2,984</u>	<u>\$2,239</u>	<u>\$1,945,140</u>

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(7) Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

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e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

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

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12. (9) for fair value measurement hierarchy for financial instruments of the Company.

(8) Derivative financial instruments

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2023 and 2022 are as follows:

Foreign exchange swaps

The Company entered into foreign exchange swaps to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to foreign exchange swaps:

As of 31 December 2023

None.

Items	Amount (in thousands)		Contract Period
As of 31 December 2022			
Foreign exchange swaps	Sell USD	4,500	9 November 2022 – 28 March 2023

The counterparties for the aforementioned derivatives transactions are well known local or overseas banks, as they have sound credit ratings, the credit risk is insignificant.

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The foreign exchange swaps have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Company has sufficient operating funds, the cash flow risk is insignificant.

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 31 December 2023

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Index Bond Fund	\$3,177	\$ -	\$ -	\$3,177
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	149,400	-	52,249	201,649

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As of 31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$152,507	\$ -	\$134,767	\$287,274
Financial liabilities at fair value:				
Financial liabilities at fair value through profit or loss				
Foreign exchange swaps	-	957	-	957

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets	
	At fair value through other comprehensive income	
	Stocks	
	For the years ended 31 December	
	2023	2022
Beginning balance	\$134,767	\$115,581
Total gains and losses recognized for the year:		
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	(52,076)	(414)
Acquisition	22,400	19,600
Reclassification	(52,842)	-
Ending balance	\$52,249	\$134,767

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of 31 December 2023

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: At fair value through other comprehensive income					
Stocks and others	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	the 1% increase (decrease) in the discount for lack of marketability, would result in increase (decrease) in the Company's equity by NT\$522 thousand

As of 31 December 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: At fair value through other comprehensive income					
Stocks and others	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	the 1% increase (decrease) in the discount for lack of marketability, would result in increase (decrease) in the Company's equity by NT\$1,348 thousand

(c) Disclosure of Fair Value Hierarchy Information for Non-Fair Value Measurements

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at 31 December 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(8))	\$ -	\$ -	\$231,797	\$231,797

As at 31 December 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(8))	\$ -	\$ -	\$181,374	\$181,374

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	<u>As of 31 December 2023</u>			<u>As of 31 December 2022</u>		
	<u>Foreign currencies</u>	<u>Foreign exchange rate</u>	<u>NTD</u>	<u>Foreign currencies</u>	<u>Foreign exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items:</u>						
USD	\$49,931	30.705	\$1,533,131	\$65,459	30.71	\$2,010,242
<u>Financial liabilities</u>						
<u>Monetary items:</u>						
USD	14,215	30.705	436,472	16,422	30.71	504,327

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company has a number of different functional currencies; therefore, we are unable to disclose the exchange loss and gain of monetary financial assets and financial liabilities under each foreign currency that has significant impact. The Company recognized NT\$18,399 thousand and NT\$167,893 thousand foreign exchange gain (losses) for the years ended 31 December 2023 and 2022, respectively.

(11) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions and information on investees:

- (a) Financing provided to others: Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others: Please refer to Attachment 2.
- (c) Securities held (excluding the portion related to investments in subsidiaries, associated companies, and joint ventures): Please refer to Attachment 3.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the year ended 31 December 2023: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital: None.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (g) Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock: Please refer to Attachment 5.
- (i) Financial instruments and derivative transactions: Please refer to Note 12 (8).
- (j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 6.

(2) Information on investees:

Names, locations, main businesses and products, original investment amount, investment as of 31 December 2023, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2023 (exclude the information on investments in mainland China): Please refer to Attachment 7.

(3) Information on investments in mainland China

- (a) The Company's investments in mainland China through Global Development Company Ltd. included names, main businesses and products, total amount of paid-in capital, method of investment, Investment flow situation, percentage of ownership, investment income (loss) recognized, carrying value as of 31 December 2023, accumulated inward remittance of earnings as of 31 December 2023 and upper limit on investment in mainland China: Please refer to Attachment 8.
- (b) Significant transactions through third regions with the investees in Mainland China: Please refer to Attachment 1,2,4,5 and 6.

