U.D. ELECTRONIC CORP. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2017 and 2016 and Independent Auditors’ Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
U.D. ELECTRONIC CORP.

We have reviewed the accompanying consolidated balance sheets of U.D. ELECTRONIC CORP. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 4, 2017

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

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

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 665,832	15	$ 360,780	8	$ 264,447	6
Financial assets at fair value through profit or loss - current (Note 7)	155	-	-	-	-	-
Notes receivable (Note 9)	16,181	-	15,680	-	103,613	2
Trade receivables (Note 9)	1,075,848	24	1,209,321	27	966,266	23
Trade receivables from related parties (Note 29)	3,548	-	7,614	-	-	-
Other receivables (Note 9)	23,900	1	29,548	1	35,905	1
Inventories (Note 10)	1,032,671	23	1,141,829	26	1,360,024	32
Other current assets (Notes 15, 16, 29 and 30)	151,028	3	182,893	4	121,230	3
Total current assets	2,969,163	66	2,947,665	66	2,851,485	67
NON-CURRENT ASSETS						
Financial assets measured at cost - non-current (Note 8)	92,796	2	92,796	2	92,796	2
Property, plant and equipment (Notes 12 and 30)	1,006,204	23	1,026,641	23	1,030,296	24
Other intangible assets (Note 14)	7,949	-	9,208	-	9,759	-
Goodwill (Note 13)	6,103	-	6,103	-	6,103	-
Deferred tax assets (Note 4)	45,063	1	22,101	1	4,306	-
Long-term prepayments for lease (Note 15)	58,834	1	62,579	1	68,216	2
Other non-current assets (Note 16)	308,812	7	323,001	7	211,317	5
Total non-current assets	1,525,761	34	1,542,429	34	1,422,793	33
TOTAL	$ 4,494,924	100	$ 4,490,094	100	$ 4,274,278	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	$ 979,435	22	$ 836,625	19	$ 741,675	17
Trade payables (Note 19)	370,186	8	461,403	10	418,597	10
Trade payables from related parties (Note 29)	-	-	2,649	-	-	-
Other payables (Note 20)	518,146	12	548,452	12	407,830	10
Current tax liabilities	6,241	-	9,379	-	21,551	-
Other current liabilities (Note 20)	13,598	-	12,989	1	25,906	1
Total current liabilities	1,887,606	42	1,871,497	42	1,615,559	38
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 17 and 30)	50,000	1	-	-	-	-
Deferred tax liabilities (Note 4)	-	-	-	-	8,115	-
Other non-current liabilities (Note 20)	608	-	4,910	-	4,913	-
Total non-current liabilities	50,608	1	4,910	-	13,028	-
Total liabilities	1,938,214	43	1,876,407	42	1,628,587	38
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)						
Share capital						
Ordinary shares	696,758	15	696,758	16	696,758	16
Capital surplus	726,551	16	726,551	16	726,551	17
Retained earnings						
Legal reserve	258,686	6	258,686	6	241,124	6
Special reserve	7,778	-	7,778	-	7,778	-
Unappropriated earnings (Note 24)	1,037,480	23	988,245	22	931,971	22
Total retained earnings	1,303,944	29	1,254,709	28	1,180,873	28
Other equity						
Exchange differences on translating foreign operations	(195,169)	(4)	(87,468)	(2)	20,457	-
Total equity attributable to owners of the company	2,532,084	56	2,590,550	58	2,624,639	61
NON-CONTROLLING INTERESTS	24,626	1	23,137	-	21,052	1
Total equity	2,556,710	57	2,613,687	58	2,645,691	62
TOTAL	$ 4,494,924	100	$ 4,490,094	100	$ 4,274,278	100

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Note 29)	$ 994,967	100	$ 1,107,174	100
OPERATING COSTS				
Cost of goods sold (Notes 10 and 23)	(789,211)	(79)	(914,253)	(83)
GROSS PROFIT	205,756	21	192,921	17
OPERATING EXPENSES (Notes 23 and 29)				
Selling and marketing	(39,157)	(4)	(44,297)	(4)
General and administrative	(81,710)	(8)	(78,169)	(7)
Research and development	(44,914)	(5)	(65,915)	(6)
Total operating expenses	(165,781)	(17)	(188,381)	(17)
PROFIT FROM OPERATIONS	39,975	4	4,540	-
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	5,873	1	11,240	1
Other gains and losses (Note 23)	4,010	-	13,210	1
Finance costs (Notes 18 and 23)	(4,064)	-	(2,603)	-
Total non-operating income and expenses	5,819	1	21,847	2
PROFIT BEFORE INCOME TAX	45,794	5	26,387	2
INCOME TAX EXPENSE (Notes 4 and 24)	(729)	-	(16,591)	(1)
NET PROFIT FOR THE PERIOD	45,065	5	9,796	1

(Continued)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME AND LOSS				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 22)	$ (130,331)	(13)	$ (35,910)	(3)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 22 and 24)	22,059	2	6,105	-
Other comprehensive income (loss) for the period, net of income tax	(108,272)	(11)	(29,805)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ (63,207)	(6)	$ (20,009)	(2)
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 49,235	5	$ 11,862	1
Non-controlling interests	(4,170)	-	(2,066)	-
	$ 45,065	5	$ 9,796	1
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ (58,466)	(6)	$ (17,943)	(2)
Non-controlling interests	(4,741)	-	(2,066)	-
	$ (63,207)	(6)	$ (20,009)	(2)
EARNINGS PER SHARE (Note 25)				
Basic	$ 0.71		$ 0.17	
Diluted	$ 0.70		$ 0.17	