(4) Information of major shareholders

Stocks	Quantity of shares	Shareholding
Major shareholders		
OU, CHENG-MING	34,870,964	27.38%
OUMEIYA INVESTMENT CO., LTD	12,693,541	9.96%

Attachment 1: Financing provided to others

No.	Lender (Note 1)	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing Note 6	Amount of sales to (purchases from) counter-party	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	368,460	368,460	184,230	1.30%	1	2,002,280	-	-	-	-	807,212 (Note1)	807,212 (Note1)
1	UMEC (B.V.I.)	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	92,115	92,115	-	0.00%	2	-	Need for operating	-	-	-	124,397 (Note2)	124,397 (Note2)
2	Global	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	61,410	61,410	-	0.00%	2	-	Need for operating	-	-	-	102,874 (Note3)	102,874 (Note3)

Note 1: JA-LONG TECHNOLOGY CO., LTD.(Shenzhen) had business transactions with the Company. The maximum loan amount extended to the Company was limited to 40% of the audited net worth of NT\$2,018,029 thousand as of 31 December 2023.

Individual loan amounts were limited to the extent of the business transactions between the two parties.

The business transaction amount referred to was the higher of the purchase or sales amount between the two parties. This year, the business transaction amount exceeded 40% of the Company's net worth as of 31 December 2023.

Therefore, the individual loan amounts were limited to 40% of the audited net worth of NT\$2,018,029 thousand as of 31 December 2023.

Note 2: The loan amount was calculated based on 60% of the audited net worth of UMEC (B.V.I.) as of 31 December 2023, which amounted to NT\$207,329 thousand.

Note 3: The loan amount was calculated based on 60% of the audited net worth of Global as of 31 December 2023, which amounted to NT\$171,456 thousand.

Note 4: To fill in the nature of the loan, please follow the instructions below:

(1) If there is a business transaction, please fill in "1".

(2) If there is a need for short-term financing, please fill in "2".

Attachment 2: Endorsement/Guarantee provided to others

No. (Note 1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party (Note 3)	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount (Note 4)	Parent company's guarantee/ endorsement amount to subsidiaries (Note 5)	Subsidiaries' guarantee/ endorsement amount to parent company (Note 5)	Guarantee/ endorsement amount to company in Mainland China (Note 5)
		Company name	Relationship (Note 2)										
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	2	\$403,606	\$216,350	\$216,350	\$ -	\$ -	10.72%	\$807,212	Y	N	Y
1	UMEC (B.V.I.)	The Company	2	51,832	30,705	30,705	-	-	14.81%	62,199	N	Y	N
2	Global	The Company	2	51,437	46,058	46,058	-	-	26.86%	60,010	N	Y	N

Note 1: The Company and its subsidiaries are coded as follows:

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

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: 1. Limit of guarantee/endorsement amount for for a single enterprise by the Company is limited to 20% of the Company's net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT\$2,018,029 thousand.

2. Limit of guarantee/endorsement amount for for a single enterprise by UMEC (B.V.I.) is limited to 25% of UMEC (B.V.I.)'s net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT\$207,329 thousand.

3. Limit of guarantee/endorsement amount for for a single enterprise by Global is limited to 30% of Global's net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT\$171,456 thousand.

Note 4: 1. The total limit of guarantee/endorsement amount by the Company is limited to 40% of the Company's net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT\$2,018,029 thousand.

2. The total limit of guarantee/endorsement amount by UMEC (B.V.I.) is limited to 30% of UMEC (B.V.I.)'s net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT\$207,329 thousand.

3. The total limit of guarantee/endorsement amount by Global is limited to 35% of Global's net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT\$171,456 thousand.

Note 5: "Y" for the listed (OTC) parent company guarantees/endorsers for subsidiary, subsidiary guarantees/endorsers for the listed (OTC) parent company or guarantee/endorse for companies in Mainland China.

Attachment 3: Securities held (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type of securities	Name of securities	Relationship (Note 1)	Financial statement account	As of 31 December 2023				Note
					Shares	Carrying amount	Percentage of ownership (%)	Fair value	
Tien Lung Investment Co., Ltd.	Stocks	LELON ELECTRONICS CORP.	-	Financial assets at fair value through profit or loss- current	484,153 shares	\$34,908	0.29%	\$34,908	-
				Subtotal		\$34,908		\$34,908	
Tien Lung Investment Co., Ltd.	Stocks	GOODWAY MACHINE CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	34,327 shares	\$2,317	0.03%	\$2,317	-
Tien Lung Investment Co., Ltd.	Stocks	INTEGRATED DIGITAL TECHNOLOGIES, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	279,129 shares	-	0.97%	-	-
Tien Lung Investment Co., Ltd.	Stocks	Asia Pacific Microsystems, Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	62,044 shares	353	0.13%	353	-
Tien Lung Investment Co., Ltd.	Stocks	EVERMORE TECHNOLOGY, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	195,192 shares	-	2.87%	-	-
						\$2,670		\$2,670	
The Company	Stocks	GOODWAY MACHINE CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	50,567 shares	3,413	0.05%	3,413	-
The Company	Stocks	Partner Tech Corp.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	649,151 shares	17,430	0.86%	17,430	-
The Company	Stocks	Connection Technology Systems Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	4,481,726 shares	110,699	14.10%	110,699	-
The Company	Stocks	Asia Pacific Microsystems, Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,208,872 shares	6,979	2.57%	6,979	-
The Company	Stocks	EVERMORE TECHNOLOGY, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	457,921 shares	-	6.73%	-	-
The Company	Stocks	SysJust Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	221,015 shares	17,858	0.84%	17,858	-
The Company	Stocks	AESOPOWER, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	2,505,643 shares	3,158	10.89%	3,158	-
The Company	Stocks	Hannlync Technologies Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	700,000 shares	-	0.55%	-	-
The Company	Stocks	Silver PAC Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,809,609 shares	-	-	-	-
The Company	Stocks	Terasilic Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	535,523 shares	1,559	1.83%	1,559	-
The Company	Stocks	Phoenix 3 Venture Capital Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	2,000,000 shares	15,856	8.70%	15,856	-
The Company	Stocks	LIEN SHEN ELECTRONICS CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	500,000 shares	5,068	14.29%	5,068	-
The Company	Stocks	GaN Power Technology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	3,000,000 shares	13,992	6.59%	13,992	-
The Company	Stocks	AMIT System Service Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	301,036 shares	1,407	11.00%	1,407	
The Company	Stocks	UEC System Solutions Corporation	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,640,000 shares	4,230	11.08%	4,230	
				Subtotal		\$201,649		\$201,649	

Note 1: Not required if the issuer of securities is not a related party.

Attachment 4: Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock

Related-party	Counter-party	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Credit period	Unit price	Credit period	Carrying amount	Percentage of total consolidated receivables (payable)	
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Purchase	\$2,002,280	49.09%	Collected over a specific period	\$ -	-	\$ -	-%	
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Sales	620,991	12.06%	Collected over a specific period	-	-	433,432	43.99%	
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	The Company	Subsidiary	Sales	2,002,280	97.12%	Collected over a specific period	-	-	-	-%	
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	The Company	Subsidiary	Purchase	620,991	47.22%	Collected over a specific period	-	-	(433,432)	(76.57)%	

Attachment 5: Receivables from related parties with accounts exceeding the lower of NT\$100 million or 20 percent of the capital stock

Related-party	Counter-party	Relationship	Amount	Average collection turnover	Overdue account receivable-related parties		Collection in subsequent period	Allowance for doubtful debts
					Amount	Processing method		
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Accounts receivable \$433,432	1.52	\$ -	-	\$ -	\$ -
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Other receivables \$185,557		-	-	-	-

Attachment 6: The business relationship, significant transactions and amounts between parent company and subsidiaries

No. (Note 1)	Related-party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets(Note3)
0	The Company	UMEC VIETNAM Co., Ltd.	1	Processing fees	\$125,959	(Note 4)	2.45%
0	The Company	UMEC VIETNAM Co., Ltd.	1	Prepayment	112,709	(Note 4)	2.43%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Sales	620,991	(Note 4)	12.06%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Accounts receivable	433,432	(Note 4)	9.34%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Purchase	2,002,280	(Note 4)	38.89%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Other receivables	185,557	(Note 4)	4.00%
0	The Company	Global Development Co. Ltd	1	Prepayment	233,743	(Note 4)	5.04%

Note 1: The Company is coded "0".The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the Company asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, interim cumulative balances are used as basis.

Note 4: The transaction terms include collecting payments over a specified period.