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company							
			Retained Earnings					
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2016	$ 696,758	$ 726,715	$ 241,124	$ 7,778	$ 920,109	$ 50,262	$ 23,118	$ 2,665,864
Other changes in capital surplus	-	(164)	-	-	-	-	-	(164)
Net profit (loss) for the three months ended March 31, 2016	-	-	-	-	11,862	-	(2,066)	9,796
Other comprehensive loss for the three months ended March 31, 2016, net of income tax	-	-	-	-	-	(29,805)	-	(29,805)
Total comprehensive income (loss) for the three months ended March 31, 2016	-	-	-	-	11,862	(29,805)	(2,066)	(20,009)
BALANCE AT MARCH 31, 2016	$ 696,758	$ 726,551	$ 241,124	$ 7,778	$ 931,971	$ 20,457	$ 21,052	$ 2,645,691
BALANCE AT JANUARY 1, 2017	$ 696,758	$ 726,551	$ 258,686	$ 7,778	$ 988,245	$ (87,468)	$ 23,137	$ 2,613,687
Non-controlling interests (Note 22)	-	-	-	-	-	-	6,230	6,230
Net profit (loss) for the three months ended March 31, 2017	-	-	-	-	49,235	-	(4,170)	45,065
Other comprehensive loss for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	(107,701)	(571)	(108,272)
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	49,235	(107,701)	(4,741)	(63,207)
BALANCE AT MARCH 31, 2017	$ 696,758	$ 726,551	$ 258,686	$ 7,778	$ 1,037,480	$ (195,169)	$ 24,626	$ 2,556,710

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 45,794	$ 26,387
Adjustments for:		
Depreciation expenses	51,483	54,213
Amortization expenses	1,862	1,934
Reversal of impairment loss recognized on trade receivables	-	(3,094)
Net gain on fair value change of financial assets at fair value through profit or loss	(148)	-
Finance costs	4,064	2,603
Interest income	(1,239)	(282)
Impairment loss (reversal of impairment loss) recognized on non-financial assets	124	(18)
Loss on disposal of property, plant and equipment	247	10
Unrealized loss (gain) on foreign exchange, net	18,514	(26,080)
Changes in operating assets and liabilities		
Notes receivable	(1,028)	(28,935)
Trade receivables	75,212	57,838
Trade receivables from related parties	4,066	-
Other receivables	4,364	(6,842)
Inventories	46,239	106,227
Prepayment	26,916	21,945
Other current assets	(3,166)	(70)
Trade payables	(65,955)	(104,369)
Trade payables from related parties	(2,649)	-
Other payables	(2,314)	(54,752)
Other current liabilities	1,235	4,470
Cash generated from operations	203,621	51,185
Interest received	1,168	282
Interest paid	(3,528)	(2,952)
Income tax paid	(4,351)	(5,797)
Net cash generated from operating activities	196,910	42,718
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(1,138)	(103,768)
Proceeds from disposal of property, plant and equipment	14,111	3,360
Decrease (increase) in refundable deposits	386	(1,271)
Payments for intangible assets	(814)	(5,131)

(Continued)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2017	**2016**
Increase in other non-current assets	$ (3,206)	$ (3,373)
Increase in prepayments for equipment	(20,506)	(21,881)
Payment to acquire financial assets measured at cost	-	(3,188)
Net cash used in investing activities	(11,167)	(135,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	161,875	(5,453)
Proceeds from long-term borrowings	50,000	-
Refunds of guarantee deposits received	(4,263)	(91)
Repayments of convertible bonds	-	(17,200)
Changing of non-controlling interests	6,230	-
Net cash generated from (used in) financing activities	213,842	(22,744)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(94,533)	(14,630)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	305,052	(129,908)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	360,780	394,355
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 665,832	$ 264,447

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

U.D. ELECTRONIC CORP. (the "Company") was incorporated in the Republic of China (ROC) on March 18, 2005 with a share capital $10,000 thousand, and the accumulated share capital was $696,758 thousand as of March 31, 2017. The Company is a trading enterprise and mainly engaged in the selling of electronic connectors for telecommunications, data communications and computers.

The Company's shares have been listed on the Taipei Exchange since October 2012. The shares are widely distributed; therefore, there is no ultimate parent company or ownership interest. The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on May 4, 2017.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have a significant effect on the Group's accounting policies.

   Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

   The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of the IFRSs in the Republic of China, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

   The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 29 and 13 for related disclosures.

b. The IFRSs is issued by IASB but not yet endorsed into effect by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC.

The FSC announced that the Group should apply, IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above new, revised or amended standards and interpretations are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

- IFRS 9 "Financial Instruments"

  Recognition and measurement of financial assets

  With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

  For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

  1) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for

impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

2) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Transition

IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail. However, the consolidated financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the FSC for their oversight purposes.

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 11 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016.

Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2016.

6. CASH AND CASH EQUIVALENTS

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand	$ 1,547	$ 2,190	$ 1,102
Demand deposits	267,341	337,193	248,388
Cash equivalents (investments with original maturities less than 3 months)			
Time deposits	396,944	21,397	14,957
	$ 665,832	$ 360,780	$ 264,447

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2017	December 31, 2016	March 31, 2016
Financial assets held for trading - current			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts	$ 155	$ -	$ -

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

	Currency	Maturity Period	Notional Amount (In Thousands)
March 31, 2017			
Sell	USD/JPY	2017.04.25-2017.05.25	USD304/JPY34,500

The Group entered into forward exchange contracts to manage exposures to exchange rate to fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge accounting. Therefore, the Group did not apply hedge accounting treatment for forward exchange contracts.

8. FINANCIAL ASSETS MEASURED AT COST

	March 31, 2017	December 31, 2016	March 31, 2016
Non-current			
Domestic investment - unlisted shares	$ 92,796	$ 92,796	$ 92,796
Classification			
Available-for-sale	$ 92,796	$ 92,796	$ 92,796

Management believed that the fair value of the above unlisted equity investments cannot be reliably measured due to the very significant range of reasonable fair value estimates and cannot be assessed by any probability estimates. Therefore, they were measured at cost less impairment at the end of reporting period.