Attachment 7: Names, locations, main businesses and products, original investment amount, net income (loss) of investee company and investment income (loss) recognized: (Excluding investment in Mainland China)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2023			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Book value			
The Company	UMEC (B.V.I.)	Vistra Corporate Services Centre, Wickhams Cay II, Road Town Tortola ,VG1110 ,BRITISH VIRGIN ISLANDS	Investment and holding company	\$753,401	\$997,418	22,961,020	100.00%	\$200,522	\$20,397	\$56,986	Note1
The Company	Tien Lung Investment Co., Ltd.	1F., No. 37, Sec. 2, Meicun Rd., South Dist., Taichung City, Taiwan (R.O.C.)	Investment company	88,000	88,000	8,800,000	100.00%	58,313	8,868	8,868	
The Company	ARadTek	8F-2, No.487, Dayou Rd., Taoyuan Dist., Taoyuan City, Taiwn (R.O.C.)	Manufacturing and sales of electronic parts and components	42,559	42,559	4,255,894	84.78%	11,955	(9,939)	(8,426)	
The Company	AMIT SYSTEM SERVICE LTD.	4F., NO.149, Wugong Rd., Wugu Dist.,New Taipei City 248, Taiwan (R.O.C.)	Electronic information supply services industry	-	11,780	-	-	-	-	(1,354)	Note2
The Company	PT UMEC Green Tech Indonesia	Ketapang Business Centre,Jl. Kh. Zainul Arifin No 20 Blok A16 Jakarta Barat, Indonesia 11140	Manufacturing and sales of electronic parts and components	3,519	3,519	-	60.00%	-	-	-	
The Company	UEC System Solutions Corporation Limited	5th Floor, No. 219, Xinhu 2nd Road, Neihu District, Taipei City, Taiwn (R.O.C.)	IoT product applications and services and electronic product trading	-	6,000	-	-	-	-	(711)	Note3
The Company	UMEC (JAPAN)	No. 5-3, Osaki 3-chome, Shinagawa-ku, Tokyo	Promotion and sales of switch mode power supply, transformer and manufacture and assembly of circuit	1,368	1,368	-	100.00%	1,229	(21)	(21)	
The Company	UMEC (USA)	1921 Ellen St #7 Sturgis,SD 57785,USA	R&D and sales of electromagnetic parts	43,013	43,013	499,999	99.99%	43,215	(4,557)	(4,557)	
The Company	UMEC VIETNAM Co., Ltd.	B(B1)lot, Quang Chau Industrial Park, Bac Giang Province, Vietnam	Manufacturing and sales of switch mode power supply, transformer and circuit board	95,831	-	-	25.73%	31,481	(34,875)	(7,557)	
The Company	Lightel Corporation	Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands	Investment and holding company	57,306	-	5,082,027	23.88%	61,258	57,385	3,953	
UMEC (B.V.I.)	UMEC (H.K.)	FLAT B 5/F NO.38 HUNG TO RD KWUN TONG KOWLOON, HONG KONG	Established in Hongkong to handle export shipping affairs of China.	7,001	7,001	1,782,000	100.00%	12,821	206	206	
UMEC (B.V.I.)	Global	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.	Investment and holding company	712,815	941,162	23,214,961	100.00%	171,456	20,173	20,173	
Global	UMEC VIETNAM Co., Ltd.	B(B1)lot, Quang Chau Industrial Park, Bac Giang Province, Vietnam	Manufacturing and sales of switch mode power supply, transformer and circuit board	276,455	276,455	-	74.27%	90,870	(34,875)	(27,318)	
Tien Lung Investment Co., Ltd.	ARadTek	8F-2, No.487, Dayou Rd., Taoyuan Dist., Taoyuan City, Taiwn (R.O.C.)	Manufacturing and sales of electronic parts and components	5,420	5,420	541,945	10.80%	1,523	(9,939)	(1,073)	
Tien Lung Investment Co., Ltd.	PORIS ELECTRONICS CO., LTD.	11 F., No. 866-7, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan (R.O.C.)	Electronic information supply services industry	10,400	10,400	1,201,637	33.55%	6,008	(2,192)	(736)	

Note1: The investment income recognized in the current period includes the investment gains or losses generated by the investee company due to favorable or unfavorable market conditions.

Note2: Significant influence over the investee was lost in the third quarter of the year ended 31 December 2023, resulting in the reclassification of the investment from 'Equity Method Investments' to 'Financial Assets at Fair Value through Other Comprehensive Income - Non-current'. For further details, please refer to Notes 6 and 7. The period of disclosure of the investee's income and expenses for this period is from 1 January to 31 August of the 2023.

Note3: Significant influence over the investee was lost in the third quarter of the year ended 31 December 2023, resulting in the reclassification of the investment from 'Equity Method Investments' to 'Financial Assets at Fair Value through Other Comprehensive Income - Non-current'. For further details, please refer to Notes 6 and 7. The period of disclosure of the investee's income and expenses for this period is from 1 January to 30 September of the 2023.