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	March 31, 2017	December 31, 2016	March 31, 2016
Notes receivable			
Notes receivable - operating	$ 16,181	$ 15,680	$ 103,613
Less: Allowance for impairment loss	-	-	-
	$ 16,181	$ 15,680	$ 103,613
Trade receivables			
Trade receivables	$ 1,075,888	$ 1,209,361	$ 967,284
Less: Allowance for impairment loss	(40)	(40)	(1,018)
	$ 1,075,848	$ 1,209,321	$ 966,266
Other receivables			
The reserved portion on receivables factoring	$ 11,275	$ 16,104	$ 18,953
Tax refund receivable	9,813	12,390	14,468
Others	2,812	1,054	2,484
	$ 23,900	$ 29,548	$ 35,905

a. Notes receivable

The average credit period for notes receivable is 30 to 180 days. In determining the recoverability of a note receivable, the Group considered any change in the credit quality of the note receivables since the date credit was initially granted to the end of the reporting period. Due to historical experience had been shown that all note receivables were recoverable, the allowance for impairment loss was recognized based on estimated irrecoverable amounts determined by reference to past default experience and current financial condition of customers.

There was no note receivable that was past due at the end of the reporting period; in addition, the Group had not recognized an allowance for impairment loss for these receivables.

b. Trade receivables

The Group has no material irrecoverable trade receivables and it periodically evaluates the reasons for overdue receivables individually. After evaluating and confirming unusual amounts, the Group estimates the allowance for impairment loss rate by dividing overdue receivables by the net sales, and irrecoverable amounts are calculated by multiplying the rate and the current receivables together.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Not overdue	$ 981,698	$ 1,065,128	$ 918,779
Less than 60 days	94,025	144,233	48,505
61-90 days	165	-	-
	$ 1,075,888	$ 1,209,361	$ 967,284

The above aging schedule was based on the past due date.

The aging of receivables that were past due but not impaired was as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Less than 60 days	$ 94,025	$ 144,193	$ 47,487
61-90 days	125	-	-
	$ 94,150	$ 144,193	$ 47,487

The above aging schedule was based on the past due date.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ 4,112	$ -	$ 4,112
Less: Impairment losses reversed	(3,094)	-	(3,094)
Balance at March 31, 2016	$ 1,018	$ -	$ 1,018
Balance at January 1, 2017	$ 40	$ -	$ 40
Add: Impairment losses recognized on receivables	-	-	-
Balance at March 31, 2017	$ 40	$ -	$ 40

Factored trade receivables for the three months ended March 31, 2017 and 2016 were as follows:

Counter-parties	Receivables Sold	Amounts Collected	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line
March 31, 2017					
Taipei Fubon Commercial Bank Co., Ltd.	$ 77,276	$ 125,561	$ 101,474	1.53-2.11	US$ 12,000
Yuanta Commercial Bank	-	-	-	-	US$ 6,000
	$ 77,276	$ 125,561	$ 101,474		
March 31, 2016					
Taipei Fubon Commercial Bank Co., Ltd.	$ 173,028	$ 134,575	$ 170,573	1.163	US$ 17,000
Yuanta Commercial Bank	-	15,906	-	-	US$ 16,000
	$ 173,028	$ 150,481	$ 170,573		

The above credit lines may be used on a revolving basis.

Under the Group's factoring agreements, losses from commercial disputes (such as sales returns or allowances) were borne by the Group, while losses from the credit risks were borne by the banks. As of March 31, 2017, December 31, 2016 and March 31, 2016, the Group had issued promissory notes consisting of checks for US$18,000 thousand, US$18,000 thousand and US$33,000 thousand as collateral to the banks, respectively.

c. Other receivables

Other receivables are tax refund receivables and trade receivables factoring with reserve. Due to historical experience shows that the majority of other receivables are recoverable and after considering past default experience and current financial condition of customers, there is no need to recognize the allowance for impairment loss for other receivables.

10. INVENTORIES

	March 31, 2017	December 31, 2016	March 31, 2016
Finished goods	$ 308,114	$ 322,781	$ 314,474
Work in progress	597,771	679,475	918,706
Raw materials and supplies	126,786	139,573	126,844
	$ 1,032,671	$ 1,141,829	$ 1,360,024

For the three months ended March 31, 2017 and 2016, the cost of goods sold included reversal of inventory write-downs were $124 thousand and $18 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Investee's Company Type/Main Business	% of Ownership March 31, 2017	% of Ownership December 31, 2016	% of Ownership March 31, 2016	Remark
U.D. Electronic Corp.	Global Connection (Samoa) Holding Inc.	Holding company	100	100	100	Foreign exchange risk is the major operational risk
U.D. Electronic Corp.	CDE Corp.	Manufacturing and selling of electronic materials	50	50	50	Market risk is the major operational risk
Global Connection (Samoa) Holding Inc.	Sunderland Inc.	Holding company	100	100	100	Foreign exchange risk is the major operational risk
Global Connection (Samoa) Holding Inc.	San Francisco Inc.	Holding company	100	100	100	Foreign exchange risk is the major operational risk
Global Connection (Samoa) Holding Inc.	All First International Co., Ltd.	International trading	100	100	100	Foreign exchange and market risks are major operational risks
Global Connection (Samoa) Holding Inc.	Ta Yang UDE Limited	Holding company	55	55	-	Foreign exchange risk is the major operational risk (Note 1)
Sunderland Inc.	Dongguan Jian Guan P.E. Co, Ltd.	Manufacturing and selling of electronic components	100	100	100	Political, foreign exchange, and market risks are major operational risks
Sunderland Inc.	Dongguan U.D.E. Electronics Corp.	Researching and selling of electronic components	100	100	-	Political, foreign exchange, and market risks are major operational risks (Note 2)
San Francisco Inc.	Zhong Jiang U.D.E. Electronics Corp.	Manufacturing and selling of electronic components	100	100	100	Political, foreign exchange, and market risks are major operational risks
Zhong Jiang U.D.E. Electronics Corp.	Zhong Jiang U.D.E. Networking Electronics Corp.	Selling of electronic components	100	100	100	Political, foreign exchange, and market risks are major operational risks
Ta Yang UDE Limited	Dongguan TY U.D.E. Precision Co., Ltd.	Manufacturing and sale of electronic components	100	100	-	Political, foreign exchange, and market risks are major operational risks (Note 3)

Note 1: The subsidiary was acquired in April 2016.

Note 2: The subsidiary was established in October 2016.

Note 3: The subsidiary was established in April 2016.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Mold Equipment	Leasehold Improvements	Other Equipment	Property under Construction	Total
Cost										
Balance at January 1, 2016	$ 159,163	$ 87,458	$ 875,684	$ 23,013	$ 15,345	$ 307,431	$ 107,997	$ 92,883	$ 83,556	$1,752,530
Additions	190	-	6,943	-	-	2,128	1,049	246	80,635	91,191
Disposals	-	-	(7,469)	-	(172)	(2,211)	(170)	-	-	(10,022)
Effect of exchange rate changes	-	(1,275)	(11,628)	(334)	(167)	(4,767)	(1,560)	(1,537)	(2,443)	(23,711)
Other - transfer from prepayments	-	-	3,035	-	9,297	15,587	-	9,683	-	37,602
Balance at March 31, 2016	$ 159,353	$ 86,183	$ 866,565	$ 22,679	$ 24,303	$ 318,168	$ 107,316	$ 101,275	$ 161,748	$1,847,590
Accumulated depreciation										
Balance at January 1, 2016	$ -	$ 5,464	$ 433,899	$ 16,060	$ 10,450	$ 203,238	$ 77,474	$ 34,911	$ -	$ 781,496
Disposals	-	-	(4,870)	-	(172)	(1,440)	(170)	-	-	(6,652)
Depreciation	-	1,829	27,314	862	884	13,391	3,935	5,998	-	54,213
Effect of exchange rate changes	-	(113)	(6,289)	(251)	(120)	(3,184)	(1,187)	(619)	-	(11,763)
Balance at March 31, 2016	$ -	$ 7,180	$ 450,054	$ 16,671	$ 11,042	$ 212,005	$ 80,052	$ 40,290	$ -	$ 817,294
Carrying amounts at December 31, 2015 and January 1, 2016	$ 159,163	$ 81,994	$ 441,785	$ 6,953	$ 4,895	$ 104,193	$ 30,523	$ 57,972	$ 83,556	$ 971,034
Carrying amounts at March 31, 2016	$ 159,353	$ 79,003	$ 416,511	$ 6,008	$ 13,261	$ 106,163	$ 27,264	$ 60,985	$ 161,748	$1,030,296
Cost										
Balance at January 1, 2017	$ 159,538	$ 91,441	$ 858,167	$ 21,054	$ 19,713	$ 283,947	$ 48,255	$ 151,897	$ 235,968	$1,869,980
Additions	-	-	40,040	-	1	7,593	-	1,031	7,858	56,523
Disposals	-	-	(28,600)	-	(614)	(55,648)	(336)	(1,312)	-	(86,510)
Reclassification	-	3,686	-	-	-	-	(285)	285	(3,686)	-
Effect of exchange rate changes	-	(5,072)	(42,322)	(1,147)	(501)	(14,298)	(2,678)	(8,265)	(6,790)	(81,073)
Other - transfer from prepayments (transfer to prepayments)	-	-	43,196	-	96	5,305	2,917	1,077	(25,909)	26,682
Balance at March 31, 2017	$ 159,538	$ 90,055	$ 870,481	$ 19,907	$ 18,695	$ 226,899	$ 47,873	$ 144,713	$ 207,441	$1,785,602

(Continued)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Mold Equipment	Leasehold Improvements	Other Equipment	Property under Construction	Total
Accumulated depreciation										
Balance at January 1, 2017	$ -	$ 11,728	$ 472,231	$ 16,859	$ 10,121	$ 195,678	$ 46,754	$ 89,968	$ -	$ 843,339
Disposals	-	-	(20,778)	-	(546)	(49,261)	(336)	(1,231)	-	(72,152)
Reclassification	-	-	-	-	-	-	(232)	232	-	-
Depreciation	-	1,792	27,110	586	968	12,574	967	7,486	-	51,483
Effect of exchange rate changes	-	(685)	(23,988)	(932)	(402)	(9,660)	(2,548)	(5,057)	-	(43,272)
Balance at March 31, 2017	$ 159.538	$ 12,835	$ 454,575	$ 16,513	$ 10,141	$ 149,331	$ 44,605	$ 91,398	$ -	$ 779,398
Carrying amounts at December 31, 2016 and January 1, 2017	$ 159,538	$ 79,713	$ 385,936	$ 4,195	$ 9,592	$ 88,269	$ 1,501	$ 61,929	$ 235,968	$1,026,641
Carrying amounts at March 31, 2017	$ 159,538	$ 77,220	$ 415,906	$ 3,394	$ 8,554	$ 77,568	$ 3,268	$ 53,315	$ 207,441	$1,006,204

(Concluded)

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

Buildings	12-20 years
Machinery and equipment	1-10 years
Transportation equipment	4-6 years
Office equipment	3-5 years
Mold equipment	2-4 years
Leasehold improvements	2-3 years
Other equipment	3-8 years

13. GOODWILL

	For the Three Months Ended March 31	
	2017	**2016**
Cost		
Balance, beginning of period	$ 6,103	$ 6,103
Additions	-	-
Balance, end of period	$ 6,103	$ 6,103
Accumulated impairment losses		
Balance, beginning of period	$ -	$ -
Impairment losses recognized in the period	-	-
Balance, end of period	$ -	$ -
Carrying amounts, beginning of period	$ 6,103	$ 6,103
Carrying amounts, end of period	$ 6,103	$ 6,103

In February 2013, the Company acquired 50% equity in CDE Corp. 5,000 thousand ordinary shares, with par value of NT$10, for an increase in this associate’s paid-in capital to $50,000 thousand. The value of goodwill was recognized when the cost of acquisition is higher than the net fair value of the identifiable assets and liabilities recognized at the date of acquisition. As of March 31, 2017, the present value of future cash flows of CDE Corp. exceeded carrying amounts, so the Company did not identify any impairment of the goodwill.