Attachment 8: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2023	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 31 December 2023	Accumulated Inward Remittance of Earnings as of 31 December 2023
					Outflow	Inflow						
JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board	\$541,943	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	\$537,338	\$ -	\$ -	\$537,338	\$72,137	100.00%	\$72,137	\$265,061	\$ -
		USD 17,650,000		USD 17,500,000			USD 17,500,000					
UMEC Wuhan Company Limited	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board	184,230	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	184,230	-	-	184,230	-	-%	-	(Note4)	-
		USD 6,000,000		USD 6,000,000			USD 6,000,000					
UMEC Renlong Electronics Co., Ltd. (Meizhou)	Manufacturing and sales of switch mode power supply and transformer	18,423	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	18,423	-	-	18,423	(11,542)	100.00%	(11,542)	(26,709)	-
		USD 600,000		USD 600,000			USD 600,000					
UMEC Fulong Electronics Co., Ltd. (Longyan)	Manufacturing and sales of switch mode power supply and transformer	92,115	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	92,115	-	-	92,115	(22,620)	100.00%	(22,620)	55,705	-
		USD 3,000,000		USD 3,000,000			USD 3,000,000					

Accumulated Investment in Mainland China as of 31 December 2023	Investment Amounts Authorized by Investment Commission, MOEA (Note1)	Upper Limit on Investment (Note2)
\$832,241	\$912,184	\$1,210,817

Note 1: The Investment Commission of the Ministry of Economic Affairs has approved an investment amount of USD 29,708 thousand.

Note 2: According to Ministry of Economic Affairs, R.O.C., the Company's investment in Mainland China is not limited to 60% of net worth or consolidated net worth specified by the Investment Commission.

Note 3: The aforementioned amount in foreign currency will be converted into New Taiwan Dollars using the exchange rate on the balance sheet date.

Note 4: The company obtained the approval for deregistration from the Administration for Industry and Commerce of Ma'anshan City on November 16, 2018.

The liquidation process was completed on January 17, 2019, and the company received the notification letter of filing for deregistration from the Investment Commission of the Ministry of Economic Affairs on June 9, 2022.

UNIVERSAL MICROELECTRONICS CO., LTD.

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ACCOUNTING ITEMS

FOR THE YEAR ENDED 31 DECEMBER 2023

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UNIVERSAL MICROELECTRONICS CO., LTD.
1. STATEMENT OF CASH AND CASH EQUIVALENTS
31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Subtotal	Total	
Cash on hand			\$511	
Cash in banks				
	Demand deposits — NTD		87,473	
	Demand deposits — foreign currency	Mainly includes: USD 6,729 thousand EUR 265 thousand	217,010	
	Checking account deposits		425	
	Time deposits		138,173	
Total			<u>\$443,592</u>	

UNIVERSAL MICROELECTRONICS CO., LTD.
2. STATEMENT OF ACCOUNTS RECEIVABLE
31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Third parties:			
Client A		\$146,830	
Client B		69,082	
Client C		47,933	
Client D		35,387	
Others (Note)		253,513	
Subtotal		552,745	
Less: loss allowance		(1,910)	
Accounts receivable, net		<u>\$550,835</u>	

(Note) The amount of individual client in others does not exceed 5% of the account balance.

UNIVERSAL MICROELECTRONICS CO., LTD.

3. STATEMENT OF INVENTORIES

31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Cost	Net Realizable Value	Note
Raw materials		\$868,889	\$890,910	Please refer to Note 4 (10) for more details on net realizable value
Supplies & parts		36,140	36,572	
Semi-finished goods		27,207	27,868	
Work in progress		78,377	83,118	
Finished goods		244,396	308,402	
Total		<u>\$1,255,009</u>	<u>\$1,346,870</u>	

UNIVERSAL MICROELECTRONICS CO., LTD.

4. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, NONCURRENT
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Name of Securities	As of 1 January 2023		Additions		Decrease		Gains (losses) on valuation	As of 31 December 2023		Accumulated impairment	Collateral	Note
	Shares	Shares	Shares	Amount	Shares	Amount		Shares	Fair Value			
Listed companies stocks:												
GOODWAY MACHINE CORP.	50,567	\$3,115	-	\$ -	-	\$ -	\$298	50,567	\$3,413	N/A	None	
Connection Technology Systems Inc.	4,481,726	119,662	-	-	-	-	(8,963)	4,481,726	110,699	N/A	None	
Subtotal		122,777					(8,665)		114,112			
Emerging companies stocks:												
SysJust Co., Ltd.	221,015	16,455	-	-	-	-	1,403	221,015	17,858	N/A	None	
Partner Tech Corp.	649,151	13,275	-	-	-	-	4,155	649,151	17,430	N/A	None	
Subtotal		29,730					5,558		35,288			
Unlisted companies stocks:												
Asia Pacific Microsystems, Inc.	1,208,872	8,535	-	-	-	-	(1,556)	1,208,872	6,979	N/A	None	
EVERMORE TECHNOLOGY, INC.	457,921	-	-	-	-	-	-	457,921	-	N/A	None	
AESOPower, INC.	2,088,976	8,709	416,667 (Note1)	5,000	-	-	(10,551)	2,505,643	3,158	N/A	None	
Hannlync Technologies Inc.	700,000	-	-	-	-	-	-	700,000	-	N/A	None	
Lightel Technologies Inc.	5,082,027	76,930	- (Note2)	-	(5,082,027)	(57,305)	(19,625)	-	-	N/A	None	
Silver PAC Inc.	1,809,609	-	-	-	-	-	-	1,809,609	-	N/A	None	
Terasilic Co., Ltd.	535,523	2,621	-	-	-	-	(1,062)	535,523	1,559	N/A	None	
Phoenix 3 Venture Capital Co., Ltd.	2,000,000	13,592	-	-	-	-	2,264	2,000,000	15,856	N/A	None	
LIEN SHEN ELECTRONICS CORP.	500,000	4,780	-	-	-	-	288	500,000	5,068	N/A	None	
GaN Power Technology Co., Ltd.	1,400,000	19,600	1,600,000 (Note3)	16,000	-	-	(21,608)	3,000,000	13,992	N/A	None	
AMIT System Service Ltd.	-	-	301,036 (Note4)	1,785	-	-	(378)	301,036	1,407	N/A	None	
UEC System Solutions Corporation	-	-	1,640,000	4,078	-	-	152	1,640,000	4,230	N/A	None	
Subtotal		134,767	(Note5)	26,863		(57,305)	(52,076)		52,249			
Total		\$287,274		\$26,863		\$ (57,305)	(55,183)		\$201,649			

Note:

1. In this period, AESOPOWER, INC. increased its capital by issuing 416,667 shares of stocks, totaling NT\$5,000 thousand.

2. In this period, our company entered into a stock conversion agreement with Laid Optical (Stock) Company, exchanging 5,082,027 shares of Lightel technology, Inc stocks held by us for 5,082,027 shares of common stocks of Lightel Corporation. Following the stock conversion, our company holds 23.88% of the voting rights in Lightel Corporation, which constitutes significant influence, thus reclassified as equity investments.

3. In this period, GaN Power Technology Co., Ltd. increased its capital by issuing 1,600,000 shares of stocks, totaling NT\$16,000 thousand.

4. In this period, in a cash capital increase of AMIT System Service Ltd., the company did not subscribe according to its shareholding ratio, resulting in the loss of significant influence. Therefore, the investment previously accounted for using the equity method is reclassified as financial assets measured at fair value through other comprehensive income.

5. In this period, there was a capital increase of NT\$1,400 thousand for UEC System Solutions Corporation. However, as our company did not subscribe according to its shareholding ratio, our ownership percentage decreased from 13.89% to 11.08%. This resulted in the loss of significant influence over UEC System Solutions Corporation. Therefore, the investment previously accounted for using the equity method is reclassified as financial assets measured at fair value through other comprehensive income.

UNIVERSAL MICROELECTRONICS CO., LTD.

5. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Name	As of 1 January 2023		Additions		Decrease		Changes in transaction volume for inflows and outflows	Investment income (loss)	Unrealized gains/losses on financial assets.	Exchange differences	Changes in accordance with the percentage of shareholding	As of 31 December 2023			Collateral
	Shares	Amount	Shares	Amount	Shares	Amount						Shares	%	Amount	
UMEC Investment Co., Ltd.	30,397,803	\$346,399	-	\$ -	(7,436,783)	\$(244,017)	\$36,589	\$20,397	\$ -	\$(13,016)	\$54,170	22,961,020	100%	\$200,522	None
					(Note1)										
PT UMEC Green Tech Indonesia	114,600	-	-	-	-	-	-	-	-	-	-	114,600	60%	-	None
Tien Lung Investment Co., Ltd.	8,800,000	49,321	-	-	-	-	-	8,868	124	-	-	8,800,000	100%	58,313	None
Advanced Radar Technology Co., Ltd.	4,255,894	20,381	-	-	-	-	-	(8,426)	-	-	-	4,255,894	84.78%	11,955	None
UMEC JAPAN CO., LTD.	-	1,339	-	-	-	-	-	(21)	-	(89)	-	-	100%	1,229	None
UMEC USA, Inc.	499,999	47,760	-	-	-	-	(36)	(4,557)	-	48	-	499,999	99.99%	43,215	None
UMEC VIETNAM Co., Ltd.	-	-	-	95,831	-	-	-	(7,557)	-	(2,623)	(54,170)	-	25.73%	31,481	None
				(Note4)											
Lightel Corporation			5,082,027	57,305	-	-	-	3,953	-	-	-	-	23.88%	61,258	None
				(Note5)											None
AMIT SYSTEM SERVICE LTD.	1,178,000	3,139			(1,178,000)	(1,785)	-	(1,354)	-	-	-	-	- %	-	None
UEC System Solutions Corporation	1,500,000	3,389			(1,500,000)	(2,678)	-	(711)	-	-	-	-	- %	-	
Total		<u>\$471,728</u>		<u>\$153,136</u>		<u>\$(248,480)</u>	<u>\$36,553</u>	<u>\$10,592</u>	<u>\$124</u>	<u>\$(15,680)</u>	<u>\$ -</u>			<u>\$407,973</u>	