14. OTHER INTANGIBLE ASSET

	Computer Software
Cost	
Balance at January 1, 2016	$ 42,403
Additions	5,131
Disposals	(672)
Effect of exchange rate changes	(475)
Balance at March 31, 2016	$ 46,387
Accumulated amortization and impairment	
Balance at January 1, 2016	$ (35,808)
Amortization expenses	(1,934)
Disposals	672
Effect of exchange rate changes	442
Balance at March 31, 2016	$ (36,628)
Carrying amounts at March 31, 2016	$ 9,759
Cost	
Balance at January 1, 2017	$ 33,900
Additions	814
Disposals	(806)
Effect of exchange rate changes	(1,285)
Balance at March 31, 2017	$ 32,623
Accumulated amortization and impairment	
Balance at January 1, 2017	$ (24,692)
Amortization expenses	(1,862)
Disposals	806
Effect of exchange rate changes	1,074
Balance at March 31, 2017	$ (24,674)
Carrying amounts at December 31, 2016 and January 1, 2017	$ 9,208
Carrying amounts at March 31, 2017	$ 7,949

The above intangible asset, computer software with a definite useful life, was depreciated on a straight-line basis over its estimated useful life of one to three years.

15. PREPAYMENTS FOR LEASE

	March 31, 2017	December 31, 2016	March 31, 2016
Current asset (included in other current assets)	$ 1,369	$ 1,448	$ 1,551
Non-current asset	58,834	62,579	68,216
	$ 60,203	$ 64,027	$ 69,767

As of March 31, 2017, December 31, 2016 and March 31, 2016, the carrying amounts of the land use right located in Mainland China are $60,203 thousand, $64,027 thousand and $69,767 thousand, respectively. Moreover, the Group has obtained the certificates of the right.

16. OTHER ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Current			
Prepayments	$ 87,183	$ 69,518	$ 48,820
Input tax	11,364	41,825	28,855
Overpaid tax	48,022	67,142	40,540
Other financial assets - current (Note 30)	3,608	100	100
Others	851	4,308	2,915
	$ 151,028	$ 182,893	$ 121,230
Non-current			
Prepayments for equipment (Note 29)	$ 190,198	$ 196,374	$ 96,187
Refundable deposits	12,391	13,485	14,562
Deferred expense - non-current	106,223	113,142	100,568
	$ 308,812	$ 323,001	$ 211,317

17. BORROWINGS

a. Short-term borrowings

	March 31, 2017	December 31, 2016	March 31, 2016
Bank loans - Line of credit borrowings	$ 979,435	$ 836,625	$ 741,675

The range of the weighted average effective interest rates for bank loans was 0.98%-1.8%, 0.63%-2.03% and 0.63%-2.025% per annum as of March 31, 2017, December 31, 2016 and March 31, 2016, respectively.

b. Long-term borrowings

	March 31, 2017	December 31, 2016	March 31, 2016
Secured borrowings			
Bank loans	$ 50,000	$ -	$ -
Less: Current portions	-	-	-
Long-term borrowings	$ 50,000	$ -	$ -

The Group acquired bank borrowing facilities in the amount of $1,400,000 thousand secured by the Group's freehold land (see Note 30) and will be repayable in September 30, 2021.

For the three months ended March 31, 2017, the Group used $50,000 thousand of its long-term borrowings facilities, the effective interest rate was 1.7895%. The Group pays interests every month but the amortization of principal will be began on September 30, 2019. The Group will pay the first of the 5 semi-annual instalments for interests and principal after September 30, 2019.

18. BONDS PAYABLE

The Company redeemed convertible bonds with par value of $17,200 thousand in February 2016. Because of exercised the right of redemption, capital surplus - option decreased by $781 thousand, and the discount on bonds payable decreased by $164 thousand. The amortization of discount on bonds payable classified under interest expense was $21 thousand.

19. TRADE PAYABLES

	March 31, 2017	December 31, 2016	March 31, 2016
Trade payables			
Operating	$ 370,186	$ 461,403	$ 418,597

20. OTHER LIABILITIES

	March 31, 2017	December 31, 2016	March 31, 2016
Current			
Other payables			
Processing fee	$ 171,617	$ 123,881	$ 125,730
Salaries and bonus	115,949	120,658	131,895
Payable for purchase of equipment (Note 26)	105,270	49,885	39,719
Social security payments (Mainland China)	32,368	33,929	37,260
Commissions	10,469	11,841	16,773
Import/export (customs) expense	3,973	7,092	3,800
Others	78,500	201,166	52,653
	$ 518,146	$ 548,452	$ 407,830

(Continued)

	March 31, 2017	December 31, 2016	March 31, 2016
Other liabilities			
Receipts in advance	$ 1,940	$ 1,319	$ 7,429
Others	11,658	11,670	18,477
	$ 13,598	$ 12,989	$ 25,906

Non-current

	March 31, 2017	December 31, 2016	March 31, 2016
Other liabilities			
Guarantee deposits received	$ 608	$ 4,910	$ 4,913

21. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Company and CDE Corp. have a pension plan under the Labor Pension Act (LPA), a state-managed defined contribution plan. Under the LPA, the Company and CDE Corp. make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The employees of the Group in China are members of state-managed retirement benefit plans operated by the government of China. The subsidiaries in China are required to contribute amounts calculated at a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

22. EQUITY

a. Share capital

Ordinary shares

	March 31, 2017	December 31, 2016	March 31, 2016
Number of shares authorized (in thousands)	100,000	100,000	100,000
Share capital authorized	$ 1,000,000	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	69,676	69,676	69,676
Share capital issued	$ 696,758	$ 696,758	$ 696,758

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

b. Capital surplus

	March 31, 2017	December 31, 2016	March 31, 2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Arising from issuance of common shares	$ 568,037	$ 568,037	$ 568,037
Arising from conversion of bonds	152,962	152,962	152,962
May be used to offset a deficit only			
Repayment of convertible bonds (2)	5,552	5,552	5,552
	$ 726,551	$ 726,551	$ 726,551

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

2) Repayment of convertible bonds may only be utilized to offset deficits.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 16, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation, please refer to employee benefits expense in Note 23,e.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.