Note :

1. In this period, UMEC Investment Co., Ltd. reduced its capital and returned funds by 7,437 shares, receiving a total of NT\$233,743 thousand, and recognized an investment loss of NT\$10,274 thousand.
2. In this period, AMIT System Service Ltd. underwent a cash capital increase. As the company did not subscribe according to its shareholding proportion, it lost significant influence. Consequently, the investment previously accounted for using the equity method is reclassified as financial assets measured at fair value through other comprehensive income.
3. In this period, there was a capital increase of NT\$1,400 thousand for UEC System Solutions Corporation. However, as our company did not subscribe according to its shareholding ratio, our ownership percentage decreased from 13.89% to 11.08%. This resulted in the loss of significant influence over UEC System Solutions Corporation. Consequently, the investment previously accounted for using the equity method is reclassified as financial assets measured at fair value through other comprehensive income.
4. In the fourth quarter of the year the year ended 31 December 2022 the company engaged in debt-to-equity swap for capital increase in UMEC VIETNAM Co., Ltd. In the second quarter of the year ended 31 December 2023, the company obtained the business license issued by the Vietnamese government to complete the capital increase, acquiring a 25.73% stake.
5. In the third quarter of the year ended 31 December 2023, the Company participated in the cash capital increase of UEC System Solutions Corporation, increasing its investment amount by NT\$1,400 thousand. However, as the Group did not subscribe in proportion to its shareholding, its shareholding ratio decreased from 13.89% to 11.08%. Consequently, the Company lost significant influence over UEC System Solutions Corporation, and therefore reclassified it as a financial asset measured at fair value through other comprehensive income.

UNIVERSAL MICROELECTRONICS CO., LTD.

6. STATEMENT OF SHORT-TERM LOANS

31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Type	Lending bank	Balance, End of Year	Contract Period	Financing limit	Collateral	Note
Credit loan	First Commercial Bank — Taichung Branch	\$40,000	2023/08-2024/02	200,000	None	
Secured loans	First Commercial Bank — Taichung Branch	60,000	2023/10-2024/04		None	
	First Commercial Bank — Taichung Branch	40,000	2023/10-2024/04		None	
	First Commercial Bank — Taichung Branch	60,000	2023/11-2024/05		None	
Material procurement loan	Chang Hwa Commercial Bank — Hsitun Branch	28,000	2023/12-2024/01	28,000	Time deposits	
	Total	<u>\$228,000</u>				

	As of 31 December
Interest rates applied	2023
Unsecured bank loans	1.81%
Secured bank loans	1.81%

UNIVERSAL MICROELECTRONICS CO., LTD.

7. STATEMENT OF ACCOUNTS PAYABLE

31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount	Note
Vendor A		\$66,552	
Vendor B		30,139	
Others (Note)		457,760	
		<u>\$554,451</u>	

(Note) The amount of individual client in others does not exceed 5% of the account balance.

UNIVERSAL MICROELECTRONICS CO., LTD.

8. STATEMENT OF NET OPERATING REVENUES

FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Magnetic Component & Power product	\$2,789,844	
Assembly of circuit board	2,325,028	
Optical cables	13,324	
Others	19,736	
Net operating revenues	<u>\$5,147,932</u>	

UNIVERSAL MICROELECTRONICS CO., LTD.