The Company's dividend policy will consider its operating environment, the sufficiency of its cash for future expansion, its long-term financial plan and the shareholders' cash flow requirements in determining the stock or cash dividends to be paid. For a steady profitability, a healthy financial structure, and the stability of earnings per share, the Company stipulated a dividend policy that at least 10% of income after tax may be distributed as cash dividends or stock dividends, and cash dividends should not be lower than 10% of total bonus to shareholders.

Under Article 237 of Company Law, a company should appropriate 10% of net income to legal reserve. Legal reserve should be appropriated until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 issued by the Financial Supervisory Commission and the directive entitled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," the Company should appropriate or reverse a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company. The dividends which ROC resident shareholders received have a half tax credit then the original after January 1, 2015.

The appropriations of earnings for 2016 and 2015 having been proposed by the board of directors on March 9, 2017 and May 4, 2017 and approved by the shareholders' meetings on June 16, 2016, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	Year Ended December 31		Year Ended December 31	
	2016	2015	2016	2015
Legal reserve	$ 19,021	$ 17,562	$ -	$ -
Special reserve	76,690	-	-	-
Cash dividends	111,481	104,514	1.6	1.5

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held on June 15, 2017.

d. Others equity items

Exchange differences on translating the financial statements of foreign operations

	For the Three Months Ended March 31	
	2017	2016
Balance, beginning of period	$ (87,468)	$ 50,262
Exchange differences arising on translating the financial statements of foreign operations	(129,760)	(35,910)
Income tax related to gains arising on translating the financial statements of foreign operations	22,059	6,105
Balance, end of period	$ (195,169)	$ 20,457

e. Non-controlling interests

	For the Three Months Ended March 31	
	2017	2016
Balance, beginning of period	$ 23,137	$ 23,118
Attributable to non-controlling interests:		
Share of losses for the period	(4,170)	(2,066)
Non-controlling interest arising from acquisition of subsidiaries	6,230	-
Exchange differences arising on translating the financial statements of foreign operations	(571)	-
Balance, end of period	$ 24,626	$ 21,052

23. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Three Months Ended March 31	
	2017	**2016**
Interest income		
Bank deposits	$ 1,239	$ 282
Others	4,634	10,958
	$ 5,873	$ 11,240

b. Other gains and losses

	For the Three Months Ended March 31	
	2017	**2016**
Loss on disposal of property, plant and equipment	$ (247)	$ (10)
Net gain arising on financial assets designated as at FVTPL	148	-
Net foreign exchange gain	4,628	13,398
Others	(519)	(178)
	$ 4,010	$ 13,210

c. Finance costs

	For the Three Months Ended March 31	
	2017	**2016**
Interest on bank loans	$ 4,064	$ 2,582
Interest on convertible bonds	-	21
	$ 4,064	$ 2,603

d. Depreciation and amortization

	For the Three Months Ended March 31	
	2017	**2016**
Property, plant and equipment	$ 51,483	$ 54,213
Intangible assets	1,862	1,934
	$ 53,345	$ 56,147

(Continued)

	For the Three Months Ended March 31	
	2017	2016
An analysis of deprecation by function		
Operating costs	$ 41,532	$ 43,612
Operating expenses	9,951	10,601
	$ 51,483	$ 54,213
An analysis of amortization by function		
Selling expenses	274	266
Administrative expenses	1,282	1,484
Research and development expense	306	184
	$ 1,862	$ 1,934

(Concluded)

e. Employee benefits expense

	For the Three Months Ended March 31	
	2017	2016
Post-employment benefits (Note 21)		
Defined contribution plans	$ 9,160	$ 13,419
Other employee benefits	213,014	268,645
Total employee benefits expense	$ 222,174	$ 282,064
An analysis of employee benefits expense by function		
Operating costs	$ 144,527	$ 190,475
Operating expenses	77,647	91,589
	$ 222,174	$ 282,064

For the three months ended March 31, 2017 and 2016, the number of the Group’s employees is 3,197 and 4,153.

In compliance with the Company Act as amended in May 2015, the shareholders’ meeting in June 2016 resolved the amendments to the Company’s Articles; the amendments stipulate distribution of employees’ compensation and remuneration to directors and supervisors at the rates 3%-15% and no higher than 3%, respectively, of net profit before income tax, employees’ compensation, and remuneration to directors and supervisors. For the three months ended March 31, 2017 and 2016 the employees compensation and remuneration to directors and supervisors were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2017	2016
	Cash	Cash
Employees’ compensation	9.36%	3.03%
Remuneration of directors and supervisors	2.81%	0.54%

Amount

	For the Three Months Ended March 31	
	2017	2016
Employees' compensation	$ 5,166	$ 732
Remuneration of directors and supervisors	$ 1,550	$ 130

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

The employees' compensation and remuneration of directors and supervisors of 2016 and 2015 approved by the Board of Director on March 9, 2017 and shareholders' meeting in June 16, 2016, respectively, were as follows. The employees' compensation and remuneration of directors and supervisors of 2016 will be reported to the stockholders' meeting planned to be held on June 15, 2017.

	For the Year Ended December 31	
	2016	2015
	Cash	Cash
Employees' compensation	$ 17,000	$ 16,000
Remuneration of directors and supervisors	5,100	4,800

There was no difference between the amounts of the employees' compensation and the remuneration to directors and supervisors resolved by the board of directors on March 9, 2017 and in the shareholders' meetings on June 16, 2016, and the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2017	2016
Foreign exchange gains	$ 50,432	$ 20,905
Foreign exchange losses	(45,804)	(7,507)
	$ 4,628	$ 13,398

24. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2017	2016
Current tax		
Current period	$ 1,959	$ 8,425
Prior periods	(327)	-
Income tax expense of unappropriated earnings	-	5,354
	1,632	13,779
Deferred tax		
Current period	(903)	2,812
Income tax expense recognized in profit or loss	$ 729	$ 16,591

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2017	2016
Current tax	$ -	$ -
Deferred tax		
In respect of the current period:		
Translation of foreign operations	(22,059)	(6,105)
Total income tax recognized in other comprehensive income	$ (22,059)	$ (6,105)

c. Integrated income tax

	March 31, 2017	December 31, 2016	March 31, 2016
Unappropriated earnings			
Generated on and after January 1, 1998	$ 1,037,480	$ 988,245	$ 931,971
Shareholder - imputated credits accounts	$ 189,263	$ 189,263	$ 189,929

	For the Year Ended December 31	
	2016 (Expected)	2015 (Actual)
Creditable ratio for distribution of earnings	19.59%	21.10%

d. Income tax assessments

The Company’s tax returns through 2015 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended March 31	
	2017	**2016**
Basic earnings per share	$ 0.71	$ 0.17
Diluted earnings per share	$ 0.70	$ 0.17

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

Net Profit for the Period

	For the Three Months Ended March 31	
	2017	**2016**
Profit for the period attributable to owners of the Company	$ 49,235	$ 11,862
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	18
Earnings used in the computation of diluted earnings per share	$ 49,235	$ 11,880

Shares

Unit: Thousand Shares

	For the Three Months Ended March 31	
	2017	**2016**
Weighted average number of ordinary shares in computation of basic earnings per share	69,676	69,676
Effect of potentially dilutive ordinary shares:		
Employee compensation	602	460
Convertible bonds	-	140
Weighted average number of ordinary shares used in the computation of diluted earnings per share	70,278	70,276

If the Group offers to settle compensation paid to employees in cash or shares, the Group will assume the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. NON-CASH TRANSACTIONS

For the three months ended March 31, 2017 and 2016, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

As of March 31, 2017, December 31, 2016 and March 31, 2016, the amounts unpaid for acquiring property, plant and equipment were $105,270 thousand, $49,885 thousand and $39,719 thousand, respectively, which were included in other payables.

27. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Operating leases relate to lease of plants and business premises with lease terms between 3 to 10 years.

The future minimum lease payments for non-cancelable operating lease commitments were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Less than 1 year	$ 17,955	$ 17,235	$ 22,206
More than 1 year but not more than 5 years	70,344	68,341	97,017
More than 5 years	9,655	12,529	11,766
	$ 97,954	$ 98,105	$ 130,989

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	March 31, 2017	December 31, 2016	March 31, 2016
Financial assets			
Loans and receivables (1)	$ 1,791,495	$ 1,624,138	$ 1,370,425
Fair value through profit or loss (FVTPL)			
Derivative financial assets - forward exchange contracts	155	-	-
Available-for-sale financial assets (3)	92,796	92,796	92,796
Financial liabilities			
Amortized cost (2)	1,770,058	1,699,452	1,403,860

1) The balances included cash and cash equivalents, notes receivable, trade (including receivables from related parties) and other receivables (excluding tax refund receivable), other financial assets and refundable deposits.

2) The balances included short-term loans, trade (including payables from related parties) and other payables (except salaries, bonuses and social security), long-term loans and guarantee deposit received.

3) The balances included financial assets measured at cost.

b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets (liabilities) at fair value through profit or loss, notes receivable, trade receivables, financial assets measured at cost, trade payables and borrowings.

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

1) Market risk

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

a) Foreign currency risk

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group assesses the net risk position of non-functional currency sales and purchases periodically and adjusts its non-functional cash position on the basis of its assessment.

Please reference Note 32 for both monetary assets and monetary liabilities held by the Group in non-functional currencies (including both monetary assets and monetary liabilities which were offset in the consolidated financial statements).

Sensitivity analysis

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

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

	U.S. Dollar Impact		**RMB Impact**	
	For the Three Months Ended March 31		**For the Three Months Ended March 31**	
	2017	**2016**	**2017**	**2016**
Profit or loss*	$ (593)	$ (179)	$ (1,364)	$ (3,033)

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

b) Interest rate risk

The Group was exposed to interest rate risk related to its deposits in banks and bank loans at both fixed and floating interest rates.

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

	March 31, 2017	December 31, 2016	March 31, 2016
Fair value interest rate risk			
Financial assets	$ 400,552	$ 21,497	$ 15,057
Financial liabilities	-	-	4,620
Cash flow interest rate risk			
Financial assets	267,341	337,193	248,388
Financial liabilities	1,029,435	836,625	737,055

Sensitivity analysis

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

Had interest rates been 1% higher/lower and all other variables held constant, the Group's pretax profits for the three months ended March 31, 2017 and 2016 would have decreased by $1,905 thousand and $1,222 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings and bank deposits.

2) Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group continues to monitor its credit exposure and the credit ratings of its counterparties. Credit exposure is controlled by setting a counterparty credit limit, which is approved and periodically reviewed by the risk management committee.

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

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

3) Liquidity risk

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

For the Group, bank loan is an important resource of liquidity. Please refer to below section (c) to see more information about unused amount of financing facilities at March 31, 2017, December 31, 2016 and March 31, 2016.