9. STATEMENT OF OPERATING COSTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Amount
Direct raw material: Raw material, beginning of year	\$966,902
Add : Raw material purchased	2,009,862
Transferred from work in progress	4,923
Inventory surplus	2
Less: Raw material, end of year	(890,930)
Cost of raw material sold	(651,142)
Updated standard cost	(1,602)
Transferred to expenses	(461)
Direct raw material used	1,437,554
Supplies & parts: Supplies & parts , beginning of year	28,261
Add : Supplies & parts purchased	93,470
Updated standard cost	1,028
Less: Supplies & parts, end of year	(36,639)
Cost of supplies & parts sold	(4,193)
Transferred to expenses	(16,945)
Supplies & parts used	64,982
Direct labor	100,760
Manufacturing expenses (Refer to 10)	276,239
Manufacturing cost	1,879,535
Add: Semi-finished goods, beginning of year	17,982
Semi-finished goods purchased	3,066
Transferred from work in progress	431,008
Updated standard cost	727
Less: Semi-finished goods, end of year	(28,130)
Cost of semi-finished goods sold	(14,156)
Transferred to expenses	(461)
Semi-finished goods used	410,036
Add: Work in process, beginning of year	120,027
Transferred from finished goods	179,966
Updated standard cost	2,904
Less: Work in process, end of year	(80,219)
Reprocessing cost	(3,520)
Transferred to semi-finished goods	(431,008)
Transferred to raw material	(4,923)
Transferred to expenses	(4,995)

Item	Amount
Cost of finished goods	2,067,803
Add: Finished goods, beginning of year	242,968
Finished goods purchased	1,568,957
Updated standard cost	2,362
Less: Finished goods, end of year	(256,313)
Transferred to work in process	(179,966)
Transferred to expenses	(3,949)
Subtotal of cost of goods sold	3,441,862
Other operating costs	
Cost of raw material sold	651,142
Cost of supplies & parts sold	4,193
Cost of semi-finished goods sold	14,156
Inventory Impairment Loss	6,078
Inventory surplus	(2)
Updated standard cost	(5,419)
Purchase price variance	403,330
Reprocessing cost	3,521
Direct labor cost variance	60,019
Manufacturing expense variance	63,794
Others	(1,640)
Subtotal	1,199,172
Operating Costs	\$4,641,034

UNIVERSAL MICROELECTRONICS CO., LTD.

10. STATEMENT OF MANUFACTURING EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Amount
Indirect labor	\$86,589
Processing costs	133,344
Depreciation	40,544
Consumption of materials and tools	22,085
Utilities Expenses	17,392
Other expense	40,079
Subtotal	<u>340,033</u>
Manufacturing expense variance	<u>(63,794)</u>
Total	<u><u>\$276,239</u></u>

(Note) The amount of individual client in others does not exceed 5% of the account balance.

UNIVERSAL MICROELECTRONICS CO., LTD.

11. STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Selling Expenses	Administrative Expenses	Research and Development Expenses	Impairment Loss	Total
Wages and salaries	\$32,843	\$60,374	\$121,981	\$ -	\$215,198
Insurance expense	4,015	6,277	11,787	-	22,079
Depreciation	774	9,942	12,139	-	22,855
Commissions expense	22,913	-	-	-	22,913
Import/export expense	7,459	8	83	-	7,550
Management expense	-	20,803	-	-	20,803
Commissioned research expense	-	-	10,155	-	10,155
Instrument calibration fees	-	-	12,332	-	12,332
R&D material expenses	-	-	16,862	-	16,862
Others	12,808	57,279	15,737	(83)	85,741
Total	<u>\$80,812</u>	<u>\$154,683</u>	<u>\$201,076</u>	<u>\$(83)</u>	<u>\$436,488</u>

(Note) The amount of individual client in others does not exceed 5% of the account balance.

UNIVERSAL MICROELECTRONICS CO., LTD.



Chairman: OU, CHENG-MING



MAGNETIC



- * RF transformer
- * Telecommunications
- * Power Transformer
- * Inductor Products
- * Custom Design Transformer/ Inductor



POWER



- * DC/DC Converters
- * AC Open Frame
- * Power Adapter
- * Hot-swappable Redundant Power



ICP



- DMS/ EMS
- * Marine & GPS Product
- * Automotive Radar
- * Wearable Device
- * BLE related Consumer



LCM



- * 3.5inch ~ 19inch
- * COG, FOG, POG
- * Lamination, OCR
- * Film on Sensor Glass
- * LCM assembly



OPTICAL



- * Ultra High Speed AOC :
HDMI, DVI, USB3.0, SFP+, QSFP+
- * Passive Components:
CWDM/ DWDM Fused Biconical Taper



UNIVERSAL MICROELECTRONICS CO., LTD.