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

The following table shows the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up on the basis of undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time bank regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates.

March 31, 2017

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years
Non-derivative financial liabilities				
Short-term borrowings	$ 702,905	$ 278,018	$ -	$ -
Long-term borrowings	75	149	671	53,487
Trade payables	151,917	218,269	-	-
Other payables	128,748	273,449	-	-
Guarantee deposit received	-	-	-	608
	$ 983,645	$ 769,885	$ 671	$ 54,095

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years
Non-derivative financial liabilities				
Short-term borrowings	$ 786,987	$ 50,020	$ -	$ -
Trade payables	171,183	292,869	-	-
Other payables	152,949	240,916	-	-
Bonds payable	-	-	-	-
Guarantee deposit received	-	-	-	4,910
	$ 1,111,119	$ 583,805	$ -	$ 4,910

March 31, 2016

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years
Non-derivative financial liabilities				
Short-term borrowings	$ 742,137	$ -	$ -	$ -
Trade payables	189,670	228,927	-	-
Other payables	120,750	155,185	-	-
Guarantee deposit received	-	-	-	4,913
	$ 1,052,557	$ 384,112	$ -	$ 4,913

The amounts included above for variable interest rate instruments for non-derivative financial liabilities was subject to change if actual changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table shows the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

March 31, 2017

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years
Gross settled				
Forward exchange contracts				
Inflows	$ 3,799	$ 5,569	$ -	$ -
Outflows	(3,751)	(5,462)	-	-
	$ 48	$ 107	$ -	$ -

c) Financing facilities

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured bank overdraft facility (reviewed annually)			
Amount used	$ 979,435	$ 836,625	$ 741,675
Amount unused	639,145	831,875	925,135
	$ 1,618,580	$ 1,668,500	$ 1,666,810
Secured bank overdraft facility			
Amount used	$ 50,000	$ -	$ -
Amount unused	1,350,000	1,400,000	-
	$ 1,400,000	$ 1,400,000	$ -

29. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and categories

Related Party Name	Related Party Categories
DY-Precision Industrial Co., Ltd.	Associates
Huzhou Tayang Electronic Technology Co., Ltd.	Associates
Dongguan Tai Yang Rubber Plastic Industrial Co., Ltd.	Associates

b. Sales of goods

		For the Three Months Ended March 31	
Line Items	Related Party Categories	2017	2016
Sales	Associates	$ 4,726	$ -

The selling prices to related parties were not comparable with those in the market. The selling prices and terms were based on contracts. The collection terms to related parties were open account 60 days. The collection terms to third parties were T/T or open account between 30 and 120 days.

c. Accounts receivable from related parties (excluding loans to related parties)

Line Items	Related Party Categories	March 31, 2017	December 31, 2016	March 31, 2016
Trade receivable from related parties	Associates	$ 3,548	$ 7,614	$ -

No guarantee for outstanding receivables from related parties had been collected. For the three months ended March 31, 2017, December 31, 2016 and March 31, 2016, there was also no allowance for doubtful accounts for these receivables.

d. Payables to related parties (excluding loans to related parties)

Line Items	Related Party Categories	March 31, 2017	December 31, 2016	March 31, 2016
Trade payables to related parities	Associates	$ -	$ 2,649	$ -

e. Prepayments

		For the Three Months Ended March 31	
Line Items	Related Party Categories	2017	2016
Prepayments for equipment	Prepayments for equipment	$ 22,670	$ 11,200

f. Compensation of key management personnel

	For the Three Months Ended March 31	
	2017	2016
Short-term employee benefits	$ 15,252	$ 15,685
Post-employment benefits	109	109
	$ 15,361	$ 15,794

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been provided as collateral for bank borrowings, sales tax of imported inventory and society insurance provident fund schemes of reserve account:

	March 31, 2017	December 31, 2016	March 31, 2016
Other financial assets - restricted time deposits	$ 3,608	$ 100	$ 100
Freehold land	159,538	-	-
	$ 163,146	$ 100	$ 100

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

Significant Commitments

Unrecognized commitments were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Acquisition of property, plant and equipment			
RMB	$ 6,380	$ 5,294	$ 10,130
NTD	$ 74,716	$ 63,362	$ 142,628

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

March 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 33,772	30.3300 (USD:NTD)	$ 1,024,289
USD	14,127	6.8993 (USD:RMB)	428,474
RMB	27,965	0.1449 (RMB:USD)	122,937
RMB	13,509	4.3961 (RMB:NTD)	59,386
Financial liabilities			
Monetary items			
USD	35,892	30.3300 (USD:NTD)	1,088,416
USD	10,058	6.8993 (USD:RMB)	305,048
RMB	10,451	0.1449 (RMB:USD)	45,943

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 37,953	32.2500 (USD:NTD)	$ 1,223,982
USD	22,830	6.9370 (USD:RMB)	736,276
RMB	27,880	0.1441 (RMB:USD)	129,614
RMB	13,779	4.6490 (RMB:NTD)	64,058
Financial liabilities			
Monetary items			
USD	40,479	32.2500 (USD:NTD)	1,305,436
USD	10,353	6.9370 (USD:RMB)	333,884
RMB	11,337	0.1441 (RMB:USD)	52,707

March 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 28,812	32.1850 (USD:NTD)	$ 927,326
USD	22,528	6.4612 (USD:RMB)	725,052
RMB	47,885	0.1547 (RMB:USD)	239,071
RMB	16,807	4.9813 (RMB:NTD)	83,178
Financial liabilities			
Monetary items			
USD	36,839	32.1850 (USD:NTD)	1,185,667
USD	13,946	6.4612 (USD:RMB)	448,857
RMB	3,805	0.1547 (RMB:USD)	18,953

For the three months ended March 31, 2017 and 2016, (realized and unrealized) net foreign exchange gains were $4,628 thousand and $13,398, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.